

# STATE OF CONNECTICUT



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

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

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

September 29, 2011

### **AUDITORS' REPORT DEPARTMENT OF SOCIAL SERVICES FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009**

We have made an examination of the financial records of the Department of Social Services (DSS) for the fiscal years ended June 30, 2008 and 2009. 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 DSS' compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating DSS' internal control policies and procedures established to ensure such compliance.

### **COMMENTS**

#### **FOREWORD:**

The Department of Social Services operates under the provisions of Title 17b of the General Statutes.

The mission of the DSS 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, DSS 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 Temporary Family Assistance (TFA) program, pursuant to Section 17b-112 of the Connecticut General Statutes, provides that DSS shall administer a TFA program under which cash assistance shall be provided to eligible families in accordance with the Temporary Assistance for Needy Families (TANF) program. As provided under Section 17b-112, the Commissioner of Social Services operates portions of the state's TFA program as a solely state-funded program, separate from the federal TANF, if the Commissioner determines that doing so will enable the state to avoid fiscal penalties under the TANF program.
- 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. This program funds a portion of the state's Child Care Subsidy program established under Section 17b-749 of the Connecticut General Statutes.
- 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.
- Programs for vocational rehabilitation services, pursuant to Title I of the Rehabilitation Act of 1973, provides a wide range of individualized services. These services are designed to increase the availability of, and access to, training and job placement opportunities for eligible persons with disabilities.
- The 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. This program funds a portion of the state's HUSKY B program established under Section 17b-292 of the Connecticut General Statutes.
- The Supplemental Nutrition Assistance 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 Child Support Enforcement program, pursuant to Title IV-D of the Social Security Act, locates absent parents, obtains child support orders and collects child support payments. Child support services are available to all children deprived of parental support regardless of income.
- The Social Services Block Grant program, 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 of Connecticut Supplemental Benefits Program, pursuant to Section 17b-104 of the Connecticut General Statutes, provides supplemental cash assistance to elderly, blind or disabled individuals. This program provides additional cash assistance to clients of the Supplemental Security Income program pursuant to Title XVI of the Social Security Act.
- The Connecticut Homecare Program for Elders, pursuant to Section 17b-342 of the Connecticut General Statutes and 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 Sections 17b-490 through 17b-519 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 Sections 17b-190 through 17b-219 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 Sections 17b-800 through 17b-849 of the Connecticut General Statutes, makes grants to develop and maintain programs for homeless individuals including programs for emergency shelter services, transitional housing services, onsite 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 Connecticut 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.
- Medicare Part D Supplemental Needs Fund, pursuant to Section 17b-265e of the Connecticut General Statutes, provides assistance to Medicare Part D beneficiaries who

are enrolled in the ConnPACE program or who have coverage for Medicare Part D drugs and is eligible for Medicaid, and whose medical needs require that they obtain nonformulary prescription drugs.

- Charter Oak Health Plan, pursuant to Section 17b-311 of the Connecticut General Statutes, provides access to health insurance coverage for state adults who have been uninsured for at least six months and who are ineligible for other publicly funded health insurance plans.

Michael P. Starkowski was appointed Commissioner on February 1, 2007, and continued to serve in that capacity during the audited period.

**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, and quality assurance.

**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.

**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. The commission is within the Legislative Branch 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 Advisory 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 1st, 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 DSS 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 DSS 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 DSS 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. The council shall be within DSS for administrative purposes only.

## **RÉSUMÉ OF OPERATIONS**

### **Introduction:**

The operations of DSS for the fiscal years ended June 30, 2008 and 2009, which were accounted for in the General Fund, five Special Revenue Funds, two Capital Projects Funds, and two Fiduciary Funds, are discussed below.

Receipts and expenditures or disbursements for DSS for the past three fiscal years are summarized below:

	<b>Fiscal Year 2006-2007</b>	<b>Fiscal Year 2007-2008</b>	<b>Fiscal Year 2008-2009</b>
<b>General Fund:</b>	\$	\$	\$
Total Receipts	<u>2,502,376,431</u>	<u>2,574,191,281</u>	<u>3,511,460,344</u>
Total Expenditures	<u>4,221,641,396</u>	<u>4,629,657,991</u>	<u>5,041,515,368</u>
<b>Special Revenue Funds:</b>			
Grants and Restricted Accounts Fund			
Total Receipts	<u>365,700,108</u>	<u>392,483,404</u>	<u>442,667,110</u>
Total Expenditures	<u>353,198,085</u>	<u>387,676,330</u>	<u>463,430,586</u>
Grants to Local Governments and Others Fund			
Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>4,493,253</u>	<u>7,680,793</u>	<u>6,742,922</u>
Child Care Facilities Fund			
Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>(7,802)</u>	<u>0</u>	<u>(11,257)</u>
Capital Equipment Purchase Fund			
Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>931,942</u>	<u>1,372,158</u>	<u>900,810</u>
<b>Capital Projects Funds:</b>			
Community Conservation and Development Fund			
Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>3,615,000</u>	<u>6,965,911</u>	<u>3,699,111</u>

Capital Improvements and Other  
Purposes Fund

Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>107,779</u>	<u>0</u>	<u>19,742</u>

**Fiduciary Funds:**

Social Services Support Fund:

Total Receipts	<u>47,680,129</u>	<u>37,496,115</u>	<u>39,021,326</u>
Total Disbursements	<u>47,714,627</u>	<u>37,618,153</u>	<u>38,014,391</u>

Funds Awaiting Distribution:

Total Receipts and Transfers	<u>46,635,018</u>	<u>21,391,845</u>	<u>69,736,870</u>
Refunds and Net Transfers	<u>44,723,525</u>	<u>21,130,032</u>	<u>71,409,290</u>

**General Fund - Receipts:**

DSS' General Fund receipts for the past three fiscal years are summarized below:

	<u>Fiscal Year 2006-2007</u>	<u>Fiscal Year 2007-2008</u>	<u>Fiscal Year 2008-2009</u>
	\$	\$	\$
Federal Contributions:			
Medical Assistance (See Note 1)	1,914,403,237	1,994,174,293	2,576,925,883
ARRA-Increased Medicaid FMAP	0	0	403,287,875
Dependent Children (See Note 2)	291,506,174	287,741,683	290,245,485
Department of Developmental Services - Intermediate Care Facilities (See Note 3)	82,567,698	66,734,843	0
Federal Administration (See Note 4)	116,571,641	123,264,487	140,342,385
Child Support Enforcement	35,915,873	32,656,916	26,717,619
Children Health Insurance Program	21,442,475	32,363,116	31,918,984
Total Federal Contributions	<u>2,462,407,098</u>	<u>2,536,935,338</u>	<u>3,469,438,231</u>
State Receipts:			
Recoveries	34,423,442	34,232,305	37,303,076
Miscellaneous Receipts	5,545,891	3,023,638	4,719,037
Total State Receipts	<u>39,969,333</u>	<u>37,255,943</u>	<u>42,022,113</u>
Total General Fund Receipts	<u>\$ 2,502,376,431</u>	<u>\$ 2,574,191,281</u>	<u>\$ 3,511,460,344</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 Developmental Services (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 programs.
- Note 3 These receipts represent reimbursement of costs for services related to the Medicaid program incurred by the Department of Developmental Services. During fiscal year ended June 30, 2009, DSS began depositing these receipts into the Medical Assistance account (see Note 1).
- Note 4 These receipts represent reimbursement of administrative costs incurred on behalf of administering Medicaid, Food Stamps, and the Children's Health Insurance Program.
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Total revenue and receipts increased by \$71,814,850 and \$937,269,063 during the fiscal years ended June 30, 2008 and 2009, respectively. The increase in fiscal year 2008-2009 was mainly attributable to an increase in the federal Medicaid financial participation rate as a result of the American Recovery and Reinvestment Act of 2009. In addition, there were increases to provider rates that resulted in an increase to expenditures and a subsequent increase to federal reimbursement. It should be noted that there is a delay between when the funds are expended and when federal reimbursement is received.

**General Fund - Expenditures:**

DSS' General Fund expenditures for the past three fiscal years are summarized below:

	<u>Fiscal Year 2006-2007</u>	<u>Fiscal Year 2007-2008</u>	<u>Fiscal Year 2008-2009</u>
	\$		
Budgeted Accounts:			
Personal Services	106,865,291	112,718,360	115,820,982
Contractual Services	101,460,497	103,674,878	112,553,944
Commodities	882,533	999,220	878,280
State Grants	4,012,433,075	4,419,192,649	4,812,262,162
Sundry Charges		(6,967,202)	0
Capital Outlay - Equipment	0	40,086	0
Total Expenditures	<u>\$ 4,221,641,396</u>	<u>\$ 4,629,657,991</u>	<u>\$ 5,041,515,368</u>

Total expenditures increased by \$408,016,595 and \$411,857,377 during the fiscal years ended June 30, 2008 and 2009, respectively. These changes resulted primarily from the significant increases in state grants during the fiscal years 2007-2008 and 2008-2009. The state grants are presented in the following analysis by the type of special appropriation for which they were expended.

	<b>Fiscal Year 2006-2007</b>	<b>Fiscal Year 2007-2008</b>	<b>Fiscal Year 2008-2009</b>
	\$	\$	\$
Medicaid	3,142,508,916	3,460,191,781	3,838,255,953
Disproportionate Share	195,010,000	195,210,000	191,210,000
Temporary Assistance to Families	112,377,937	110,961,707	112,605,456
Child Care Services	82,731,390	98,996,391	93,118,727
HUSKY B Program	30,936,105	33,422,397	34,819,846
General Assistance	162,549,571	183,032,301	200,362,128
Aid to the Disabled	54,055,427	57,524,595	58,941,606
Old Age Assistance	30,549,110	32,573,376	35,554,872
Child Day Care	10,618,475	13,587,793	15,881,098
Housing – Homeless	27,731,587	31,838,190	41,204,623
ConnPACE	20,466,404	31,954,039	31,464,032
Connecticut Home Care Program	49,574,894	57,860,912	69,105,615
Connecticut Children’s Medical Center	13,020,000	11,020,000	11,020,000
Medicare Part D Supplemental Needs	26,246,466	22,862,486	25,264,058
Other	54,056,793	78,156,681	53,454,148
Total State Aid Grants	<u>\$4,012,433,075</u>	<u>\$4,419,192,649</u>	<u>\$4,812,262,162</u>

Notes to above schedule:

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

The expenditures amounts made under Medicaid, Temporary Assistance to Families, Child Care Services, and HUSKY B do not include any payroll or other administrative costs allocated to the programs. In addition, expenditures incurred by other state agencies that are also claimed for federal reimbursement under the Medicaid and Temporary Assistance to Families programs are not included in the above amounts.

The reasons for the major changes in expenditures for the above programs during the fiscal year ended June 30, 2008, are presented as follows:

- Medicaid program expenditures increased by \$317,682,865. The increase in expenditures can be attributed primarily to increases in provider rates.
- The remaining fluctuations were the result of changes due to increases and decreases in client participation. There were no significant changes in the programs that caused these increases or decreases to occur.

The reasons for the major changes in expenditures for the above programs during the fiscal year ended June 30, 2009 are presented as follows:

- Medicaid program expenditures increased by \$378,064,172. The increase in expenditures can be attributed primarily to increases in provider rates.
- The remaining fluctuations were the result of changes due to increases and decreases in client participation. There were no significant changes in the programs that caused these increases or decreases to occur.

**Special Revenue Funds - Receipts:**

DSS' Special Revenue Funds receipts for the past three fiscal years are summarized below:

	<u>Fiscal Year 2006-2007</u>	<u>Fiscal Year 2007-2008</u>	<u>Fiscal Year 2008-2009</u>
	\$	\$	\$
Federal Contributions:			
Federal Aid, Restricted	347,151,992	371,870,573	418,239,298
Transfers from Other State Agencies	<u>14,043,997</u>	<u>15,000,000</u>	<u>17,361,592</u>
Total Federal Contributions	<u>361,195,989</u>	<u>386,870,573</u>	<u>435,600,890</u>
State Receipts:			
Restricted Contributions	3,231,535	3,350,523	5,735,158
Transfers from Other State Agencies	1,259,667	2,250,627	1,327,461
Miscellaneous	<u>12,917</u>	<u>11,681</u>	<u>3,601</u>
Total State Receipts	<u>4,504,119</u>	<u>5,612,831</u>	<u>7,066,220</u>
Total Special Revenue Fund Receipts	<u>\$ 365,700,108</u>	<u>\$ 392,483,404</u>	<u>\$ 442,667,110</u>

Total revenues and receipts increased \$26,783,296 and \$50,183,706 during the fiscal years ended June 30, 2008 and 2009, respectively. The fluctuations were primarily attributed to increases and decreases in expenditures as explained below.

**Special Revenue Funds - Expenditures:**

DSS' Special Revenue Funds expenditures for the past three fiscal years are summarized below:

	<u>Fiscal Year 2006-2007</u>	<u>Fiscal Year 2007-2008</u>	<u>Fiscal Year 2008-2009</u>
	\$	\$	\$
Expenditure Accounts:			
Personal Services	28,691,700	29,215,804	30,283,866
Contractual Services	13,479,375	21,202,786	19,175,049
Commodities	894,612	270,239	172,216
Revenue Refunds	87,399	44,292	570,061
Sundry Charges	(946)	21,662	22,900
Equipment	929,032	1,395,390	925,760
Capital Improvement	52,006	0	0
Overhead	4,748,284	4,095,387	6,260,099
State Grants	6,424,281	10,665,463	16,521,570
Federal Aid Grants	<u>303,309,735</u>	<u>329,818,258</u>	<u>397,131,540</u>
Total Expenditures	<u>\$ 358,615,478</u>	<u>\$ 396,729,281</u>	<u>\$ 471,063,061</u>

Total expenditures increased \$38,113,803 and \$74,333,780 during the fiscal year ended June 30, 2008 and 2009. The increase in fiscal year 2007-2008 was primarily attributed to increases in expenditures related to the federal Low-Income Home Energy Assistance program and the federal Section 8 Housing Choice Vouchers program and an increase in School Based Child Health Services claimed under the Medicaid program. The increase in fiscal year 2008-2009 was primarily attributed to increases in expenditures related to the Low-Income Home Energy Assistance program, Section 8 Housing Choice Vouchers program and ARRA funds received under the federal Child Care and Development Block Grant program. There was also an increase in state grants during fiscal year ended June 30, 2010, as a result of the newly implemented Charter Oak Health Plan program.

**Capital Projects Funds:**

Community Conservation and Development Fund grants-in-aid expenditures, which were made under various bond acts passed by the Legislature, totaled \$6,965,911 and \$3,699,111 for the fiscal years ended June 30, 2008 and 2009, respectively. During the fiscal year ended June 30, 2007, DSS expended \$3,615,000 from this fund. 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, DSS expended \$0 and \$19,742 during the fiscal years ended June 30, 2008 and 2009, respectively, from the Capital Improvement and Other Purpose Fund. During the fiscal year ended June 30, 2007, DSS expended \$107,779 from this fund. This fund was established to provide funds for DSS to establish procedures to be in compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

**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 withholding of state income tax refunds for delinquent support payors are also deposited in this fund. These receipts are deposited into 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. The disbursements 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, 2008 and 2009, totaled \$40,623 and \$1,047,559, respectively.

*Funds Awaiting Distribution:*

DSS 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 TANF case, up to a maximum of \$50 per month, be redirected to the TANF 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 TANF families from this account. DSS also used this fund to account for 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, 2008 and 2009 totaled \$2,297,882 and \$625,462, respectively.

**Other Funds and Accounts:**

*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 was assigned assets, DSS is required to release up to \$600 of the assigned funds for the direct payment by the DSS of any outstanding unpaid funeral or burial expenses. After making this payment, or if there are no outstanding unpaid funeral or burial expenses to be paid, DSS 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. DSS completed the disposition of cash assigned to the Commissioner of DSS in October 1997. However, as of February 1, 2010, DSS still has on hand 287 life insurance policies that have been assigned to the Commissioner valued at \$387,117.

*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 a 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 payments. From the 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 balances at June 30, 2008 and 2009 were \$139,828 and \$118,638, respectively.

*Conservator Account:*

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

DSS maintained a single checking account for the conservator program with computerized subsidiary records for each client's funds. In addition to cash balances of \$19,350 and \$27,763 at June 30, 2008 and 2009, respectively, the Conservator Account had investments in the State of Connecticut's Short-Term Investment Fund of \$88,661 and \$89,981 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 DSS' 12 Regional/Suboffices prepare a log of receipts. We selected a sample of 15 receipts from five of the 12 offices.

*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. The Treasurer is authorized to make exceptions to the limitations herein prescribed upon written application from the DSS head stating that compliance would be impracticable and giving the reasons therefore.

The State Treasurer has granted DSS a two business-day waiver for checks totaling \$1,000 or more that were originally received at the Regional/Suboffices. As a result, the DSS has 72 hours to deposit these checks into a state account.

*Condition:* During our testing, we noted that eight checks totaling \$55,663 were not deposited within the times required by the waiver obtained by the State Treasurer. We found that these checks were on hand between one and three days in excess of the allowed time.

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

*Cause:* DSS' procedures for handling cash receipts at the Regional/Suboffices prevent DSS from depositing the receipts in a timely manner. Specifically, DSS' Regional/Suboffices send their receipts to DSS' Central Office for depositing, which creates a delay in depositing the receipts to a depository designated by the State Treasurer of greater than the allowed time.

*Recommendation:* DSS should develop procedures to ensure that receipts are deposited in accordance with the waiver obtained from the State Treasurer, including the possibility of depositing to the Funds Awaiting Distribution Fund any monies received for which the disposition cannot be determined immediately. (See Recommendation 1.)

*Agency's Response:* "Periodically, the Division of Financial Management and Analysis issues a memo to Regional Office directors and staff indicating that all deposits must be forwarded to the DSS Central Office in a timely manner in order to meet the deposit deadlines. In addition, the memo requested that the Regional Offices review their procedures concerning receipts and make them available to the Division of Financial Management and Analysis and the Division of Quality Assurance. We will issue a follow-up memo to the Regional Offices and request they make all deposits in accordance with Department procedures and State Treasurer's regulations. We will also request they review their processes for the deposit of receipts and revise procedures accordingly."

**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 DSS' receivable records continued to disclose numerous delinquent accounts receivables as of June 30, 2009.

Medical receivables greater than one year old with no collection activity recorded in over one year totaled \$17,580,904 and were originally established as much as 28 years earlier.

Drug rebate receivables greater than one year old totaled \$5,070,813 and were originally established up to 10 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. However, DSS has made efforts during the audit period to actively pursue resolution by either collecting or writing off the old receivables.

*Recommendation:* DSS should continue its efforts to resolve the old receivable accounts. (See Recommendation 2.)

*Agency's Response:* "The Department revised procedures related to accounts receivables in order to satisfy the OPM policy for Uncollectible Accounts, dated May 28, 2008. The Department initiated a formal process of issuing letters to providers with account receivables in order to document three attempts to collect the outstanding receivable. After the third documented attempt to collect, the Department refers these cases to the Department of

Administrative Services, Delinquent Accounts Unit.

Most recently, the Department requested permission from the DSS Commissioner to write-off 34 outstanding receivables in the amount of \$3,952. These receivables were for amounts of \$1,000 or less, more than 3 years old and determined to be uncollectible. A second write-off package was submitted to the Office of Policy and Management requesting permission to write-off 3 outstanding receivables in the amount of \$1,941,386. These receivables were for amounts greater than \$1,000, more than 3 years old and determined to be uncollectible. The Department periodically submits account receivable write-off requests to the DSS Commissioner and OPM that meet the above criteria.”

**Payroll and Personnel:**

*Criteria:* Section 5-247-11 of the Connecticut State Regulations provides that an acceptable medical certificate, which must be on the form prescribed by the Commissioner of the Department of Administrative Services and signed by a licensed physician or other practitioner whose method of healing is recognized by the state, will be required of an employee by the appointing authority to substantiate a request for any absence consisting of more than five consecutive working days.

Section 5-248i of the Connecticut General Statutes provides that any employee of a state agency may be authorized to participate in a telecommuting or work-at-home assignment with the approval of the appointing authority and with the approval of the Commissioner of the Department of Administrative Services. Approval of such assignment may be granted only where it is determined to be cost-effective. Any assignment shall be on a temporary basis only, for a period not to exceed six months and may be extended as necessary.

*Condition:* DSS did not have medical certificates for six out of the ten employees reviewed who were on sick leave for more than five consecutive working days.

DSS has one telecommuting employee, for which the telecommuting program agreement has expired.

*Effect:* DSS does not have documentation to support the leave of absences as required by State Regulation 5-247-11.

The employee has continued to participate in the telecommuting program without the approval of the Department of Administrative Services in violation of state statutes.

*Cause:* DSS' procedures did not prevent these errors from occurring.

*Recommendation:* DSS should process personnel information in accordance with the state laws and regulations included under the State Personnel Act. (See Recommendation 3.)

*Agency's Response:* "The Department agrees with this recommendation and will take the necessary steps to improve compliance."

**Closed Cases – Improper Payments:**

*Background:* DSS contracts with two vendors to administer non emergency medical transportation for some recipients on the State of Connecticut Supplemental Benefits Program and Medicaid. The vendors receive a monthly capitated rate for each client regardless of whether the client is provided actual transportation. Under the State Supplemental Benefits Program, clients also receive monthly cash assistance.

DSS provided us with a monthly report of cases closed due to the death of recipients. We sampled clients listed on the June 2009 report to determine whether payments made after the death of the recipients were appropriate. This report had 686 names listed. Twenty-four of the names listed were clients of the State Supplemental Benefits Program.

*Criteria:* Section 1565.05 of DSS' Uniform Policy Manual sets forth the ending date of assistance due to non-financial factors, including the death of a client. The manual provides that, 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 benefit payment histories of recipients listed on the Closed Cases by Death of a Recipient report for June 2009 disclosed the following:

1. For eight out of the 20 State Supplemental Benefits Program recipients tested, we noted that monthly benefit payments totaling \$1,457 were issued after the their deaths. In all eight instances, receivables were not created so that the established procedures could be used to recoup the overpayments. There were excess payments made for one month in six cases and for two months in two cases.
2. In 20 out of 20 State Supplemental Benefits Program recipients tested,

we noted that transportation payments totaling \$680 were paid on behalf of recipients for services in the months following their deaths. DSS has not attempted to recover these overpayments. The number of improper monthly transportation payments consisted of excessive payments of three months in three cases, two months in four cases, and one month in 13 cases. The process for making capitated transportation payments under Medicaid is the same as the process used under the State Supplemental Benefits Program. However, it should be noted that a capitated rate would only be paid on behalf of some of the Medicaid clients listed on the June 2009 report.

*Effect:* Improper payments totaling \$2,137 were made for which DSS made no attempt to recover.

*Cause:* For the improper monthly benefit payments, procedures were not followed to establish receivables in DSS' computer system for these overpayments. For the improper transportation payments, DSS has not yet developed a process to recoup transportation payments that are made after the death of a recipient.

*Recommendation:* DSS should improve its procedures relative to cases closed due to death to ensure the discontinuance of benefit and transportation payments or the recovery of those payments issued after death. (See Recommendation 4.)

*Agency's Response:* "We generally agree with the findings and recommendation. It should be noted that in 4 of the 20 cases reviewed, benefits issued after death of the client were subsequently wholly or partially expunged from these clients' EBT accounts. In one case, benefit checks issued after the death of the client were not cashed and became stale dated."

*Auditors' Concluding*

*Comments:* In the four cases, the EBT accounts were expunged one year after the funds were deposited into the account. The computer system is programmed to expunge unused funds in the EBT accounts one year after the funds were provided.

**Equipment Inventory:**

*Background:* Our prior audit disclosed deficiencies related to DSS' inventory records and the Fixed Assets/Property Inventory Report/GAAP Reporting Form (CO-59) submitted for the fiscal year ended June 30, 2007. Our review of the CO-59 submitted for the fiscal year ended June 30, 2009 continued to disclose inventory deficiencies.

*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 1st, 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 State of Connecticut Property Control Manual provides guidance on standards and procedures for maintaining a property control system.

*Condition:*

Our review of DSS' inventory revealed the following:

- The expenditures coded as equipment in the state's accounting system for the fiscal years ended June 30, 2008 and 2009, totaled \$1,435,704 and \$889,670, respectively. However, total additions reported on the CO-59 for the fiscal years ended June 30, 2008 and 2009 were \$1,792,219 and \$534,053, respectively.
- Two assets totaling \$1,184 and 373 assets totaling \$332,268 with individual balances of less than \$1,000 were improperly recorded on the CO-59 for the fiscal years ended June 30, 2008 and 2009, respectively. Per the Property Control Manual, an asset with a value in excess of \$1,000 should be capitalized and reported on the CO-59.
- One item (\$12,512) out of the 25 new purchases tested was not properly tagged and included on the inventory listing.
- We randomly selected 40 items from the inventory listing and noted that ten items were in different locations than indicated in the records.
- We randomly selected 40 items located on DSS' premises to determine whether the items were properly recorded on the listing. Our review disclosed that the locations of five items were not properly recorded on the listing.

*Effect:*

DSS does not have adequate control measures in place to safeguard its inventory. The figures reported on the CO-59 for the fiscal year ended June 30, 2009, were unsubstantiated and are an inaccurate assessment of the DSS' equipment inventory.

*Cause:*

DSS did not have adequate procedures to maintain inventory records.

*Recommendation:*

DSS should improve controls over its equipment inventory. (See Recommendation 5.)

*Agency's Response:*

"The Department agrees with this finding and recommendation and will take the necessary steps to improve inventory controls."

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

*Background:* Our prior audit disclosed deficiencies related to the processing of expenditures by DSS during the fiscal year ended June 30, 2007. Our review of expenditures paid during the fiscal years ended June 30, 2008 and 2009 continued to disclose deficiencies in processing expenditures.

*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 86 and 126 transactions that were expended during the fiscal years ended June 30, 2008 and 2009, respectively. Our review disclosed five and one transactions, respectively, in which a purchase order was not prepared prior to the start of the services being rendered. Our review also disclosed two and nine contracts, respectively, that were signed after the start of the contract service periods.

*Effect:* DSS 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:* DSS should process expenditures in accordance with state laws and regulations and the State Accounting Manual. (See Recommendation 6.)

*Agency's Response:* "The Department agrees with these findings and recommendation and will evaluate current processes to insure compliance with State laws and regulations."

**Financial Reporting:**

*Background:* In conjunction with our audits of the state's Comprehensive Annual Financial Reports (CAFR) for the fiscal years ended June 30, 2008 and 2009, we reviewed DSS' 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 is instrumental in producing a fairly stated CAFR and SEFA. Reports should be complete, accurate and in compliance with the State Comptroller's requirements as set forth in the State Accounting Manual and other instructions.

- Condition:* Our review of the DSS' GAAP package and the SEFA for the fiscal years ended June 30, 2008 and 2009, disclosed various financial exceptions that would have had a significant impact to the amounts reported by the State Comptroller.
- Effect:* These conditions, if not corrected, 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:* DSS 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 7.)
- Agency's Response:* "We concur with the audit findings in regard to changes in our GAAP filing. In regard to the findings on the SEFA reports, we concur and the changes have been provided as an attachment."

**Monitoring of Sub-recipients:**

- Background:* During the Statewide Single Audit for the fiscal years ended June 30, 2008 and 2009, we noted that DSS had control deficiencies related to monitoring sub-recipients who were provided with federal funds. These sub-recipients were also provided funds from state programs. The control deficiencies related to state funds are being reported below. In addition, we performed testing of sub-recipients who expended funds who were not part of the population of sub-recipients tested in conjunction with the Statewide Single Audit. DSS provided approximately \$190,000,000 in total state grants to sub-recipients during the fiscal years under review. By contract, grantees are required to maintain financial records and to report on their operations. Our review of the monitoring efforts made by DSS disclosed certain deficiencies.
- Criteria:* Section 7-396a of the Connecticut General Statutes requires state grants to be audited.
- Adequate internal control includes monitoring sub-recipients to ensure that expenditures and activities are in accordance with state laws and regulations. Independent audit reports of grantees that are received do not provide a sufficient monitoring tool.
- Condition:* In conjunction with the Statewide Single Audit for the fiscal years ended

June 30, 2008 and 2009, we tested 19 and 19 contracts, respectively, under which grantees received funds from DSS. Our review disclosed that financial audit reports were not on hand for one and eight, respectively, of the contracts tested and desk reviews were not performed for 14 and nine audit reports, respectively, that were on hand. We noted that some financial status, programmatic and statistical, or monitoring reports, required by the contracts, were not on file or were not submitted to DSS within the time allotted by the provisions of the contracts for four sub-recipients.

In conjunction with this departmental audit, we tested 10 sub-recipients who received state grants to determine whether adequate monitoring was performed. These ten sub-recipients were selected from a population of sub-recipients that was not part of the Statewide Single Audit. The contracts between DSS and grantees require that the performance of the grantee, and any applicable subcontractors, shall be reviewed and evaluated at least annually by DSS staff. Such reviews and evaluations may be performed by examination of documents and reports and site visits to funded facilities and program sites administered by the grantee, or by a combination of both. Our review disclosed that all the monitoring requirements allowed under the contracts were not performed for eight of the ten sub-recipients tested.

*Effect:* Without adequate monitoring of the DSS' grantees, errors and noncompliance could occur and not be detected in a timely manner.

*Cause:* DSS has not made the effective monitoring and audit of its grant awards a priority.

*Recommendation:* DSS should establish adequate procedures to obtain and review audit reports and to conduct ongoing monitoring of its grantees. (See Recommendation 8.)

*Agency Response:* “We agree with the findings and recommendation. The Department will increase its efforts to ensure that the program financial reports, statistical and narrative program reports are received and on file for each grant it issues. These reports are normally due within 30 days after the close of the quarter. Staff will send out an email to the grantee reminding them that the report is overdue. The Department’s longstanding policy is to withhold payment until each grantee is fully compliant. The corrective action to be taken is that the Department will not reimburse a contract until all reports are received.

In addition, the tracking and review of required audit report submissions has been improved.”

**State-Administered General Assistance – Client Eligibility:**

*Criteria:*

Section 17b-191 of the Connecticut General Statutes provides that no individual shall be eligible for cash assistance under the State-Administered General Assistance (SAGA) program if the individual is eligible for cash assistance under any other state or federal cash assistance program.

Section 17b-194 of the Connecticut General Statutes provides that, when making determinations concerning disabilities or impairments which are expected to last a period of six months or longer, such determinations are based on the recommendations made by a medical review team. DSS has contracted with a vendor for the purpose of determining the “disability” and/or “unemployability” status of individuals requesting SAGA cash benefits by reviewing medical packets.

Cooperation requirements under Section 8080.35 of DSS’ Uniform Policy Manual provide that applicants for, and recipients of, SAGA cash assistance must apply for, or cooperate in applying for, potential benefits from any source including Social Security Insurance, and other cash programs administered by DSS.

*Condition:*

We reviewed case files for 25 transactions totaling \$4,494 made under the SAGA program. This sample was selected from SAGA payments totaling \$313,510,720 made during fiscal years ended June 30, 2008 and 2009. Our review disclosed the following exceptions:

- Two instances in which the proper documentation in order to determine eligibility status was not on file at the time of the benefit payment.
- Six instances in which the client information included in the DSS’ Eligibility Management System (EMS) file or hard copy case supported that the clients did not apply for benefits from “other sources” prior to being deemed eligible for the SAGA program as required. These six clients did subsequently apply for benefits from “other sources.”
- One instance in which a client was denied potential benefits from “other sources” due to not providing “other sources” documentation to make a determination.
- One instance in which DSS determined that the client was fraudulently collecting SAGA cash benefits for the period of June 2007 through January 2008. The client moved to Florida in June 2007 and was still

collecting SAGA cash from Connecticut until January 2008. DSS discontinued the client's benefits as of January 2008. However, DSS did not recoup benefits for the period of June 2007 through December 2007 amounting to \$1,442. (\$206 per month for seven months)

*Effect:* The controls for assuring clients receiving SAGA do not provide reasonable assurance that the clients are eligible for the program.

*Cause:* The caseworkers did not review or obtain the proper information to determine client eligibility.

*Recommendation:* The DSS should verify and document that applicants have met the requirements of State-Administered General Assistance. (See Recommendation 9.)

*Agency Response:* "The Department agrees with the finding and recommendation."

### **Internal Audit:**

*Background:* During the late 1990s DSS had an internal audit unit of ten staff members. Since then there has been a gradual depletion in the staffing of the unit. In 2002 the internal audit unit consisted of four auditors. As of July 20, 2010, the internal audit unit has consisted of one auditor.

*Criteria* Internal audit is a control which functions by examining and evaluating the adequacy of current controls throughout the organization. An adequately designed internal audit function can measure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with laws and regulations.

Risk management identifies, analyzes, and responds to those risks that could potentially impact the organization's ability to realize its objectives. Internal auditing professional standards require the function to monitor and evaluate the effectiveness of an organization's risk management.

By providing unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, auditors help organizations achieve accountability and integrity, and improve operations.

*Condition:* The DSS Internal Audit Unit does not adequately monitor the efficiency of operations, the reliability of financial reporting and effectiveness of risk management:

- In the 2009 state fiscal year, DSS expended approximately 5.5 billion

dollars. A majority of DSS' expenditures, approximately 4.9 billion dollars, was processed through the agency's checking account. DSS' internal audit unit does not monitor the use of the checking account. The checking account is used to process the majority of the DSS' federal and state program payments made to clients and providers.

- The Internal Audit Unit does not audit the DSS' administrative functions. Areas such as rate setting, contract administration, monitoring of sub-recipients and accounts receivable are not monitored by the internal auditors of DSS. These functions have a direct relationship to the expenditures made by DSS.
- DSS conducts federally mandated reviews of the Supplemental Nutrition Assistance Program (7CFR275) and Medicaid Eligibility Quality Control Reviews (42CFR431.800). These mandated reviews do not capture a broad scope of DSS' overall operations. DSS administers numerous other programs where the client's eligibility for program services is determined through functions such as application screening and eligibility re-determinations. These eligibility functions have a heavy reliance on regional office personnel. Because of the heavy reliance on regional office personnel, the eligibility function is considered a high risk area. Other than the federally mandated reviews, the Internal Audit Unit does not conduct any programmatic audits of the controls concerning the eligibility of clients enrolled in DSS programs.

*Effect:* Without an adequately designed internal audit function, it is unlikely that DSS has the ability to identify improper, inefficient, illegal, fraudulent or abusive acts that have already transpired as well as the conditions that will allow these acts to continue without detection.

*Cause:* The Internal Audit Unit only has one employee. This employee is mainly compiling the Medicaid Eligibility Quality Control dollar values to determine the Title XIX Quality Control Error Rate, which is a federally required review. In addition to the Medicaid Eligibility Quality Control Reviews, the internal audit unit conducts reviews of the safeguarding of Internal Revenue Services information and accessibility of confidential information on DSS's Eligibility Management System.

*Recommendation:* DSS should implement a more balanced internal audit function. This implementation would increase management's view as to what is really happening inside DSS and help management look forward by identifying trends and bringing attention to emerging challenges. (See Recommendation 10.)

*Agency Response:* "The Department agrees with this finding and recommendation. The

Department will consider requesting additional staffing to address the matter.”

**Paid Leave of Absence:**

*Criteria:* Section 5-240-5a(f) of the Connecticut State Regulations states that an appointing authority may place an employee on leave of absence with pay for up to fifteen (15) days to permit investigation of alleged serious misconduct which could constitute just cause for dismissal under Regulations Section 5-240-1a(c). (Section 5-240-1a (c) provides the definition for “just cause” and lists examples of conduct that would be considered just cause for suspending, demoting, or dismissing an employee.) Such leave shall only be utilized if the employee’s presence at work could be harmful to the public, the welfare, health or safety of patients, inmates or state employees or state property. Following a decision to place the employee on such leave, the appointing authority shall provide written notice to the employee stating the reasons for the leave, effective date of the leave and the duration of the leave which shall not exceed fifteen (15) days.

Section 5-240-5a(i) of the Connecticut State Regulations states that the appointing authority shall immediately report placement of an employee on leave of absence under this section to the Commissioner of the Department of Administrative Services by sending a copy of the notice given to the employee.

*Condition:* Our review disclosed that five employees were placed on paid administrative leave during calendar year 2007 under Section 5-240-5a (f) of the State Regulations and remained on leave for a period in excess of 15 days. The salary paid to these five employees and related incurred fringe benefits totaled \$73,457 and \$39,242, respectively. These costs totaling \$112,699 were incurred during calendar year 2007 and part of calendar year 2008. Of this \$112,699, costs in the amount of \$75,975 were incurred for the days beyond what is allowed, per the Connecticut Regulations. The total hours that were paid while these employees were on administrative leave beyond the allowed time per Connecticut Regulations were 1,664 hours.

Moreover, the Department of Administrative Services was not provided a copy of the notice given to the employees upon DSS placing the employees on leave of absence, as required by Section 5-240-5a(i) of the State Regulations.

*Effect:* DSS incurred costs for salaries and fringe benefits totaling \$75,975 for five employees who were on administrative leave beyond what is allowed under state regulations.

*Cause:* The Director of DSS' Human Resources has stated that it is not always possible to complete an investigation within the timeframe permitted by the regulations, and therefore there is no choice but to extend the paid leave. The director has also argued that DAS is properly notified when the earning code is entered into Core-CT.

*Recommendation:* DSS should comply with requirements concerning employees placed on paid leave as provided under Sections 5-240-5a(f), 5-240-5a(h), and 5-240-5a(i) of the Connecticut State Regulations. This includes sending to the Department of Administrative Services a copy of the notice given to the employee. (See Recommendation 11.)

*Agency Response:* "The Department agrees with the finding and recommendation and will take the necessary steps to improve compliance."

**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.

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

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, DSS 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, DSS 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 15 of the 287 assigned life insurance policies disclosed that DSS personnel did not initiate or follow-up recovery of three life insurance policies on individuals who were identified as deceased on the Eligibility Management System. As of February 2010, the individuals had

been deceased for 11 months, 18 years seven months, and 19 years two months, respectively.

*Effect:* DSS did not initiate the collection of assigned life insurance proceeds for reimbursement of prior assistance.

*Cause:* The Central Office is not notified of a client's death in a timely manner and therefore does not initiate the recovery of funds in a timely manner.

*Recommendation:* DSS should implement procedures to ensure that the Central Office is notified of a client's death in a timely manner in order to initiate the collection of life insurance proceeds. (See Recommendation 12.)

*Agency Response:* "Central Office staff initiates the collection of insurance policies assigned to the State under the provisions of Sec. 17-114 of the CGS, as formerly in effect, immediately upon notification of the death of one of the insured. We received date of death notices via the actions of regional office staff or by random sampling of our existing file.

The audit of February, 2010 disclosed three policies which were unclaimed following the death of the insured individuals as noted on EMS. Our review of the cited files revealed that one of the them (ID#1321113) was already collected, one (ID#1095317) has been actively pursued for payment since December, 2005, and one is just now being pursued for payment since we first located the town where the person died this past week, which is required to pursue payment.

The Department will continue to evaluate current procedures to determine whether any improvements can be made."

### **HUSKY B and Charter Oak Health Plan – Premiums Not Being Collected**

*Background:* DSS administers the federal Children'S Health Insurance Program (CHIP), commonly known as the state's Healthcare for Uninsured Kids and Youth (HUSKY B) program. This program provides health insurance to children who are not covered under the Medicaid program, i.e., HUSKY A. DSS also administers the state funded Charter Oak Health Plan, which provides universal access to affordable health care coverage for Connecticut adults of all incomes.

DSS contracts with Managed Care Organizations (MCOs) to provide health coverage under these two programs. The MCOs are paid a monthly capitation rate for each client receiving medical services. In addition, DSS contracts with a vendor to provide administrative services under these two programs. As part of the administrative function, the vendor is required to

collect monthly premiums from the clients of the HUSKY B and Charter Oak programs.

*Criteria:*

The CHIP State Plan provides that clients would be placed into one of three different bands depending on the clients' calculated applied income. There is no cost to any clients assigned to Band 1. Clients in Band 2 will reimburse the state, depending on the number of children, a \$30 monthly premium up to a maximum of \$50. Clients in Band 3 will be required to pay to the state a premium charged by the selected managed care organizations. During the fiscal year ended June 30, 2009, DSS required the clients in Band 3 to pay a monthly premium of \$195. Clients in Band 1 and Band 2 are funded with 65 percent federal funds and 35 percent state funds. The costs associated with clients in Band 3 should be fully subsidized by the clients as required by Section 17b-292 of the General Statutes.

Section 17b-311 of the Connecticut General Statutes established the Charter Oak Health Plan to provide health insurance to Connecticut adults. This section provides that the Commissioner of DSS shall provide premium assistance to eligible state residents whose gross annual income does not exceed three hundred per cent of the federal poverty level.

Section 17b-311 of the Connecticut General Statutes also provides that the Commissioner shall impose cost-sharing requirements in connection with services provided under the Charter Oak Health Plan. DSS established four premium amounts in which a client under the Charter Oak Health Plan is required to pay depending on the client's annual income. The premiums required to be paid for each band during the fiscal year ended June 30, 2009, were: Band 1-\$75, Band 2-\$100, Band 3-\$175, and Band 4-\$200. Also, a Band 5 was established in which the costs incurred by clients in Band 5 should be fully subsidized by the clients. The premium amount that a client in Band 5 has to pay varies around \$259 per month.

*Condition:*

Our review disclosed instances in which DSS paid the monthly capitated payments for clients of the Husky B and Charter Oak programs for April 2009 but did not receive the required monthly premium from the clients. Using auditing software, we compared a list of clients in which a capitated payment was made for the April 2009 service month to the list of clients in which a premium was deposited into the state bank account for the same service month. Provided below is a summary of our review:

Program	HUSKY B Band 3	HUSKY B Band 2	Charter Oak Band 5	Charter Oak Band 1-4
Total capitated payments made in April 2009	\$128,379	\$722,106	\$108,352	\$1,452,000
Number of clients in which a capitated payment was made in April 2009	986	5,546	526	6,463
Total clients who did not pay their premiums for April 2009	97	843	29	1,124
Total capitated payments made in April 2009 for those clients who did not pay their premiums	\$12,629	\$109,761	\$5,957	\$248,968
Number of clients who did not pay the April 2009 premium in which a capitated payment was made in May 2009	81	687	24	705
Reference to conclusion	A	B	C	D

Note A:

Clients in Band 3 of the HUSKY B program are required to prepay the premium prior to the service month. The eligibility of the 97 clients should have stopped as of March 31, 2009. As a result, DSS incorrectly paid the monthly capitated payments totaling approximately \$12,629 for the April 2009 service period. Further, 81 of the 97 clients also remained on the program for May 2009.

Note B:

Under the federal CHIP, the clients in Band 2 are allowed to pay the premium by the end of the service month without disenrollment, which would require DSS to provide services for a month without receiving payment. Therefore, because the 687 clients remained in the program in May 2009, a premium should have been collected in April 2009 or the clients' eligibility for health care services should have ended as of April

30, 2009. As a result, based on the average cost per client, DSS incorrectly paid the monthly capitated payments totaling approximately \$89,449 for the May 2009 service period. Sixty-five percent of this amount was reimbursed with federal funds and 35 percent was paid with state funds.

Note C:

Clients in Band 5 of the Charter Oak program are required to prepay the premium prior to the service month. The eligibility of the 29 clients should have stopped as of March 31, 2009. As a result, DSS incorrectly paid the monthly capitated payments totaling \$5,957 for the April 2009 service period.

Note D:

DSS' policy for clients in Bands 1 to 4 allows them to pay the premium by the end of the service month. Therefore, because the 705 clients remained in the program in May 2009, a premium should have been collected in April 2009 or the clients' eligibility for health care services should have ended as of April 30, 2009. As a result, based on the average cost per client, DSS incorrectly paid the monthly capitated payments totaling approximately \$156,158 for the May 2009 service period.

However, if the policy was established so that Charter Oak Health Plan clients had to prepay the monthly premium, the eligibility of 1,124 clients should have stopped as of March 31, 2009. As a result, DSS incorrectly paid the monthly capitated payments totaling approximately \$248,968 for the April 2009 service period. There is no requirement other than DSS policy that allows the clients to pay for the services at the end of the service month. It should be noted that DSS had recognized the need to move to a prepayment method for Charter Oak Bands 1 to 4. The change to a prepayment process will be fully implemented as of December 1, 2010. DSS indicated that a change to prepayment requires the clients to pay two months of coverage at once to catch up with the billing cycle. With the two premium increases in the spring of 2010, DSS felt that the impact was too large on clients and therefore postponed implementing the prepaid cycle until December.

*Effect:*

DSS paid \$12,629 and \$254,925 in monthly capitated payments under the HUSKY B and Charter Oak Health Care Plan programs, respectively, for the April 2009 service month without collecting the required premium. In addition, because federal regulations prohibit DSS to require clients of the HUSKY Band 2 to prepay for medical services, medical services for 687 clients should have stopped on April 30, 2009. Based on the average cost per client, DSS paid \$89,449 in monthly capitated payments for the May 2009 service month without collecting the required premiums.

The aforementioned costs do not include any costs that DSS would pay

providers as fees-for-services. Some services incurred by these clients are not included as part of the monthly capitated payment made to the MCOs. Therefore DSS, and not the MCOs, is required to pay the providers directly for the services provided.

*Cause:* The monthly premium rates that have been established for each program are not sufficient to meet the costs of administering the programs.

*Recommendation:* DSS should ensure that the administrative vendor either collects all required monthly premiums under the HUSKY and Charter Oak Health Plan programs in a timely manner or stop the capitated monthly payment. (See Recommendation 13.)

*Agency Response:* “The Department partially agrees with this recommendation. Under Federal CHIP rules, clients in band 2 are allowed to pay the premium up to 30 days after the end of the service month for which they have not paid without disenrollment, which means we may cover someone for a month without receiving payment. Based on the program rules as explained by CMS to date, the Department does not believe we paid capitation inappropriately. However, the Department is working with CMS to see if we can require pre-payment for a new enrollee understanding that we could not dis-enroll due to non-payment for an existing member. In addition, the program rules currently require the acceptance of partial premium payments so we may have received a portion of the payment but not the entire amount required.

ACS occasionally experiences a backlog and can be late processing cases received timely. Therefore, we temporarily allow retro-enrollment without pre-payment. Regardless of backlog, it occasionally happens when a client sends in their renewal application late and they try to close the gap in coverage for the client. In addition, the program rules currently require the acceptance of partial premium payments so we may have received a portion of the payment but not the entire amount required.

The Department has recognized the need to move to pre-payment for Charter Oak bands 1 - 4 and is in the process of moving forward. Beginning 6/1/10, the Department moved to prepayment for the unsubsidized Charter Oak members and will conclude the process with an implementation date of 12/1/10 for the subsidized members. A change to pre-payment may require clients to pay two months of coverage at once to catch up with the billing cycle. With the two premium increases in the spring of 2010, the Department felt the impact too large on clients and, therefore, postponed implementing the prepaid cycle until December. The Department is also eliminating the acceptance of partial payments beginning 12/1/10.”

*Auditors' Concluding*

*Comments:*

Our audit results considered the federal regulations of the CHIP program concerning the premium grace period. The federal law provides that the state child health plan shall afford individuals enrolled under the plan a grace period of at least 30 days from the beginning of the month immediately following the last month for which the premium was paid to make premium payments before the individual's coverage under the plan may be terminated. Based on this federal law, an individual with a service period that begins April 1, 2009, is allowed to make a payment for the April 2009 service month prior to April 30, 2009, before the DSS can stop the health care services. Therefore, the DSS could have stopped the services May 1, 2009, as indicated in Note B of the condition.

**HUSKY B and Charter Oak Health Plan – Premiums Not Sufficient to Cover Costs:**

*Criteria:*

Section 17b-292 of the Connecticut General Statutes provides that a child who resides in a household with a family income which exceeds one hundred eighty-five per cent of the federal poverty level and does not exceed three hundred per cent of the federal poverty level may be eligible for subsidized benefits under the HUSKY Plan, Part B. A child who resides in a household with a family income over three hundred per cent of the federal poverty level may be eligible for unsubsidized benefits under the HUSKY Plan, Part B. DSS established a Band 3 for those clients who will receive un-subsidized benefits. The premium amount to be paid by a client in Band 3 is \$195 per month.

Section 17b-311 of the Connecticut General Statutes established the Charter Oak Health Plan to provide health insurance to Connecticut adults. This section provides that the Commissioner of DSS shall provide premium assistance to eligible state residents whose gross annual income does not exceed three hundred percent of the federal poverty level.

Section 17b-311 of the Connecticut General Statutes also provides that the Commissioner shall impose cost-sharing requirements in connection with services provided under the Charter Oak Health Plan. DSS established four premium amounts in which a client under the Charter Oak Health Plan is required to pay, depending on the client's annual income. The premiums required to be paid for each band during the fiscal year ended June 30, 2009, were: Band 1-\$75, Band 2-\$100, Band 3-\$175, and Band 4-\$200. Also, a Band 5 was established in which the costs incurred by clients in Band 5 should be fully subsidized by the clients. The premium amount that a Band 5 client has to pay varies around \$259 per month.

Public Act 10-3 ended subsidized health coverage for new enrollees in the Charter Oak Health Plan. As a result, new enrollees will be charged full

un-subsidized premiums, regardless of income. This single-level, un-subsidized rate has been established at \$307 per month. For members already enrolled in Charter Oak, monthly premiums will be adjusted for most income levels, beginning June 1, 2010. The premiums required to be paid for each band effective June 1, 2010, are: Band 1-\$129, Band 2-\$172, Band 3-\$202, Band 4-\$239, and Band 5-\$296.

*Condition:*

HUSKY B

Our review of monthly costs and premiums for April 2009 disclosed that the monthly costs for clients receiving services under Band 3 of the HUSKY B program exceeded the premiums that should have been collected. Provided below is a schedule of the costs and the premiums collected.

Fee for Services Payments	\$ 136,968
Capitated Payments	<u>128,379</u>
Total Costs paid by the State	<u>265,347</u>
Total Premiums	<u>188,036</u>
Amount Subsidized by the State	<u>\$ 77,311</u>

Charter Oak Health Plan

Our review of monthly costs and premiums for April 2009 disclosed that the costs for clients receiving services under Band 5 exceeded the premiums that should have been collected. Provided below is a schedule of the costs and premiums for April 2009.

Fee for Services Payments	\$ 120,766
Capitated Payments	<u>108,352</u>
Total Costs paid by the State	<u>229,118</u>
Total Premiums	<u>137,988</u>
Amount Subsidized by the State	<u>\$ 91,130</u>

*Effect:*

The state is improperly subsidizing health care benefits expended under the HUSKY Band 3 and Charter Oak Health Plan Band 5. Based on our review, the state subsidized the costs of administering the HUSKY B Band 3 and the Charter Oak Health Plan Band 5 approximately \$77,311 and \$91,130 for the month of April 2009, respectively. These costs do not include any overhead costs the state has incurred to administer these two programs.

*Cause:*

The monthly premium rates that have been established for each program are not sufficient to meet the costs of administering the programs.

*Recommendation:*

The monthly premium rates for the HUSKY Band 3 and Charter Oak Health Plan Band 5 programs should be sufficient so that the programs are

unsubsidized with state benefits as required under Connecticut General Statutes. Otherwise, DSS should determine whether the state plan of the federal Children's Health Insurance Program should be amended so that some of the costs incurred under HUSKY B Band 3 could be claimed for federal reimbursement. (See Recommendation 14.)

*Agency's Response:* "The Department acknowledges that there is a difference in rates assessed clients and the full cost of service. It should be noted that while capitated costs are fixed for the rate period, non-capitated carve out services such as pharmacy and behavioral health are projected when client premium levels are established. Therefore, as actual data varies from the projected levels, differences in the true cost of services and assessed premiums can occur. The Department will be examining this discrepancy to determine how best to address this issue."

### **Monitoring Grants-in-Aid Payments:**

*Background:* DSS made grants-in-aid expenditures under various bond acts passed by the legislature totaling \$14,646,704 and \$10,430,777, during the fiscal years ended June 30, 2008 and 2009, respectively. 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.

*Criteria:* Human service contracts for the capital development of neighborhood facilities require the contractor to provide DSS with:

- Project status reports on a quarterly basis. Such reports shall include current and cumulative fiscal reports detailing expenditures by approved budget line item for the most recent calendar year.

Annual reports on or before July 1<sup>st</sup> of each calendar year for 10 years following the date of project completion to ensure that the premises continues to be used for the purposes intended and approved by the State Bond Commission.

*Condition:* Our review of 14 neighborhood facilities' grant files revealed that the required quarterly and/or annual reports were not on hand for four of the projects.

Additionally, DSS did not enforce the requirement that makes grantees of closed projects responsible for submitting annual reports. Instead, DSS contacted the grantees through email and informally obtained written assurance that the premise continued to be used for its intended purposes. We verified the current use of ten properties that were completed within

the last ten years. We concluded that the properties continued to be used for their intended purpose with no exception.

*Effect:* Controls are weakened in that DSS is not aware of the status of various projects funded by these grants-in-aid.

*Cause:* Adequate procedures are not in place to ensure that required reports are filed with DSS.

*Recommendation:* DSS should develop and follow procedures to ensure that reports are received from the grantees for various grants-in-aid as required by the contracts. (See Recommendation 15.)

*Agency Response:* “The Department agrees with the finding and recommendation. The Department will develop and follow procedures to ensure that the annual reporting condition is complied with.”

### **Cellular Phones:**

*Background:* All telecommunication service expenditures for every state agency, including cell phones and Blackberries, are processed in Core-CT by the Department of Information Technology (DOIT). DOIT receives the electronic bill from the cellular service provider on a monthly basis for all state cellular devices. DOIT uploads the electronic bill into a Telephone Billing System (TBS) that sorts the phone numbers from the provider’s bill by state agency and creates the electronic summary and detail to support the charges. DOIT is also responsible for negotiating the service contracts and establishing the Telecommunication Equipment Policy that is used statewide by all agencies.

*Criteria:* On February 15, 2009, the Governor directed all Executive Branch agencies to conduct expedited reviews of existing cellular phone and Blackberry assignments and to cancel all unnecessary cellular phone and wireless services within 30 business days.

According to the Department of Information Technology’s Telecommunication Equipment Policy:

- Cellular devices shall be issued to individuals who are specifically authorized by the agency head to use the telecommunication equipment, which may not be loaned to other individuals.
- Telecommunications equipment shall be used solely for official state business. Telecommunications equipment shall not be used for personal or private purposes.

- Each agency is responsible for determining whether the acquisition and use of cellular equipment and services is appropriate for its employees. If so, each agency is responsible for having each employee authorized to use such equipment sign a statement that they understand the acceptable use policy and for receipt of such equipment.
- It shall be the responsibility of the individual and the agency to verify the accuracy of the bill, and confirm appropriate usage.
- State employees may use only directory assistance services for which there is no charge. Any calls to directory assistance for which a charge is generated will be considered unacceptable personal usage.
- Documentation to support the business purpose of all use of telecommunication equipment shall include copies of Telecommunication Equipment Individual Usage reports and User Logs.

*Condition:*

DSS did not conduct an expedited review of existing cell phone and Blackberry assignments to identify those not truly essential for the employee to carry out his or her work. For our sample of 20 cell phones and Blackberries that were included on the April 2009 billing invoice, ten cell numbers used less than 10 minutes over the course of the March, April and May 2009 billing months combined. The actual monthly service charges paid for these ten phones for this three month billing period totaled \$449.

From our sample of 20 cell phones and Blackberries that were included on the April 2009 billing invoice, two cell phones that were identified as “spares” and not specifically assigned to any one individual incurred activity. DSS did not maintain a user log to track the person(s) responsible for the activity incurred by these “spare” phones.

DSS allows its employees the opportunity to identify and reimburse for calls made from their cell phone for personal use. For the April 2009 billing month, one employee identified on the Individual Usage Report two calls totaling .25 cents as personal in nature. These calls were reimbursed by the employee and deposited to the appropriate account prior to our review.

DSS does not have each employee who is provided a cell phone or Blackberry sign a statement that they understand the acceptable use policy and sign for receipt of such equipment.

DSS did not verify the accuracy of the April 2009 bill or confirm appropriate usage. DSS paid \$16.99 for one cell phone that was not identified as a DSS number per the agency's cell phone log. Additionally, DSS does not review the phone activity and usage or inquire with employees about questionable or excessive phone usage. Moreover, employees are not required to sign and return the Monthly Individual Usage Reports attesting that the charges were made by them and necessary to the performance of their duties. For our sample of 20 cell phones and Blackberries that were included on the April 2009 billing invoice, 16 employees did not sign and return the Individual Usage Report.

During the April 2009 billing month, DSS paid for 16 calls totaling \$34.34 that were made to directory assistance by seven of its employees. The employees did not reimburse DSS for these calls.

*Effect:* DSS did not comply with the Governor's directive and the statewide policy regarding telecommunication equipment.

*Cause:* Lack of controls.

*Recommendation:* DSS should review existing cellular phone and Blackberry assignments to ensure that only those truly essential for the employee to carry out his or her work responsibilities are issued. Controls should be established for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to sign and return the Monthly Individual Usage Report. (See Recommendation 16.)

*Agency Response:* "The Department agrees with the finding and recommendation and will conduct a review of existing cellular phone and Blackberry assignments to ensure that only those truly essential for employees to carry out their responsibilities are issued. The Department is also considering applying the same controls/process used for verifying cellular phone charges and appropriate usage on the Monthly Individual Usage Report to Blackberry assignments."

### **Charter Oak Health Plan – Client Eligibility**

*Background:* In conjunction with administering the Charter Oak Health Plan, DSS contracts with Managed Care Organizations (MCOs). The MCOs are paid a monthly capitation rate for each child receiving medical services. In addition, DSS contracts with a vendor to perform the eligibility determinations of families applying for services under CHIP.

*Criteria:* Section 17b-311 of the Connecticut General Statutes established the

Charter Oak Health Plan to provide health insurance to Connecticut adults. This section provides that the Commissioner of DSS shall provide premium assistance to eligible state residents whose gross annual income does not exceed three hundred per cent of the federal poverty level. Based on the client's income level, the client would be placed into one of five different bands. DSS established four premium amounts in which a client under the Charter Oak Health Plan is required to pay depending on the client's annual income. The premiums required to be paid for each band during the fiscal year ended June 30, 2009, were: Band 1-\$75, Band 2-\$100, Band 3-\$175, Band 4-\$200, and Band 5 varies around \$259 per month.

*Condition:* The audit population of monthly capitated payments made under the Charter Oak Health Plan during the fiscal year ended June 30, 2009, totaled \$7,785,147.

We randomly selected 10 monthly capitated payments totaling \$2,283 to verify client eligibility. Our review disclosed that in one case, based on the income information that was available at the time the eligibility determination was made, the client was placed in Band 4. However, the client's eligibility status changed due to a change in the client's earnings at the time the monthly capitated payment was paid from the time when the eligibility determination was originally made. This change was noted in wage files maintained in the DSS' Eligibility Management System. As a result, the assigned Band for the one client should have been Band 5 at the time the monthly capitated payment was paid.

*Effect:* DSS did not collect the proper premium from the client.

*Cause:* DSS has not established procedures to verify the wage information throughout the clients' eligibility period.

*Recommendation:* DSS should establish procedures to monitor the performance of the vendor administering the Charter Oak Health Plan program. DSS should also consider utilizing its Income and Eligibility Verification System, which provides for matches of income information involving the Department of Labor wage information, Social Security wage and earning files, and Internal Revenue Services unearned income files, to determine client eligibility. (See Recommendation 17.)

*Agency Response:* "The Department disagrees with this recommendation. The Department will not pursue the use of the IEVS for Charter Oak at this time. Neither State statute nor regulations that govern Charter Oak require retrospective review of eligibility."

*Auditors' Concluding*

*Comments:* DSS utilizes the Income and Eligibility Verification System to determine eligibility for many of its programs. It would be a mechanism that DSS can use to verify the information provided by the insurer to ensure that they are properly paying their share of the program's premiums.

**Unauthorized Opening of Bank Accounts:**

*Criteria:* According to the State Accounting Manual, "any account, be it a state account, petty cash, clearing account, agency, trustee account, etc., must have prior written permission from both the Treasurer and Comptroller. Requests should be submitted on Form CO-929, Bank Account Establishment Request and Form TR-01, Bank Account Identification, and be forwarded to the Office of the Treasurer. If approved by the Treasurer, the request will be forwarded to the Comptroller's Fiscal Policy Division for final review and approval."

*Condition:* DSS opened one checking account, a money market account, and two certificates of deposit accounts without the required approvals from the Treasurer and Comptroller. DSS did subsequently obtain the necessary approvals.

*Effect:* The controls for opening bank accounts established by the Treasurer and Comptroller were not followed.

*Cause:* The cause is unknown.

*Recommendation:* DSS should follow the policies and procedures in the State Accounting Manual regarding the opening of state bank accounts. (See Recommendation 18.)

*Agency Response:* "The Department agrees with the recommendation and will issue a memo to all Division Directors within the Department reminding them of this requirement."

**Supplemental Security Income Not Properly Dispositioned**

*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 a 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.

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).

DSS reimburses the State-Administered General Assistance (SAGA) program the applicable amount that should have been paid by SSI. The balance of the SSI amount would be paid to the client.

*Criteria:* A governmental entity is accountable to the public and to other branches of government for the resources provided to administer government programs and services. The resources provided should be applied efficiently, economically, and effectively.

*Condition:* The balance of SSI funds that were not distributed by DSS as of March 31, 2010, was \$225,168. Based on our review of the list of individual SSI checks received that sums up to this balance amount, there was approximately \$109,031 being held by DSS with transactions dates of January 28, 2010, or earlier. DSS should have determined the proper distribution of these checks or should have returned the funds to SSA if the location of the client could not be determined.

*Effect:* The SAGA program might not be properly reimbursed for assistance provided on behalf of SSA, clients are owed assistance, or funds should be returned to the SSA.

*Cause:* DSS personnel are not following established procedures regarding the disposition of SSI checks.

*Recommendation:* DSS should determine the proper disposition of Supplemental Security Income it received as a result of providing 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. (See Recommendation 19.)

*Agency Response:* “The Department agrees with this finding. We will clear up the outstanding SSI items, and procedures will be implemented to minimize the creation of additional outstanding items. In addition, the Social Security Administration is implementing a web based system to process

SSI claims. The new system should improve the process and reduce the backlog.”

### **Child Support Cash on Hand Not Adequately Supported**

*Background:* The United States Code 42 USC 654 requires the State IV-D agency to establish and operate a State Disbursement Unit for the collection and disbursement of payments under child support orders. DSS of Social Services (DSS) is the designated IV-D agency and has contracted with a vendor to establish a state disbursement unit responsible for the comprehensive collection, payment processing, and disbursement of child support payments. DSS has a checking account that accounts for the child support activity. The account is used as a holding account in which all funds deposited into the account should be eventually disbursed to an appropriate party. The Connecticut Child Support Enforcement System (CCSES) is the system used by DSS in the processing of child support payments.

*Criteria:* An accounting system is designed to assemble, classify, record and report financial data. To be useful to end users, that system must be able to present data in reports that will meet their needs and provide for the reconciliation of accounts.

*Condition:* DSS did not have available a report that details who is owed child support monies from its checking account at month end. The majority of the money should be owed to custodial parents; however a portion could be due to non-custodial parents and other government entities. The balance of the account as of May 31, 2010, was \$7,813,734.

*Effect:* There is less assurance that monies held by the state to settle child support obligations are properly applied and disbursed.

*Cause:* We made a request for this report but it has not been provided to us as of July 2010.

*Recommendation* DSS should generate a report that would document who is entitled to funds maintained in the child support checking account. (See Recommendation 20.)

*Agency Response:* “The Department partially agrees with this finding. Although adequate information is available, we will work to create a report using information from the Connecticut Child Support Enforcement System (CCSES) to reflect Child Support payments which remain outstanding at the end of each month.”

**Unreconciled Bank Account**

*Background:* The United States Code 42 USC 654 requires the State IV-D agency to establish and operate a State Disbursement Unit (SDU) for the collection and disbursement of payments under child support orders. DSS is the designated IV-D agency and has contracted with Systems and Methods, Inc. (SMI) to establish a State Disbursement Unit responsible for the comprehensive collection, payment processing and disbursement of child support payments. In order to support the collection and disbursement of these payments several state bank accounts were set up to act as clearing accounts, in addition to a Child Support Master Operating Account, which is the main bank account that is reconciled by DSS.

*Criteria:* Proper internal controls over bank account assets include procedures that include monthly bank account reconciliations.

*Condition:* During our review of the child support checking accounts, we identified one account that is used by the Support Enforcement Services (SES) division of the Judicial Department. SES field offices throughout the state collect and deposit money from non-custodial parents. The bank automatically transfers the previous day’s deposits into the Child Support Master Operating Account. Due to the one day delay in transferring this money, there is a daily balance that must be reconciled by DSS. As of June 30, 2009, we noted a discrepancy of \$2,425 between the ending balance in the bank and the total of the actual June 30<sup>th</sup> SES deposits that would be transferred the next day.

DSS was unable to produce a bank reconciliation for this account and unable to explain the reason for the difference.

*Effect:* Monies held by the state to settle child support obligations may not be properly applied and disbursed.

*Cause* DSS maintains that this bank account is a clearing account and is reconciled as part of the Child Support Master Operating Account.

*Recommendation:* DSS should establish procedures to ensure that all bank accounts are reconciled on a timely basis and that any reconciling differences are explained. (See Recommendation 21.)

*Agency Response:* “The Department will correct the reconciliation process for the Child Support bank accounts to include the omitted zero balance account.”

**Civil Monetary Penalties:**

*Background:* Section 1919(h)(2)(A)(ii) of the Social Security Act states that “a civil

money penalty assessed and collected...shall be applied to the protection of the health or property of residents of nursing facilities that the state or the Secretary finds deficient, including payment for the costs of relocation of residents to other facilities, maintenance of operation of a facility pending correction of deficiencies or closure, and reimbursement of residents for personal funds lost.”

*Criteria:* A governmental entity is accountable to the public and to other branches of government for the resources provided to administer government programs and services. The resources provided should be applied efficiently, economically, and effectively.

*Condition:* Funds in the amount of \$510,833 have been maintained in DSS’ checking account during the audit period since June 2006 that should have been transferred to the General Fund. These funds represent civil monetary penalties collected as a result of audits of nursing homes performed by the Federal Government and forwarded to the state for use in compliance with Section 1919(h)(2)(A)(ii) of the Social Security Act. As a result of our review, DSS transferred the balance to the General Fund in June 2010.

*Effect:* Funds were maintained in the checking account during the audit period that should have been transferred to the General Fund.

*Cause:* Management did not make a timely determination as to the disposition of the funds.

*Resolution:* No recommendation is needed because DSS transferred the balance to the General Fund in June 30, 2010.

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- DSS should develop procedures to ensure that receipts are deposited in accordance with the waiver obtained from the State Treasurer including 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.)
- DSS 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 if collection efforts prove unsuccessful. – Our current audit continued to disclose deficiencies related to its receivables. This recommendation is being repeated. (See Recommendation 2.)
- DSS should process personnel information in accordance with the state laws and regulations included under the State Personnel Act. – Our current audit continued to disclose deficiencies related to obtaining medical certificates and employees telecommuting to work. This recommendation is being repeated. (See Recommendation 3.)
- DSS should follow its procedures to ensure that appropriate supporting documentation is obtained in a timely manner for State Supplemental Benefits Program therapeutic diet special need payments or should consider revising the six-month requirement in the DSS' Uniform Policy Manual. – Our current audit disclosed that the DSS ' Uniform Policy Manual was revised subsequent to our audit period. This recommendation has been resolved.
- DSS should improve its procedures relative to cases closed due to death to ensure the discontinuance of benefit and transportation payments or the recovery of those payments 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 4.)
- DSS should institute procedures to ensure that all DSS reports mandated by statutes or legislative acts are submitted as required. In those instances where DSS feels that the statutes are obsolete or no longer applicable, it should seek legislation to modify or repeal existing legislation. – Our current audit disclosed that there was improvement in preparing mandated reports. This recommendation has been resolved.
- DSS should improve controls over its equipment inventory. – Our current audit continued to disclose deficiencies related to inventory. This recommendation is being repeated. (See Recommendation 5.)
- DSS of Social Services should process expenditures in accordance with state laws and regulations and the State Accounting Manual. – Our current audit continued to disclose

expenditures that were not processed in accordance with state requirements. This recommendation is being repeated. (See Recommendation 6.)

- DSS 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. – Our current audit continued to disclose reporting errors on the GAAP Reporting Packages and Schedule of Expenditures of Federal Awards prepared by DSS. This recommendation is being repeated. (See Recommendation 7.)
- DSS should charge the appropriate indirect costs against all of its applicable Federal programs. For those federal programs for which DSS does not claim indirect costs, DSS should obtain waivers from the Office of Policy and Management. – Our current audit disclosed that DSS obtained the required waiver. This recommendation has been resolved.
- DSS should establish adequate procedures to obtain and review audit reports and to conduct ongoing monitoring of its grantees. – Our current audit continued to disclose that audit reports were not received or reviewed and that ongoing monitoring was not performed. This recommendation is being repeated. (See Recommendation 8.)
- DSS should verify and document that applicants have met the requirements of State-Administered General Assistance. – Our current audit continued to disclose deficiencies related to the State-Administered General Assistance program. This recommendation is being repeated. (See Recommendation 9.)
- DSS should implement a more balanced internal audit function. This implementation would increase management's view as to what is really happening inside DSS and help management look forward by identifying trends and bringing attention to emerging challenges. – Our current audit continued to disclose that the internal audit function is not being properly implemented. This recommendation is being repeated. (See Recommendation 10.)
- DSS should comply with requirements concerning employees placed on paid leave as provided under Sections 5-240-5a(f), 5-240-5a(h), and 5-240-5a(i) of the Connecticut State Regulations. This includes sending to the Department of Administrative Services a copy of the notice given to the employee. – Our current audit continued to disclose that DSS failed to comply with state regulations concerning employees on paid leave. This recommendation is being repeated. (See Recommendation 11.)
- DSS should implement procedures to ensure that the Central Office is notified of a client's death in a timely manner to initiate the collection of life insurance proceeds. – Our current audit continued to disclose that DSS was not initiating the collection of life insurance proceeds in a timely manner. This recommendation is being repeated. (See Recommendation 12.)
- DSS should follow the procedures set forth by the Office of the State Comptroller regarding the timely submission of the necessary documentation for travel advances and

reimbursements. – Our current audit disclosed that there were not a significant number of travel advances made during the audit period. This recommendation has been resolved.

*Current Audit Recommendations:*

- 1. DSS should develop procedures to ensure that receipts are deposited in accordance with the waiver obtained from the State Treasurer, including the possibility of depositing to the Funds Awaiting Distribution Fund any monies received for which the disposition cannot be determined immediately.**

Comment:

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

- 2. DSS should continue its efforts to resolve the old receivable accounts.**

Comment:

Our review of DSS receivable records disclosed numerous accounts receivables as of June 30, 2009, that dated back several years and for which no recent collection activity had been recorded.

- 3. DSS should process personnel information in accordance with the state laws and regulations included under the State Personnel Act.**

Comment:

Our review disclosed noncompliance with laws and regulations concerning obtaining required medical certificates and telecommuting.

- 4. DSS should improve its procedures relative to cases closed due to death to ensure the discontinuance of benefit and transportation payments or the recovery of those payments issued after death.**

Comment:

Our review disclosed that some benefit payments were issued and cashed after the death of recipients. We also noted that some transportation payments were paid on behalf of recipients for services in the month following the recipients' death. Further, we noted some instances in which DSS did not attempt to recoup these overpayments.

- 5. DSS should improve controls over its equipment inventory.**

Comment:

DSS did not maintain adequate records to support amounts reported on the Annual Fixed Asset/Property Inventory Reports.

- 6. DSS should process expenditures in accordance with state laws and regulations and the State Accounting Manual.**

Comment:

Our review of expenditures disclosed that DSS did not always comply with Section 4-98 of the Connecticut General Statutes and with the State Accounting Manual. We noted that some purchase orders were not completed prior to receiving the services and some contracts were signed after the start of the contract service period.

- 7. DSS 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:

DSS 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.

- 8. DSS should establish adequate procedures to obtain and review audit reports and to conduct ongoing monitoring of its grantees.**

Comment:

DSS did not adequately monitor its sub-recipients to ensure that funds provided were expended for their intended purpose. We noted that audit reports were not on file for all the sub-recipients tested, desk reviews were not performed for all audit reports that were on hand, and financial status, programmatic and statistical, or monitoring reports, required by the contracts, were not on file or were not submitted to DSS within the time allotted by the provisions of the contracts.

- 9. DSS should verify and document that applicants have met the requirements of State-Administered General Assistance.**

Comment:

DSS did not require some clients to pursue benefits from other applicable federal

programs prior to being determined eligible for the SAGA program. In addition, DSS did not have documentation in all cases that supports a client's eligibility status.

- 10. DSS should implement a more balanced internal audit function. This implementation would increase management's view as to what is really happening inside DSS and help management look forward by identifying trends and bringing attention to emerging challenges.**

Comment:

DSS ' Internal Audit Unit does not adequately monitor the efficiency of operations, the reliability of financial reporting and effectiveness of risk management.

- 11. DSS should comply with requirements concerning employees placed on paid leave as provided under Sections 5-240-5a(f), 5-240-5a(h), and 5-240-5a(i) of the Connecticut State Regulations. This includes sending to the Department of Administrative Services a copy of the notice given to the employee.**

Comment:

Our review disclosed that employees were placed on paid administrative leave in excess of the days allowed by state regulations. In addition, the Department of Administrative Service was not properly notified as required by state regulations.

- 12. DSS should implement procedures to ensure that the Central Office is notified of a client's death in a timely manner in order to initiate the collection of life insurance proceeds.**

Comment:

Our review disclosed that DSS did not initiate the recovery on life insurance policies on individuals who were identified as deceased on the Eligibility Management System.

- 13. DSS should ensure that the administrative vendor either collects all required monthly premiums under the HUSKY and Charter Oak Health Plan programs in a timely manner or stop the capitated monthly payment.**

Comment:

Our review disclosed that clients were being provided health care services without paying the required monthly premiums.

- 14. The monthly premium rates for the HUSKY Band 3 and Charter Oak Health Plan Band 5 programs should be sufficient so that the programs are unsubsidized with state benefits as required under Connecticut General Statutes. Otherwise, DSS should determine whether the state plan of the federal Children’s Health Insurance Program should be amended so that some of the costs incurred under HUSKY B Band 3 could be claimed for federal reimbursement.**

Comment:

Our review disclosed that the average cost of administering the HUSKY Band 3 and Charter Oak Health Plan Band 5 programs exceeded the average monthly premiums collected from the clients. These two programs should be fully subsidized by the clients.

- 15. DSS should develop and follow procedures to ensure that reports are received from the grantees for various grants-in-aid as required by the contracts.**

Comment:

Our review of neighborhood facilities’ grant files revealed that the required quarterly and/or annual reports were not on hand in all cases. Additionally, DSS did not enforce the requirement that makes grantees of closed projects responsible for submitting annual reports to DSS.

- 16. DSS should review existing cellular phone and Blackberry assignments to ensure that only those truly essential for the employee to carry out his or her work responsibilities are issued. Controls should be established for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to sign and return the Monthly Individual Usage Report.**

Comment:

Our review disclosed a number of deficiencies related to cellular charges. DSS did not review cellular assignments in accordance with the Governor’s directive.

- 17. DSS should establish procedures to monitor the performance of the vendor administering the Charter Oak Health Plan program. DSS should also consider utilizing its Income and Eligibility Verification System, which provides for matches of income information involving the Department of Labor wage information, Social Security wage and earning files, and Internal Revenue Services unearned income files, to determine client eligibility.**

Comment:

Our review disclosed that the vendor did not properly determine the eligibility of all clients tested for the Charter Oak Health Plan program.

- 18. DSS should follow the policies and procedures in the State Accounting Manual regarding the opening of state bank accounts.**

Comment:

Our review disclosed that DSS opened bank accounts without the required approvals from the Treasurer and Comptroller. DSS has subsequently obtained the necessary approvals.

- 19. DSS should determine the proper disposition of Supplemental Security Income it received as a result of providing interim assistance to recipients between the month the recipient files a claim for Supplemental Security Income benefits and the month in which benefits are paid.**

Comment:

The balance of Social Security Income funds that were not distributed by DSS as of March 31, 2010, was \$225,168 in which DSS has held approximately \$109,031 with transactions dates of January 28, 2010, or earlier.

- 20. DSS should generate a report that would document who is entitled to funds maintained in the child support checking account.**

Comment:

DSS did not have available a report that details who is owed child support monies from its checking account at month end. The balance of the account as of May 31, 2010, was \$7,813,734.

- 21. DSS should establish procedures to ensure that all bank accounts are reconciled on a timely basis and that any reconciling differences are explained.**

Comment:

DSS does not perform bank reconciliations for one of the checking accounts used to administer the Child Support Enforcement program. Our review disclosed an unknown discrepancy of \$2,425 between bank and book information.

## 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 for the fiscal years ended June 30, 2008 and 2009. This audit was primarily limited to performing tests of the Department's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Department's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Department are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Department are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Social Services for the fiscal years ended June 30, 2008 and 2009, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

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

In planning and performing our audit, we considered the Department of Social Services' internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Department's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Department's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control

deficiency, or combination of control deficiencies, that adversely affects the Department's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 - timely deposit of receipts; Recommendation 2 - identifying and collecting receivables; Recommendation 4 making improper payments; Recommendation 5 - maintaining adequate equipment inventory; Recommendation 6 - processing expenditures; Recommendation 8 - ongoing monitoring of grantees; Recommendation 9 - documenting client eligibility of the State-Administered General Assistance program; Recommendation 10 - implementing a more balanced internal audit function; Recommendation 13 - collecting client premiums for the HUSKY B and Charter Oak Health Plan programs; Recommendation 15 - monitoring of grants-in-aid payments; and Recommendation 17 - documenting client eligibility of the Charter Oak Health Plan program.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Department's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Department being audited will not be prevented or detected by the Department's internal control.

Our consideration of the internal control over the Department's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the following item to be material weaknesses: Recommendation 2 - Identifying and collecting receivables.

### **Compliance and Other Matters:**

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

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

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

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

**CONCLUSION**

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:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts