

STATE OF CONNECTICUT

**AUDITORS' REPORT
DEPARTMENT OF CHILDREN AND FAMILIES
SPECIAL REVIEW OF THE
ADOLESCENT SERVICES UNIT**

AUDITORS OF PUBLIC ACCOUNTS
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At the request of the Department of Children and Families we have performed a special review of the Adolescent Services Unit, including the administration of the Federally funded John F. Chafee Foster Care Independence Program (Chafee) (CFDA #93.674) within the Department of Children and Families. In October 2004, the Department informed us that there was concern over certain policies, procedures and practices within the Unit, which served as the basis for their request.

In light of the request from the agency, and the significance of the allegations involving a Federally funded program, this report is being issued covering topics reviewed to date. All other topics stemming from the initial allegations have been provided to our field staff, currently auditing the Department of Children and Families, for incorporation with their standard audit procedures. This report consists of the Comments, Results of Review and Recommendations, which follow.

COMMENTS

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY:

The request for this review was precipitated by a Department internal inquiry of the Adolescent Services Unit. More specifically, the Department uncovered numerous allegations involving irregular and unsafe handling of Federal funds by the Adolescent Services Unit. Allegations ranged from the misspending of Federal funds to the violation of State, Agency and contractual rules for employees' work and compensation.

The objectives of our review were as follows:

- To identify specific allegations for auditing purposes. (Please note that allegations involving supervisory issues were referred to the Department's Human Resources Division for their review.)

- Review each allegation to substantiate or eliminate such, as supported by the Department's records.
- Determine associated questioned costs for substantiated allegations involving Federally funded Chafee activity.
- Determine the level and area of non-compliance for substantiated allegations involving State funded activities in violation of State, Agency or contractual rules, regulations or policies.

The scope of our review was limited to Adolescent Services Unit operations of the Independent Living Programs supported by the Chafee Foster Care Independence Program funds, for the three fiscal years ending June 30, 2002, 2003 and 2004.

We interviewed Department staff and examined records provided by those same sources.

Federal Program – Chafee Foster Care Independence Program:

Overview:

The Department of Children and Families' Adolescent Services Unit is primarily responsible for the administration of Independent Living programs funded by the John F. Chafee Foster Care Independence Program. Title I of the Foster Care Independence Act of 1999, as amended by Public Law 106-169 and codified as 42 U.S.C. 677, enacted this program, which helps ensure that young people involved in the foster care system receive the tools necessary to become self-sufficient in their adult lives.

According to the Catalog of Federal Domestic Assistance (CFDA), the Chafee Foster Care Independence Program is a formula grant to assist States and localities in establishing and carrying out programs designed to assist foster youth likely to remain in foster care until 18 years of age and youth who have left foster care upon turning 18 years of age, but have not yet attained 21 years of age, to make the transition from foster care to self-sufficiency.

Additionally, the Chafee Program is designed to assist youth with the following:

- To make the transition to self-sufficiency.
- To receive education, training and related services.
- To prepare for and obtain employment.
- To prepare for and enter postsecondary training and educational institutions.
- To provide personal and emotional support to youth through mentors and the promotion of interactions with dedicated adults.
- To provide financial, housing, counseling, employment, education, and other appropriate support and services to current and former foster care recipients up to the age of 21.
- To make available vouchers for education and training, including postsecondary training and education to youth who have aged out of foster care.

A second program under the Chafee program began during Federal Fiscal Year Ended September 30, 2003. The Chafee Education and Training Vouchers Program (CFDA #93.599)

provides “resources to States to make available vouchers for post secondary training and education, to youths who have aged out of foster care or who have been adopted from the public foster care system after age 16.” In addition to youth eligible under the Chafee Independent Living Program, these funds may also be provided to youth up to the age of 23, as long as they are participating in the program at age 21 and are making satisfactory progress toward completing their course of study or training. Also, any vouchers provided to individuals for attendance at an institution of higher education shall not exceed the lesser of \$5,000 per grant year or the total cost of attendance.

Federal rules governing both programs include, but are not limited to, Title I of the Foster Care Independence Act of 1999; the U.S. Department of Health and Human Services - Administration for Children and Families ‘Child Welfare Policy Manual’; OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments; and all applicable State rules and regulations. Additional guidance is available in the Catalog of Federal Domestic Assistance.

Resume of Operations:

The Chafee Foster Care Independence grant is a two year grant, based on the Federal Fiscal Year of October 1st to September 30th. Awards and expenditures are broken down as follows:

<u>Federal Awards</u>		<u>Total Expenditures</u>		
<u>Grant</u>	<u>Total</u>	<u>For the State Fiscal Period Ended</u>		
<u>Period</u>	<u>Award</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>September 30, 2004</u>
Grant Year 2001:				
10/1/00-9/30/02	\$1,567,892	\$ 789,614		
Grant Year 2002:				
10/1/01-9/30/03	\$1,498,108	\$ 819,329	\$ 678,778	
Grant Year 2003:				
10/1/02-9/30/04	\$1,792,958		\$1,270,031	\$ 522,928
	Total Expenditures	<u>\$1,608,943</u>	<u>\$1,948,809</u>	<u>\$ 522,928</u>

RESULTS OF REVIEW

Our examination of operations of the Department of Children and Families' Adolescent Services Unit and the Chafee Independent Living Program, disclosed matters of concern requiring disclosure and attention.

Unallowable Costs:

Item No. 1 – Unallowable Purchase of Laptop Computers:

- Background:* During February 2002, ten laptop computers were purchased with Chafee funds, at a cost of \$2,288 each. Four computers were provided to the four staff members of the Adolescent Services Unit, and one computer was provided to a consultant to perform Adolescent Services Unit contractual work at home. The final five computers were provided to a Department Bureau Chief and four Bureau staff members who had no responsibilities or connection to Chafee Independence funded programs.
- Criteria:* The Office of Management and Budget (OMB) Circular A-87 allows costs to be charged or allocable to Federal awards if necessary and reasonable for administration of Federal awards, and if the goods or services are charged in accordance with the benefits receive. Expenditures must directly benefit the Federal program for it to be an allowable cost for that program. Circular A-87 also states that costs must be authorized or not prohibited under State or local laws or regulations.
- Condition:* Our review of the computer purchase and subsequent distribution found that half of the computers were provided to departmental staff not involved in the Chafee program as required by Circular A-87.
- Effect:* The above resulted in questioned costs of \$11,440.
- Cause:* We were unable to determine why the Department purchased computers with Chafee funds and distributed them to staff not in that unit or associated with the Chafee funded programs.
- Recommendation:* The Department should ensure purchases from the Chafee funds directly relate to the program from which they were purchased. (See Recommendation #1.)
- Agency Response:* “We agree with this finding. The Fiscal Division has clarified the responsibility of programmatic grants managers to ensure that all purchases made with grant funds are in support of the specific

grant. The present practice in the Adolescent and Transitional Services Bureau is for the entire team to discuss and review the spending plan before it is signed off by the Bureau Chief in order to ensure that all future use of funds will relate directly to related programming.”

Item No. 2 – Accountability of Gift Cards and Certificates:

Background: Gift cards and certificates are used for a wide range of reasons. Gift cards were frequently distributed at functions and events, used as incentives for the youth to do extra activities or participate in various programs; they were also used as ‘thank-you’ awards for youth participating on boards and committees; and finally, for many programs which were under per diem arrangements with the Department, the gift cards provided extra resources for their program. Gift cards were given to providers for the purchase of incentives for kids participating in their programs, and were used for miscellaneous items needed at their facilities.

Criteria: The Department’s Child and Family Services Plan, effective for years 1999 to 2004, included a required certification by the chief executive officer of the State, stating that the State has established and will enforce standards and procedures to prevent fraud and abuse in the programs carried out under the plan.

Good internal controls should include accountability of high-risk items such as gift cards and certificates through proper documentation of the purchases and a comprehensive inventory for tracking the items to ensure they were distributed to the appropriate population.

Condition: Our review of expenditures identified purchases of gift cards and certificates which totaled \$40,649 over the three fiscal years reviewed. This included \$3,980, \$16,018, and \$20,651 in Fiscal Years ended June 30, 2002, 2003, and 2004, respectively. We noted that policies and procedures had not been established to account for how much was spent for the gift items, which Unit employee distributed the items, to whom they were distributed, when they were distributed, and any inventory of what was still on hand. No internal controls had been established to ensure that the gift cards were provided to the target Chafee youth in proper fashion.

Effect: The Department can not determine if the gift cards and certificates purchased with Chafee funds are being used to benefit the youth in the program.

Cause: The Department did not implement adequate policies, procedures and internal controls to ensure accountability of the gift cards and certificates that were purchased from Chafee funds.

Recommendation: The Department should implement adequate policies and procedures, including an inventory system for the gift cards and certificates that it purchases. (See Recommendation #2.)

Agency Response: “We agree with this finding. The Adolescent and Transitional Services Bureau has established a new policy to address the management of gift cards. The gift cards are now centralized under one manager with a requirement for sign out, rationalization for award and identification of each child provided the gift card.”

Item No. 3 – Accountability of Promotional Purchases:

Background: The Newington Rotary Club holds the Annual Department of Children and Families’ ConnectiKids Celebrity Golf Tournament each year. This is a general event, not directly or indirectly related to the Chafee Foster Care Independence Programs. The net profits from the Tournament are shared equally by the Rotary Club, and each of the five Department regional offices as donations to the Department’s ‘Our Kids Funds’. The ‘Our Kids Funds’ donations are maintained in checking accounts at the Department’s regional offices, and used for general items for the benefit of all foster care children.

Criteria: A basic tenet of Federal allowability of costs is that the funds must be spent only on the specific program(s) associated with the grant. Additionally, adequate internal controls should ensure that Federal funds are spent only in the manner intended and specifically on the programs for which the funds were received. Although Chafee program participants are either currently in, or alumnus of, foster care, unless the proceeds of the golf tournament are specifically for Chafee participants, any expenditures of Chafee funds would not be allowable.

Condition: Our review of Chafee grant expenditures during the audited period found numerous instances of miscellaneous purchases for gifts and/or promotional materials. Although some expenditures were for promotional give-away items used during Chafee funded events, other funds were used to purchase ConnectiKids Golf Tournament gift materials. Additionally, the purchases were frequently not supported with request and approval documentation. Finally, further research showed that there was a complete lack of accountability over these items.

The identified questionable expenditures of Chafee grant funds for promotional items for distribution at the annual golf tournament, totaled \$10,895. This figure included \$5,422, \$3,808 and \$1,665 for Fiscal Years ended June 30, 2002, 2003, and 2004, respectively.

Effect: Financial resources available and directly spent on the target youth in the Chafee programs were significantly reduced by the use of Chafee funds for unallowable purchases.

Cause: The Department did not determine specific program requirements, and create or implement adequate policies, procedures and internal controls to ensure accountability and compliance with general Federal and State rules, and specific Chafee program requirements.

Recommendation: The Department should establish policies and procedures to ensure expenditures are for events directly related to the Chafee Foster Care Independence Program objectives, and are sufficiently documented and fully accounted for. (See Recommendation #4.)

Agency Response: “We agree with this finding. The Fiscal Division has clarified the responsibility of programmatic grants managers to ensure that all purchases made with grant funds are in support of the specific grant. The present practice in the Adolescent and Transitional Bureau is for the entire team to discuss and review the spending plan before it is signed-off by the Bureau Chief in order to ensure that all future use of funds will relate directly to related programming.”

Compensation of Adolescent Services Unit Staff:

Item No. 4 – Improper Use of Compensatory Time

Background: Adolescent Services Unit staff informed us in interviews, that they often attended meetings and events outside of regular work hours and had been informed by the Unit manager that paid overtime was not available and they would be allowed to accrue and use compensatory time.

Criteria: Although the Social and Human Services Bargaining Unit Contract addressed paid overtime, it does not provide compensatory time for the job classifications held by the staff in the Adolescent Services Unit and Regional Adolescent Services offices. Only two classifications in the Department of Children and Families are specifically allowed to accumulate compensatory time, neither of which is in the adolescent services area.

Condition: Our review determined that Adolescent Services Unit staff were allowed to accrue and use compensatory time in violation of

contractual guidelines. To quantify the financial cost of the unpaid overtime used, we attempted to determine how such time had been handled. We found that standard procedures for compensatory time were not followed nor accountability enforced. Compensatory time activity was not recorded on official timesheets, but only in informal records, maintained by the individual employees on earnings and use of compensatory time. Without records, we were not able to quantify compensatory time by adolescent services staff in the central or regional offices.

Although there was an attempt to control compensatory time by a new oversight manager, this still violated the contract, which does not provide compensatory time for these employees. We were informed by various staff during our field work, that the compensatory time practice had continued unchecked.

Effect: Employees are earning and using compensatory time in violation of their union contract. Adolescent Services Unit budgeting and Federally reported expenditures for personal services have been understated due to the staff earning and using compensatory time rather than being paid overtime as required by their union contract. The above conditions had the effect of weakening internal controls over expenditures and Federal reporting.

Cause: The Adolescent Services Program Supervisor authorized accrual and use of compensatory time in violation of State and contractual rules and guidelines.

Recommendation: The Department should ensure that only employees specifically allowed to earn compensatory time do so. If it is necessary for these employees to work additional hours, overtime should be paid in compliance with their union contract. (See Recommendation #4.)

Agency Response: “We agree with this finding. Neither the Agency’s Human Resources Division nor Payroll was aware the Adolescent Services Unit was accruing and using compensatory time. Under policy, employees who are authorized to accrue compensatory time are required to note such time on their bi-weekly timesheet. A review of the unit’s timesheets indicates there were no entries made as to the accrual or use of compensatory time by the Adolescent Services Unit for the period in question. Had this been the case, Payroll would have identified the problem and it would have been addressed.

The Human Resources Division will meet with the new Bureau Chief who is responsible for the oversight of this unit and clarify

the process for the use of compensatory time versus overtime as a result of contractual obligations. Human Resources will also issue a memorandum to the new Bureau Chief confirming our meeting regarding the requirements relative to compensatory time.”

Item No. 5 – Unapproved Use of Telecommuting (Work at Home):

Criteria: Section 5-248i, subsections (a) and (b), of the Connecticut General Statutes provides that the Commissioner of Administrative Services may develop and implement guidelines ... authorizing telecommuting and work-at-home assignments for State employees where such arrangements are determined to be cost effective. Any employee of a State agency may be authorized to participate in a telecommuting or work-at-home assignment with the approval of his appointing authority and with the approval of the Commissioner of Administrative Services.

The Department of Administrative Services’ Telecommuting Manual lists the minimum criteria that must be met for an employee to participate in the program. Included in these criteria are that a formal telecommuting agreement be completed and approved by the agency head and the Commissioner of Administrative Services, and that the length of any one agreement be a maximum of six months.

Condition: The Adolescent Services Unit staff were allowed to telecommute without the proper agreements approved by the agency head and the Department of Administrative Services. The Department did not require any pre-approval, activity was not recorded on official timesheets, and the individual employees maintained only temporary informal records. Without records, we were not able to review or verify telecommuting hours and activity.

Effect: State rules and guidelines governing telecommuting were not complied with. Activities of the staff, including productivity and time and attendance, were not properly supervised and accounted for.

Cause: The Department’s Adolescent Services Program Supervisor authorized the staff to work at home without obtaining the proper approval.

Recommendation The Department should ensure that all employees adhere to applicable statutory and Department of Administrative Services telecommuting rules and guidelines. (See Recommendation #5.)

Agency Response: “We agree with this finding. The unit manager did not contact Human Resources regarding the establishment of telecommuting agreements for his staff. These agreements were made on an

informal basis without authorization from the Agency Head or Human Resources as required by statute. The Director of Human Resources will issue a memorandum to all supervisors and managers concerning the proper use of telecommuting and the procedure to be followed if the program is available in the future. At the present time, the Department of Administrative Services has suspended the use of telecommuting. The Agency does not have anyone else who is currently using telecommuting.”

Internal Controls

Item No. 6 – Lack of Proper Internal Controls:

Criteria: Internal control measures represent an organization’s plans, methods, and procedures used to meet it’s missions, goals, and objectives and serves as the first line of defense in safeguarding assets and preventing and detecting errors, fraud, waste, abuse, and mismanagement.

Additionally, a key internal control is the creation and retention of adequate documentation. Maintaining adequate documentation on all activities of the program is a sound internal control practice that would provide the Department the opportunity to more fully demonstrate and explain the rationale and basis for expenditures of any program funds.

Condition: Our review of the Adolescent Services Unit found that there were no policies and procedures in place for actions and activities for the Department’s program staff. Although the Department had implemented formal policies and procedures for the Chafee Independent Living Programs, covering many aspects of services and programs provided to participants, basic Department staff functions including, but not limited to, adherence to State and Department rules and regulations, overall recordkeeping and accountability were not included.

Substantiation of various allegations concerning expenditures was hampered by the lack of adequate documentation supporting the use of Chafee funds. Our review of reports, invoices, inventories and meeting minutes for the Adolescent Services Unit found that adequate support documentation was not available. Although some documentation was maintained, it was insufficient to support any conclusions concerning the allegations.

Effect: The lack of policies and procedures, and disregard for established policies and procedures resulted in an almost total lack of accountability over the administration and use of the Chafee Independent Living funds by the Adolescent Services Unit. While

many of the activities and expenditures we reviewed resulted in questioned costs, we were not able to review other areas due to the lack of policies and procedures.

Without adequate documentation, the Department could not provide evidence of the allowability of activities and expenditures of Chafee funds, or compliance with Program rules and requirements.

Cause: The Department did not determine specific program requirements and create or implement adequate policies, procedures and internal controls to ensure compliance with general Federal rules and specific Chafee program requirements, and ensure adequate record-keeping practices were followed.

Recommendation: The Department should determine the appropriate rules and guidelines of the Chafee Independent Living Program and implement adequate policies and procedures to ensure compliance with Federal, State and Agency requirements, and establish adequate internal controls to ensure all Chafee Program activities are adequately documented. (See Recommendation #6.)

Agency Response: “We agree with this finding. The Adolescent and Transitional Services Bureau has put new procedures in place to ensure compliance with Chafee program requirements and ensure adequate documentation.”

Other Matters:

Personnel issues identified in the original allegations were provided to the Department’s Human Resources Division at the beginning of our review. Approximately 37 fiscal, or policy and procedure issues were identified from the original allegations provided to our Office. We have reviewed certain information provided as part of this investigation, which related to operations of the Adolescent Services Unit. Our conclusions concerning approximately ten of those issues are presented above. The remaining issues will be reported on at the completion of our review.

RECOMMENDATIONS

The following recommendations are presented as a result of our review of the Department of Children and Families', Adolescent Services Unit:

- 1. The Department should ensure purchases from the Chafee funds directly relate to the program from which they were purchased.**

Comment:

During February 2002, ten laptop computers were purchased using Chafee funds. Our review of the purchase and subsequent distribution of the computers found that the purchase was in violation of the general allowability rules under OMB A-87, and the specific rules of the Chafee Independent Living program. Of the ten laptops purchased, five were distributed to non-Chafee staff, while the remaining five were provided to Adolescent Services Unit staff, even though two of those staff members already had existing State-owned laptops at home, without proper approval or documentation in place. Total costs for five computers amounted to \$11,440.

- 2. The Department should implement adequate policies and procedures, including an inventory system for the gift cards and certificates that it purchases.**

Comment:

Our review of expenditures during the audited period found numerous instances of purchases of gift cards and certificates. We noted a complete lack of accountability over these items. Policies and procedures had not been established to account for gift cards and certificates. Total costs for the gift cards amounted to \$40,649.

- 3. The Department should establish policies and procedures to ensure expenditures are for events directly related to the Chafee Independent Living Program objectives, are sufficiently documented and are fully accounted for.**

Chafee Independent Living funds were used to purchase Annual Department of Children and Families' ConnectiKids Golf Tournament gift materials, and were frequently not supported with request and approval documentation. Further research showed that there was a complete lack of accountability over these items. Identifiable questionable expenditures for promotional items for the annual golf tournaments totaled \$10,895.

- 4. The Department should ensure that only employees specifically allowed to earn compensatory time do so. If it is necessary for these employees to work additional hours, overtime should be paid in compliance with their union contract.**

Comment:

Adolescent Services Unit staff were allowed to accrue and use compensatory time. Compensatory time activity was not officially reported and no formal records were

maintained. Without records, we were not able to review or quantify compensatory time by Adolescent Services staff in the central offices.

- 5. The Department should ensure that all employees adhere to applicable statutory and Department of Administrative Services telecommuting rules and guidelines.**

Comment:

Adolescent Services Unit's staff were allowed to telecommute or work at home in violation of the General Statutes and the established telecommuting guidelines. Telecommuting or work at home activity was not officially reported and no formal records were maintained. Without records, we were not able to review or verify telecommuting activity by Adolescent Services staff in the central office.

- 6. The Department should determine the appropriate rules and guidelines of the Chafee Independent Living Program and implement adequate policies and procedures to ensure compliance with Federal, State and Agency requirements, and establish adequate internal controls to ensure all Chafee Program activities are adequately documented.**

Comment:

Our review of the Adolescent Services Unit found that there were no policies and procedures in place for actions and activities for the DCF program staff in the Central or Regional Offices. Although the Department had implemented formal policies and procedures for the Chafee Independent Living Programs, covering many aspects of services and programs provided to participants, basic DCF staff functions such as recordkeeping and accountability were not included.

Substantiation of various allegations concerning expenditures was hampered by the lack of adequate documentation supporting the use of Chafee funds. Our review of reports, invoices, inventories and meeting minutes for the Adolescent Services Unit found that adequate support documentation was not available. Although some documentation was maintained, it was insufficient to support any conclusions concerning the allegations.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and assistance extended to our representatives by the personnel of the Department of Children and Families, during this review.

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