STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF CHILDREN AND FAMILIES
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 and 2000

AUDITORS OF PUBLIC ACCOUNTS
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March 14, 2002

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We have examined the financial records maintained by the Department of Children and Families for the fiscal years ended June 30, 1999 and 2000. These include the records maintained for the Central Office, the regional offices, and the facilities established by the Department and the Children's Trust Fund Council.

The financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control policies and procedures established to ensure such compliance. This report on our examination consists of the Comments, Recommendations and Certification, which follow:

COMMENTS

FOREWORD:

The Department of Children and Families (DCF) has been established and operates primarily under the provisions of Title 17a, Chapter 319, Sections 17a-1 through 17a-83 of the Connecticut General Statutes. In addition, under Sections 17a-90 through 17a-185 of Title 17a, Chapter 319a, and Section 17b-23 of Title 17b, Chapter 319o of the Connecticut General Statutes, the Commissioner and the Department are charged with specific responsibilities in regard to overseeing the welfare of children.

The Department is a multi-service agency designed and operated to help meet the needs of children and youth in Connecticut. It is responsible for planning, developing, administering and evaluating a comprehensive program of services, including preventive services for children and youth whose behavior does not conform to the law or acceptable community standards, or who are mentally ill, emotionally disturbed, delinquent, abused, neglected or uncared for. These include all children and youth that are committed to it by any court or voluntarily admitted to the Department for services of any kind.

For the fiscal years ended June 30, 1999 and 2000, the Department consisted of the five regional offices listed below along with the following facilities:

Region 1 - serving the southwestern portion of Connecticut
  Bridgeport Office
  Stamford Office
Region 2 - serving the south central part of Connecticut
  New Haven Office
  Meriden Office
  Middletown Office
Region 3 - serving the eastern portion of Connecticut
  Norwich Office
  Willimantic Office
Region 4 - serving the north central part of Connecticut
  Hartford Office
  New Britain Office
  Manchester Office
Region 5 - serving the northwestern portion of Connecticut
  Waterbury Office
  Danbury Office
  Torrington Office

Long Lane School - located in Middletown
The Connecticut Children's Place - located in Warehouse Point, East Windsor
High Meadows Residential Treatment Center - located in Hamden
Riverview Hospital for Children and Youth - located in Middletown
Wilderness School – located in East Hartland

The Department's caseload continued to increase during the audited period. Total reports of abuse, neglect, abandonment or at risk received during the fiscal year ended June 30, 1999, were 37,149, of which 28,234 were accepted for investigation. Total reports of abuse, neglect, abandonment or at risk received during the fiscal year ended June 30, 2000, were 42,989, of which 29,706 were accepted for investigation. A summary of client census statistics, for the audited period, for some of the various services provided by the Department follows:

Number in Placement Category -	As of June 30,	
	1999	2000
Parent, Guardian or Relative	1471	1444
Foster Family Care	4072	3633
Subsidized Adoption	2594	3015

Private Institutions	811	895
Private Group Homes	176	178
Private Emergency Shelters	85	99
Independent Living Program	141	118
Long Lane School	200	260
Riverview Hospital	23	34
High Meadows	17	24
State Receiving Home	20	24
Psychiatric Hospital	15	17
Maternity Home	13	12

Kristine Ragaglia served as Commissioner of the Department during the audited period.

Consent Decree:

In December 1990, the Department entered into a consent decree to avoid litigation in response to a lawsuit filed in Federal Court by clients of the Department and others. The decree mandated specific changes to Department management, policies, practices, operations and funding. A court appointed monitor is responsible for overseeing implementation of mandates in the decree.

The large increases in appropriations and expenditures of the Department during the past several years are, for the most part, due to the implementation of such mandates.

State and Regional Advisory Councils:

Section 17a-4 of the General Statutes provides that the Governor shall appoint a State Advisory Council on Children and Youth Services consisting of 15 members. The duties of the Council include: recommending programs, legislation or other matters which will improve services for children and youth; reviewing and advising on the Commissioner's annual budget; interpreting to the community at large the policies, duties and programs of the Department; and, issuing reports it deems necessary to the Governor and Commissioner. The membership of the Council is to include at least five persons who are child care professionals, one child psychiatrist, at least one attorney and three members who are between the ages of 15 and 22 at the time of appointment. Members serve without compensation except for the reimbursement of necessary expenses. The Commissioner serves as an ex-officio member of the Council without a vote.

Section 17a-30 of the General Statutes provides that the Commissioner shall create in each region, a regional advisory council to advise the Commissioner on the development and delivery of services in the region and to facilitate the coordination of services in the region. Each council is to consist of no more than 21 members appointed by the Commissioner for terms ranging from one to three years. Council meetings are to be held at least quarterly.

Children's Trust Fund Council:

Section 17a-50 of the Connecticut General Statutes establishes a Children's Trust Fund Council, which is within the Department of Children and Families (DCF) for administrative purposes only. The Council administers a Children's Trust Fund to fund programs aimed at preventing child abuse and neglect and family resource programs.

RÉSUMÉ OF OPERATIONS:

Department of Children and Families:

During the fiscal years under review, funding for the general operations of the Department of Children and Families was provided by budgeted appropriations from the State General Fund. This funding was supplemented by restricted contributions in the form of Federal grants and private donations, grants and fees. A significant part of the Department's operating expenditures are reimbursed by the Federal government under the Foster Care-Title IV-E and the Adoption Assistance programs. These programs provide assistance on behalf of eligible children who are placed away from their families in foster care under the administration of the State or who are adopted through the State. These programs reimburse the Department for the board and care costs, adoption subsidies, and administrative costs of such children.

General Fund Revenues and Receipts:

	Fiscal Year 1997-1998	Fiscal Year 1998-1999	Fiscal Year 1999-2000
Federal Participation, per Foster Care-Title IV-E and Adoption Assistance of the Social Security Act	$66,161,652	$108,825,734	$116,470,769
Child Nutrition Program	375,652	384,368	404,058
Refunds of prior years' expenditures	565,977	1,138,798	689,573
Refunds of current appropriations	469,219	884,587	736,591
Restricted contributions, Federal	14,442,013	14,601,876	12,777,997
Restricted contributions, other than Federal	244,630	260,710	1,082,999
All other revenues	7,621	4,675	4,985
Total Revenue and Receipts	$82,266,764	$126,100,748	$132,166,972

Total revenue and receipts increased by $43,833,984 and $6,066,224 during the fiscal years ended June 30, 1999 and 2000, respectively. The increases in both fiscal years were mostly attributable to increases in receipts from the Foster Care-Title IV-E and the Adoption Assistance programs. The increase in Federal participation during the fiscal year ended June 30, 1999, was attributable to increases in the number of children determined to be eligible for Federal reimbursement and total Department expenditures. Also, there was a large accounts receivable balance as of June 30, 1998, which was received during the fiscal year ended June 30, 1999. The increase in Federal participation during the fiscal year ended June 30 2000, was attributable to increases in the foster care and adoption assistance monthly maintenance rates and total Department expenditures. Also, there was an adjustment made for the quarter ended September 30, 1999, to claim Federal reimbursement of costs associated with therapeutic foster care and emergency shelter placement, which were not claimed previously.

Bureau of Collection Services Receipts:

Under the provisions of Section 17a-17 subsection (a) of the General Statutes, the Department of Administrative Services, Bureau of Collection Services, is authorized to bill and collect the total cost of care for children who have been placed under the guardianship of the Commissioner of Children and Families. Based on information furnished by the Bureau, receipts and billings, for the 1998-1999 and the 1999-2000 fiscal years totaled $26,512,998 and $17,097,091, respectively.

Recoveries initiated by the Bureau from Title XIX and third parties (legally liable relatives and private insurance shown as cash receipts below) for board and care of clients in Department facilities constitute a majority of such receipts and billings. These amounts are presented as follows:

	Fiscal Year 1998-1999		Fiscal Year 1999-2000	
	Cash Receipts	Title XIX Billings	Cash Receipts	Title XIX Billings
Central Office	$3,380,652	$	$ 3,277,293	$
Altobello Center	1,638		2,768	
Connecticut Valley Hospital - Adolescent Unit	1,600			
Adolescent Drug Rehabilitation			50	
Greater Bridgeport Children's Service Center	811		1,906	
High Meadows Treatment Center	14,103		18,796	
Housatonic Hospital	2,794		2,150	
Riverview Hospital	1,283,706	21,827,694	8,298,994	5,495,134
Total	$4,685,304	$21,827,694	$11,601,957	$5,495,134

The significant decrease in total recoveries that occurred at the Riverview Hospital was mostly attributable to a billing change made by the Bureau during the fiscal year ended June 30, 2000. During this fiscal year the Bureau started billing managed care organizations directly rather than Title XIX, which caused a time lag in obtaining recoveries. The billing change also attributed to the significant increase in cash receipts and the significant decrease in Title XIX billings that occurred during the fiscal year ended June 30, 2000.

The above amounts include moneys received from children's social security benefits, survivor benefits and other contributions, which are received by the Department of Children and Families and deposited in its Children's Trust Accounts Fund. These moneys are transferred to the Bureau of Collection Services on a regular basis. Transfers amounted to $1,955,407 for the fiscal year ended June 30, 1999, and $1,800,807 for the fiscal year ended June 30, 2000.

Per Capita Costs:

Under the provisions of Section 17b-223 of the General Statutes, the State Comptroller is required to determine annually the per capita costs per diem for the care of all persons in State institutions. Costs for the in-residence population for the 1998-1999 and the 1999-2000 fiscal years are summarized below:

	Average per Capita Costs Per Diem			
	Fiscal Year 1998-1999		Fiscal Year 1999-2000	
	In-Patient	Group Home	In-Patient	Group Home
Long Lane School	$454	$	$554	$
Connecticut Children's Place	626		654	
High Meadows Treatment Center	743	606	770	
Riverview Hospital	962		1,069	

High Meadows did not operate a group home during the fiscal year 1999-2000.

General Fund Expenditures:

General Fund expenditures applicable to the Department of Children and Families for the past three fiscal years are summarized below:

	Fiscal Year 1997-1998	Fiscal Year 1998-1999	Fiscal Year 1999-2000
Budgeted Accounts:			
Personal services	$135,291,467	$155,143,577	$174,752,220
Contractual services	22,576,354	24,831,444	24,168,085
Commodities	3,763,539	3,943,898	4,861,531
Sundry charges	2,025,612	2,884,018	4,354,417
State Aid Grants	39,473,391	47,257,543	59,951,189
State Aid Grants - Board and Care	140,689,841	161,236,899	176,048,051
Capital outlay		3,463,786	4,238,790
Total Budgeted Accounts	343,820,204	398,761,165	448,374,283
Restricted Accounts:			
Federal Accounts	15,866,365	12,821,073	12,025,892
Other than Federal Accounts	139,355	103,552	779,040
Total Restricted Accounts	16,005,720	12,924,625	12,804,932
Total Expenditures	$359,825,924	$411,685,790	$461,179,215

Total expenditures from budgeted accounts increased by $51,859,866 and $49,493,425 during the fiscal years ended June 30, 1999 and 2000, respectively. The increases were mostly attributable to increases in staff, grants made to subrecipients, board and care payments made on behalf of DCF children, and computer purchases to address the Year 2000 issue.

In December 1990 the U. S. District Court imposed a consent decree upon the Department. The Department has been required to add personnel positions in response to the decree, which requires reductions in the caseloads of each social worker. Filled permanent personnel positions in the Department increased from 2,957 full time and 132 part time positions as of June 30, 1998, to 3,069 full time and 190 part time positions as of June 30, 1999. As of June 30, 2000, the Department had 3,278 full time and 182 part time positions.

Budgeted expenditures in the category of State Aid Grants increased by $7,784,152 and $12,693,646 during the fiscal years ended June 30, 1999 and June 30, 2000, respectively. The increases in State Aid Grants were mostly attributable to the start of the "Safe Home" program in January 1999.

Budgeted expenditures in the category of State Aid Grants - Board and Care increased by $20,547,058 and $14,811,152 during the fiscal years ended June 30, 1999 and June 30, 2000, respectively. These expenditures primarily consisted of board and care payments made to foster homes, institutions, adoptive homes and other private providers on behalf of DCF placed children. These expenditures were disbursed through a checking account maintained by the Department. The increases in these expenditures were mostly attributable to an increase in the number of children placed in institutions, which are more expensive than foster homes, and an increase in the number of adopted children. In addition, there were increases in the rates paid to foster and adoptive homes and institutions.

Expenditures made for capital outlay during fiscal years ended June 30, 1999 and 2000, were mostly attributable to the purchases of data processing equipment that were Year 2000 compliant.

Special Revenue Funds:

Receipts deposited into various Special Revenue Funds totaled $597,549 and $1,120,925 during the fiscal years ended June 30, 1999 and 2000, respectively. Receipts were primarily for transfers made from the Capital Projects Funds for renovations or repairs to DCF facilities.

Expenditures from various Special Revenue Funds totaled $3,158,951 and $1,854,916 during the fiscal years ended June 30, 1999 and 2000. Expenditures were primarily for State aid grants, purchases of equipment and renovations or repairs to DCF facilities.

State aid grants, which were made under various Bond Acts passed by the Legislature, totaled $1,940,064 and $791,913 during the fiscal years ended June 30, 1999 and 2000, respectively. The Department extended grants to its private providers for alterations, repairs and safety improvements to facilities and group homes used in conjunction with children's programs funded by the Department. Several providers also were given grants to fund major capital acquisition and building programs.

Capital Projects Funds:

Receipts totaling $15,000,000 were deposited into a Capital Projects Fund for the sale of property associated with the Long Lane School.

Expenditures from various Capital Projects Funds administered by the Department of Public Works (DPW) totaled $9,191,794 and $30,066,561 during the fiscal years ended June 30, 1999 and 2000, respectively. Of these amounts, $597,549 and $1,220,034 were transfers made from the DPW to the DCF for capital projects administered by the DCF. Expenditures were primarily for the construction, addition and renovation of State owned facilities and purchases of equipment. The increase in the fiscal year ended June 30, 2000, was primarily due to expenditures totaling $24,112,602 for the construction of the new Connecticut Juvenile Training School. The development of the new Connecticut Juvenile Training School in Middletown was authorized under Public Act 99-26.

Fiduciary Funds:

There are a number of Fiduciary Funds, which are administered throughout the Department. A brief description of the funds and their purpose follows:

Central Office - Children's Trust Accounts:

Under the provisions of Section 46b-129 of the General Statutes, the Commissioner of Children and Families may be appointed guardian of any uncared for, neglected or dependent child committed to the Commissioner by the Superior Court. The Commissioner, as guardian, is allowed to receive and use property of a child in an amount not to exceed $5,000, as provided in Section 45a-631 of the General Statutes. Public Act 00-78 approved May 16, 2000, increased this amount to $10,000. Active trust fund cases being maintained for such children totaled 533 at June 30, 1999 and 488 at June 30, 2000. The cash on hand in these accounts, as of June 30, 1999 and 2000, totaled $619,962 and $562,313, respectively.

Receipts come primarily from Social Security benefits, survivor benefits and other contributions received on behalf of the children. Disbursements are primarily to the Department of Administrative Services, Bureau of Collection Services, for the cost of board and care. A minimum balance of $600 is kept as a reserve for each child and is paid to the child upon his/her passing from the Department's care.

Central Office - Welfare Fund:

This fund was established to account for private gifts and donations received by the Department to be used on behalf of children in its care. This fund was closed during the fiscal year ended June 30, 1999.

Welfare Funds and Activity Funds at the Regions and Facilities:

These funds were established to account for private gifts and donations received. Funds are generally used for the welfare and activities of children under the care of the Department. Individual welfare fund accounts are maintained at Long Lane School, The Connecticut Children’s Place, and the regional offices. Individual activity fund accounts are maintained at Long Lane School, Riverview Hospital for Children and Youth, and High Meadows.

Donation Fund - Long Lane School:

The Donation Fund was originally established from unexpended public donations and legacies at the time the State acquired the institution from private interests. The purpose of the Fund is to provide recreational, educational and other advantages for the residents at Long Lane School.

Assets of the Fund consist of investments in real estate and short-term investments. Income from the rents of single-family dwellings constitutes a majority of fund revenue. Interest on investments also contributes to fund resources. Total assets of the Fund as of June 30, 1999 and 2000, were $1,425,184 and $1,461,098, respectively.

Residents' Cash Fund – Long Lane School:
Children's Allowance Fund – The Connecticut Children’s Place:

These funds are maintained to control the custodial accounts of individuals residing at these facilities. Assets belonging to the residents, such as monies in their possession at admission, monetary gifts and wages earned through the work pay programs comprise the major source of receipts for these funds.

<u>Children's Trust Fund Council:</u>
Section 17a-50 of the Connecticut General Statutes established the Children's Trust Fund Council, which is within the DCF for administrative purposes only. Prior to July 1, 1997, the Trust Fund was administered by DCF. The Council administers a Children's Trust Fund to fund programs aimed at preventing child abuse and neglect and family resource programs. The council is composed of sixteen members as follows: The Commissioners of the Departments of Social Services, Education, Children and Families, and Public Health, or their designees; four representatives of the business community with experience in fund-raising; three parents; two persons with expertise in child abuse prevention; two staff members of a child abuse prevention program; and a pediatrician.

For the fiscal years ended June 30, 1999 and 2000, funding for the general operations of the Children's Trust Fund Council was provided by budgeted appropriations from the State General Fund totaling $3,270,000 and $4,056,900, respectively. This funding was supplemented by restricted contributions in the form of Federal grants and private donations, grants and fees. For the fiscal year ended June 30, 2000, the Children's Trust Fund Council was issued a separate State agency code to account for its financial transactions. Prior to the fiscal year ended June 30, 2000, the financial transactions of the Children's Trust Fund Council were included within the DCF Central Office State agency code.

General Fund Revenues and Receipts:

General Fund revenue and receipts applicable to the Children's Trust Fund Council for the fiscal year ended June 30, 2000, are summarized below:

Refunds of current appropriations	$ 65,169
Restricted contributions, Federal	150,724
Restricted contributions, other than Federal	96,184
Total Revenue and Receipts	$ 312,077

General Fund Expenditures:

General Fund expenditures applicable to the Children's Trust Fund Council for the fiscal year ended June 30, 2000, are summarized below:

Budgeted Accounts:	
Personal services	$ 74,327
Contractual services	3,210,101
Commodities	613
Sundry charges	125,000
Total Budgeted Accounts	3,410,041
Restricted Accounts:	
Federal Accounts	188,829
Other than Federal Accounts	12,376
Total Restricted Accounts	201,205
Total Expenditures	$3,611,246

As of June 30, 2000, the Children's Trust Fund Council had three full time positions. Our audit disclosed that the majority of the contractual services were for grants made to towns or nonprofit agencies.

PERFORMANCE EVALUATION:

In accordance with Section 2-90 of the General Statutes the Auditors of Public Accounts are authorized to perform evaluations of selected agency operations for performance and efficiency.

As previously noted in this report, the Department of Children and Families is made up of four facilities and five regional offices. Each regional office has a main office and either one or two sub-offices depending upon the size of the region. The scope of this evaluation was limited to the Department's central business office and the regional offices' business offices.

A Regional Administrator, who reports directly to the Bureau Chief of Child Welfare, heads each regional office and is responsible for everything in his/her regional office. Within each regional office is a business office headed by a Business Manager that is responsible for that region's business functions. The Business Managers at all of the regions, except for the New Haven Region, report directly to the Regional Administrator for that region. At the New Haven Region the Business Manager reports to a Program Director who in turn reports to the Regional Administrator of that region. All business functions are normally performed at the regional office except for payroll functions, certain purchases such as computer purchases, and some payments done through the Board and Care Checking Account. These functions are done through the Department's central business office.

This performance evaluation examined the job duties of the fiscal people at the regions to determine whether or not it would be more economical and/or efficient to have the business functions performed at the regional offices or to have all these types of functions brought into the Central Office. We did not include any functions that were program in nature in our review. However, although we did not look specifically at individual positions and job duties at the business offices of the various facilities, the type of services that the facilities' business offices would perform would, for the most part, be similar to those found at the regional offices and the conclusion would also pertain to them.

We began our review by obtaining organizational charts of the Department's Central Office and the regional offices. We then examined the job descriptions that were written by the Department of Administrative Services (DAS) for those titles listed on the organizational charts. By doing so we were able to gain an understanding of the various types of duties that the Department's personnel should be doing and an understanding of the needs of the various business offices. Once we obtained and reviewed this information we began to interview the employees within the business offices at the Central Office and at all of the regional offices.

During our review of the five regional offices we noted that the staffing varied at each region and the various functions were not assigned to the same level of staff throughout the regions. We noted in three of the regions that the business office was overseen by a Fiscal Administrative Supervisor at a salary of $76,533, at one region by a Fiscal Administrative Manager 1 at a salary of $91,310, and the other region was overseen by a Fiscal Administrative Manager 2 at a salary of $102,833. (Salary amounts were as of June 30, 2001.) As far as we could determine the responsibilities for all of these employees were the same. The only notable difference was that the number of overall employees in each of the regions was different. This does not however, appear to account for the large variance in salaries.

We also noted during our review that each region was staffed differently with a wide variety of staff levels and classifications participating in the fiscal functions of the region. Our review determined that the only consistency in each region was that they were staffed with a Business Manager, although at different classifications, and a Fiscal Administrative Officer in each regional office's contract unit as required by the Department's consent decree. We also noted that in several instances there were employees other than those considered to be fiscal employees doing fiscal functions. An example would be a secretary maintaining petty cash funds and handling various accounts payable functions.

As previously mentioned, the Business Manager at each region reports either to a Regional Administrator or a Program Director who then reports to a Regional Administrator. The Regional Administrators of all the regions report to the Bureau Chief of Child Welfare. There is no direct reporting to either the Chief Fiscal Officer, the Bureau Chief for the Bureau of Finance or the Assistant Commissioner for Finance located at the Central Office. This gives the Department limited central management control over the financial operations of the regions. It should be noted that the Chief Fiscal Officer at the Central Office transfers each region's appropriation money during the year. Also the regional Business Managers meet with the Chief Fiscal Officer on a regular basis.

The Department uses a system of appropriations accounts, purchase orders, purchase authorizations and batch lists when making expenditures on behalf of the regions and facilities. All facilities and regions use the State Agency's Appropriated Accounting System (SAAAS) to produce appropriation and expenditure accounting reports. Within the Department, each individual regional office and facility has its own agency number and its own appropriation accounts established within the State Comptroller's accounting system.

The purchasing process at the Department begins with the division or unit needing goods or services preparing a purchase requisition. The requisition is sent to the Business Manager at each region or facility for approval, and if approved then it is forwarded to a respective Purchasing Officer located at each regional office or facility. Once received by the Purchasing Officer it is reviewed and a determination is made of the appropriate purchase authority that would comply with State and Federal regulations. A purchase order is then prepared and sent to management for review and approval. Once approval is granted the person responsible for purchases is given the order to complete the purchase. The paper work required by the State Comptroller is then forwarded to that office for processing.

When goods or services are received, the receiving report or the vendor invoice for services performed is forwarded to the Chief Fiscal Officer (Central Office) or to the Business Manager (regional offices) so that payment can be made. The vendor invoice is checked to the contract to determine whether or not it met the terms of the agreement. When everything is verified an *Invoice – Voucher for Goods or Services Rendered to the State of Connecticut* (CO-17) is prepared for payment by any number of different level employees, depending upon whether it is the Central Office or one of the regions that is making the purchase. The purchase information is then transmitted to the State Comptroller for processing.

Contractual services and commodities purchased by the regions during the fiscal year ended

June 30, 1999, totaled $9,123,512 and for the facilities it totaled $4,971,342. This was sixty four per cent of the total amount spent by the Department of Children and Families during the fiscal year ended June 30, 1999, for contractual services and commodities. This means that the Department's Bureau of Finance did not review over half of the Department's expenditures in these two categories.

As noted each region purchases its own supplies and other items that are needed. However, as mentioned above certain purchases such as the purchase of computers are done by personnel of the Information Systems Division at the Central Office. For purchases other than computers this would mean that there are ten individuals (personnel of the Central Office, the five regions and the four facilities) issuing purchase orders and paying invoices to the same vendor, for each different type of commodity needed. The Central Office and the five regional offices each process anywhere from 200 to almost 500 *Expenditure Batch Headers* (CO-19), with many having multiple invoices (CO17s), during a fiscal year. Our review showed that savings could be realized by centralization of the various financial functions.

An example of the savings can be seen by looking at one vendor that all of the regions and the Central Office purchased office supplies from. We were able to determine that there was a total of 285 invoices processed to this one vendor during the fiscal year ended June 30, 1999. This would mean that there was on the average five invoices processed a week to the vendor. It would appear that if the orders were placed and paid centrally for all six sites the amount of orders could be reduced. The reduction would result because the employee in the Central Office could combine all of the orders on one purchase order and then one vendor invoice could be processed for the purchase, instead of six orders and six invoices. The items purchased could be delivered to each regional office by the vendor. This would increase the workload at the Central Office and an increase Central Office staff might be needed; however, it does not appear that six individuals would be needed to process invoices centrally for all of the purchases made at the region offices. This would save both time and costs. The Department would be able to save costs by reducing the number of employees assigned to the business function at the regions or reassigning these employees to other areas in need of additional employees.

Although we did not specifically review each of the Department's facilities, any centralization of the Department should also consider these business offices. There are many commodities such as office supplies, bedding, clothing, food, and medicine that are purchased by some or all of these facilities. The combining of this function would eliminate much of the paperwork involved in the ordering and payment process.

Our examination of the payroll functions noted that all regions except for the Northcentral Region entered its timesheets into the BOSS Time and Attendance System. The Central Office enters the Northcentral Region's timesheets. At the time of our review, Spring 2000, some of the regions were keeping a manual set of time and attendance records in addition to the BOSS system. Each pay period timesheets are printed from the BOSS system, which includes the employee's accrued vacation and sick time available as of that date. A second set of time and attendance records would appear to be a duplication of work.

Reviews of the inventory records for the Department over the past years noted that records were incomplete and inaccurate. Currently each region and facility maintains its own inventory records. If the Department installed a centralized inventory system this would allow the Department to maintain its entire inventory in one place, and it would also more readily allow and account for the movement of any inventory between regions and/or facilities that may not be done now. Any surplus inventory at one region could be identified for use at another region. This would also allow the Central Office better control of the money spent on equipment. Maintaining the inventory centrally would afford more control over the system, and it would assure that the inventory was kept accurately and up to date.

With the electronic equipment that is available to the Department it is no longer necessary for business offices to be present in each region. Information can easily be transmitted from the Central Office to any regional office through e-mail or fax. The various amounts spent by the regions could be tracked using an activity code for that region rather than processing through its own agency number. Reconciliations could be done using these activity codes at the Central Office, eliminating the need for reconciliations at each regional office. This would also allow the Central Office to provide the required reports to the State Comptroller on an overall Department basis rather than each regional office or facility filing its own reports.

For the fiscal year ended June 30, 1999, we determined that the salaries of those employed in the five regional business offices and the Central Office totaled $1,548,247 and $1,737,110, respectively. If these offices were combined and operated centrally, it would appear that a significant portion of the regional business offices salary amount could be saved. We noted that in many instances fiscal employees at the regional offices would do several different functions. Purchasing, accounts payable, inventory, and other fiscal functions could be performed centrally that would serve all the regional offices instead of having these functions performed at each regional office. Therefore, the Chief Fiscal Officer located in the Central Office would oversee all of these fiscal functions rather than having a business office at each regional offices.

We found that the decentralized approach established by the Department results in unnecessary costs to process invoices to the same vendor and a variety of operating practices. Centralized management over the financial functions of the Department's various regions and facilities would lead to reduced costs by pooling resources, avoiding the purchase of duplicate goods and services, and polices and procedures would uniformly be followed. There would be a consistent treatment of like transactions, which is an important aspect of accounting. In a decentralized environment, it is more difficult to ensure that this consistency is maintained.

Such other agencies as the Department of Social Services and the Department of Correction have centralized business functions, which could be used as a model for the Department of Children and Families.

At this time it would seem appropriate for the Department to consider the centralization of its financial functions to the Central Office.

Centralization of Regional Business Functions:

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

Condition: Currently each of the five regional offices at the Department of Children and Families is performing business functions as if each was an independent agency. Many of the same functions performed at the Central Office and at each of the five regional offices could be consolidated into one function performed at the Central Office. Such things include maintaining the inventory, purchasing and processing payments, reconciling expenditure records, filing required reports to the State Comptroller, and providing oversight to regional offices' activity, welfare and petty cash accounts.

The business offices of the regions are all staffed at different levels and employees that did not have fiscal related job classifications were found performing fiscal functions.

There does not appear to be any set polices and procedures that have been developed at the Central Office that are followed by all regions.

Effect: Many of the functions that could be centralized are performed at both the Central Office and each of the regional offices.

Cause: The Department of Children and Families has allowed each regional office to operate its business function independently of the Central Office and of each other.

Recommendation: The Department should review its business office functions at the regions, facilities and at the Central Office to determine if a centralized operation would be more cost effective and efficient. (See Recommendation 20.)

Agency Response: "Agency will review the business office structure to determine the most effective and efficient system of service delivery."

Discrepancies in Job Classifications:

Criteria: Governmental resources provided should be applied efficiently, economically, and effectively. This would suggest that employees that are performing the same functions should have the same job classification and be compensated in accordance with the same pay scale.

Condition: Our review of the business functions at the Department of Children and Families' regional offices disclosed numerous instances where employees performing the same function are classified in different job titles and therefore compensated differently. Most notable is the position of regional office Business Manager. The Business Manager in each of the five offices performs approximately the same functions. The major differences among the regions are the size of the area covered, the number of potential clients and the size of the staff at the regional office. The effect of any of these on the business office function is minor. However, the Business Managers are classified either as a Fiscal Administrative Manager 2, Fiscal Administrative Manager 1 or Fiscal Administrative Supervisor. The salary discrepancy between these positions is approximately $26,000 for doing the same job.

Effect: The effect of this discrepancy is that some individuals are paid in excess of what is apparently necessary for their job responsibilities.

Cause: This condition is caused by the Department transferring individuals into positions and having them retain their job title and salary; however, the new position is not of the same job classification.

Recommendation: We recommend that the Department, with the aid of the Department of Administrative Services, perform a review to compare actual jobs duties to what is required by the defined job descriptions and then classify all Business Managers with the same classification. (See Recommendation 21.)

Agency Response: "Agency agrees with the recommendation. We will seek the Department of Administrative Services assistance in review of the job classifications."

CONDITION OF RECORDS

Our examination of the records of the Department of Children and Families revealed several areas requiring improvement or further attention as discussed below:

Board and Care Disbursements:

Background: The Department has established a direct disbursement checking account to disburse board and care payments to foster care and adoptive families. This system was established outside of the general controls of the State Comptroller's accounting system. The Child Welfare Accounting Unit at the Central Office oversees the account with payments being processed through the Department's Statewide Automated Child Welfare Information System, commonly known as LINK. Much of the authority and control over these payments, including entering them into the system, is vested in the regional offices.

For the fiscal years ended June 30, 1999 and 2000, the Department expended from its Board and Care Checking Account $164,169,897 and $180,445,603, respectively, on behalf of children in the custody of the Department. These payments represent the monthly board and care payments made to foster homes and institutions, payments for miscellaneous expenses not covered by the monthly foster care payment and monthly adoption subsidy payments made to adoptive parents.

Criteria: Section 17a-17 of the Connecticut General Statutes permits the Commissioner of Children and Families to make direct payments for reasonable expenses necessary for the care and maintenance of children in the Commissioner's custody.

Section 17a-28 of the Connecticut General Statutes defines records as information created or obtained in connection with the Department's child protection activities or activities related to a child while in the Department's care or custody.

Section 17a-114 of the Connecticut General Statutes provides that no child in the custody of the Commissioner of Children and Families shall be placed with any person, unless the Department licenses such person for that purpose.

Section 17a-117 of the Connecticut General Statutes provides that the amount and duration of the subsidy shall be mutually agreed to by the Commissioner and the adopting parents prior to the approval of the adoption decree.

Section 17a-118 of the Connecticut General Statutes provides that the Commissioner of Children and Families shall perform an annual review of the adoption assistance subsidy established with the adoptive parent.

Condition: For the fiscal years ended June 30, 1999 and 2000, we selected 138 transactions, representing $122,977, and 113 transactions, representing $105,469, respectively, from the Department's Board and Care Checking Account. These transactions were made on behalf of 251 children. Our review disclosed that of the 251 transactions tested, 27 transactions did not comply with State laws and regulations. A summary of the types of exceptions follows:

- In four foster care transactions, children were placed in the care of foster homes that were not licensed.
- In seven foster care transactions, maintenance payments were made to providers on behalf of children who were provided adoption assistance services. The providers who were improperly paid foster care maintenance payments were the same providers who adopted the children and were eligible to received adoption subsidy payments. The foster care maintenance rate paid would have been the same rate used to pay the adoption subsidy.
- In one foster care transaction, an administrative payment should have been paid through the Comptroller’s accounting system and not the Board and Care Checking Account.
- In one foster care transaction, the “reasonable efforts” indication was not initially completed on the court order, and the eligibility determination was based on a copy filled in by Department personnel.
- In one adoption assistance transaction, the incorrect birth date was entered into the Department’s computer system resulting in an underpayment of adoption subsidy.
- In one adoption assistance transaction, the subsidy amount could not be substantiated.
- In two adoption assistance transactions, the initial subsidy agreement was not signed before the adoption decree was issued. In addition, a closed foster care case record could not be located for one of these transactions.
- In three adoption assistance transactions, there were no annual agreements on file to cover the service period tested.

- In three adoption assistance transactions, there were no adoption decrees on file. The Department subsequently obtained the adoption decrees.

- In one adoption assistance transaction, the initial subsidy agreement was not signed.

- In three adoption assistance transactions, the closed foster care records could not be located.

Effect: Payments made from the Board and Care Checking Account were not properly documented. In addition, the Department did not comply with State laws and regulations.

Cause: The internal controls over the disbursements from the Board and Care Checking Account were not completely effective.

Recommendation: The Department should improve its system of controls to eliminate board and care disbursement errors and to ensure compliance with State laws and regulations. (See Recommendation 1.)

Agency Response: "Agency agrees with the recommendation. Continuing efforts are being made to reduce errors and document compliance with laws and regulations."

Reconciliation of the Board and Care Checking Account:

Background: As noted above, the Department uses the Board and Care Checking Account to disburse board and care payments to foster care and adoptive families. The Account is overseen by the Child Welfare Accounting Unit located in the Department's Central Office, and the payments are processed through the Department's Statewide Automated Child Welfare Information System, commonly known as LINK.

Criteria: The Department is required to report the Board and Care Checking Account's year end cash balance to the State Comptroller. The year end cash balance is subtracted from the closing year expenditures of the board and care appropriations and added as an expenditure to those appropriations in the following year. Further, the Department is required to confirm monthly to the State Treasurer that the Department's cash balance reconciles to the Treasurer's cash balance.

Effective internal controls over checking accounts include the preparation of bank reconiliations completed in a timely manner.

Condition: We found that the Department reported its Board and Care Checking Account's June 30, 1999 and 2000, cash balances to the State Comptroller without properly reconciling the account. Also, the Department was confirming monthly to the State Treasurer that the Department's cash balance reconciles with the Treasurer's cash balance without properly reconciling the records.

Our review of the Department's bank reconciliation found that, as of June 30, 2000, there was an unreconciled difference of $1,639,809. It appears that the majority of the difference noted is due to the bank's report of outstanding checks, which includes as outstanding checks those have been canceled or stopped. The Department has been in the process of investigating the difference.

Effect: Without proper reconcilations the Department cannot readily identify problems that may arise in the Board and Care Checking Account's records and may cause the Department to report incorrect cash balances to the State Comptroller.

Cause: The Department did not properly reconcile its Board and Care Checking Account's records to the State Treasurer's records. The reconciliation performed by the Department during the fiscal year ended June 30, 2000, consisted only of verifying the activity of that fiscal year. This was mainly done by adjusting the bank's report of outstanding checks for items that were resolved in the fiscal year ended June 30, 2000.

Recommendation: The Department should continue to take the necessary steps to properly reconcile the Board and Care Checking Account's cash balance to the State Treasurer's cash balance. (See Recommendation 2.)

Agency Response: "Agency agrees with the recommendation. The current period reconciliations are being accomplished, earlier gaps and errors are being reviewed and corrected."

Inadequate Controls in the Department's LINK System:

Background: In July 1996, the Department introduced the Statewide Automated Child Welfare Information System, commonly known as LINK, to consolidate (or link together) the separate computer systems previously used for case management and vendor payments. The LINK system automatically generates monthly foster care and adoption subsidy payments based on the placement data entered into LINK. However, LINK generates weekly payments based on manual requests made by Department employees. Weekly payments include retroactive adjustments to monthly foster care maintenance and adoption subsidy payments as well as other miscellaneous expenses.

Criteria: Automated systems should have adequate internal controls to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting;
- Effectiveness and efficiency of operations; and
- Compliance with laws and regulations.

Condition: Our prior audit revealed that the LINK system does not have controls in place to prevent more than one weekly payment from being paid on behalf of a child for the same service type and period. Our current audit noted that this weakness in the LINK system continued.

Effect: The LINK system does not adequately prevent duplicate payments from being made to Department providers or vendors. The Child Welfare Accounting Unit does attempt to review all monthly and weekly payments prior to the issuance of the checks. However, due to the quantity of payments generated by LINK, errors could occur and not be detected in a timely manner.

Cause: The LINK system does not appear to have adequate application controls in place to prevent duplicate payments from being made.

Recommendation: The Department should improve its Statewide Automated Child Welfare Information System's, commonly known as LINK, application controls to prevent duplicate and/or unauthorized payments of foster care and adoption assistance services. (See Recommendation 3.)

Agency Response: "Agency agrees with the recommendation. Multiple steps have been taken to improve internal controls including a significant reduction in retroactive payments and institution of changes to the LINK application controls."

Miscellaneous Payments from the Board and Care Checking Account:

Background: The majority of expenditures paid from the Department's Board and Care Checking Account were monthly payments made to foster homes, institutions and other private providers. However, other expenses that are needed to administer the Foster Care program are also made from this account. These expenses include the purchase of clothing for a child at the time of initial placement into the Department's care, transportation costs incurred to reunify families, and miscellaneous expenditures. During the 1998-1999 and 1999-

2000 fiscal years the Department expended approximately $1,494,507, $597,185, and $436,954 for initial clothing, transportation, and miscellaneous expenditures, respectively. The Department usually codes childcare items as initial clothing.

Criteria: A governmental entity is accountable to the public and to other branches of government for the resources provided to administer government programs and services. The resources provided should be administered in accordance with applicable laws and regulations and applied efficiently, economically, and effectively.

Section 36-55-25.4 of the Department of Children and Families (DCF) Policy Manual provides that the foster care reimbursement rate is based on the United States Department of Agriculture (USDA) estimate of "Expenditures on a Child by Middle Income Families, Urban Northeast, 1997." The estimate is based on various budgetary components and expense items. These budgetary components include expenses for housing, food, transportation, clothing, education, child care, and other miscellaneous payments. The manual provides a listing of the expense items included in each budget component.

Section 36-55-25.5 of the DCF Policy Manual provides for an adequate supply of seasonal clothing to be purchased in an amount not to exceed $300 when the child is first placed in the Department's system. The initial clothing allowance is supplemented by the monthly clothing allowance which is provided for the child on a monthly basis and is included in the basic reimbursement rate. The DCF Policy Manual also states that the social worker will plan with the foster parent for the use of the initial clothing allowance.

Section 36-55-25.6 of the DCF Policy Manual allows payments to be made to relatives or parents who are receiving financial assistance from a public or private agency. Such payments would cover the cost of travel for a parent or relative to visit a child.

Adequate internal control includes the approval of the type of items to be purchased prior to the issuance of a purchase order. The DCF Form 1027 "Purchase Order and Invoice" which is used by the Department to process miscellaneous expenses, does provide the social worker the option to itemize the items authorized to be purchased.

Condition: A review of the Department's controls for processing miscellaneous expenses from its Board and Care Checking Account revealed the following:

- In three out of the ten cases tested, the child received clothing allowances that exceeded the initial clothing allowance of $300.

Our test was based on children who received a clothing allowance during the quarter ended June 30, 2000, and verifying whether the children received any prior clothing allowances.

- A review of the vendor receipts found that some of the items of clothing purchased, while otherwise allowable, appeared to be more than initially needed or excessively priced.

- Our review of transportation expenses disclosed that the Department does not adequately document the reason for the travel expenses. We could not determine in four out of the ten cases tested whether the payments were made to cover the cost of a parent or relative visiting a child, or rather the payment was made for transportation expenses that were already included in the monthly maintenance reimbursement rate. We were able to conclude that one of the ten transactions was for transportation costs that should not have been made.

- The Department uses the Form DCF 1027 "Purchase Order and Invoice" to purchase miscellaneous items from the Board and Care Checking Account. A review of the Department's controls disclosed that the social workers do not list the type of items to be purchased on the Form prior to issuing the Form.

- We also noted the DCF Policy Manual does not provide guidance concerning other expenses (for example, use of translators and travel costs for children placed in shelters) that can be made on behalf of a child.

Effect: Expenditures can be made which are not in accordance with the established policy. Financial resources are not being used efficiently, economically, and effectively. Internal controls are not adequate. The Department could be disbursing funds for expenses on behalf of a child that might also be included in the foster care monthly maintenance rate paid for that child.

Cause: The Department's social workers appear to misunderstand and/or disregard the DCF Policy Manual. The Department failed to establish adequate internal controls to provide reasonable assurance that resources are being used efficiently, economically, and effectively and in accordance with Department policy. In addition, the DCF Policy Manual does not include guidance governing the types of expenses that can be made on behalf of a child.

Recommendation: The Department should establish proper internal controls to provide assurance that miscellaneous expenditures from the Board and Care Checking Account are being made efficiently, economically, effectively and in accordance with Department policy. (See Recommendation 4.)

Agency Response: "Agency agrees with the recommendation. The DCF policy is being reviewed and revised where appropriate. Staff will be trained in impacted areas."

Reporting Systems:

Background: In conjunction with our audit of the State's Comprehensive Annual Financial Report (CAFR) and the State's administration of Federal Financial Assistance Programs for the fiscal years ended June 30, 1999 and 2000, we reviewed the financial data submitted to the Comptroller by the Department in its Generally Accepted Accounting Principles (GAAP) Reporting Package and its Schedule of Expenditures of Federal Awards (SEFA).

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

Condition: GAAP Package for the CAFR:
Our review of the Department's GAAP package for the fiscal years ended June 30, 1999 and 2000, disclosed several concerns as follow:

- For the fiscal year ended June 30, 1999, the Department did not report accounts receivables from institutions resulting from overpayments made from the Board and Care Checking Account. For the fiscal year ended June 30, 2000, the receivable amounts for the institutions were reported. However, the amount reported was not correct.

- The Department did not properly prepare GAAP Form 5 - Contractual Commitments and Retainages. For the fiscal year ended June 30, 1999, the Department did not report any contractual commitments. However, we noted two service contracts outstanding at June 30, 1999, that had commitment amounts greater than $100,000 that should have been reported. We determined that the Department should have reported at June 30, 1999, a total General Fund contractual commitment amount of $1,543,899. For the fiscal year ended June 30, 2000, the Department reported an incorrect contractual commitment amount. We determined that the Department understated the contractual commitment amount reported at June 30, 2000, by $2,210,040.

- The Department's GAAP reporting package was not completed and not submitted to the State Comptroller before the due date.

SEFA:
Our audit disclosed that for the fiscal year ended June 30, 2000, total expenditures for the Foster Care-Title IV-E (CFDA #93.658) and the Adoption Assistance (CFDA #93.659) programs were not properly reported by the Department on the Federal Financial Awards Expenditure Form. We determined that the expenditures reported for the Foster Care-Title IV-E program were understated by $16,758,278, and the expenditures reported for the Adoption Assistance program were overstated by $23,767,333. In addition, the Department's SEFA was not completed and not submitted to the Comptroller before the due date.

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

Cause: Failure to follow the instructions of the State Comptroller and clerical errors were the causes of these conditions. In addition, the Department did not properly reconcile its records with the Comptroller's records.

Recommendation: The Department should prepare financial reports in accordance with the State Comptroller's requirements. (See Recommendation 5.)

Agency Response: "Agency agrees with the recommendation. The Agency has instituted certain procedures to ensure accuracy. Staff will continue to review the balances of the procedures for preparing the above reports to ensure full compliance with State Comptroller's requirements."

Internal Audit Function:

Background: The Department has four residential facilities and five regional offices as well as a Central Office, each with its own business office. The Department incurred approximately $289,000,000 in General Fund expenditures (other than personnel services) and $1,854,916 in Special Revenue Fund expenditures during the fiscal year ended June 30, 2000. The Special Revenue Fund expenditures were primarily for purchases of equipment and renovations or repairs to Department facilities and State aid grants made to its private providers for alterations, repairs and safety improvements to facilities and group homes used in conjunction with children's programs funded by the Department. In addition, the Department utilizes a number of fiduciary funds. The Department also performs a significant number of administrative functions: for example, processing board and care payments through its Board and Care Checking Account; processing expenditures through its Cost Allocation Plan; maintaining case files for children placed in the Department's care; and licensing foster care homes.

Criteria: Proper managerial controls strongly suggest that an agency utilizing decentralized operations with regional units and multiple facilities have a mechanism to evaluate financial and program effectiveness. Internal auditing organizations are one way of performing these evaluations. Any internal auditing unit should be organizationally located outside the management function of the unit under audit and report their results to the head or deputy head of the agency.

Condition: Our prior audit included a recommendation that an independent internal audit function should be established and be reportable directly to either the Commissioner or the Deputy Commissioner. Our current audit continued to note that the Department does not have an Internal Audit Unit that reports directly to the Commissioner or Deputy Commissioner.

Effect: This condition weakens the Department's controls, which are intended to safeguard assets and reasonably ensure the reliability of management's records. In addition, monitoring and control of the Department's activities, regional offices and its facilities are rendered less effective.

Cause: The Department's management has not made the function of internal audit a high priority.

Recommendation: The Department should establish an Internal Audit Unit that reports directly to either the Commissioner or Deputy Commissioner. (See Recommendation 6.)

Agency Response: "Agency will review the Internal Audit Unit reporting relationship to determine the most effective and efficient system of service delivery."

Monitoring of Grantees:

Background: The Department administered over $107,000,000 in grants-in-aid from State funds to various nonprofit organizations during the fiscal years under review. By contract, grantees are required to maintain financial records and to report on their operations. Our review of the monitoring efforts made by the Department disclosed certain problems.

Criteria: The State Single Audit Act requires municipalities, audited agencies and nonprofit agencies to have an audit completed in accordance with Sections 4-230 to 4-236 of the Connecticut General Statutes and the regulations adopted pursuant to Section 4-236 of the Connecticut General Statutes. In addition, Section 7-396a of the Connecticut General Statutes requires State grants to be audited.

Adequate internal control includes monitoring subrecipients to ensure that expenditures and activities are in accordance with State laws and regulations. Independent audit reports of grantees that are received do not provide a sufficient monitoring tool.

Condition: We sampled 25 grantees to determine whether the Department received independent audit reports and performed desk reviews of the audit reports. We noted that the Department did not receive an audit report from one of the 25 grantees sampled. In addition, the Department could not locate a desk review for one of the audit reports sampled. The review was subsequently redone by the Department on August 8, 2001.

Per a report provided to us by the Department, there were 135 grantees that received funds during the State fiscal year ended June 30, 2000. For the calendar year 2000 the Department scheduled monitoring visits for 19 grantees. Our audit disclosed one of the scheduled monitoring visits was not performed. In addition, the Department could not locate the final reports for three of the monitoring visits. Also, it appears that an insufficient number of the Department's grantees received monitoring visits.

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

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

Recommendation: The Department should establish adequate procedures to obtain and review audit reports and to conduct ongoing monitoring of its grantees. (See Recommendation 7.)

Agency Response: "Agency agrees with the recommendation. The Agency has committed to the expansion of the unit responsible for the monitoring of grantees and is in the process of hiring additional staff."

Overtime Costs:

Background: Overtime costs for the Department increased from approximately

$7,082,000 for the fiscal year ended June 30, 1998, to approximately $12,334,000 for the fiscal year ended June 30, 2000. Our review found significant increases in the overtime costs at the Long Lane School.

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

Condition: Below is a table comparing total overtime costs expended by the Department during the fiscal years ended June 30, 1998, 1999, and 2000. The table also compares the monthly averages of total filled full time permanent positions and the monthly averages of children and cases being served by the Department. The number of children and cases being served are based on monthly reports generated by the Department's Statewide Automated Child Welfare Information System, commonly known as LINK. This report is based on the overall caseload of the Department. The caseload includes in-home cases, placements into foster care, cases being investigated, and adoption assistance cases.

		Average	**Monthly Average**	
	Overtime Expenditures	**Filled Positions**	**Children Served**	**Cases Served**
Fiscal Year 1998	$7,082,419	2,873	37,973	18,011
Percent Change	66.44 %	4.98 %	6.77 %	11.24 %
Fiscal Year 1999	$11,788,277	3,016	40,544	20,036
Percent Change	4.63 %	5.16 %	(9.57) %	1.95 %
Fiscal Year 2000	$12,334,139	3,171	36,663	20,428

For the fiscal year ended June 30, 2000, overtime expenditures represented seven percent of the Department's total personal services expenditures.

At the beginning of the fiscal year ended June 30, 1998, the authorized full time permanent position level was 2,952, which was subsequently increased to 3,018 on November 6, 1997. At the beginning of the fiscal year ended June 30, 1999, the authorized full time permanent position level was 2,985, which was subsequently increased to 3,060 on December 3, 1998. For the fiscal year ended June 30, 2000, the authorized full time permanent position level was 3,400 with no subsequent increases. Accordingly, there were a number of vacant full time permanent positions in which additional staff could have been hired that would have reduced the overtime costs. However, we were informed by the Department that there wasn't enough funding to fill all the authorized positions.

The most significant increase in overtime costs occurred at the Long Lane School (LLS). Below is a table comparing total overtime costs expended by the LLS during the fiscal years ended June 30, 1998, 1999, and 2000. The table also compares the monthly averages of total filled full time permanent positions and the average number of children served per day.

	Overtime Expenditures	Average Filled Positions	Average Children Served Per Day
Fiscal Year 1998	$1,506,893	341	202
Percent Change	133.75 %	13.97 %	.50 %
Fiscal Year 1999	$3,522,427	389	203
Percent Change	11.45 %	8.10 %	(1.97) %
Fiscal Year 2000	$3,925,755	420	199

For the fiscal year ended June 30, 2000, we noted that the total overtime costs at the LLS represented 16 percent of its total personal services expenditures.

We also noted at the LLS that for the fiscal year ended June 30, 2000, 87 employees received overtime pay between $10,000 and $24,999; 29 employees received overtime pay between $25,000 and $39,999; eight employees received overtime pay between $40,000 and $59,999; and five employees received overtime pay between $60,000 and $80,180.

Additional analysis was conducted on the 13 employees who were paid the highest overtime wages. These employees represented seven Youth Services Officers, four Youth Services Residential Supervisors, one Youth Services Group Leader, and one Police Officer. The regular salary paid to these employees during the fiscal year ended June 30, 2000, ranged from $40,500 to $46,995. As a result, 12 of the 13 employees were paid more in overtime wages than they were paid in regular wages. In addition, we randomly selected timesheets for three pay periods for each of these 13 employees. Our review noted that the overtime hours worked by these employees during a pay period ranged from 60 hours to 128 hours. As a result, we noted that the actual hours worked in a pay period by these employees ranged from 125 hours to 204 hours. The total number of hours worked by these employees appears to be excessive and suggests that their effectiveness is questionable. It should also be noted that the employee who made the $80,180 in overtime retired March 31, 2001.

The Department has recently taken steps to reduce overtime costs. In January 2001, the Department established targets for each facility and regional office to meet in order to reduce its overtime costs. However, although the Department has recently taken steps to reduce the overtime costs, our prior four audit reports (three reports were one year audits) of the Department noted escalating or excessive overtime costs. The steps taken by the Department have reduced the total overtime expenditures and LLS overtime expenditures to $11,155,425 and $2,156,065, respectively, for the fiscal year ended June 30, 2001. However, the overtime expenditures still appear to be excessive.

Effect: It appears that the resources provided to the Department were not applied efficiently, economically and effectively. Further, employees working excessive number of hours per week could result in those employees not being fully alert to perform their duties effectively and responsibly. In addition, the increase in an employee's annual salary would result in an increase in the employee's retirement pension.

Cause: The Department informed us that increases in the need for caseworkers to visit families outside of the normal work hours as a result of more working families was attributable to the overtime costs at the regional offices. For the fiscal years ended June 30, 1998, 1999 and 2000, the overtime costs at the regional offices were $3,678,858, $5,671,290 and $5,562,818, respectively.

We were informed by the Department that the large increase in overtime at the LLS was due to the complex nature of the children being serviced and that it is necessary for the current staff of Youth Service Officers and Police Officers to work a considerable amount of overtime. Further, there was a suicide that occurred at the LLS in 1998, which resulted in a policy change for closer monitoring of the children at the LLS. Also, to improve the conditions at the LLS, a great deal of training has taken place, which resulted in the use of overtime to cover those employees that attended the training. Therefore, a higher level of vigilance for an increasingly complex client population as well as realignment of staff account for increases and fluctuations in overtime.

Recommendation: The Department should continue to take steps to control its overtime costs. (See Recommendation 8.)

Agency Response: "Agency agrees with the recommendation. Steps have already been taken. Overtime limits have been established for each region and facility and senior management reviews compliance on a bi-weekly basis."

Inventory Records:

Background: The Department's Central Office, the regional offices and the facilities maintain their own inventory records and prepare separate annual

Fixed Assets/Property Inventory Report/GAAP Reporting Forms (CO59). Prior audits have presented concerns over the inventory records for equipment, supplies and software. Our current review disclosed certain deficiencies.

Criteria: Section 4-36 of the Connecticut General Statutes requires agencies to maintain inventory accounts prescribed by the Comptroller and report annually to the Comptroller the agency's inventory balances.

The State of Connecticut's Property Control Manual requires supporting subsidiary equipment records, the immediate tagging of equipment and periodically documenting physical inventories of equipment. Proper internal controls and procedures specified by the State of Connecticut's Property Control Manual require the Department to establish and keep an inventory account in an approved form. The Manual requires the recording of all personal property items having a useful life of one year or more and a value greater than $1000. The Manual also requires each agency to maintain a listing of controllable property. Controllable property is defined as property with a unit value less than $1000 and an expected useful life of one or more years.

The State of Connecticut's Property Control Manual states that a separate perpetual inventory should be maintained on all stores and supplies.

The State of Connecticut's Property Control Manual requires that agencies maintain a central software inventory to track and control all of its software.

Proper internal controls provide reasonable assurance for the safeguarding of assets. Safeguarding of assets is defined as objectives designed to prevent the unauthorized acquisition, use or disposition of assets.

Condition: We noted differences in the type of equipment inventory records maintained by the offices and facilities. In particular, we noted instances where the same type of capitalized inventory items were reported in different amounts on the inventory listings. The Department does not have controllable asset inventory listings for all of its regional offices and facilities. For those regional offices or facilities that have controllable assets, we noted differences in the type of inventory items that are recorded on the controllable asset inventory listings.

The Department did not maintain inventory listings of fixed assets in accordance with the State of Connecticut's Property Control Manual.

The Department could not substantiate the amounts reported on the annual Fixed Assets/Property Inventory Report/GAAP Reporting Forms (CO59).

The Department did not include on the annual Fixed Assets/Property Inventory Report/GAAP Reporting Forms (CO59) items that are in the Department's custody that need to be surplussed. (See Recommendation 14).

We noted differences in the types of items that are included on the supplies inventory records maintained by the facilities. We also noted instances where the amount of items on hand differed from the perpetual inventory records. In addition, perpetual supplies inventory records were not maintained for one of the facilities.

Our review of EDP disclosed that the Department does not have a software inventory control system in place nor does the Department have a software library. Some software is stored in an unsecured area in open boxes. The Department has not performed a physical inventory of software. The Department is unable to produce a software inventory report.

Effect: The above conditions have the effect of weakening controls over equipment. The CO59s submitted to the State Comptroller were inaccurate and not properly supported.

Supply inventory records are not being kept in a manner consistent with the requirements of the State of Connecticut's Property Control Manual.

The Department is not in compliance with the State's Software Policy. The Department has the potential to violate Federal copyright laws and End User License Agreements (EULA's), and some software is susceptible to theft due to the fact that it is stored in an unsecured area and is not on an inventory list.

Cause: The Department has not established agency-wide policy for maintaining inventory records.

Recommendation: The Department needs to improve the controls over its equipment, software and supplies inventories. Inventory records for the Department's equipment, supplies and software should be kept in a manner consistent with the State of Connecticut's Property Control Manual. (See Recommendation 9.)

Agency Response: "Agency agrees with the recommendation. Steps will be taken to comply in all respects with the Property Control Manual and Software Management Policy Manual. An automated software inventory with metering has been established."

Case Management System - Notification of Child Placements:

Criteria: Paragraph (B)(2)(a) of Chapter XXII of the Consent Decree dated January 7, 1991, provides that the Statewide Automated Child Welfare Information System, commonly known as LINK, shall have a Case Management System that will maintain for each child on the Department caseload, a case file which identifies the child's and/or family's placement, treatment and service needs, and the date the needs were identified, acted on, or wait-listed.

Condition: Our prior audit disclosed that the Department's system was not updated to account for changes that occurred to the Department's caseload. Although there was improvement from the previous year, our current audit continued to disclose various cases in which the Department did not enter the ending placement date into its system in a timely manner.

Effect: The Department's system does not properly reflect the Department's caseload.

Cause: It appears that the social workers are not entering the proper data into the Department's system on a timely basis. We were informed that the Department has developed procedures in which the social workers and their supervisors will certify on a monthly basis the placement of their assigned children.

Recommendation: The Department should enter the proper data into its Statewide Automated Child Welfare Information System, commonly known as LINK, to ensure that the Department's system has accurate and up to date information. (See Recommendation 10.)

Agency Response: "Agency agrees with the recommendation. As acknowledged in the audit report, procedures have been developed to provide improved accuracy of the data. We will continue to build on these efforts to enhance the timeliness and thoroughness of the data in our system."

Confidentiality of Children Placed in the Department's Care:

Background: The Department uses DCF Form 1027 "Purchase Order and Invoice" to process miscellaneous expenses that are needed to administer the Foster Care program. This Form is given to various vendors at the time of purchase.

Criteria: Section 17a-28 of the Connecticut General Statutes provides for the confidentiality of, and limits access to, records maintained by the Department of Children and Families.

Condition: Our prior audit disclosed that the child's name is recorded on the DCF Form 1027 at the time the Form is given to the vendor. The current audit disclosed that this condition continues to exist. The Department informed us that it did not determine whether including the child’s name on the Form 1027 violates the confidentiality provision in Section 17a-28 of the Statutes. However, the Department is continuing to research a plan to incorporate a new policy that would not include the child’s name on the Form 1027.

Effect: The Department may not be in compliance with Section 17a-28 of the Connecticut General Statutes.

Cause: The Department did not determine whether recording the child's name on DCF Form 1027 is a violation of Section 17a-28.

Recommendation: The Department should continue its efforts to maintain the confidentiality of the children placed in its custody in accordance with the provisions of Section 17a-28 of the Connecticut General Statutes. (See Recommendation 11.)

Agency Response: “Agency agrees with the recommendation. Policy is being rewritten to address the issue outlined in this recommendation.”

Fiduciary and Petty Cash Funds:

Background: The Department of Children and Families operates five regional offices and four facilities. Each regional office and facility maintains its own Petty Cash Fund, Activity Fund and Welfare Fund. Our review of the Funds and bank accounts maintained by the Department disclosed certain deficiencies.

Criteria: The Accounting Procedures Manual – Activity and Welfare Funds, issued by the Office of the State Comptroller includes procedures for maintaining all “Activity” and “Welfare” funds operated by State agencies. The State Accounting Manual includes procedures for maintaining petty cash funds. Also, adequate internal controls require that all expenditures should be supported by receipts; any excess in the amounts advanced should be returned in a timely manner; and that checks should not be signed without being completely filled out as to payee and amount.

Section 4-32 of the Connecticut General Statutes provides that each State department receiving any money or revenue for the State shall, if the total of the sums received amounts to five hundred dollars or more, deposit the same in the name of the State in depositories designated by the Treasurer within twenty-four hours of its receipt. Total daily receipts of less than five hundred dollars may be held until the total receipts to date amount to five hundred dollars but not for a period of more than seven calendar days.

Condition: Our review of the various funds maintained by the Department revealed the following:

- Ledgers were not maintained in accordance with the Accounting Procedures Manual – Activity and Welfare Funds.
- There was inadequate segregation of duties.
- Checks were made payable to cash.
- All expenditure documentation on hand did not provide an adequate audit trail.
- We noted wages paid to children placed in Department facilities were processed through the petty cash fund, a use which was not approved by the State Comptroller.
- Cash counts did not agree with Department records.
- There were differences in the type of records maintained by the facilities and regional offices.
- A cash count at the Connecticut Children's Place disclosed that cash was apparently on hand in excess of seven days. This matter was reported to the Governor and other State Officials on September 26, 2001, in accordance with Section 2-90 of the Connecticut General Statutes.

Effect: The Department is not in compliance with the State procedures included in the Accounting Procedures Manual – Activity and Welfare Funds, the State Accounting Manual and Section 4-32 of the Connecticut General Statutes. Also, without an effective system of internal control the Department is not assured that funds are being properly used or safeguarded.

Cause: The Department did not establish procedures for the regional offices and facilities to follow for maintaining these funds. The late deposit apparently occurred because of an oversight by the facility.

Recommendation: The Department should follow the procedures set forth in the State's Accounting Procedures Manual–Activity and Welfare Funds, the State Accounting Manual and Section 4-32 of the Connecticut General Statutes. The Department should also establish standard procedures that should be used to ensure that these funds are being properly used and safeguarded. In addition, the Department should deposit receipts in a timely manner. (See Recommendation 12.)

Agency Response: "Agency agrees with the recommendation. We will continue steps taken to standardize procedures throughout the Agency and to maintain compliance with Comptroller's requirements."

Board and Care Checking Account Overpayments:

Background: The Department's Revenue Enhancement Unit performs eligibility determinations for each child that is placed in the Department's care to determine whether the child meets the eligibility requirements of the Foster Care-Title IV-E program. The Revenue Enhancement Unit enters the applicable IV-E Code into the Maxstar system, which is maintained by a consultant used by the Department. As part of eligibility determinations, the Unit becomes aware of children returning home and enters the applicable code into the Maxstar system. The report generated by the Maxstar system includes board and care payments that were coded as "Children Returned Home" (IV-E Code 321). Our test of this code disclosed certain deficiencies.

Criteria: Proper internal controls provide reasonable assurance for maintaining complete receivable records for identified overpayments.

Condition: We randomly selected a total 28 transactions totaling $12,496 from the Maxstar report that were coded to IV-E Code 321 "Children Returned Home." These transactions were selected from a total of 182 children totaling $301,713 (coded to IV-E Code 321) made during the March 1999 quarter that were included on the Maxstar report prepared for the Federal claim submitted for the December 2000 quarter.

Our review of these transactions disclosed four overpayments totaling $499 for which receivables were not established.

Effect: If receivables are not established, the identified overpayments cannot be collected in a timely manner.

Cause: The Business Office, which maintains receivable records, is not notified by the Revenue Enhancement Unit of the child's return to his/her home.

Recommendation: The Revenue Enhancement Unit should notify the Business Office of any children that have been identified as having returned home so that receivables can be established for any identified overpayments. (See Recommendation 13.)

Agency Response: "Agency agrees with the recommendation. Since the audit period, the Child Welfare Accounting and Accounts Receivable Units are receiving a monthly report of credits created by the LINK batch process. This is a more timely approach to identifying these overpayments."

Surplus Equipment:

Criteria: Chapter 7 of the State of Connecticut Property Control Manual provides that State agencies shall not stockpile property. Further, it is essential for the proper control and use of state inventory that each agency's surplus property is redistributed to other agencies, which have a need for the property. In addition, it is the responsibility of the holding agency to provide proper care and storage of its inventory until final disposition has been implemented through transfer, sale, scrap or other methods approved by the Department of Administrative Services State and Federal Property Distribution Center.

Proper internal controls provide reasonable assurance for the safeguarding of assets. Safeguarding of assets is defined as objectives designed to prevent the unauthorized acquisition, use or disposition of assets

Condition: Our observation, which was performed on July 27, 2001, of the surplus items located in Meriden disclosed approximately 200 boxes, which apparently included an undetermined number of computers that needed to be surplussed. We noted two boxes both of which contained a central processing unit, monitor, keyboard and mouse. In addition to the 200 boxes, we noted old monitors, network equipment, and software, which also should have been surplussed. All of this equipment and software is stockpiled in an unsecured area located at the Meriden Office. The Department does not have a complete list of all of these individual items, and the Property Distribution Center was not informed of the surplus items. We also noted that the computers still had data on the hard drives. The above equipment has been stored in this manner for about two years.

We also noted in the Meriden Office 92 pairs of new computer speakers in their original boxes and various new software. The software was haphazardly piled in a large box and not properly inventoried. These items were apparently purchased in 1999 as result of the Year 2000 compliance conversion.

This matter was reported to the Governor and other State Officials on November 14, 2001, in accordance with Section 2-90 of the Connecticut General Statutes.

Effect: The stockpiling of surplus equipment violates the Department's responsibilities stated in the State Property Control Manual. In particular, the State is unable to properly utilize and distribute equipment. In addition, the equipment and software was kept in an unsecured area and therefore, was susceptible to theft.

Cause: The Department failed to properly record and dispose of equipment at the time it was replaced by new equipment.

Recommendation: The Department should promptly report surplus equipment to the Property Distribution Center in order to efficiently utilize and distribute State resources. The Department should store surplus equipment in a secured area to assure that the State's resources are safeguarded. (See Recommendation 14.)

Agency Response: "Agency agrees with the recommendation. Steps will be taken to comply with this recommendation."

Expenditures:

Background: The Department of Children and Families operates a Central Office, five regional offices and four facilities. Each office and facility processes its own expenditures. In addition, for the fiscal year ended June 30, 2000, the Department's Central Office processed expenditures for the Children's Trust Fund Council. Our sample was drawn from a population of 22,180 transactions totaling $256,709,435 for fiscal year ending June 30, 1999, and 22,258 transactions totaling $287,302,592 for the fiscal year ending June 30, 2000.

Criteria: Section 4-98 of the Connecticut General Statutes requires the issuance of a purchase order and commitment prior to incurring a payment obligation. In addition, Section 4-98 of the Connecticut General Statutes provides that the amount to be charged against the appropriation for any budgeted agency in any year for a capital expenditure shall be the State's total cost for such capital expenditure unless otherwise authorized by the General Assembly or approved by the Finance Advisory Committee.

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

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

Condition: We reviewed 134 transactions from the fiscal year ending June 30, 1999, and 151 transactions from the fiscal year ending June 30, 2000, totaling $3,446,076 and $2,960,085, respectively. Our review disclosed the following:

- One transaction in the amount of $238 for the monthly rental of a copier was not properly recorded as a capital lease.

- Fifteen transactions totaling $116,964 failed to have any or proper supporting documentation. Further testing disclosed that one of the fifteen transactions, in the amount of $442, had been paid twice.

- In addition to the above duplicate payment, one transaction totaling $30 was paid twice.

- Twenty transactions totaling $2,007,138 did not have the proper expenditure coding. Eighteen transactions totaling $2,006,197 were coded to incorrect character and object codes, one transaction totaling $703 was coded to incorrect Special Identification Codes (SID), and one transaction totaling $238 was coded incorrectly to both character and object code and SID. Nine of the 20 transactions were expenditures made for the Children's Trust Fund Council.

- We also noted seven payments totaling $232,370, which were not part of our sample, made to two vendors and incorrectly coded to the character and object code "Salaries and Wages - Continuing - Full Time."

- Differences between goods purchased and receiving reports were noted. We also noted two transactions that were not properly authorized.

- Nine contracts were approved after the start of the contract period. Additional review of expenditure invoices disclosed that the Department paid eight out of the nine contractors for service periods that occurred prior to the finalization of the contracts. It should be noted that none of the invoices were processed prior to the finalization of the contracts. The eight expenditure invoices totaled $403,289 of which approximately $155,776 was paid for service periods that occurred prior to the finalization of the contracts. The approximate amount is based on calculating a pro rata share of the number of days paid prior to the finalization of the contract to the total number of days paid. In addition, we noted three purchase orders totaling $6,103 that were issued after the goods or services were received. We also noted one contract processed for the Children's Trust Fund Council, which was approved after the start of the contract period.

- The Department issued petty cash checks to make payments to the Department of Public Safety rather than issuing transfer invoices.

- In a separate transaction that was not part of our sample, the State Comptroller informed our office that the Department entered into an agreement to lease 17 parking spaces in Bridgeport using Direct Purchasing Authority, which is not applicable to the leasing of parking spaces.

- In a separate transaction, which was not part of our testing, the Department's Assistant Commissioner notified our office of a duplicate payment in the amount of $516,600 made to another vendor. Our review of this transaction also disclosed $65,400 was paid for items that were not received. A subsequent credit was issued by the vendor.

Effect: The Department did not comply with Section 3-117 and Section 4-98 of the Connecticut General Statutes and with the State Accounting Manual. The Department also made overpayments to vendors.

Cause: The controls in place were not completely effective.

Recommendation: The Department should process expenditures in accordance with State laws and regulations and the State Accounting Manual. (See Recommendation 15.)

Agency Response: "Agency agrees with the recommendation. Procedures will be instituted to improve business practices in the areas cited.

Lapsing of Funds:

Background: The Department maintains a checking account to process board and care payments from the Department's appropriations. The account operates through a local zero-balance checking account with a bank and an operating account with the State Treasurer. As checks are presented to the bank, the State Treasurer covers them. The Department estimates the amounts needed to operate the checking account and periodically transfers funds to the account by processing an *Invoice-Voucher for Goods and Services Rendered to the State of Connecticut* (CO-17) to draw from the Department's appropriation allotments and to credit the amount to the State Treasurer's operating account.

The Department reports annually the balance maintained in the checking account as of June 30 to the State Comptroller as directed by Chapter 9 Section 1.6d of the State Accounting Manual. The amount reported is broken down by Special Identification Codes (SID). The following year appropriations are subsequently reduced by the year-end cash balance maintained in the checking account.

To issue checks from the account, a caseworker enters a child's placement into the Department's Statewide Automated Child Welfare Information System, commonly known as LINK. The LINK system will verify the vendor and child records and will automatically issue monthly payments to the provider where the child has been placed. The monthly checks are normally made on the fifteenth of each month for those children that were in DCF placement in the previous month. The LINK system has a manual payment function for payment of one-time expenditures such as retroactive adjustments, transportation costs, clothing costs or psychiatric evaluations, which are processed weekly. In addition, handwritten checks will occasionally be prepared to correct payment errors.

Criteria: Section 4-89 of the Connecticut General Statutes provides that unexpended balances of appropriations made by the General Assembly in the State budget act shall lapse at the end of the period for which they have been made and shall revert to the unappropriated surplus of the fund from which such appropriation or appropriations were made.

Condition: Our audit noted that at the end of fiscal year 1999-2000, the Department hand wrote six checks totaling $1,640,955 on behalf of children placed with six providers during the period June 1, 2000, to June 30, 2000. These expenditures were charged against SID 626. One check for $425,692 was issued on June 29, 2000, and five checks totaling $1,215,263 were issued on June 30, 2000. The controls established in the LINK system would have generated these six payments on July 15, 2000, the following fiscal year. It appears that the Department hand wrote these checks to avoid the lapsing of funds by bypassing the check processing procedures established in the LINK system. These six handwritten checks resulted in 13 monthly payments made to these six providers during the fiscal year ended June 30, 2000. During the fiscal year ended June 30, 1999, we noted that there were 12 monthly payments made to the same six providers.

Our review of the activity that occurred at the end of fiscal year 2000-2001 also disclosed that the Department issued six handwritten checks totaling $1,004,123 on June 29, 2001, apparently to avoid lapsing of funds. The procedures established in the LINK system would have generated these six payments on July 15, 2001, the following fiscal year. Three checks totaling $796,416 were charged to SID 626, three checks totaling $85,768 were charged to SID 616, and three checks totaling $207,706 were charged to SID 625. One of the checks charged to SID 626 was a payment made to one of the six providers noted in the above paragraph; accordingly only 12 monthly payments were made to this provider during the fiscal year ended June 30, 2001. For the remaining five providers, an extra monthly payment was made to them during the fiscal year ended June 30, 2001.

This matter was reported to the Governor and other State Officials on November 14, 2001, in accordance with Section 2-90 of the Connecticut General Statutes.

Effect: It appears that the Department avoided the lapsing of funds totaling $1,640,955 and $1,004,123, during the fiscal years ended June 30, 2000 and 2001, respectively, by overriding the established board and care payment procedures. These payments resulted in six providers being paid an extra monthly payment during fiscal year ended June 30, 2000, and five providers being paid an extra monthly payment during the fiscal year ended June 30, 2001. The aforementioned funds apparently should have been applied against the Department's appropriations established for the fiscal years ended June 30, 2001 and 2002, respectively.

Cause: Per discussion held with the Department, the payments were made to prevent the unspent funds from lapsing at the end of the fiscal year. However, the Department also stated that the payments made at the end of fiscal years 1999-2000 and 2000-2001 were not improper because the expenditures were matched against the incurred liability.

Recommendation: The Department should not override its Statewide Automated Child Welfare Information System, commonly known as LINK, to make board and care payments at the end of a fiscal year to avoid those funds from lapsing to the following fiscal year. (See Recommendation 16.)

Agency Response: "Agency disagrees with this recommendation. The resources of the fiscal year in question are being properly applied to the liabilities of that same fiscal year. The override of the system to generate checks manually is possible on a limited basis. We have taken this ability and utilized the opportunity to match same year liabilities to resources."

Auditors' Concluding Comments:

The handwritten checks were issued prior to the completion of the service period. The handwritten checks were issued on either June 29 or June 30 for the payment of service periods that ended on June 30. Therefore, it would appear that the checks should not have been issued prior to July 1.

Compensatory Time:

Criteria: The New England Health Care Employees Union District 1199 Contract states if an employee chooses compensatory time (holiday time) in lieu of payment for working a holiday, the employee should attempt to schedule this time off within six months of the holiday provided no overtime is required to release the employee.

Condition: Our review of holiday time for fiscal years ended June 30, 1999 and 2000, disclosed that for four out of five employees sampled, the accrued holiday time was not used within a six-month period.

Effect: Employees are allowed to continuously accrue holiday time without any time frame of when it must be used.

Cause: The Department does not require the employees to schedule the time off within the six-month time limit.

Recommendation: The Department should follow the compensatory time guidelines set forth in the New England Health Care Employees Union District 1199 Contract. (See Recommendation 17.)

Agency Response: “Agency agrees with the recommendation. The Agency will follow the guidelines.

Unused Equipment:

Criteria: Section 4-89 of the Connecticut General Statutes provides that all unexpended balances of appropriations made by the General Assembly in the State budget act shall lapse at the end of the period for which they have been made and shall revert to the unappropriated surplus of the fund from which such appropriation or appropriations were made.

Condition: The Department initially purchased 46 notebook computers totaling $152,950 on June 6, 2000, and received all 46 notebook computers on June 23, 2000. The expenditures were made from the General Fund. The cost of the notebook computers was allocated to State and Federal programs based on the Department's Cost Allocation Plan.

On November 30, 2000, we noted ten unused notebook computers costing $33,250 still in the original delivery cases at the Department's Central Office. In addition, we were informed that 12 additional notebook computers costing $39,900 were distributed on that day. According to the Department’s inventory list, 31 of the 46 notebook computers costing $103,075 had not been distributed for almost five months after the purchase.

Effect: Incurring expenditures for these computers at fiscal year end without using the computers relatively promptly presents the appearance that the Department may have attempted to expend appropriations prior to the appropriations being lapsed as provided in Section 4-89 of the Connecticut General Statutes.

Cause: The Department indicated that the remaining computers had not yet been distributed because the computers still had to be configured with certain programs. The Department also stated that configuring the computers had not been a high priority.

In addition, the Department indicated that several major events occurred during the time frame between the receipt and deployment of the laptop computers. The relocation of the Bridgeport Regional Office took place in July 2000, which required the movement, reinstallation and trouble shooting of the reinstalled computer system in this region. Also, an expansion to the New Haven Regional Office was underway during the time in question. Another major event that took place in Fall 2000 involved changing outdated software on all Department personal computers that are part of the Department's data system.

Recommendation: The Department should not purchase equipment until it is needed. (See Recommendation 18.)

Agency Response: "Agency agrees in part with this recommendation. While the Agency does not disagree with the concept, it does not feel the circumstances in this instance warrant the finding. The equipment was purchased with the intent of being deployed immediately, however, due to pressing needs of Information Systems staff the units could not be configured when received."

Misuse of State Resources:

Criteria: State resources should only be used for conducting State business.

Section 4-33a of the Connecticut General Statutes requires that breakdowns in the safekeeping of State resources and other specified matters be reported promptly to the Auditors of Public Accounts and the State Comptroller.

Condition: Our audit disclosed that on or about February 6, 2001, the Department's Information Systems Division became aware of an employee using a State computer for personal use as a result of a routine move of the employee's files from one network drive on the server to another network drive. Our subsequent review of the computer files disclosed files that did not appear to be for State business. The Department's Information Systems Division notified the employee's supervisor of the misuse; however, the Commissioner's Office was not notified of the misuse. We brought this matter to the attention of the Commissioner's Office on March 15, 2001, which initiated an investigation into the apparent misuse. On April 26, 2001, the Commissioner's Office confirmed to us that the employee did misuse State property. It would appear that, unless we brought this matter to the attention of the Commissioner's Office a proper investigation would not have been performed.

On August 5, 1999, the Department filed a Report of Loss or Damage to Real and Personal Property. We reviewed this loss report and learned that it was the result of a former employee having retained and utilized a State telephone calling card after being terminated from State service. This matter was reported to the Governor and others on December 8, 1999, under Section 2-90 of the Connecticut General Statutes.

Effect: There were misuses of State resources. Also, there were uncertainties by the Department in regard to handling misuses of State resources.

Cause: The Department's Information Systems Division apparently was not aware that the misuse of the computer should have been reported to the proper Department personnel so that a complete investigation could be performed. The calling card apparently was not canceled because the employee's supervisor was not aware that the proper Department personnel should have been notified to cancel the calling card after the employee was terminated.

Recommendation: The Department should establish written policies for handling situations concerning the misuse of State resources. (See Recommendation 19.)

Agency Response: "Agency agrees with the recommendation. The Agency will establish written procedures."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Department should improve its system of controls over its Board and Care Checking Account to eliminate errors in payments and to ensure compliance with State laws and regulations. – The Department did not comply with this recommendation. Therefore, this recommendation is being repeated. (See Recommendation 1.)

- The Department should complete reconciliations of the Board and Care Checking Account in a timely manner. - The Department did not comply with this recommendation. This recommendation is being repeated in a modified form. (See Recommendation 2.)

- The Department should reconcile the maintenance costs recorded on the Maxstar reports to the disbursements made from the Department's Board and Care Checking Account so that claims submitted to the Department of Health and Human Services for reimbursement are based on expenditures made by the Department. In addition, the Department should claim for Federal reimbursement all expenditures that are allowable. - This recommendation is restated in our Statewide Single Audit Report for the fiscal year ended June 30, 2000.

- The Department should ensure that expenditures from all Special Identification Codes (SID) that are Federally reimbursable are included in the State Quarterly Report of Expenditures and Estimates (Form IV-E-12) so that Federal reimbursements can be obtained promptly. - The Department is claiming Federal reimbursement for the applicable expenditures coded to SID 625 and SID 626 in a timely manner. This recommendation has been resolved.

- The Department should improve LINK's application controls to prevent duplicate and/or unauthorized payments of foster care and adoption assistance services. - The Department did not comply with this recommendation. Therefore, this recommendation is being repeated. (See Recommendation 3.)

- The Department should establish proper internal controls to provide assurance that miscellaneous expenditures from the Board and Care Checking Account are being made efficiently, economically, effectively and in accordance with Department policy. - The Department did not comply with this recommendation. Therefore, this recommendation is being repeated. (See Recommendation 4.)

- The Department should establish proper accounts receivable records and procedures for the collection of overdue accounts. - The Department has established receivable records and procedures for the collection of receivables. This recommendation has been resolved.

- The Department needs to supply more accurate and complete information to the State Comptroller as part of the Generally Accepted Accounting Principles (GAAP) reporting process and the Schedule of Expenditures of Federal Awards reporting process. - The Department did not comply with this recommendation. Therefore, this recommendation is being repeated. (See Recommendation 5.)

- The Department should either charge the appropriate indirect costs against all of its applicable Federal grant programs or obtain a waiver from the Office of Policy and Management. - Per information provided to the Department by the State Comptroller, the Department's Cost Allocation Plan takes the place of an indirect cost rate. This recommendation has been resolved.

- The Department should transfer the $1,272,264 that it improperly deposited into the Capital Equipment Purchase Fund to the General Fund. - The Department transferred the funds to the General Fund on May 13, 1999. This recommendation has been resolved.

- The Department should reestablish its internal audit unit to effectively monitor its regional offices, its facilities, its grantees and its private providers. - The Department did not comply with this recommendation. This recommendation is being repeated in a modified form. (See Recommendation 6.)

- The Department should establish adequate procedures to obtain and review audit reports, and to conduct ongoing monitoring of its grantees. - The Department did not comply with this recommendation. Therefore, this recommendation is being repeated. (See Recommendation 7.)

- The Department should take steps to control its increasing overtime costs. - The Department did not comply with this recommendation. Therefore, this recommendation is being repeated. (See Recommendation 8.)

- Employees appointed to provisional, temporary or emergency positions should not be allowed to continue work in such positions after the expiration of the maximum period allowed by Section 5-235 of the Connecticut General Statutes. - Our current audit disclosed that the Department was in compliance with Section 5-235 of the Connecticut General Statutes. This recommendation has been resolved.

- The Department should effectively monitor the receipt of required medical certificates from employees on leave in excess of five consecutive working days. - Our current review disclosed that the Department is obtaining the required medical certificates. This recommendation has been resolved.

- The Department needs to improve the controls over its equipment, software and supplies inventories. Inventory records for the Department's equipment, software and supplies should be kept in a manner consistent with the State of Connecticut's Property Control Manual. The Department should also remove all unauthorized software from its computers and make all employees aware of its policy pertaining to unauthorized software and the sanctions for violating this policy. - There was partial compliance with this recommendation. The Department complied with the recommendation concerning removing unauthorized software from its computers. The part of the recommendation concerning equipment, supplies and software inventory is being repeated. (See Recommendation 9.)

- The Department should enter the proper data into its Statewide Automated Child Welfare Information System to ensure that the Department's system has accurate and up to date information. - The Department did not comply with this recommendation. Therefore, this recommendation is being repeated. (See Recommendation 10.)

- The Department should determine whether recording the child's name on the DCF Form 1027 is a violation of the confidentiality provisions of Section 17a-28 of the Connecticut General Statutes. If necessary, the Department should consider obtaining the opinion of the Attorney General's Office. - The Department did not comply with this recommendation. Therefore, this recommendation is being repeated in a modified form. (See Recommendation 11.)

- The Department should require its caseworkers to promptly update the computer system of changes in child placements. The Department should also continue its efforts in establishing a tickler file that requires social workers and their supervisors to review and confirm the active status of each case every month. - There was substantial improvement in reducing in the amount of overpayments made to providers. However, there continued to be instances of caseworkers not entering the proper data into the Department's Statewide Automated Child Welfare Information System. Accordingly, this recommendation will be restated.(See Recommendation 10.)

- The Department should follow the procedures set forth in the State's Accounting Procedures Manual–Activity and Welfare Funds. The Department should also establish internal controls that ensure that these funds are being properly used and safeguarded. - The Department did not comply with this recommendation. Therefore, this recommendation is being repeated. (See Recommendation 12).

- The Department should comply with the DAS General Letter 115, Policy for State Owned Vehicles - Our current audit noted substantial improvement in the timely preparation of the monthly usage report. This recommendation has been resolved.

- The Department should reconcile quarterly the payments made to providers paid on a projected rate to the actual utilization so that adjustments can be received in accordance with the established contracts. - Our current audit disclosed that the Department performed the recommended quarterly reconciliations. This recommendation has been resolved.

- The Department should make efforts to purchase goods at the best price available and consider the possible effect the higher cost will have on Federal reimbursements. - Our current audit did not disclose any similar exceptions. This recommendation has been resolved.

- The Department should establish procedures to ensure that required reports are submitted to the Governor and the Joint Standing Committees of the General Assembly. - Our current audit disclosed that the required report was submitted as required per Section 17a-91 of the Connecticut General Statutes. This recommendation has been resolved.

- The Department should comply with the Cash Management Improvement Act when making drawdowns. - Our current audit did not disclose improper drawdowns of Federal funds. This recommendation has been resolved.

- To meet the requirements of Section 4-89 of the General Statutes, the Department should correctly report year-end expenditure adjustments to the Office of the State Comptroller. - Our current audit did not disclose incorrect reporting of year-end expenditure adjustments to the Office of the State Comptroller. This recommendation has been resolved.

Current Audit Recommendations:

1. **The Department should improve its system of controls to eliminate board and care disbursement errors and to ensure compliance with State laws and regulations.**

   Comment:

   Our review found that 11 percent of the transactions paid from the Department's Board and Care Checking Account that we tested were either made in error, were not properly documented or the payment was not in compliance with State laws and regulations.

2. **The Department should continue to take the necessary steps to properly reconcile the Board and Care Checking Account's cash balance to the State Treasurer's cash balance.**

   Comment:

   Our review of the Department's bank reconciliation found that, as of June 30, 2000, there was an unreconciled difference of $1,639,809. Amounts are being reported to the State Comptroller's Office for year end cash balances without the Department properly reconciling the account.

3. **The Department should improve its Statewide Automated Child Welfare Information System's, commonly known as LINK, application controls to prevent duplicate and/or unauthorized payments of foster care and adoption assistance services.**

   Comment:

   The LINK system does not have adequate application controls in place to prevent duplicate payments from being made.

4. **The Department should establish proper internal controls to provide assurance that miscellaneous expenditures from the Board and Care Checking Account are being made efficiently, economically, effectively and in accordance with Department policy.**

   Comment:

   We noted during our review that the Department did not have internal control procedures in place for miscellaneous payments from the Board and Care Checking Account. Payments were being made for items that would normally be provided for in the foster care monthly allowance amount. The Department does not document the items to be purchased on the DCF Form 1027 prior to authorizing the purchases.

5. **The Department should prepare financial reports in accordance with the State Comptroller's requirements.**

   Comment:

   The Department failed to report all of the information necessary for complete reporting. Such items that were not completely reported were the Department's Federal programs, accounts receivable and other financial information required by the Comptroller.

6. **The Department should establish an Internal Audit Unit that reports directly to either the Commissioner or Deputy Commissioner.**

   Comment:

   The Department has four residential facilities and five regional offices as well as a central office, each with its own business office. In addition, the Department utilizes a number of fiduciary funds and performs a significant amount of administrative functions. The use of an internal audit function is one way of evaluating financial and program effectiveness of a Department that utilizes decentralized operations and has a significant amount of administrative functions.

7. **The Department should establish adequate procedures to obtain and review audit reports and to conduct ongoing monitoring of its grantees.**

   Comment:

   The expenditure of grant awards is not monitored effectively to ensure that such expenditures meet the Department's objectives and policies. An insufficient number of the Department's grantees receive monitoring visits or field audits.

8. **The Department should continue to take steps to control its overtime costs.**

   Comment:

   We noted that the overtime costs of the Department continued to increase during our audited period even though the number of employees increased. We also noted that a number of employees received a significant amount of overtime.

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

   Comment:

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

10. **The Department should enter the proper data into its Statewide Automated Child Welfare Information System, commonly known as LINK, to ensure that the Department's system has accurate and up to date information.**

    Comment:

    Our review disclosed a number of payments from the Board and Care Checking Account that were made in error because the correct placement data was not entered into the LINK system.

11. **The Department should continue its efforts to maintain the confidentiality of the children placed in its custody in accordance with the provisions of Section 17a-28 of the Connecticut General Statutes.**

    Comment:

    Our review found that the Department was recording the name of children in its custody on certain forms that are given to vendors. This may be in violation of the Statute governing the children's confidentiality.

12. **The Department should follow the procedures set forth in the State's Accounting Procedures Manual – Activity and Welfare Funds, the State Accounting Manual and Section 4-32 of the Connecticut General Statutes. The Department should also establish standard procedures that should be used to ensure that these funds are being properly used and safeguarded. In addition, the Department should deposit receipts in a timely manner.**

    Comment:

    Our review found that the Department had not established appropriate internal controls over its Activity and Welfare Funds. Checks were being issued without proper documentation and/or authorization.

13. **The Revenue Enhancement Unit should notify the Business Office of any children that have been identified as having returned home so that receivables can be established for any identified overpayments.**

    Comment:

    The Business Office, which maintains receivable records, is not notified by the

Revenue Enhancement Unit of the child's return to his/her home, therefore receivables are not established.

14. **The Department should promptly report surplus equipment to the Property Distribution Center in order to efficiently utilize and distribute State resources. The Department should store surplus equipment in a secured area to assure that the State's resources are safeguarded.**

    Comment:

    We noted inventory that needs to be surplussed stockpiled in an unsecured area located at the Meriden Office. In addition, the Department does not have a complete list of all of these individual items, and the Property Distribution Center was not informed of the surplus items.

15. **The Department should process expenditures in accordance with State laws and regulations and the State Accounting Manual.**

    Comment:

    Our review of expenditures disclosed that the Department did not always comply with Section 3-117 and Section 4-98 of the Connecticut General Statutes and with the State Accounting Manual. The Department also made overpayments to vendors.

16. **The Department should not override its Statewide Automated Child Welfare Information System, commonly known as LINK, to make board and care payments at the end of a fiscal year to avoid those funds from lapsing to the following fiscal year.**

    Comment:

    Our audit noted that at the end of fiscal years 1999-2000 and 2000-2001, the Department apparently hand wrote checks bypassing the check processing procedures established in the LINK system to avoid the lapsing of funds. The procedures established in the LINK system would have generated these payments in the subsequent fiscal years.

17. **The Department should follow the compensatory time guidelines set forth in the New England Health Care Employees Union District 1199 Contract.**

    Comment:

    The Department does not require the employees to schedule the compensatory time off within the six-month time limit set forth in the union contract.

18. The Department should not purchase equipment until it is needed.

Comment:

The Department received 46 notebook computers on June 23, 2000. On November 30, 2000, we noted ten unused notebook computers still in the original delivery cases at the Department's Central Office. In addition, we were informed that 12 additional notebook computers had been distributed on that day. According to the Department's inventory list, 31 of the 46 notebook computers had not been distributed for almost five months after the purchase.

19. The Department should establish written policies for handling situations concerning the misuse of State resources.

Comment:

Department employees were uncertain as to how to handle misuses of State resources.

20. The Department should review its business office functions at the regions, facilities and at the Central Office to determine if a centralized operation would be more cost effective and efficient.

Comment:

Currently each of the five regional offices at the Department of Children and Families is performing business functions as if each were an independent agency. Many of the same functions performed at the Central Office, at each of the five regional offices, and each of the four facilities could be consolidated into one function performed at the Central Office.

21. We recommend that the Department, with the aid of the Department of Administrative Services, perform a review to compare actual job duties to what is required by the defined job descriptions and then classify all Business Managers with the same classification.

Comment:

Our review of the business functions at the Department of Children and Families' regional offices disclosed numerous instances where employees performing the same function are classified in different job titles and therefore compensated differently. Most notable is the position of regional office Business Manager. The Business Manager in each of the five offices performs approximately the same functions.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Children and Families for the fiscal years ended June 30, 1999 and 2000. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Children and Families for the fiscal years ended June 30, 1999 and 2000, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Children and Families is the responsibility of the Department of Children and Families' management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 1999 and 2000, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

The management of the Department of Children and Families is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Children and Families' financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: there were weak accounting and administrative controls over disbursements from the Board and Care Checking Account, there were weak accounting and administrative controls over the Department's property and equipment records, there were weak accounting and administrative controls over the processing of administrative expenditures, and poor administrative controls over the monitoring of grantees.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, of the reportable conditions described above, we believe the following reportable conditions to be material or significant weaknesses: the weakness in accounting and administrative controls over disbursements from the Board and Care Checking Account and the weakness in accounting and administrative controls over the processing of administrative expenditures.

We also noted other matters involving internal control over the Agency's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

CONCLUSION

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

Frank LaRosa
Principal Auditor

Approved:

Kevin P. Johnston	Robert G. Jaekle
Auditor of Public Accounts	Auditor of Public Accounts