

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF SOCIAL SERVICES
FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 AND 2013*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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May 3, 2018

AUDITORS' REPORT DEPARTMENT OF SOCIAL SERVICES FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013

We have audited certain operations of the Department of Social Services in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Social Services.

COMMENTS

FOREWORD

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

The mission of 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 is the designated state agency for the administration of the following programs:

- Medicaid – 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, members of families with dependent children, or qualified pregnant women or children.
- Medicare Savings Program – pursuant to Title XIX of the Social Security Act, assists eligible residents with paying the out-of-pocket costs of participating in Medicare, such as Medicare Part B premiums, deductibles and co-insurance, as well as determines eligibility for federal low-income subsidy prescription drug benefits.
- 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 Plan, Part B program established under Section 17b-292 of the General Statutes.

- Temporary Assistance for Needy Families (TANF) – 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.
- Temporary Family Assistance (TFA) – pursuant to Section 17b-112 of the General Statutes, DSS shall administer a TFA program to provide cash assistance to eligible families in accordance with the TANF program. As provided under Section 17b-112, the commissioner of the Department 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.
- Supplemental Nutrition Assistance Program (SNAP) – pursuant to the Food and Nutrition Act of 2008, helps low-income households buy the food they need for good health.
- Social Services Block Grant – pursuant to Title XX of the Social Security Act, provides prevention, intervention, and treatment services to individuals and families.
- Connecticut Energy Assistance Program – pursuant to the Low Income Home Energy Assistance Act of 1981, provides supplemental assistance to needy persons consisting of payments for fuel and utility bills.
- Child Support Enforcement – pursuant to Title IV-D of the Social Security Act, enforces support obligations owed by non-custodial parents, locates absent parents, establishes paternity, and obtains child and spousal support. Child support services are available to all children deprived of parental support regardless of income.
- Child Care and Development Block Grant – pursuant to the Child Care and Development Block Grant Act of 1990, provides services for day care, day care training, parenting skills and counseling. This program funds a portion of the state’s Child Care Subsidy program established under Section 17b-749 of the General Statutes.
- Community Services Block Grant – pursuant to the Community Services Block Grant Act, provides assistance to the state’s Community Action Agencies and the Connecticut Association for Community Action for the reduction of poverty, revitalization of low-income communities, and empowerment of low-income families and individuals to become fully self-sufficient.
- Refugee Assistance Program – pursuant to the Refugee Act of 1980, provides cash, nutritional and medical assistance for refugees who settle in Connecticut.

- Section 8 Housing Choice Vouchers – pursuant to the Housing Act of 1937, provides rental assistance to help very low-income families afford decent, safe, and sanitary rental housing.
- State Supplement – pursuant to Section 17b-104 of the General Statutes, provides supplemental cash assistance to elderly, blind or disabled individuals. This program also provides additional cash assistance to clients of the Supplemental Security Income program pursuant to Title XVI of the Social Security Act.
- Connecticut Homecare Program for Elders – pursuant to Section 17b-342 of the General Statutes and Title XIX of the Social Security Act, provides an array of home care services and helps eligible Connecticut residents to continue living at home instead of a nursing facility.
- State-Administered General Assistance (SAGA) – pursuant to Sections 17b-190 through 17b-219 of the General Statutes, provides cash and medical assistance to eligible individuals who are unable to work for medical or other specified reasons, and to families that are not eligible for other DSS programs.
- Connecticut Medicare Assignment Program (ConnMAP) – pursuant to Sections 17b-550 through 17b-554 of the General Statutes, ensures that beneficiaries of ConnMAP and ConnPACE programs who receive Medicare-covered services will be charged no more than the rate determined to be reasonable and necessary by Medicare.
- Housing/Homeless Services – pursuant to Sections 17b-800 through 17b-849 of the General Statutes, makes grants to develop and maintain programs for the homeless emergency shelter services, transitional housing services, onsite social services for available permanent housing, and the prevention of homelessness.
- Programs for the elderly – pursuant to the Older Americans Act, provide social and nutritional services for the elderly.
- Connecticut Pharmaceutical Assistance Contract to the Elderly and Disabled (ConnPACE) – pursuant to Sections 17b-490 through 17b-519 of the General Statutes, helps eligible senior citizens and people with disabilities afford the cost of most prescription medicines.
- Charter Oak Health Plan – pursuant to Section 17b-311 of the General Statutes, provides access to health insurance coverage for adults who have been uninsured for at least 6 months and who are ineligible for other publicly funded health insurance plans.

Roderick L. Bremby served as the commissioner of the Department of Social Services during the audited period.

SIGNIFICANT LEGISLATION

Public Act 11-44 transferred the Child Day Care Program from the Department of Social Services to the State Department of Education (SDE), effective July 1, 2011.

Public Act 11-44 transitioned the Connecticut Pharmaceutical Assistance Contract to the Elderly and the Disabled (ConnPACE) to federally funded programs, effective July 1, 2011. Many individuals who historically qualified for the ConnPACE Program became eligible for the Medicare Savings Program and the Low-Income Subsidy under Medicare Part D.

Public Act 11-44 created a Bureau of Rehabilitative Services within the Department of Social Services for administrative purposes only. The bureau is responsible for providing rehabilitation services in addition to services for the deaf and hearing impaired and blind and visually impaired. The act transferred DSS programs for vocational rehabilitative services to the bureau, effective July 1, 2011. Public Act 12-1, enacted in the June 2012 Special Session, modified Public Act 11-44 to reorganize the Bureau of Rehabilitative Services to the Department of Rehabilitation Services (DORS), effective July 1, 2012. The public act required DSS to continue providing administrative services to DORS until DORS requested cessation of such services, or until June 30, 2013.

Public Act 11-80 transferred the federally appropriated Weatherization Assistance Program from the Department of Social Services to the Department of Energy and Environmental Protection, effective July 1, 2011.

Public Act 12-1 enacted in the June 2012 Special Session allowed DSS to apply for a Medicaid waiver to modify eligibility and coverage for low-income adults. Those modifications included imposing an asset limit of \$10,000, counting family income and assets when determining eligibility for individuals under the age of 26, and imposing limits on certain medical services.

Public Act 13-125 transferred all functions, powers, duties, and personnel of the Department of Social Services' Aging Services Division to the newly established Department on Aging, effective January 1, 2013.

SIGNIFICANT CHANGES

The Department of Social Services transitioned its model of care management for all of the department's medical assistance recipients from a managed care infrastructure based on capitated payments to a medical administrative services organization (ASO) platform based on a managed fee-for-service approach. The Department of Social Services entered into contracts with ASOs for each of the 4 major service types, including medical, behavioral health, dental, and non-emergency medical transportation. Under these contracts, the ASOs are responsible for authorizing and managing the medical health services of recipients and providing services such as member and provider support, intensive care management, utilization management, quality management, health data analytics, and member grievances and appeals.

The Department of Social Services implemented a major initiative to modernize and upgrade service delivery through a system called ConneCT. ConneCT transformed the way the agency does business by providing clients and staff additional options, processes and technology. Applicants and clients have real-time access to their case information through online and interactive voice-response systems, including an online service eligibility pre-screening tool. Streamlined document management and modernized service centers were also key elements of the initiative. In addition, the agency has initiated replacement of its outdated eligibility management system.

COUNCILS, BOARDS, COMMITTEES AND COMMISSIONS

Council on Medical Assistance Program Oversight

The Council on Medical Assistance Program Oversight, established in accordance with Section 17b-28 of the General Statutes, advises the Commissioner of Social Services on the planning and implementation of the health care delivery system for the HUSKY Health Program. The council also monitors the planning and implementation of matters related to Medicaid care management initiatives, including but not limited to, eligibility standards, benefits, access, quality assurance, outcome measures, and the issuance of any request for proposal by DSS for utilization of an administrative services organization in connection with such initiatives.

Waiver Application Development Council

The Waiver Application Development Council, established in accordance with Section 17b-28a of the General Statutes, advises DSS in the development of a Medicaid Research and Demonstration Waiver under Section 1115 of the Social Security Act. The council advises DSS with respect to specific provisions within the waiver application and the goals of the waiver.

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

The council, established in accordance with Section 17b-29 of the General Statutes, monitors the implementation of the Temporary Family Assistance and Employment Services programs.

Client Advisory Board

The Client Advisory Board, established in accordance with Section 17b-184 of the General Statutes, works to further the ability of recipients of temporary family assistance to become self-sufficient. The board reports its findings and recommendations to the commissioner.

Pharmaceutical and Therapeutics Committee

The Pharmaceutical and Therapeutics Committee, established in accordance with Section 17b-274d of the General Statutes and pursuant to Title 42 of the United States Code Part 1396r-8, works to maintain a preferred drug list for use in the Medicaid program. When developing the preferred drug list, DSS and the committee consider a drug's clinical efficacy, safety, and cost

effectiveness. The committee also makes recommendations to DSS regarding the prior authorization of any prescribed drug.

Long-Term Care Planning Committee

The Long-Term Care Planning Committee, established in accordance with Section 17b-337 of the General Statutes, works to exchange information on long-term care issues, coordinating policy development, and establishing a long-term care plan for all persons in need of such care. The committee studies long-term care issues, including but not limited to, the case-mix system of Medicaid reimbursement, community-based service options, access to long-term care, and geriatric psychiatric services.

Long-Term Care Advisory Council

The Long-Term Care Advisory Council advises and makes recommendations to the Long-Term Care Planning Committee. The council seeks recommendations from persons with disabilities or persons receiving long-term care services who reflect the socio-economic diversity of the state.

Nursing Home Financial Advisory Committee

The Nursing Home Financial Advisory Committee, established in accordance with Section 17b-339 of the General Statutes, examines the financial solvency of nursing homes on an ongoing basis and supports DSS and the Department of Public Health in their mission to provide oversight to the nursing home industry. This includes the areas of financial solvency and quality of nursing home care.

Commission on Aging

The Commission on Aging, established in accordance with Section 17b-420 of the General Statutes advocates 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 was part of DSS for administrative purposes only. In July of 2016, Section 17b-420 of the General Statutes was repealed, and the Commission on Aging was replaced with the Commission on Women, Children and Seniors, which is within the Department of Aging.

Advisory Committee on Continuing Care

The Advisory Committee on Continuing Care, established in accordance with Section 17b-535 of the General Statutes, assists the continuing-care staff in the review and registration of functions, reports to the commissioner on developments in the field, any particular problems associated with continuing care, concerns of providers and residents, and, when appropriate, recommends changes to relevant statutes and regulations.

Connecticut Council for Persons with Disabilities

The Connecticut Council for Persons with Disabilities, established in accordance with Section 17b-606 of the General Statutes, advises DSS in carrying out its duties to coordinate the delivery of services to persons with physical or mental disabilities by all state agencies serving persons with disabilities.

Interagency Management Committee

The Interagency Management Committee, established in accordance with Section 17b-606 of the General Statutes, reviews and evaluates services to persons with disabilities. The committee also develops policy for state agencies to enter into contracts with each other for services to persons with disabilities.

Personal Care Attendant Workforce Council

The Personal Care Attendant Workforce Council, established in accordance with Section 17b-706a of the General Statutes, works to ensure the quality of long-term personal home care. The council studies issues relating to the recruitment, retention, and adequacy of personal care attendants. It also develops plans to improve the quality, stability, and availability of personal care attendants and maintains a registry of the names and addresses of all personal care attendants paid through state-funded programs within the previous 6 calendar months.

RÉSUMÉ OF OPERATIONS

Introduction

The operations of DSS for the fiscal years ended June 30, 2012 and 2013, were accounted for in the General Fund, Special Revenue Funds, Capital Projects Funds, and Fiduciary Funds, and are discussed below.

Receipts and expenditures or disbursements during the audited period, as well as the preceding fiscal year, are summarized below:

	<u>Fiscal Year 2010-2011</u>	<u>Fiscal Year 2011-2012</u>	<u>Fiscal Year 2012-2013</u>
General Fund			
Total Receipts	<u>\$3,828,737,254</u>	<u>\$3,497,976,285</u>	<u>\$3,603,022,808</u>
Total Expenditures	<u>\$5,387,535,094</u>	<u>\$5,796,976,589</u>	<u>\$5,910,639,068</u>
Special Revenue Funds			
Grants and Restricted Accounts Fund			
Total Receipts	<u>\$ 595,418,407</u>	<u>\$ 520,374,463</u>	<u>\$ 519,042,431</u>
Total Expenditures	<u>\$ 596,623,390</u>	<u>\$ 542,796,493</u>	<u>\$ 513,239,384</u>
Grants to Local Governments and Others Fund			
Total Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 2,813,476</u>	<u>\$ 1,078,192</u>	<u>\$ 5,278,618</u>
Child Care Facilities Fund			
Total Receipts	<u>\$ 0</u>	<u>\$ 402</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Special Revenue Funds			
Total Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 487,733</u>	<u>\$ 1,913,168</u>	<u>\$ 5,454,625</u>
Capital Projects Funds			
Community Conservation and Development Fund			
Total Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 1,180,400</u>	<u>\$ 5,686,956</u>	<u>\$ 1,995,450</u>

Capital Improvements and Other
Purposes Fund

Total Receipts	\$ 0	\$ 0	\$ 0
Total Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,769,844</u>

Fiduciary Funds

Social Services Support Fund

Total Receipts	\$ 55,860,128	\$ 63,089,909	\$ 51,869,744
Total Disbursements	<u>\$ 55,758,930</u>	<u>\$ 62,841,765</u>	<u>\$ 51,802,383</u>

Funds Awaiting Distribution

Total Receipts and Transfers	\$ 66,217,292	\$ 192,344,833	\$ 409,674,599
Total Refunds and Net Transfers	<u>\$ 66,179,154</u>	<u>\$ 190,654,935</u>	<u>\$ 410,795,900</u>

General Fund – Receipts

General Fund receipts during the audited period, as well as the preceding fiscal year, are summarized below:

	<u>Fiscal Year</u> <u>2010-2011</u>	<u>Fiscal Year</u> <u>2011-2012</u>	<u>Fiscal Year</u> <u>2012-2013</u>
Federal Contributions:			
Medical Assistance (Note 1)	\$2,790,656,314	\$2,912,048,198	\$3,008,674,195
ARRA – Medicaid FMAP	481,240,846	(2,749,690)	5,671,962
Dependent Children (Note 2)	292,617,606	289,854,425	294,029,174
Federal Administration (Note 3)	138,947,440	181,138,358	180,425,942
Child Support Enforcement	33,789,741	35,062,359	35,625,698
Children’s Health Insurance Program	32,029,621	44,601,064	39,096,441
ARRA-Child Support Enforcement	1,179,294	0	0
TANF ARRA Basic Assistance	<u>8,653,855</u>	<u>0</u>	<u>(163,918)</u>
Total Federal Contributions	<u>3,779,114,717</u>	<u>3,459,954,714</u>	<u>3,563,359,494</u>
State Receipts			
Recoveries	46,720,046	32,508,015	35,109,005
Miscellaneous Receipts	<u>2,902,491</u>	<u>5,513,556</u>	<u>4,554,309</u>
Total State Receipts	<u>49,622,537</u>	<u>38,021,571</u>	<u>39,663,314</u>
 Total General Fund Receipts	 <u>\$3,828,737,254</u>	 <u>\$3,497,976,285</u>	 <u>\$3,603,022,808</u>

Notes to above schedule:

Note 1 These receipts represent reimbursement of Medicaid costs other than administration costs (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 administrative costs incurred on behalf of administering Medicaid, the Supplemental Nutrition Assistance Program, and the Children’s Health Insurance Program.

Total revenue and receipts decreased by \$330,760,969 in fiscal year 2012, yet increased by \$105,046,523 during the fiscal year ended June 30, 2013. The decrease in fiscal year 2011-2012 was primarily due to the expiration of funding from the American Recovery and Reinvestment Act (ARRA) of 2009. The increase in fiscal year 2012-2013 primarily resulted from an increase in total expenditures incurred under the Medicaid program due to the expansion of benefits to include the new Medicaid for Low-Income Adults (MLIA) Program, a population previously state-funded under the State Administered General Assistance Program. We note that there is a delay between when funds are spent and when the state receives federal reimbursement.

General Fund – Expenditures

General Fund expenditures during the audited period, as well as the preceding fiscal year, are summarized below:

	<u>Fiscal Year 2010-2011</u>	<u>Fiscal Year 2011-2012</u>	<u>Fiscal Year 2012-2013</u>
Budgeted Accounts:			
State Grants	\$5,166,028,717	\$5,561,613,474	\$5,570,039,051
Personal Services	\$106,100,980	108,613,245	114,558,605
Contractual Services	114,932,875	126,321,836	225,357,678
Commodities	469,332	422,616	682,054
Capital Outlay – Equipment	<u>3,190</u>	<u>5,418</u>	<u>1,680</u>
Total Expenditures	<u>\$5,387,535,094</u>	<u>\$5,796,976,589</u>	<u>\$5,910,639,068</u>

Total expenditures increased by \$409,441,495 and \$113,662,479 during the fiscal years ended June 30, 2012 and 2013, respectively. The increase in fiscal year 2011-2012 was mainly attributable to fluctuations in state grants. The following analysis presents state grant expenditures by the type of special appropriation. The increase in fiscal year 2012-2013 primarily resulted from an increase in contractual services for the newly implemented DSS model of care management provided by medical administrative services organizations.

	<u>Fiscal Year 2010-2011</u>	<u>Fiscal Year 2011-2012</u>	<u>Fiscal Year 2012-2013</u>
Medicaid	\$4,451,268,632	\$4,692,746,398	\$4,775,661,153
Disproportionate Share	189,210,000	374,421,847	310,300,136
Temporary Assistance for Families	117,216,523	110,077,907	106,549,659
Child Care Services	98,516,236	100,085,828	97,453,112

HUSKY B Program	35,732,516	23,526,476	25,926,261
General Assistance	(3,145,848)	14,784,409	16,123,750
Aid to the Disabled	61,168,548	60,170,112	58,554,336
Old Age Assistance	35,523,455	36,570,495	35,385,019
Child Day Care	15,881,098	0	0
Housing – Homeless	47,173,053	51,768,529	53,203,508
Connecticut Home Care Program	47,402,482	47,608,501	42,151,330
CT Children’s Medical Center	11,020,000	10,050,240	10,579,200
ConnPACE	5,976,484	297,642	(41,027)
Charter Oak Health Plan	13,345,295	11,070,000	9,409,397
Other	<u>39,740,243</u>	<u>28,435,090</u>	<u>28,783,217</u>
Total State Aid Grants	<u>\$5,166,028,717</u>	<u>\$5,561,613,474</u>	<u>\$5,570,039,051</u>

Notes to above schedule:

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

The expenditure amounts made under Medicaid, Temporary Assistance for Needy Families, Child Care Services, and HUSKY B do not include 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 for Needy 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, 2012, are:

- Medicaid program expenditures increased by \$241,477,766 due to increases in provider rates, and additional client participation due to the expansion of benefits that include the Medicaid for Low-Income Adults Program, a population previously state-funded under the State Administered General Assistance Program.
- Disproportionate Share Hospital expenditures increased by \$185,211,847. These expenditures are limited to appropriated budgets established by the General Assembly and approved by the Centers for Medicare and Medicaid Services within the United States Department of Health and Human Services. Expenditures vary each year accordingly.
- Child Day Care Program expenditures decreased by \$15,881,098 due to the program’s transfer to the State Department of Education, effective July 1, 2011.
- The remaining fluctuations were primarily the result of changes in client participation rates. These fluctuations were not the result of programmatic changes.

The reasons for the major changes in expenditures for the above programs, during the fiscal year ended June 30, 2013, are:

- Medicaid program expenditures increased by \$82,914,755 due to increases in provider rates, and additional client participation due to the expansion of benefits that include the Medicaid for Low-Income Adults Program, a population previously state-funded under the State Administered General Assistance Program.
- Disproportionate Share Hospital expenditures decreased by \$64,121,711. These expenditures are limited to appropriated budgets established by the General Assembly and approved by the Centers for Medicare and Medicaid Services within the United States Department of Health and Human Services. Expenditures vary each year accordingly.
- The remaining fluctuations were primarily the result of changes in client participation rates. These fluctuations were not the result of programmatic changes.

Special Revenue Funds – Receipts

Special Revenue Fund receipts during the audited period, as well as the preceding fiscal year, are summarized below:

	<u>Fiscal Year 2010-2011</u>	<u>Fiscal Year 2011-2012</u>	<u>Fiscal Year 2012-2013</u>
Federal Contributions:			
Federal Aid, Restricted	\$545,959,901	\$486,409,060	\$485,981,949
Transfers from Other State Agencies	20,413,840	25,946,454	25,855,078
ARRA – TANF	20,722,585	869,750	(170)
ARRA – Child Support	956,000	0	0
ARRA – Medicaid	<u>190,393</u>	<u>208,488</u>	<u>250</u>
Total Federal Contributions	<u>588,242,719</u>	<u>513,433,752</u>	<u>511,837,107</u>
State Receipts:			
Restricted Contributions	6,536,511	3,907,932	4,219,857
Grant Transfers	637,332	3,032,111	2,984,471
Investment Income	1,439	1,070	996
Miscellaneous	<u>406</u>	<u>0</u>	<u>0</u>
Total State Receipts	<u>7,175,688</u>	<u>6,941,113</u>	<u>7,205,324</u>
 Total Special Revenue Fund Receipts	 <u>\$595,418,407</u>	 <u>\$520,374,865</u>	 <u>\$519,042,431</u>

Total revenues and receipts decreased \$75,043,542 and \$1,332,434 during the fiscal years ended June 30, 2012 and 2013, respectively. The fluctuations were primarily due to the end of federal funding from the American Recovery and Reinvestment Act (ARRA) of 2009.

Special Revenue Funds – Expenditures

Special Revenue Fund expenditures during the audited period, as well as the preceding fiscal year, are summarized below:

	<u>Fiscal Year</u> <u>2010-2011</u>	<u>Fiscal Year</u> <u>2011-2012</u>	<u>Fiscal Year</u> <u>2012-2013</u>
Expenditure Accounts:			
Federal Aid Grants	\$529,807,797	\$483,130,092	\$476,720,032
State Grants	5,605,351	6,478,687	11,797,601
Personal Services	34,232,426	32,751,248	4,173,039
Contractual Services	21,805,896	14,521,982	24,766,912
Commodities	189,018	478,753	220,528
Revenue Refunds	610,439	333,136	1,145,859
Fellowships & Stipends	5,000	5,000	0
Equipment	173,522	1,415,674	4,622,133
Overhead	<u>7,495,150</u>	<u>6,673,281</u>	<u>526,523</u>
Total Expenditures	<u>\$599,924,599</u>	<u>\$545,787,853</u>	<u>\$523,972,627</u>

Total expenditures decreased \$54,136,746 and \$21,815,226 during the fiscal years ended June 30, 2012 and 2013. The decrease in fiscal year 2011-2012 was primarily due to decreases in expenditures related to the federal Low-Income Home Energy Assistance Program and the Social Services Block Grant for Day Care. The decrease in fiscal year 2012-2013 was primarily due to the transfer of Disability Determination Services from the Department of Social Services to the Department of Rehabilitation Services.

Capital Projects Funds

Community Conservation and Development Fund grants-in-aid expenditures, made under various bond acts passed by the Legislature, totaled \$5,686,956 and \$1,995,450 for the fiscal years ended June 30, 2012 and 2013, respectively. During the fiscal year ended June 30, 2011, DSS expended \$1,180,400 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, and emergency shelters.

Capital Improvement and Other Purpose Fund expenditures totaled \$5,769,844 during the fiscal year ended June 30, 2013. The funds were primarily for the modernization and upgrade of the DSS service delivery system called ConneCT. In addition, the agency has initiated the replacement of its outdated eligibility management system. During the fiscal years ended June 30, 2011 and 2012, DSS had no expenditures from this fund.

Fiduciary Funds

Social Services Support Fund

DSS uses the Social Services Support Fund (an agency fund) as a clearing account for payments received from persons in other states obligated to support children who were beneficiaries of public assistance in Connecticut. In addition, the department deposits amounts recovered from the Internal Revenue Service's interception of tax refunds and withholding of state income tax refunds for delinquent support payments in this fund. DSS holds these receipts in 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, 2012 and 2013, totaled \$641,607 and \$708,968, 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) go to the TANF family. DSS makes deposits 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. DSS then draws a payment list, in the transfer amount, from the Funds Awaiting Distribution Fund for deposit in the DSS Benefit Assistance checking account. DSS then makes payments to TANF families from this account. DSS also used this fund to account for SNAP 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, 2012 and 2013 totaled \$1,956,843 and \$835,542, respectively.

Other Funds and Accounts

Burial Reserve Fund

Section 17-114 of the General Statutes, used to provide 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 Section 17-114 of the General Statutes, but did not address the disposition of existing burial reserve accounts. DSS requested a formal Attorney General opinion that it received on November 25, 1996, relative to the appropriate disposition of existing burial reserve assets. In the opinion, the Attorney General stated 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 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 that 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 DSS commissioner in October 1997. However, as of June 30, 2013, DSS still had 58 life insurance policies assigned to the commissioner on hand with a face value totaling \$71,352.

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 the 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, 2012 and 2013 were \$199,826 and \$238,170, respectively.

Conservator Account

In accordance with Section 45a-651 of the General Statutes, a probate court could appoint the DSS commissioner 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, to a DSS employee.

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 \$19,173 and \$21,684 at June 30, 2012 and 2013, respectively, the Conservator Account had investments in the State of Connecticut's Short-Term Investment Fund of \$58,574 and \$58,667 on those respective dates.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Outdated Disaster Recovery Plan puts Protected Health Information at Risk

Criteria: The State Health Insurance Portability and Accountability Act (HIPAA) Security Policy requires the Department of Social Services to comply with state HIPAA policies and procedures regarding the safekeeping of electronic protected health information (ePHI) and information technology (IT) resources that store, process, access, and/or transmit ePHI.

The State HIPAA Security Policy requires that a disaster recovery plan be established and implemented to restore any loss of data in the event of a disaster. The policy also requires that disaster recovery plan testing and revision procedures be developed and executed for verifying recovery capabilities.

Sound business practices include provisions that organizations have a current IT disaster recovery plan in place to enable critical operations to resume activity within a reasonable time should a disaster or major interruption in IT systems occur.

Condition: The Department of Social Services disaster recovery plan was outdated. At the time of our audit in July 2016, the plan was in draft form, dated November 30, 2009, and not finalized or approved. We were unable to determine the last time the plan was tested, or the results of that test.

Effect: DSS has reduced assurance that it is prepared for a significant event that could interrupt or halt operations. DSS informed us that electronically protected health information is vulnerable.

Cause: DSS focused on other information security priorities, and low staffing levels and budgetary constraints hindered the completion of the plan.

Recommendation: The Department of Social Services should establish a formal, written and approved information technology disaster recovery plan. The department should also periodically test and regularly update the disaster recovery plan. (See Recommendation 1.)

Agency Response: “The Department agrees with this recommendation. The Department will work with the necessary stakeholders to update the Disaster Recovery Plan and establish a periodic review schedule to ensure it remains up-to-date.”

Receipt of Services Prior to Committing Funds

- Criteria:* Section 4-98 of the General Statutes provides that no budgeted agency may incur any obligation except by the issuance of a purchase order or other documentation approved by the Comptroller. Comptroller Memorandum No. 2008-38 identifies payment types that do not require a purchase order.
- The State Accounting Manual provides procedures that state agencies should follow for processing expenditure transactions. The State Accounting Manual emphasizes that compliance with Sections 4-69, 4-89, 4-98, and 4-99 of the General Statutes requires that purchase orders be created, approved, and posted prior to accepting any goods or services.
- Condition:* We reviewed 145 expenditure transactions totaling \$273,153,781. The Department of Social Services received services prior to committing funds for 34 transactions, totaling \$86,772,503, during the fiscal years ended June 30, 2012 and 2013.
- Effect:* Obligations incurred prior to the commitment and approval of funding decrease assurance that funds will be available at the time of payment.
- Cause:* The department lacked adequate internal controls.
- Recommendation:* The Department of Social Services should strengthen internal controls over expenditures and follow the procedures in the State Accounting Manual. (See Recommendation 2.)
- Agency Response:* “The Department of Social Services agrees with this recommendation and will continue to work on generating purchase orders in a manner that satisfies the requirements of the State Accounting Manual that emphasizes compliance with Sections 4-69, 4-89, 4-98 and 4-99 of the Connecticut General Statutes which requires that purchase orders be created, approved and posted prior to accepting any good and service. The DSS Division of Financial Services (DFS), Purchasing Unit will continue to communicate to the applicable departments the necessity of notifying the DFS Purchasing Unit prior to incurring any obligation.”

Lack of Response to Request of Cancellation of Delinquent Accounts

- Background:* The Department of Administrative Services (DAS) maintains a Delinquent Accounts Unit that is responsible for pursuing the collection of public assistance delinquent accounts receivables. The Delinquent Accounts Unit acts as an agent for state agencies in the collection of past due accounts through inter-agency agreements.

State agencies may not cancel public assistance delinquent accounts receivables that involve federal funds unless the agency obtains federal approval.

Criteria: Connecticut General Statutes Section 3-7 provides that the Secretary of the Office of Policy and Management (OPM) may authorize the cancellation of uncollectible claims for an amount greater than \$1,000 upon the financial records of any state agency.

Condition: As of April 21, 2017, the Department of Social Services had not responded to a DAS memorandum dated August 1, 2012 requesting that:

- DSS confirm in writing that it authorized DAS to submit for cancellation to OPM delinquent accounts receivables from 2003 to 2009 totaling \$9,277,579.
- DSS provide to OPM documentation to ensure that none of the accounts requested for cancellation involved federal funds.

Effect: The state expended its resources and employee efforts to maintain and pursue apparently uncollectible claims that DSS should have cancelled more than 4 years ago.

Cause: DSS informed us that the employee who had knowledge of the memorandum retired in March 2015.

Recommendation: The Department of Social Services should respond to the requests from the Department of Administrative Services and the Office of Policy and Management in the memorandum dated August 1, 2012 regarding the cancellation of delinquent accounts receivables. (See Recommendation 3.)

Agency Response: “The Department agrees with the recommendation. In this case the staff person responsible for this function had retired without transferring the responsibility to another staff person. We have assigned the function to ensure that it is followed.”

Lack of Review of Administrative Functions

Criteria: The Department of Social Services Office of Quality Assurance (OQA) is responsible for ensuring the fiscal and programmatic integrity of federal and state programs administered by DSS and for ensuring the integrity of administrative functions of DSS. The OQA has 5 separate divisions, each with unique program integrity functions, including Audit, Investigations and Recoveries, Special Investigations, Quality Control, and Third Party Liability. The Audit Division is responsible for performing audits of DSS

operations, involving the review of administrative and programmatic functions and electronic data processing systems.

Condition: The DSS OQA Audit Division did not audit DSS administrative functions, such as rate setting, contract administration, accounts receivable, and the agency's checking account. These functions have a direct relationship to DSS expenditures. For example, DSS uses a checking account to process the majority of federal and state program payments made to clients and providers. During the state fiscal years ended June 30, 2012 and 2013, DSS expended approximately \$6.3 billion and \$6.4 billion, respectively. DSS processed a majority of expenditures of approximately \$6.1 billion through the agency's checking account for each of the state fiscal years.

Effect: DSS has reduced assurance that the agency's internal controls are adequately designed to operate effectively and efficiently as the agency experiences program changes, system modifications, and reduced staffing.

Cause: DSS uses the results of audits performed on client eligibility, medical providers, overpayments, and client and employee fraud as support for the review of DSS administrative functions. For example, DSS uses the Audit Division's medical provider audits as support for the internal audit of the agency's checking account. Although medical provider audits may support the validity and accuracy of the transactions paid through the checking account, these audits do not provide assurance of the reliability, effectiveness, or efficiency of the internal controls regarding the administrative functions of operating the agency's checking account.

Recommendation: The Department of Social Services should periodically perform audits of the agency's administrative functions to ensure the adequacy and effectiveness of current internal controls. (See Recommendation 4.)

Agency Response: "The Office of Quality Assurance performs reviews of a number of functions within the Department that are not listed in the condition of this audit report. This includes auditing payments made to medical providers which audits include a review of the systems used to make payments to providers through the checking account; we audit payments made to grantees which includes a review of the Department's processes in issuing and processing a payment, and we review client eligibility, including the eligibility process followed by staff. Each of these areas impacts the Department's most significant financial functions. Further, we have not been advised of any control deficiencies in the listed administrative functions that would warrant the need for additional internal audit tasks."

Auditors' Concluding

Comments: Although the DSS response outlines some of the audits that it performed, it does not address the lack of reviews of the specific administrative functions

addressed in this finding. In addition, DSS should not wait to be advised of control deficiencies to warrant periodic reviews of administrative functions.

Lack of Competitive Bidding for Services Procured

Background: The Department of Social Services provided over \$114,000,000 in total state grants to sub-recipients during the fiscal years ended June 30, 2012 and 2013. By statute, agencies should seek competitive negotiation and quotation for personal service agreements, unless a sole source purchase is required. Our review of the solicitation efforts made by DSS disclosed certain deficiencies.

Criteria: State agencies proposing to enter into personal service agreements costing more than \$20,000 are required to competitively bid for the services unless the agency obtains a waiver from competitive bidding from the Office of Policy and Management. Section 4-215 of the General Statutes specifies that waivers from competitive bidding can be granted by OPM when (1) services for which the cost to the state of a competitive selection procedure would outweigh the benefits of such procedures, as documented by the state agency, (2) proprietary services, (3) services to be provided by a contractor mandated by the general statutes or a public or special act, and (4) emergency services, including services needed for the protection of life or health.

In addition to the waiver conditions specified in Section 4-215, this section also provides OPM with discretionary authority to adopt additional conditions that may qualify for such waivers. OPM has used this authority to add conditions for services that require a contractor with special capabilities or experience.

Condition: We tested 15 sub-recipients and 5 vendors that received state funds to determine whether DSS adhered to state procurement policies and procedures with regard to the competitive procurement process. Waiver requests from DSS did not provide sufficient evidence that it did not circumvent competitive bidding processes. Our review disclosed the following:

1. In all 11 instances in which DSS sought a sole source waiver, the department claimed that the cost of competitive solicitation would outweigh the benefits of such a process without providing documentation to support such a claim. Eight sub-recipient waivers were for the previous contractor for these services.
2. The department was missing sole source waivers for 2 sub-recipients.

3. DSS cited a potential future exemption from the bidding process for 2 sub-recipients and sought to extend the contract for another year until a decision could be made about which services would be exempted, instead of following the necessary procedures in place at the time of the contract.
4. DSS requested a waiver for 7 sub-recipients and 1 vendor citing emergency services, including services needed for the protection of life or health. Although many of the services were for the protection of life or health, they did not appear to be for emergency services.

Effect: Noncompliance with the competitive procurement process may result in the department not receiving the most favorable price for contracted services.

Cause: The DSS Procurement Plan for Purchase of Services Contracts for the State Fiscal Years 2013 – 2015, approved by OPM, included programs in which waivers were requested from competitive procurement to ensure continuity of services to DSS clients.

Recommendation: The Department of Social Services should strengthen procedures to ensure compliance with state regulations regarding the department’s procurement responsibilities. (See Recommendation 5.)

Agency Response: “DSS continuously works to strengthen its policies and procedures for procurement activities. However, we disagree that the Department did not adhere to state procurement policies and procedures related to the competitive procurement process and that the conditions listed should be considered “deficiencies” as the Department followed established guidance from the Office of Policy and Management that is supported by statute. Each of the specific conditions is addressed below:

Condition #1 – Sole Source Waiver Process:

State Statute and OPM guidelines state that it is the Secretary of OPM that determines the sufficiency of a justification for a waiver of the competitive bid process. In each case, the Department exercised its statutory right to request a waiver and based on the receipt of an approval by OPM, the justification was sufficient to support the request.

Condition #2 – Sole Source Waiver Missing:

For the exception related to contract CA 11DSS3701EG, the Department does not have a record of the cited contract number. The Department has records of similar contracts with the vendor, including contract #12DSS3701EG which had OPM waiver #2012_13133 valid through 6/30/13 to facilitate the Department of Housing assuming responsibility of the contract. The exception related to contract CA 10DSS5001QT had a

waiver request submitted to OPM (2012_11535) and blanket OPM waivers 2013_13636 and 2014_14276.

Condition #3 – Future exemptions from the bidding process:

The Department is unclear as to the condition cited and requests additional clarification.

Condition #4 – Waiver for Emergency Services:

While the Department believes that the seven sub-recipients and one vendor provide for emergency services and the protection of life or health, this exemption specifically states, “Contractor will provide emergency services, including those for the protection of life or health.” Therefore, the justification in support of the request must address both factors. In addition, as stated in Condition #1, the strength of the justification for the exemption is judged and determined by the Secretary of OPM. In each of these cases, the Department provided a justification for the request that was accepted and granted through the OPM process.”

*Auditors’ Concluding
Comments:*

Condition #1 – Sole Source Waiver Process:

Although OPM approved sole source waivers requested by DSS citing that the cost to the state of a competitive selection procedure for these services would outweigh the benefits of such procedure, DSS was unable to provide the auditors with adequate documentation to support these claims.

Condition #2 – Sole Source Waiver Missing:

DSS did not provide the request for sole source waiver documentation to the auditors. We provided DSS with the opportunity to inform the auditors if it believed that any of the exceptions were incorrect. DSS did not communicate its disagreement with this condition.

Condition #3 – Bidding Process:

Although DSS had responsibility for the services provided by these sub-recipients at the time it entered into the contracts, DSS informed the auditors that it was unclear whether it would continue to be responsible for these services. Therefore, DSS did not perform a competitive selection process. We provided DSS with the opportunity to inform the auditors if it believed that any of the exceptions were incorrect. DSS did not seek additional clarification regarding this condition.

Condition #4 – Waiver for Emergency Services:

Although we agree that the services provided to individuals for Congregate Housing, Adult Services, Infoline, Shelters, Hispanic Human Development and the iQuit Rewards programs are necessary, they did not need to be exempt from the competitive bid process.

Lack of Service Organization Controls Report

Background: A Service Organization Controls 1 Report (SOC 1 report) is a report on controls at a service organization that are relevant to a user entity's internal control over financial reporting.

The interChange Medicaid Management Information System (MMIS) is used to process medical claims for providers of medical care and services furnished to clients under the Medicaid program and state-funded medical programs. The Department of Social Services contracted with a service organization, HP Enterprises Services, LLC (HPE), for support and operations of the interChange MMIS. For the fiscal year ended June 30, 2013, Medicaid and state-funded medical payments totaled approximately \$5.1 billion.

Criteria: Management is responsible for implementing and maintaining effective internal controls over financial reporting, whether the department performs the processing or outsources it to a service organization.

Condition: DSS did not ensure that HPE obtained a SOC 1 report on the interChange MMIS. Claims processed through interChange MMIS accounted for approximately 80% of the DSS total expenditures for the fiscal year ended June 30, 2013.

Cause: The contract between DSS and HPE did not require HPE to obtain a SOC 1 report for services applicable to the interChange MMIS.

Effect: DSS may be unaware of changes in the controls at HPE that could cause HPE to process transactions incorrectly. This could affect the amounts and disclosures in the statewide financial statements.

This may prevent DSS from adequately assessing the design and operating effectiveness of information technology general and complementary user control considerations in place at HPE and DSS.

Recommendation: The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes obtain an appropriate Service Organization Controls 1 Report (SOC 1 report) on at least an annual basis. Management should review the opinion of the service auditor to determine the effectiveness of controls in place at the service organization and to determine whether complementary user control considerations are in place and operating effectively. (See Recommendation 6.)

Agency Response: "The Department disagrees with the recommendation. There is no statutory or regulatory requirement for DSS to obtain a SOC1 report of its service

organizations. While we agree that it is management's responsibility to implement and monitor internal controls, the controls must be cost effective so as to ensure that the cost of implementation does not outweigh the benefits of the implementation. Our current reviews of claims processed through MMIS provide us with reasonable assurance of controls over financial reporting. Further, there are number of other reviews and analysis performed on the MMIS throughout the Department's Division of Health Services. The Department has concluded that there are sufficient controls in place that address the "Effects" listed above. The Auditors have not outlined or provided to the Department any information that would support its position that a SOC1 report should be obtained.

As outlined in an article from the Journal of Accountancy, a SOC1 report is primarily an auditor-to-auditor communication, designed to provide user auditors with detailed information about controls at a service organization that affect the information provided to user entities. All service auditors' reports include a detailed description of the service organization's system, and a type 2 report includes a detailed description of tests of controls performed by the service auditor and the results of those tests. The user auditor reads this detailed information to determine how the service organization's system generates information and how the service organization interacts with the user entity's financial reporting system, including how the information gets incorporated into the user entity's financial statements.

The Auditors of Public Accounts are the user auditor. If this report is required by the Auditors of Public Accounts, there will be a cost to the State to implement such a requirement. The Department is confident that the multiple number of internal reviews and testing that is performed on the MMIS are sufficient to address the concerns and we believe that the additional cost to implement this recommendation will outweigh any benefits that would be received.

Although 7 CFR 274.1(i) specifically requires states to obtain a SAS 70 audit to administer the Supplemental Nutrition Assistance Program, there is no such requirement in 45 CFR 95 subpart F for states to specifically obtain a SAS 70 audit to administer the Medicaid program. 45 CFR 95 does require states to perform ADP security reviews but not specifically the requirement to complete a SAS 70 audit. Further, in the Federal OMB compliance supplement, which includes material compliance requirements that states need to follow, provides that "as part of complying with the [ADP Risk Analyses and System Security Reviews], a state may obtain a Statement on Standards for Attestation Engagements (AT) Section 801, Reporting on Controls at a Service Organization SOC 1 type 2 report from its service organization (if the State has a service organization)." Again no

such requirement that a SAS 70 audit is required under the Medicaid program.”

Auditors’ Concluding

Comments:

The Department of Social Services informed us that their contracted service organization does not obtain a SOC 1 Report because the service organization has privacy and security teams that conduct annual audits. The Department of Social Services meets with the service organization semiannually to review any audit findings, corrective action, potential breaches and other steps that the service organization is taking to ensure compliance. However, the service organization does not provide the Department of Social Services with a full assessment of the service organization audit. Obtaining and reviewing the full report is an effective method of managing the Department of Social Services’ risk of utilizing service organizations.

Financial Reporting Inaccuracies

Background:

Our office reviewed the Department of Social Services Generally Accepted Accounting Principles (GAAP) Reporting Packages and the Schedule of Expenditures of Federal Awards (SEFA) submitted to the State Comptroller in conjunction with audits of the state's Comprehensive Annual Financial Reports (CAFR) for the fiscal years ended June 30, 2012 and 2013.

Criteria:

The submission of complete and accurate GAAP and federal financial expenditure information is instrumental in producing a CAFR and SEFA that is fairly stated. 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:

A review of the DSS GAAP Reporting Package and SEFA for the fiscal years ended June 30, 2012 and 2013, disclosed various financial exceptions that would have had a significant impact on the amounts reported by the State Comptroller.

Fiscal Year Ended June 30, 2012:

- The department overstated 2 GAAP Forms by \$52,270,977 and understated 1 GAAP Form by \$25,474,150. In addition, 2 accounts were incorrectly reported as federal funds instead of the General Fund with a total book balance of \$3,255,071 and a bank balance of \$4,051,667.
- The department overstated its SEFA amounts by \$11,960,395.

Fiscal Year Ended June 30, 2013:

- The department overstated 3 GAAP Forms by \$2,705,563 and understated 1 GAAP Form by \$2,462,075. In addition, 2 accounts were

incorrectly reported as federal funds instead of the General Fund with a total book balance of \$2,475,605 and a bank balance of \$3,861,754.

- The department overstated its SEFA amounts by \$33,008,239.

Effect: These conditions, if not corrected, would have caused DSS to report inaccurate or incomplete information on the state's CAFR and SEFA.

Cause: DSS did not follow the instructions provided by the State Comptroller. DSS clerical errors contributed to some of the conditions.

Recommendation: The Department of Social Services should prepare the Generally Accepted Accounting Principles Reporting Package and the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements and perform sufficient reviews to ensure that reports are accurate. (See Recommendation 7.)

Agency Response: "The Department agrees with the recommendation. While improvements have been made relative to the GAAP and SEFA review process, the Department will take the necessary steps to implement additional controls designed to lessen the recurrence of financial reporting inaccuracies."

Untimely Deposit of Receipts

Criteria: Section 4-32 of the General Statutes requires that any state agency receiving money or revenue for the state amounting to more than \$500 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 amount to \$500, but not for a period of more than 7 calendar days. The State Treasurer can make exceptions upon written application from a state agency stating that compliance would be impracticable and providing the associated reasons.

The State Treasurer granted the Department of Social Services (DSS) a 2 business-day waiver for checks totaling \$1,000 or more and a 4 business-day waiver for checks totaling less than \$1,000 that were originally received at the DSS field offices.

The State Accounting Manual (SAM) provides procedures that state agencies should follow for processing receipts. Per the manual, agencies receiving money must maintain a receipts log. The log shall include columns for the entry of information such as the date of receipt and date of deposit.

Condition: Each of the 12 DSS field offices and the DSS central office prepares a log for child support receipts and a separate log for all other receipts.

We selected 20 child support receipts from 3 field offices and the central office, and noted that 3 child support receipts, totaling \$6,933, were not deposited in a timely manner. The child support receipts remained at the DSS offices between 1 and 4 days in excess of the allowed time. We also noted that, for 3 child support receipts totaling \$593, we were unable to determine whether the receipts were deposited timely, because the field office did not track the date of receipt or the date of deposit for any child support receipt in the log.

We selected 20 non-child support receipts from 3 field offices and the central office and noted that 3 receipts, totaling \$9,701, were not deposited in a timely manner. The receipts remained at the DSS offices between 1 and 33 days in excess of the allowed time.

During our review, we noted that 1 field office did not have the log of child support receipts on hand for the fiscal years ended June 30, 2012 and 2013, or the log of non-child support receipts for the period of July 1, 2011 through December 31, 2012.

Effect: The lack of prompt deposits increases the opportunity for the loss or misappropriation of funds and delays the distribution of child support payments to custodial parents. Insufficient information recorded on receipt logs increases the likelihood that untimely deposits will go undetected.

Cause: DSS does not have a standardized receipts log for its offices to use. Oversight over the timeliness of depositing receipts was not consistent across all DSS offices. We were informed by 1 field office that it could not locate its logs because the person responsible for them no longer worked for DSS.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that it deposits receipts in accordance with the General Statutes and State Accounting Manual, and the waiver obtained from the State Treasurer. (See Recommendation 8.)

Agency Response: “The Department concurs with the recommendation to strengthen internal receipt and payment processing controls to ensure timely receipt and processing of child support payments received in the child support field offices.

Periodically, the Division of Financial Services issues a memo to Field 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 requests that the Field Offices review their procedures concerning receipts and make them available to the Division of Financial Services and the Division of Quality Assurance. We will issue a follow-up memo to the Field Offices and request they make all deposits in accordance with Department procedures and State Treasurer's regulations. We will also review our internal procedures to process deposits more timely and will review opportunities to enhance the Field Office interface with our process."

Unauthorized Overtime, Compensatory Time, and Extended Sick Leave

Criteria:

1. Overtime – Section 5-245 of the General Statutes provides that any state employee who performs work authorized by the appointing authority for a period in addition to the hours of the employee's regular, established work week shall receive overtime pay.

Article 17, Section 3 of the Engineering, Scientific and Technical (P-4) Bargaining Unit Contract stipulates that members paid above salary group 24 are considered exempt from earning overtime pay. Such exempt employees may receive compensatory time. In situations in which granting of compensatory time would create a hardship to the agency, it can make payment at straight time with the approval of the secretary of the Office of Policy and Management.

2. Compensatory Time – The Department of Administrative Services Management Personnel Policy No. 06-02 establishes criteria for granting compensatory time to managerial and confidential employees of the executive branch, which includes the Department of Social Services. The policy states that managers and confidential employees must receive written authorization in advance from an agency head or a designee to work extra time in order to record the extra hours as compensatory time. The authorization must include the employee's name and outline the reason(s) for compensatory time. The agency must retain proof of advance authorization in the employee's personnel file for audit purposes.
3. Medical Certificates – Section 5-247-11 of the State Regulations provides that a state agency must require 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. The purpose of the medical certificate is to substantiate a request for any sick leave absence consisting of more than 5 consecutive working days.

- Condition:*
1. Overtime – We reviewed 10 employees who received overtime payments. We noted that DSS issued overtime payments to 2 employees who were exempt from overtime without the proper approvals from OPM. Upon further review, we noted an additional 4 employees who were exempt from overtime and DSS issued overtime payments without the proper approvals. All 6 employees were above salary group 24 and part of the P-4 bargaining unit contract.
 2. Compensatory Time – We reviewed 10 employees who received compensatory time and noted that 5 managerial level employees’ compensatory time was not preauthorized by the agency. We also noted that DSS processed 35 hours of compensatory time for 1 employee during 1 pay period; however, only 10 hours of compensatory time was recorded on the employee’s timesheet and the employee’s timesheet was not signed by the supervisor.
 3. Medical Certificates – We reviewed 10 employees who charged sick leave in excess of 5 consecutive days and noted that DSS did not have the required medical certificate on file for 9 employees.

Effect: DSS issued unauthorized overtime payments at a pay rate of time-and-a-half for 627 hours and straight time for 301 hours, totaling \$57,226.

DSS may not be able to detect employee abuse of overtime, compensatory time, or extended sick leave without obtaining the proper authorization or medical certificate.

Cause: DSS did not have effective internal controls in place to enforce applicable requirements to prevent these conditions from occurring.

Recommendation: The Department of Social Services should process payroll and personnel information in accordance with state laws and regulations under the State Personnel Act and should strengthen internal controls to ensure compliance with other applicable requirements, including bargaining unit contracts and state personnel policies. (See Recommendation 9.)

Agency Response: “The Department of Social Services reviews annually its operational needs for Information Technology staff to determine if the Lifting of the Overtime Cap will be required for the P4 staff as outlined in Article 17, Section 3 of the Engineering, Scientific and Technical Bargaining Unit Contract. The Agency has made requests to OPM for the Lifting of the Cap, however, it appears there has been a disconnect with the approval of the lifting of the cap and the Payroll Units processing within the restricted overtime and compensatory limitations. Moving forward the Agency will ensure a process is effectuated with the fiscal year beginning 7/1/17.

The Department of Social Services is aware of the DAS Personnel Policy 06-02 and the prior authorization of Compensatory time for both managerial and confidential employees. Beginning with the roll-out of self-service payroll functionality in June 2015, managers were reminded of the requirement for pre-approval of manager's compensatory time. Additionally, in January 2017, the management of the Payroll Unit has changed and a process established requiring the review of all managers compensatory time earned to confirm prior approval has been received.

In October 2013, DSS Human Resources implemented an attendance policy for all employees. Extensive training began and continued throughout 2014 and 2015 to all Agency supervisors and managers to include FMLA and service rating trainings. Together, the trainings and continued reinforcement by Human Resources has had a significant impact on awareness and understanding for both the managers and supervisors roles and responsibilities and accountability for both themselves and their direct reports. In addition, the Agency has made significant strides in timely FMLA processing including timely attendance reviews. Managers and supervisors are holding their staff accountable to policy and statutory requirements as a result.”

Employees on Paid Administrative Leave in Excess of Time Limits

Criteria:

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

The Engineering, Scientific and Technical (P-4) and Administrative Clerical (NP-3) bargaining unit contracts extended the allowed administrative leave with pay to a maximum of 60 days.

Condition:

Our review disclosed that the department placed 4 employees on paid administrative leave under Section 5-240-5a (f) of the State Regulations between May 3, 2013 and June 30, 2013. Two of those employees remained on leave for a period in excess of the days allowed by state regulations and

applicable bargaining unit contracts. The salary paid to the 2 employees and related fringe benefits totaled \$6,119 and \$2,821, respectively. The total hours paid while these employees were on administrative leave beyond the allowed time was 192 hours.

Effect: DSS incurred costs for salaries and fringe benefits totaling \$8,940 for 2 employees who were on administrative leave beyond what is allowed under state regulations and bargaining unit contracts.

Cause: The department informed us that the condition appeared to be an oversight.

Recommendation: The Department of Social Services should comply with requirements concerning employees placed on paid leave as provided under Section 5-240-5a (f) of the Connecticut State Regulations and bargaining unit contracts. (See Recommendation 10.)

Agency Response: “The Department of Social Services Human Resources Labor Relations staff is aware of the statutory limitation on paid administrative leave for employee’s undergoing an investigation. The majority of employee’s placed on Administrative leave while investigations are being conducted are generally completed within the statutory limitations. However, there are occasions, due to mitigating circumstances, where the agency may extend the investigation beyond the limitation. Updates and circumstances are reviewed by the Assistant Director of Human Resources and the Investigator to determine and approve the extensions.”

Deficiencies in Asset Management Controls and Reporting of Software Inventory

Criteria: Section 4-36 of the General Statutes requires that each state agency shall establish and maintain inventory records in the form prescribed by the State Comptroller. In addition, the State Property Control Manual establishes the standards for maintaining an inventory system and sets forth the reporting requirements. These requirements include reporting accurate amounts on the CO-59 annual property report that are supported by subsidiary records, providing a complete physical inventory of all property by the end of each fiscal year to ensure that property control records accurately reflect the inventory on hand, and maintaining a software inventory.

Condition: Our current examination of the department’s property control system disclosed the following:

- From a sample of 40 assets on hand in various DSS offices, the physical location of 4 assets did not match the location in the Core-CT inventory records and 1 item was not listed.

- From a sample of 40 assets listed in the Core-CT asset management module, 3 assets could not be located.
- DSS did not produce a software inventory report. The amount of software inventory reported on the CO-59 totaled \$881,530 and \$889,909 for the 2012 and 2013 fiscal years, respectively.

Effect: Deficiencies in the control over equipment inventory provide a decreased ability to properly safeguard state assets and accurately report the department's inventory. The department did not comply with the requirements of the State Property Control Manual.

Cause: The department's internal controls over assets were inadequate.

Recommendation: The Department of Social Services should improve internal controls over asset accountability and its reporting of property and software inventory to ensure compliance with the requirements of the State Property Control Manual. (See Recommendation 11.)

Agency Response: "The five items that were not found are currently located in the CORE-CT Asset Management Module with correct locations identified. The Department's IT Division adds, moves and changes equipment inventory weekly and daily due to needed repairs, upgrades and/or equipment replacement. Notification of adds, moves and changes to equipment are documented and reported by the IT Division to Facilities Operations Support Services on a weekly basis. The equipment location may not have matched its actual location due to a delay in the receipt and recording of the documented add, move or change at the time of the sampling. The Department's IT Division and Facilities Operations Support Services agree to improve reporting accuracy and timeliness by increasing reporting times from weekly to daily.

Software Inventory Reporting on the CO-59 is complete with totals and based on reports acquired from CORE-CT. The Department agrees that it failed to include a copy of the actual software inventory detail report, but instead reported totals only. The Software Inventory Report is generated and maintained by the Department's IT Division. The IT Division has documented the need to provide Facilities Operations Support Services with a copy of its yearly software report and has produced copies of Software reports for FY 12 and 13."

Lack of Controls over Cellular Device Usage and Expenditures

Background: The Department of Administrative Services Bureau of Enterprise Systems and Technology (BEST) processes state agency telecommunication expenditures in Core-CT. BEST receives an electronic bill from the cellular service provider on a monthly basis for all state cellular devices. BEST uploads the electronic bill into a Telephone Billing System (TBS) that sorts phone numbers from the provider's bill by agency and creates the electronic summary and detail to support the charges. BEST is also responsible for negotiating the service contracts and establishing the Telecommunication Equipment Policy that all state agencies use.

Criteria: The Telecommunication Equipment Policy provides that:

- State employees shall only use telecommunications equipment for official state business and not for personal purposes.
- State employees may use only free directory assistance services. Any calls to directory assistance with a charge will be considered unacceptable personal usage.
- Agencies are responsible for ensuring that each employee authorized to use telecommunications equipment signs a statement that the employee understands the acceptable use policy.
- The agency and individual user are responsible for verifying the accuracy of each monthly bill and confirming appropriate usage.
- The agency and the individual user are responsible for maintaining adequate documentation to support all telecommunications equipment use, including copies of monthly Individual Usage Reports.

Condition: DSS had 216 cellular device users with charges on the August 2012 billing invoice. We reviewed cellular usage and supporting documentation for 14 employees for the month and noted that 8 employees who made cellular calls did not certify and return their monthly Individual Usage Report. We also noted that DSS did not have a signed statement on file from 6 employees with a cellular device who acknowledged that they understood the acceptable use policy.

We scanned the August 2012 telecommunication billing invoice for charges related to directory assistance calls made from cellular devices. We noted that 4 employees made 6 directory assistance calls totaling \$22. Three of these employees did not reimburse DSS for 4 calls totaling \$18.

DSS allows its employees the opportunity to identify and reimburse personal calls made from their agency cellular device. We reviewed 10 cell phone users from the August 2012 billing invoice and noted that an employee made 46 personal phone calls totaling \$7. The employee did not reimburse DSS for these calls.

Effect: DSS paid for an employee’s unauthorized cellular charges for personal purposes.

Cause: DSS lacks adequate controls over cellular device usage, billing, and reimbursements.

Recommendation: The Department of Social Services should establish and implement controls for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to certify and return the monthly Individual Usage Report. The Department of Social Services should ensure that every cellular device user signs the acknowledgement that the user understands the acceptable use policy. (See Recommendation 12.)

Agency Response: “The Department of Social Services agrees on the need to improve internal controls regarding the verification and accuracy of cellular charges and appropriate cellular device usage to include employee verification of monthly Individual Usage Reports. To this end DSS’ Information Technology Services (ITS) division will partner with the agency’s Division of Financial Services (DFS) to review measures to improve Individual Usage Report verification and accuracy. Additionally, DSS will increase efforts to ensure each cellular device user signs acknowledgement of receipt that they understand the Telecommunications Equipment acceptable use policy when receiving a cellular device.”

Deficiencies in Reviewing Income and Eligibility Verification System Alerts

Background: The State Supplement Program provides cash assistance to the aged, blind, or disabled to supplement their income and maintain them at a standard of living established by the General Assembly. The state funds this program, but it operates under both state and federal laws and regulations. Individuals eligible for the State Supplement Program are automatically eligible for Medicaid.

Criteria: The Department of Social Services Uniform Policy Manual (UPM) 1540.05 provides that DSS require verification of information pertaining to essential factors of eligibility when specifically required by federal or state laws or regulations. UPM 1540.05 is applicable to the Medicaid, Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, and State Supplement Program.

Title 42 United States Code Section 1320b-7 requires the state to have in effect an Income and Eligibility Verification System (IEVS) for the Medicaid, TANF, and SNAP programs. The IEVS provides for matches involving the Department of Labor (DOL) wage information, Social Security wage and earning files and Internal Revenue Services unearned income files.

Condition: DSS was deficient in reviewing IEVS alerts related to wages for the Medicaid, TANF, and SNAP programs.

For each of the quarters indicated in the chart below, the IEVS generated alerts related to client wages, employers, and unemployment benefits for Medicaid, TANF, and SNAP. As the query dates indicate, DSS had not investigated, resolved or removed alerts as appropriate by the due date.

Quarter Reviewed	Alerts Generated	Alerts Not Dispositioned	Alert Due Date	Query Date
9/30/2011	37,951	12,844	11/14/2011	1/8/2013
12/31/2012	20,543	10,216	2/11/2013	11/14/2013
9/30/2013	59,680	47,697	11/12/2013	11/6/2014
3/31/2015	32,935	30,609	5/12/2015	1/12/2016
9/30/2015	21,724	19,586	11/13/2015	8/14/2016

Effect: Clients could receive benefits that they are not eligible for, since DSS completes determinations of eligibility and benefit amounts without an adequate review of all available income and eligibility information.

Cause: DSS did not provide the resources to properly review and resolve alerts in a timely manner.

Recommendation: The Department of Social Services should provide the necessary resources and institute procedures to ensure that all information resulting from eligibility and income matches is used to ensure that correct payments are made to, or on behalf of, eligible clients. (See Recommendation 13.)

Agency Response: “The Department agrees with this finding. The new eligibility system, ImpaCT which replaces the legacy, Eligibility Management System (EMS) has a built in feature that allows certain types of alerts to appear during the processing of any type of case action. IEVS alerts fall into this category. All staff are expected to work the alerts that appear on the “Pending Casework” page when processing any type of case action. In addition, to ensure timely processing of alerts, each office will assign workers either permanently or rotationally to work the alerts queue. The assigned workers’ primary duty is to work the alerts queues for their designated office. They will work both critical and non-critical alerts, with priority given to the

critical alerts. Supervisors are also expected to actively work the alerts queue.”

Benefit Calculation Errors for State Supplement Active Cases

Background: The Department of Social Services (DSS) administers the State Supplement Program to provide cash assistance to low income individuals for basic living needs who are aged, blind or disabled. In order to qualify for assistance under the program, individuals must be at least 65 years old, disabled between the ages of 18 and 65, or blind; and the individuals must have other income, such as Supplemental Security Income (SSI) benefits, Social Security retirement or disability benefits, or a small pension.

Criteria: Section 17b-600 of the General Statutes provides that, in no event shall optional state supplementation be given to persons who either are not recipients of federal SSI benefits or are not persons who, except for income, would be eligible for SSI benefits.

Section 1545.05P of the DSS Uniform Policy Manual (UPM) provides that the standard length of the redetermination period for Aid to the Aged, Blind and Disabled (AABD) is 6 months for an assistance unit (AU) with earned income and 12 months for an AU with unearned income.

Section 1545.25 of the DSS UPM provides that AABD AUs are required to complete a redetermination form at each redetermination or they may be subject to discontinuance or an interruption in benefits for not completing the form within the limits specified.

Section 4520.05 of the DSS UPM provides that basic needs for an AABD AU are equal to the sum of the personal and shelter need standards.

Section 4520.10 of the DSS UPM provides that the standard of need for shelter for AABD AUs residing in a licensed boarding facility or in an adult family living home is based on a monthly rate established by DSS.

Section 5045.10 of the DSS UPM provides that an AABD AU’s total applied income is the sum of the unit’s applied earnings, applied unearned income, and the amount of deemed income.

Condition: We reviewed case files for 25 transactions totaling \$19,940 made under the State Supplement Program. We selected these transactions from State Supplement Program payments totaling \$199,557,417, of which \$913,525 was for cash advance payments to residential care homes made during the fiscal years ended June 30, 2012 and 2013. Our review disclosed the following exceptions:

- In 1 instance, we could not locate timely redetermination forms completed by the client and we were unable to verify whether DSS properly determined the client's eligibility status for the previous 2 redetermination periods.
- In 2 instances, incorrect boarding home rates were used to calculate the clients' standard of need for shelter, resulting in benefit overpayments totaling \$315.
- In 1 instance, a client's earned income was not included in applied income, resulting in a benefit overpayment of \$525.

Effect: The controls within the State Supplement Program do not provide reasonable assurance that the clients are eligible for the program and that benefit payments are properly calculated. The benefit payment errors resulted in overpayments totaling \$840.

Cause: The department's existing controls are inadequate to ensure that its caseworkers obtain and review all information necessary to verify client eligibility and to verify that monthly benefit payments comply with State Supplement Program requirements.

Recommendation: The Department of Social Services should improve internal controls to ensure that it performs and documents timely redeterminations of client eligibility and calculates benefit payments correctly. (See Recommendation 14.)

Agency Response: "In the time since the findings were made, DSS has made major changes to operational processes and systems that DSS expects should remediate the findings. All client documentation is now electronically housed in a centralized electronic file system. This has largely eliminated issues with locating paper documentation that could support an eligibility determination.

DSS is currently implementing a new eligibility system (ImpaCT) that will replace EMS. ImpaCT implementation is anticipated to be completed in 2017. ImpaCT issues benefit renewal forms that are prepopulated for the specific recipient and include barcoding that causes the returned renewal form to be linked directly to the client's file. All documentation associated with a client's file is readily accessible by the worker reviewing the file. DSS anticipates that the combination of the centralized electronic file system and the barcoding technology will ensure that forms in the Department's possession are in the client's file and available for review. The ImpaCT system includes updated boarding home rates and automatic benefit calculations based on the information entered by eligibility workers. In the time since the audit, DSS has also improved its ability to obtain more

current client income information through the Department of Labor and other income verification interfaces that are integrated with ImpaCT. DSS anticipates that these enhancements will allow the Department to make accurate benefit calculations based on the best available information.”

Improper Payments for State Supplement Closed Cases

Background:

The Department of Social Services (DSS) contracts with a vendor to administer non-emergency medical transportation for some recipients on the State Supplement Program and Medicaid. The vendor receives a monthly capitated rate for each client regardless of whether the vendor provides the client transportation. Under the State Supplement Program, clients also receive monthly cash assistance.

DSS provided us with a monthly report of cases closed due to recipient deaths. We sampled clients listed on the December 2012 report to determine the appropriateness of payments made after the death of the recipients. Out of 992 names listed on the report, 25 were clients of the State Supplement Program.

Criteria:

Section 1565.05 of the DSS Uniform Policy Manual (UPM) sets forth the ending date of assistance due to non-financial factors, including the death of a client. The manual provides that, when DSS determines that eligibility no longer exists, 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, if eligibility existed on the first of the month. This includes the death of a recipient.

Section 4520.10 of the DSS UPM provides that the standard of assistance for shelter in a rated housing facility is the monthly facility rate if the assistance unit resides in the facility for the entire calendar month or the per diem facility rate times the number of days the assistance unit resided in the facility if the shelter rate is prorated.

Condition:

We reviewed benefit payment histories for 10 recipients receiving State Supplement Program payments listed on the Closed Cases by Death of a Recipient Report for December 2012. Our review disclosed the following exceptions:

- In 3 instances, we noted that monthly benefit payments totaling \$915 were issued after the date of death. There were excess payments made for 1 month in 2 cases and 4 months in 1 case for which DSS did not properly prorate a housing facility payment for the month of the client’s death.

- In 6 instances, we noted that transportation payments totaling \$253 were paid on behalf of recipients for services provided in the months following their deaths. DSS did not attempt to recover these overpayments. The number of improper monthly transportation payments consisted of excessive payments of 5 months in 1 case and 1 month in 5 cases.

Effect: The controls within the State Supplement Program do not provide reasonable assurance that DSS made payments in compliance with regulations. DSS made improper transportation payments totaling \$253 that it did not attempt to recover.

Cause: For the improper monthly benefit payments, DSS did not follow procedures to establish receivables in its computer system for the overpayments. For the improper transportation payments, DSS has not developed a process to recoup transportation payments that are made after the death of a recipient.

Recommendation: The Department of Social Services should improve its procedures related to cases closed due to death to ensure the discontinuance of benefits and transportation payments, and the recovery of transportation payments issued after death. (See Recommendation 15.)

Agency Response: “DSS is in the process of rolling out ImpaCT, the updated eligibility system that replaces EMS. Statewide implementation of ImpaCT is anticipated to be complete in the fall of 2017. When an overpayment for a facility exists within ImpaCT, the DSS fiscal unit will be notified and can track the overpayments. DSS anticipates that this will facilitate overpayment recoupment. With regards to the improper transportation payments, DSS has restructured the relationship with the non-emergency medical transportation (NEMT) vendor. Transportation payments will only be incurred for actual services rendered rather than based on a capitated rate. DSS anticipates that this should eliminate the types of overpayments that were identified in the audit.

Additionally, the ImpaCT system will track recipient deaths through an interface with the State Verification & Exchange System. An alert will be associated with the recipient’s case upon their death. The alerts can then be monitored and a worker can close the case upon review.”

Lack of Eligibility Documentation for State-Administered General Assistance Cases

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

Section 17b-194 of the General Statutes provides that, when making determinations concerning disabilities or impairments that DSS expects will last a period of 6 months or longer, the department bases such determinations on the recommendations made by a medical review team. The Department of Social Services contracted with a vendor that determined the disability or employability status of individuals requesting SAGA cash benefits by reviewing medical packets.

Cooperation requirements under Section 8080.35 of the 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 \$4,613 made under the SAGA Program. We selected these transactions from SAGA payments totaling \$38,145,182 made during the fiscal years ended June 30, 2012 and 2013. Our review disclosed the following exceptions:

- In 1 instance, the proper documentation to determine eligibility status was not on file at the time of the benefit payment.
- In 2 instances, the client information included in the DSS Eligibility Management System (EMS) file or hard copy case disclosed that the clients did not apply for benefits from other sources prior to being deemed eligible for the SAGA Program, as required. Of these 2 clients, 1 subsequently applied for benefits from other sources.

Effect: The SAGA Program’s controls do not provide reasonable assurance that the clients are eligible for the program.

Cause: The existing controls are inadequate for ensuring that caseworkers obtain and review all information necessary to verify client eligibility.

Recommendation: The Department of Social Services should verify and document that applicants have met the requirements of the State-Administered General Assistance program. (See Recommendation 16.)

Agency Response: “In the time since the findings were made, DSS has made major changes to operational processes and systems that DSS expects should remediate the findings. All client documentation is now electronically housed in a centralized electronic file system. This has largely eliminated issues with locating paper documentation that could support an eligibility determination.

DSS is currently implementing a new eligibility system (ImpaCT) that will replace EMS. ImpaCT implementation is anticipated to be completed in 2017. When a household applies for cash benefits, the ImpaCT system will automatically assess eligibility for other cash benefits administered by DSS prior to determining eligibility for SAGA. The ImpaCT system also prompts workers to review for other income sources prior to granting benefits.

In addition to the system controls, eligibility workers are trained to check for other required income sources such as SSI when evaluating eligibility for SAGA. Eligibility workers have also been provided training on adding case notes in the new ImpaCT system for those situations where electronic documentation may not be available.

DSS will send a reminder communication to eligibility staff on the importance of ensuring that applicants for cash assistance have applied for benefits from other sources prior to granting SAGA.”

Inadequate Controls over Conservator Account Disbursements

Criteria:

If the commissioner of DSS finds that an elderly person is being abused, neglected, exploited or abandoned and lacks capacity to consent to reasonable and necessary protective services, the commissioner may petition the Probate Court for appointment of a conservator of the elderly person pursuant to the provisions of Sections 45a-644 to 45a-662, inclusive, of the General Statutes in order to obtain such consent. The elderly person or the individual, agency or organization designated to be responsible for the personal welfare of the elderly person shall have the right to bring a motion in the cause for review of the Probate Court’s determination regarding the elderly person’s capacity or an order issued pursuant to Sections 17b-450 to 17b-461, inclusive, of the General Statutes. The Probate Court may appoint, if it deems appropriate, the commissioner of DSS to be the conservator of such elderly person.

Certificate PC-450 issued by the Probate Court to assign the Department of Social Services (DSS) as conservator has an expiration date. As long as DSS performs the role of conservator, the court certificate has to be in effect.

DSS established internal controls requiring the unit supervisor to approve disbursements over \$1,000.

Condition:

We noted that for 8 out of 10 conservator account disbursement transactions selected for review, DSS did not have probate court certificates on file approving DSS to act as conservator. Additionally, the unit supervisor did

not sign off on 2 disbursements made for over \$1,000 in accordance with DSS procedures.

Effect: DSS may not have proper authorization to manage client accounts. Client accounts could be vulnerable to unauthorized disbursements.

Cause: DSS did not follow internal control procedures to obtain probate court certificates and approve disbursement amounts over \$1,000.

Recommendation: The Department of Social Services should strengthen internal control procedures to ensure that it has active probate court certificates on file for conservator accounts, and that it properly approves all disbursements over \$1,000. (See Recommendation 17.)

Agency Response: “For the noted exceptions related to current probate court certificates not being on filing, it should be noted that the Department cannot take action on clients unless an initial probate certificate (PC 450 Form) is on file. It is incumbent upon the Probate Court to provide updated forms. Failure to take action pending the receipt of an updated PC 450 form would put community clients at risk and damage relations with providers who deliver needed services to vulnerable clients. Going forward, the Department will document efforts to request updated certificates from the appropriate Probate Courts.

The Department agrees with the exceptions noted related to the approval of the disbursements. Efforts to comply with this established procedure will be increased.”

Inadequate Controls over Supplemental Security Income Disbursements

Background: Federal law provides that the Social Security Administration (SSA) may, upon written authorization by an individual, reimburse states that have furnished interim assistance to recipients between the month the recipient filed a claim for Supplemental Security Income (SSI) benefits and the month in which benefits were paid. This provision allows the individual to receive prompt general assistance, for which, the state is authorized to receive their initial and any retroactive SSI payment for that individual.

According to Title 20 Code of Federal Regulations Part 416.1910, if SSA repays 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 10 working days from the date the state receives repayment from SSA, and

- Refund the excess amount to SSA in the event it cannot pay the client (for example, if the client dies or the state cannot locate the client).

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

Condition: The balance of SSI funds not distributed by DSS as of June 30, 2013, totaled \$214,413. Based on our review of this balance, there was approximately \$181,500 held by DSS with transaction dates between March 7, 2005 and June 27, 2012. DSS should have determined the proper distribution of these funds or should have returned them to SSA if DSS could not locate the client.

Effect: SSA might not have properly reimbursed the SAGA Program for assistance provided on its behalf. It is possible that DSS owes clients assistance, or that it should return funds to SSA.

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

Recommendation: The Department of Social Services should determine the proper disposition of Supplemental Security Income it received for providing interim assistance to recipients between the month the recipient filed a claim for Supplemental Security Income benefits and the month in which benefits were paid. (See Recommendation 18.)

Agency Response: “We agree with the cited condition and recommendation. In subsequent fiscal years, the Department concentrated efforts on disbursing the long outstanding funds to DSS, to the clients, or to the Social Security Administration (SSA), as appropriate. As of August 2015, the month end balance of the SSI funds was at \$1,314.

A large portion of the backlog in FY 2013 was attributable to a lack of documentation from SSA. The funds related to these clients were returned to SSA in August 2015. SSA never cashed the payments and we are now corresponding with SSA as to the final disposition of these funds.

As of today, SSA only sends the state portion of a client’s retro-active SSI funds to DSS. The SSI receipts will now be posted directly to the SAGA account as a refund of SAGA expenditures as there is no need to send these funds to any other entity.”

Inadequate Controls over Burial Reserve Fund Records

Criteria: Per Section 17b-84 (formerly Section 17-82i) of the General Statutes, upon the death of any beneficiary under the state supplement or the temporary family assistance program, the commissioner of the Department of Social Services shall order the payment of a sum not to exceed \$1,200 as an allowance toward the funeral and burial expenses of such deceased person. The department shall reduce the payment for funeral and burial expenses by the amount in any revocable or irrevocable funeral fund, prepaid funeral contract, or the face value of any life insurance policy owned by the recipient. Any person can contribute to the cost of the beneficiary's funeral and burial expenses over and above the sum established under this section without diminishing the state's obligation.

Condition: DSS could not locate seven life insurance files. Although 1 file was included on a DSS active case list dated April 30, 2015, the narrative in the DSS Eligibility Management System (EMS) indicated that the recipient's date of death of October 18, 2004, was not entered on the EMS Demographic 2 (DEM2) screen. Additionally, DSS did not enter assigned insurance policy information in the EMS Assets 1 (AST1) screen for an active recipient.

Effect: Without adequate recordkeeping, DSS may not be able to reduce its payment for funeral and burial expenses for deceased state supplement or the temporary family assistance beneficiaries whose life insurance policy was assigned to the state.

Cause: DSS informed us that it archived and lost files during the relocation to another building. DSS did not follow its procedures.

Recommendation: The Department of Social Services should establish controls to ensure that it properly maintains all records pertaining to the Burial Reserve Fund. (See Recommendation 19.)

Agency Response: "The Department agrees with this recommendation and will review controls to ensure adequate record keeping is maintained."

Lack of Monitoring of Neighborhood Facility Annual Reports

Background: DSS made grants-in-aid expenditures under various bond acts passed by the legislature totaling \$6,765,064 and \$5,643,536, respectively, during the fiscal years ended June 30, 2012 and 2013. These expenditures were primarily for the renovation and expansion of neighborhood facilities used as senior centers, day care facilities, or emergency shelters.

- Criteria:* Grants-in-aid contracts for the capital development of neighborhood facilities require the contractor to provide DSS with annual reports on or before July 1st of each calendar year for 10 years following the date of the project completion to ensure that the property continues to be used as intended and approved by the State Bond Commission.
- Condition:* DSS did not enforce the requirement that grantees of closed projects be responsible for submitting annual reports. We reviewed 10 closed projects and found that 7 grantees did not submit an annual report to confirm the property continued to be used for its intended purpose. We verified the current use of the 10 properties completed within the last 10 years and concluded that all 10 properties continued to be used for their intended purposes.
- Effect:* There are weakened controls because DSS is not aware of the status of various grant-funded projects.
- Cause:* DSS does not have adequate procedures in place to ensure that grantees file required reports with DSS.
- Recommendation:* The Department of Social Services should develop and follow procedures to ensure that it receives reports from grantees for various grants-in-aid as required by the contracts. (See Recommendation 20.)
- Agency Response:* “The Department agrees with the recommendation.”

Lack of Adopted Regulations

- Criteria:* Section 4-168 of the General Statutes provides that, if an agency is required by a public act to adopt regulations, the agency, not later than 5 months after the effective date of the public act, shall publish a notice of intent to adopt regulations in the Connecticut Law Journal. Section 4-168 states that no regulation may be adopted, amended, or repealed by any agency until it is approved by the Attorney General and standing legislative regulation review committee, and posted online by the office of the Secretary of the State. Since October 1, 1985, no regulation is valid unless adopted in substantial compliance with Section 4-168.
- Section 4-170 of the Connecticut General Statutes provides that each agency shall submit a copy of the regulations to the office of the Secretary of the State.
- Condition:* We reviewed 47 sections of the General Statutes under Title 17b *Social Services* that required adoption of regulations. We noted that 9 sections of the General Statutes were not adopted in regulation form.

1. Three sections relating to Husky programs have been operating under proposed regulations since November 2007. The proposed regulations have not been finalized.
2. One section relating to fuel and weatherization assistance programs has been operating without regulations since 1986.
3. One section relating to the qualifications for a temporary manager of a long-term care facility has no regulations, as required since 1989.
4. One section relating to audits of long-term care facilities has no regulations, as required since 2011.
5. Three sections related to programs that were never implemented, including health insurance assistance for unemployed persons, amendment to the state Medicaid plan for assertive community treatment teams and community support services, and additional financial assistance for persons with severe physical disabilities who require transfer assistance had no regulations.

Effect: Without formal regulations in place, there could be a lack of consistency in the implementation, quality, oversight, and effectiveness of social services programs.

Cause: DSS informed us that it is drafting new regulations for 4 sections of the General Statutes due to changes in federal law. DSS also informed us that it placed the adoption of 1 section's regulations on hold due to pending state legislation. DSS was uncertain why the General Statutes charged it with the adoption of regulations for 1 section. DSS did not create regulations for 3 sections because the corresponding programs were never implemented.

Recommendation: The Department of Social Services should implement regulations required by the General Statutes or propose the repeal of a statute when the department did not implement a program or it is no longer in effect. (See Recommendation 21.)

Agency Response: "The Department agrees with this recommendation. The Department is currently drafting regulations for the HUSKY program, as required by Sections 17b-292 and 17b-294a of the General Statutes. The Department intends to have these regulations publicly noticed by the end of the current state fiscal year.

The Department believes the regulations required by the remaining statutes cited by the Auditors of Public Accounts are unnecessary or intended to support programs that are no longer operational or were never implemented.

The Department will pursue statutory amendments during this legislative session that would resolve the remaining findings.”

Lack of Compliance with Mandatory Reporting

Criteria: Section 17b of the General Statutes contains many subsections mandating that the Department of Social Services submit reports to the executive and legislative branches of government.

- Section 17b-26 of the General Statutes requires DSS, by December 15th each year, to report to the Governor and said joint standing committees with regard to the activity of the department in the implementation of social services and community services block grants. Those reports should include, but not be limited to, fiscal data on expenditures of state and federal funds and any recommendations for needed program legislation to ensure the receipt of all federal funds available to the state from such grants.
- Section 17b-28g of the General Statutes requires DSS to submit notice of any proposed amendment to the Medicaid state plan to the joint standing committees of the General Assembly having cognizance of matters related to human services and appropriations prior to submission of such amendment to the federal government.
- Section 17b-274a of the General Statutes requires DSS to implement and maintain a procedure to review and update the maximum allowable cost list at least annually. It also requires DSS to annually report on its activities regarding the Medicaid and Connecticut AIDS drug assistance programs for generic prescription drugs to the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies.
- Section 17b-294a of the General Statutes requires DSS to contract for an external quality review of the HUSKY Plus programs. DSS must submit a report, by January 1st each year, to the Governor and the General Assembly on the HUSKY Plus programs. The report must include an evaluation of the health outcomes and access to care for medically eligible enrollees in the HUSKY Plus programs.
- Section 17b-297 of the General Statutes requires DSS to report, by January 1st each year, to the Governor and the General Assembly on the implementation and results of the community-based outreach programs designed to maximize enrollment of eligible children and adults in the HUSKY Plan, maximize enrollment of eligible children in Medicaid, and maximize the use of federal funds.

- Section 17b-340 of the General Statutes requires DSS to report, by February 15th each year, the data contained in annual reports from nursing homes, chronic disease hospitals associated with chronic and convalescent homes, rest homes with nursing supervision, residential care homes, and residential facilities for persons with intellectual disabilities. DSS must report this to the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies. Each facility's annual report includes a profit and loss statement that DSS uses for consideration to determine rates of payment for services that are state funded.

DSS shall also provide written quarterly reports that identify each facility requesting an interim rate increase, the amount of the requested rate increase for each facility, the action taken by DSS and the Office of Policy and Management, and estimates of the additional cost to the state for each approved interim rate increase. DSS must report this to the joint standing committees of the General Assembly having cognizance of matters relating to aging, human services and appropriations, and the budgets of state agencies.

Condition: We requested 10 mandated reports for review and noted that DSS did not prepare 6 reports for the fiscal years ended June 30, 2012 and 2013.

Effect: Executive and legislative oversight of DSS may have been diminished. DSS did not provide information relevant to the administration of the various assistance programs as required by state statutes.

Cause: DSS lacks a department-wide method for tracking and monitoring the submission of mandated reports. DSS attempted to repeal some statutory reporting requirements, but those attempts were unsuccessful.

Recommendation: The Department of Social Services should develop and implement a process to ensure that it submits all mandated reports required by the General Statutes. The Department of Social Services should continue to pursue the process of repealing any reporting requirements that are no longer practical or relevant. (See Recommendation 22.)

Agency Response: "The Department agrees with the recommendation. The Department has developed and implemented a method to ensure that all mandatory reporting requirements are complied with. Furthermore, the Department continues to pursue the repeal of reporting requirements that are obsolete, impractical or irrelevant."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Department of Social Services 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. **This recommendation is being repeated to reflect current conditions. (See Recommendation 8.)**
- The Department of Social Services should continue its efforts to resolve old receivable accounts. **This recommendation is being repeated to reflect current conditions. (See Recommendation 3.)**
- The Department of Social Services should process personnel information in accordance with the state laws and regulations included under the State Personnel Act and should ensure compliance with other applicable requirements, including state records retention, bargaining unit contracts, and its own internal administrative requirements. **This recommendation is being repeated to reflect current conditions. (See Recommendation 9.)**
- The Department of Social Services 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. **This recommendation is being repeated. (See Recommendation 15.)**
- The Department of Social Services 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. **This recommendation is being repeated to reflect current conditions. (See Recommendation 7.)**
- The Department of Social Services should establish adequate procedures to obtain and review audit reports and to conduct ongoing monitoring of its grantees. **This recommendation has been resolved.**
- The Department of Social Services should verify and document that applicants have met the requirements of State-Administered General Assistance. **This recommendation is being repeated. (See Recommendation 16.)**
- The Department of Social Services should implement a more balanced internal audit function. This implementation would increase management's view as to what is really happening inside the department and help management look forward by identifying trends and bringing attention to emerging challenges. **This recommendation is being repeated to reflect current conditions. (See Recommendation 4.)**

- The Department of Social Services should comply with requirements concerning employees placed on paid leave as provided under Section 5-240-5a (f) of the Connecticut State Regulations and bargaining unit contracts. **This recommendation is being repeated. (See Recommendation 10.)**
- The Department of Social Services should develop and follow procedures to ensure that reports are received from the grantees for various grants-in-aid as required by the contracts. **This recommendation is being repeated. (See Recommendation 20.)**
- The Department of Social Services 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. **This recommendation is being repeated to reflect current conditions. (See Recommendation 12.)**
- The Department of Social Services 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 filed a claim for Supplemental Security Income benefits and the month in which benefits were paid. **This recommendation is being repeated. (See Recommendation 18.)**
- The Department of Social Services should establish procedures to ensure that all bank accounts are reconciled on a timely basis and that any reconciling differences are explained. **This recommendation has been resolved.**
- The Department of Social Services should ensure that all costs of the Connecticut Home Care Program for Elders that are eligible under the Medicaid Home and Community-Based Services waiver are claimed for federal reimbursement. **This recommendation has been resolved.**
- The Department of Social Services should establish procedures to review all outstanding checks and determine their proper disposition in accordance with the State Accounting Manual. **This recommendation has been resolved.**
- The Department of Social Services should promptly notify the Auditors of Public Accounts and the State Comptroller of all instances of misuse of state resources in accordance with Section 4-33a of the General Statutes. **This recommendation has been resolved.**
- The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes obtain Service Organization Controls Reports (SOC 1) on at least a yearly basis. Management should review the opinion of the service auditor to determine the effectiveness of controls in place at the service organization and to determine complimentary user control considerations are in place and operating effectively. **This recommendation is being repeated. (See Recommendation 6.)**

Current Audit Recommendations:

- 1. The Department of Social Services should establish a formal, written and approved information technology disaster recovery plan. The department should also periodically test and regularly update the disaster recovery plan.**

Comment:

The department's disaster recovery plan, dated November 30, 2009, was in draft form and not approved. We were unable to determine the last time the plan was tested, or the results of that test.

- 2. The Department of Social Services should strengthen internal controls over expenditures and follow the procedures in the State Accounting Manual.**

Comment:

Our review revealed that DSS received services prior to committing funds totaling approximately \$86.8 million.

- 3. The Department of Social Services should respond to the requests from the Department of Administrative Services and the Office of Policy and Management in the memorandum dated August 1, 2012 regarding the cancellation of delinquent accounts receivables.**

Comment:

As of April 21, 2017, DSS had not responded to a memorandum from the Department of Administrative Services and the Office of Policy and Management regarding the cancellation of delinquent accounts receivables from 2003 through 2009 totaling approximately \$9.3 million and confirming that such accounts did not include federal funds.

- 4. The Department of Social Services should periodically perform audits of the agency's administrative functions to ensure the adequacy and effectiveness of current internal controls.**

Comment:

The department's Office of Quality Assurance Audit Division did not audit DSS administrative functions, such as rate setting, contract administration, accounts receivable, and the agency's checking account. These functions have a direct relationship to DSS' approximately \$6.3 billion of expenditures.

- 5. The Department of Social Services should strengthen procedures to ensure compliance with state regulations regarding the department's procurement responsibilities.**

Comment:

The DSS waiver requests, although approved by OPM, did not provide sufficient evidence to warrant the circumvention of the competitive bidding process.

- 6. The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes obtain an appropriate Service Organization Controls Report (SOC 1) on at least an annual basis. Management should review the opinion of the service auditor to determine the effectiveness of controls in place at the service organization and to determine whether complementary user control considerations are in place and operating effectively.**

Comment:

The department did not ensure that HP Enterprises Services, LLC obtained a Service Organization Control 1 Report (SOC 1 report) on the Medicaid Management Information System (MMIS). MMIS processed approximately \$5.1 billion in claims in the fiscal year ended June 30, 2013.

- 7. The Department of Social Services should prepare the Generally Accepted Accounting Principles Reporting Package and the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements and perform sufficient reviews to ensure that reports are accurate.**

Comment:

The department did not report complete and accurate information on the Generally Accepted Accounting Principles Reporting Packages and the Schedule of Expenditures of Federal Awards submitted to the State Comptroller.

- 8. The Department of Social Services should strengthen internal controls to ensure that it deposits receipts in accordance with the General Statutes and State Accounting Manual, and the waiver obtained from the State Treasurer.**

Comment:

Our review revealed that some checks were on hand up to 33 days in excess of the allowed time, which was in violation of Section 4-32 of the General Statutes, the State Accounting Manual, and the waiver obtained from the State Treasurer.

- 9. The Department of Social Services should process payroll and personnel information in accordance with state laws and regulations under the State Personnel Act and should strengthen internal controls to ensure compliance with other applicable requirements, including bargaining unit contracts and state personnel policies.**

Comment:

Our review disclosed noncompliance with laws and regulations concerning the receipt of required medical certificates, improper payment of overtime, and preauthorization of compensatory time.

- 10. The Department of Social Services should comply with requirements concerning employees placed on paid leave as provided under Section 5-240-5a (f) of the Connecticut State Regulations and bargaining unit contracts.**

Comment:

Our review disclosed that DSS placed employees on paid administrative leave in excess of the days allowed by state regulations and bargaining unit contracts.

- 11. The Department of Social Services should improve internal controls over asset accountability and its reporting of property and software inventory to ensure compliance with the requirements of the State Property Control Manual.**

Comment:

Our review disclosed that the department's asset records contained inaccuracies. We also noted that the department did not produce a software inventory report during the audited period.

- 12. The Department of Social Services should establish and implement controls for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to certify and return the monthly Individual Usage Report. The Department of Social Services should ensure that every cellular device user signs the acknowledgement that the user understands the acceptable use policy.**

Comment:

Our review noted a number of deficiencies related to cellular device usage and expenditures.

- 13. The Department of Social Services should provide the necessary resources and institute procedures to ensure that all information resulting from eligibility and income matches is used to ensure that correct payments are made to, or on behalf of, eligible clients.**

Comment:

The department was deficient in reviewing Income and Eligibility Verification System alerts related to wages for the Medicaid, TANF, and SNAP programs.

14. The Department of Social Services should improve internal controls to ensure that it performs and documents timely redeterminations of client eligibility and calculates benefit payments correctly.

Comment:

Our review disclosed benefit calculation errors due to untimely redeterminations, exclusion of earned income, and the use of incorrect rates.

15. The Department of Social Services should improve its procedures related to cases closed due to death to ensure the discontinuance of benefits and transportation payments, and the recovery of payments issued after death.

Comment:

Our review disclosed that DSS issued benefit payments that were cashed after the death of recipients. We also noted that DSS paid some transportation payments on behalf of recipients for services in the month(s) following their death. Furthermore, we noted that DSS did not attempt to recoup these transportation overpayments.

16. The Department of Social Services should verify and document that applicants have met the requirements of the State-Administered General Assistance program.

Comment:

DSS did not require some clients to pursue benefits from other applicable federal programs prior to their acceptance to the SAGA program. In addition, DSS did not have documentation to support a client's eligibility status in all cases.

17. The Department of Social Services should strengthen internal control procedures to ensure that it has active probate court certificates on file for conservator accounts and that it properly approves all disbursements over \$1,000.

Comment:

DSS did not have active certificates issued by the Probate Court to assign DSS to act as conservator for client accounts. In addition, DSS issued disbursements over \$1,000 without proper approvals.

- 18. The Department of Social Services should determine the proper disposition of Supplemental Security Income it received for providing interim assistance to recipients between the month the recipient filed a claim for Supplemental Security Income benefits and the month in which benefits were paid.**

Comment:

Our review disclosed that DSS did not determine the proper distribution of individual Supplemental Security Income checks in a timely manner. We noted that some checks were held for as long as 8 years. DSS should have returned the funds to the Social Security Administration if the client could not be located.

- 19. The Department of Social Services should establish controls to ensure that it properly maintains all records pertaining to the Burial Reserve Fund.**

Comment:

DSS could not locate client life insurance files that we requested. Our review disclosed that DSS did not enter assigned life insurance policy information into the DSS Eligibility Management System (EMS). In addition, we noted discrepancies in DSS records between the Burial Reserve Fund active case list and the EMS.

- 20. The Department of Social Services should develop and follow procedures to ensure that it receives reports from grantees for various grants-in-aid as required by the contracts.**

Comment:

Our review disclosed that DSS did not enforce contract provisions that require grantees of completed projects to submit annual reports for 10 years following the date of project completion. The reports ensure that the grantees continue to use the properties for the purposes intended and approved by the State Bond Commission.

- 21. The Department of Social Services should implement regulations required by the General Statutes or propose the repeal of a statute when the department did not implement a program or it is no longer in effect.**

Comment:

Our review disclosed that DSS did not adopt regulations required by the General Statutes. We noted that DSS has been operating some assistance programs under proposed regulations or without any regulations for many years.

- 22. The Department of Social Services should develop and implement a process to ensure that it submits all mandated reports required by the General Statutes. The Department of Social Services should continue to pursue the process of repealing any reporting requirements that are no longer practical or relevant.**

Comment:

Our review disclosed that DSS did not submit certain mandated reports to the executive and legislative branches of government during the audited period. In addition, we noted that DSS lacks a department-wide method for tracking and monitoring the submission of mandated reports.

ACKNOWLEDGEMENT

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

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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.

Ann Marie Brown

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Approved:

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