STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF CHILDREN AND FAMILIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 and 2010

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

Table of Contents

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January 7, 2013

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We have examined the financial records maintained by the Department of Children and Families (DCF) for the fiscal years ended June 30, 2009 and 2010. This included the records maintained for the central office, the local area offices and the facilities operated by the department.

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 to 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 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-201b 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.

DCF operates as a comprehensive, consolidated agency serving children and families. Its mandates include child protective and family services, juvenile justice services, mental health services, substance abuse related services, prevention and educational services (acting in the capacity of a school district for the children in their care). During the audited period, its programs and services were administered through a network of offices and sites located throughout the state consisting of a central office, 14 local area offices, four facilities and the Wilderness School.

The DCF central office provides business support services for the area offices and the Wilderness School. Business operations of the department's facilities are administered by personnel located at each of the respective facilities. The department's two current facilities are the Albert J. Solnit Psychiatric Center and the Connecticut Juvenile Training School (CJTS). The department closed its High Meadows facility in February of 2010.

The Albert J. Solnit Psychiatric Center was created subsequent to the audited period as the result of an administrative consolidation of two former DCF facilities, Connecticut Children's Place (CCP, north campus) and Riverview Hospital (south campus). The north campus, located in East Windsor, offers 24-hour care to boys ages 13 through 17 years of age. The north campus is reserved for boys whose psychiatric and behavioral symptoms require the structure and support of an all-inclusive, contained, therapeutic and educational environment. The south campus, located in Middletown, serves adolescent girls ages 13 through 17 who require a 24-hour brief inpatient residential setting and structure. The units are less intensive than an acute inpatient hospital unit and more restrictive than a residential treatment facility or community-based treatment programs such as partial hospitalization or intensive in-home services.

CJTS, located in Middletown, is a secure facility for boys committed as juvenile delinquents to DCF and placed on parole status. CJTS' mission is to prepare boys for successful community reentry through education, treatment, and rehabilitative services. CJTS residents receive a full range of clinical services based upon their individualized risk, need, strengths and mental health assessments and treatment plans, including individual, family and group therapy.

The Wilderness School, located in East Hartland, is a prevention, intervention and transition program for troubled youth. The school offers high-impact wilderness programs intended to foster positive youth developments. Courses range from one-day experiences to 20-day expeditions. Designed as a journey experience, the program is based on the philosophies of experimental learning and is considered therapeutic for the participant.

Section 17a-50, subsection (b) of the Connecticut General Statutes established a Children's Trust Fund Council (CTFC), which was within the Department of Children and Families for administrative purposes only during a portion of the audited period. Effective October 5, 2009, in accordance with Public Act 09-5 of the September Special Session, the Children's Trust Fund was transferred to the Department of Social Services. Operations of the CTFC are audited by us and was reported upon in a separate audit report until the transfer to the Department of Social Services.

Consent Decree:

In January of 1991, DCF 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. In December of 2003, the federal court approved an exit plan which established 22 outcomes for the state to achieve in order to improve services for children and families and to end the court's jurisdiction. A revised exit plan was approved in July of 2004 requiring periodic reporting to be performed by both the department and the court monitor on the department's performance and progress toward achieving the outcome measures. In July 2008, an agreement was approved by the federal court that was negotiated in an effort to expedite improvement related to two outcome measures.

DCF must be in compliance with all of the outcome measures, and in sustained compliance with all of the outcome measures for at least six months prior to asserting compliance and shall maintain compliance through any decision to terminate court jurisdiction. The monitor's quarterly review of the department's efforts to meet the exit plan outcome measures during the period of October 1, 2011 through December 31, 2011 reported that the department achieved 18 of the 22 outcome measures and maintained compliance for at least two consecutive quarters with 15 of the measures.

Susan Hamilton served as commissioner during the audited period. She was succeeded by Joette Katz in January of 2011.

Careline:

Careline (formerly Hotline) is a unit located in the DCF central office. Careline receives all telephone calls or written information alleging that a child has been abused, neglected, or is in danger of being abused, and other types of calls related to services for children. Based on information received, appropriate action is initiated.

Careline received approximately 184,000 calls during the audited period. These included approximately 86,000 reports of suspected abuse or neglect, of which approximately 47,500 were accepted for investigation. Approximately 13,600 reports were substantiated. Careline is open 24 hours/7 days a week.

Census Statistics:

Client census statistics, as of June 30, for the three fiscal years ended through June 30, 2010, by placement type, are summarized below:

Placement Category:	**Fiscal Year 2007-2008**	**Fiscal Year 2008-2009**	**Fiscal Year 2009-2010**
Adoption	5,330	5,051	5,292
Foster care	3,006	2,887	2,598
Subsidized guardianship	2,017	1,921	1,961
Relative Care	947	746	648
Residential Home	750	534	507
Group Homes	429	466	440
DCF Facilities	175	133	76
Safe Home	171	162	135
Independent Living Program	139	131	126
Shelter	93	96	84

Medical	35	41	39
Total	13,092	12,168	11,906

Per Capita Costs:

Under the provisions of Section 17b-222 and 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 treatment facilities for children and adolescents administered by DCF. The average per capita in-patient costs per diem for the fiscal years 2007-2008, 2008-2009 and 2009-2010, which are based on the prior fiscal year costs, are summarized below:

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
Connecticut Juvenile Training School	$ 1,192	$ 1,101	$ 1,440
Connecticut Children's Place	1,366	1,525	1,517
Riverview Hospital for Children and Youth	2,369	2,330	2,259
High Meadows Residential Treatment Center	1,403	1,617	*

*Per capita costs were not calculated for the 2009-2010 fiscal year due to the closure of the facility in the fiscal year.

State and Area Advisory Councils:

Section 17a-4 of the General Statutes provides that the Governor shall appoint a State Advisory Council on Children and Families consisting of seventeen members. The duties of the council include: recommending programs, legislation or other matters which will improve services for children and youth; reviewing and advising the commissioner regarding the proposed 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, two persons eighteen to twenty-five years of age, inclusive, served by the Department of Children and Families, one child psychiatrist, and at least one attorney who has expertise in legal issues related to children and youth. The balance of the advisory council shall be representative of young persons, parents, and others interested in the delivery of services to children and youth. 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 create distinct service areas and create in such area, an area advisory council to advise the commissioner and the area director on the development and delivery of services in the area and to facilitate the coordination of services in the area. Each council is to consist of no more than twenty-one members appointed by the commissioner, or the commissioner's designee, for terms ranging from one to three years.

Significant Legislation:

Public Act 08-86 made a number of changes to the laws governing families with service needs (FWSN) children. These are children under age 16 (or, beginning January 1, 2010, under age 18) who have run away without good cause, are truant or beyond control of their parents or school authorities, or engaged in certain forms of sexual or immoral conduct. The law authorizes juvenile court judges to place FWSN children under the supervision of a juvenile probation officer or commit them to DCF and to issue orders setting conditions they must meet.

Public Act 09-01 required the DCF commissioner, in consultation with the Department of Social Services (DSS) commissioner, to create a plan to establish services for children and youth needing residential treatment who would normally be placed in out-of-state facilities. The DCF commissioner had to submit the plan to the Human Services and Appropriations committees by March 1, 2009.

Public Act 09-96 requires DCF to review annually the cases of all children and youth in DCF care during the previous calendar year and report the number and age of those living in a psychiatric hospital or out-of-state treatment center, have run away or are homeless, have a permanency plan of "another planned permanency living arrangement" or have refused DCF services. DCF must conduct case and service reviews for each child in these groups. The first report was due by February 1, 2010 and was to be sent to the Select Committee on Children and Human Services committees.

Public Act 09-185 requires courts to look for suitable caretaker relatives (related by blood or marriage) in the early stages of cases where children have been, or are at risk of being, removed from their homes due to allegations of abuse or neglect. It allows a parent who is the subject of the abuse or neglect charges to ask the DCF commissioner to investigate placing the child with relatives and, where practicable, requires the commissioner to report on a relative's suitability at the first court hearing in the case. It establishes court procedures for making placement decisions when a relative seeks custody and creates a rebuttable presumption that placing a child with a relative is in the child's best interests.

Public Act 09-194 made several unrelated changes in statutes governing DCF. It requires the department to include specific information in permanency plan documents; requires DCF to file annual reports with the (a) Select Committee on Children on its case review findings and (b) Human Services Committee on its progress in incorporating measurable outcomes into contracts with providers; establishes a pilot program to increase public access to juvenile court proceedings concerning abused, neglected, or dependent children or those petitioning for termination of parental rights; creates the Juvenile Access Pilot Program Advisory Board; and requires DCF to notify all attorneys of record when it decides to transfer a child to an out-of-state facility.

Public Act 09-197 exempts from the Department of Public Health (DPH) licensure requirements of individuals to whom DCF issues a license for operating (1) a substance abuse treatment facility or (2) maternity homes that offer care to pregnant women during their pregnancies, new mothers, and their newborns. The act also repeals the law requiring maternity homes to get DPH licenses. DCF licenses maternity homes.

Public Act 09-205 implemented a number of changes in statutes relating to DCF planning, programming, and reporting functions. It requires DCF to develop and regularly update a single comprehensive strategic plan, (which replaces the biennially updated five-year master plan), expands the authority and oversight of the State Advisory Council on Children and Families (SAC) with respect to DCF programs and services, requires (rather than allows) DCF to establish advisory groups for each facility it operates and provide them administrative support, requires state agencies cited in an Office of the Child Advocate report to respond to the governor and general assembly in writing within 90 days, and requires DCF to collect and analyze data about child abuse and neglect that involve a parent or guardian with a substance abuse problem.

RÉSUMÉ OF OPERATIONS:

Funding for the general operations of DCF was provided by budgeted appropriations from the state General Fund and restricted contributions in the form of federal grants and other restricted contributions.

A significant amount of DCF's operating expenditures are reimbursed by the federal government under the Foster Care-Title IV-E and Adoption Assistance programs. The Foster Care Title IV-E program provides assistance on behalf of eligible children who are placed away from their families in foster care under the administration of the state. The Adoption Assistance program provides assistance on behalf of eligible children who are adopted through the state. These programs reimburse the state for a portion of board and care costs, adoption subsidies, and administrative costs incurred by the department on behalf of eligible children.

General Fund:

Receipts

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

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
Receipts	$ 125,026,537	$ 103,273,212	$ 99,599,557

Total General Fund receipts decreased by $25,426,980 during the audited period. The decrease was primarily due to the reimbursement of $21,943,556 in supplemental federal Foster Care and Adoption Assistance funds for the quarter ended March 31, 2007 that was received by the department in July of 2007.

Expenditures

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

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
Personal Services	$ 274,035,875	$ 285,427,578	$ 265,363,848
Workers Compensation Payments	9,226,216	8,386,899	9,698,917
Contractual Services and Commodities	59,609,178	57,245,260	41,392,071

Purchase of Service Payments/Grants	192,260,943	198,953,412	199,113,356
Board and Care Payments	304,781,554	302,562,228	293,579,604
Capital Outlays	393,329	23,639	569
Total Expenditures	$ 840,307,095	$ 852,599,016	$ 809,148,365

Total General Fund expenditures increased by $12,291,921 and decreased by $31,158,730 in the fiscal years ended June 30, 2009 and 2010, respectively, compared to the fiscal year ended June 30, 2008.

The increase in fiscal year 2008-2009 was mostly attributable to increases in personal services expenditures for employee salary increases. The decrease in fiscal year 2009-2010 was attributable to decreased expenditures in personal services, contractual services and commodities and board and care payments.

The decrease in personal services expenditures was mainly due to the retirement of a number of employees under a retirement incentive program offered by the state at the close of the fiscal year ended June 30, 2009.

Decreases in contractual services and commodities were mainly due to decreased expenditures for advertising, client services, repairs, information technology data services, cellular communication services, minor equipment and supplies.

Decreases in board and care payments were due to decreases in payments made to foster care families and residential providers offset in part by increased payments to adoption families.

Special Revenue Funds:

Grants and Restricted Accounts Fund:

Receipts

Grants and Restricted Accounts Fund receipts during the audited period are summarized below:

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
Receipts	$ 19,060,540	$ 18,182,443	$ 20,007,698

Receipts increased by $947,158 in the fiscal year ended June 30, 2010 compared to the fiscal year ended June 30, 2008. The increase in receipts was primarily attributable to the timing of the drawdown of federal funds from the Social Services Block Grant program, offset in part by a net collective decrease in receipts from several federal and non-federal grant programs.

Expenditures

DCF made expenditures from the Grants and Restricted Accounts, Capital Equipment Purchase, and Grants to Local Governments and Others Special Revenue Funds during the audited period. Special revenue fund expenditures are summarized for the past three fiscal years below:

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
Personal Services/Fringe Benefits	$ 3,712,064	$ 3,314,630	$ 2,720,943
Contractual Services and Commodities	6,833,080	6,019,857	8,797,558
Grants/Transfers	11,068,739	14,335,703	8,247,105
Capital Outlays	1,175,437	2,934,315	469,178
Total Expenditures	$ 22,789,320	$ 26,604,505	$ 20,234,784

Total special revenue fund expenditures increased by $3,815,185 in the fiscal year ended June 30, 2009, compared to the fiscal year ended June 30, 2008. The increase was mostly attributable to increases in grant expenditures made from the Grants to Local Governments and Others Fund and increased capital expenditures made from the Capital Equipment Purchase Fund. Expenditures decreased by $6,369,721 in the fiscal year ended June 30, 2010 compared to the fiscal year ended June 30, 2009. The decrease was mainly attributable to decreases in grant expenditures made from the Grants to Local Governments and Others Fund and decreased capital expenditures made from the Capital Equipment Purchase Fund.

Capital Projects Funds:

Expenditures from various capital projects funds totaled $1,117,755 and $1,526,104 during the fiscal years ended June 30, 2009 and 2010, respectively. Capital project expenditures were primarily for premises repairs, capital outlays and grants.

Fiduciary Funds:

DCF administered a number of accounts/funds in a fiduciary capacity during the audited period. A brief description of the accounts/funds and their purpose follows:

Children’s Trust Accounts:

Under the provisions of Section 46b-129 of the General Statutes, the commissioner of the Department of Children and Families may be appointed guardian of any uncared for, neglected or dependent child committed to the commissioner by the superior court. Further, Section 46b-129, subsection (l), provides that the commissioner may bill and collect from the person in charge of the estate of any child or youth aided by the commissioner, including his decedent estate or the payee of such child's or youth's income, the total amount expended for care of such child or youth or such portion thereof as any such estate or payee is able to reimburse.

A child’s income is derived primarily from Social Security benefits, survivor benefits, and other contributions received on behalf of some children placed in the department’s care. DCF establishes individual trust accounts for children receiving benefits. These accounts are used to account for the child’s income and the cost of care provided by the department. The department makes periodic disbursements from these accounts to the Department of Administrative Services (DAS) for the cost of the child’s care. Cash receipts from these accounts totaled $4,659,804 and disbursements totaled $4,673,976 for the two-year period ending June 30, 2010.

Welfare and Activity Funds:

These funds were established to account for private gifts, donations, and revenue derived from operations that pertain to activities of the children. Funds are used for the welfare and activities of children under the care of the department. Welfare and activity funds were administered by all of the department's facilities and central office during the audited period. High Meadows maintained an activity fund during the audited period until its closure. Remaining funds were transferred to Connecticut Children's Place and Riverview Hospital's activity funds. Cash receipts and disbursements from these funds totaled $256,147 and $225,105 during the audited period.

Donation Fund – Connecticut Juvenile Training School:

Funds in this account are used for activities for residents at the Connecticut Juvenile Training School. Assets in this account consist of cash, investments and real estate. Total assets in this account as of June 30, 2010 were $725,893. Cash receipts and disbursements from this fund totaled $11,610 and $18,285 during the audited period.

Residents' Cash Fund (Connecticut Juvenile Training School)/Children's Allowance Fund - 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. Riverview Hospital administered a similar account through its activity fund. High Meadows also maintained an allowance account during the audited period until its closure. Funds remaining in the account were transferred to Connecticut Children's Place and Riverview Hospital's activity funds. Cash receipts and disbursements from these funds totaled $131,201 and $125,836 during the audited period.

CONDITION OF RECORDS

Our examination of the records of the Department of Children and Families identified the following reportable matters.

Control Environment - Policy Manual:

Criteria: Section 1-3-1 of the DCF Policy Manual states that the purpose of the manual is to provide specific instructions and guidance to employees to assist them in effecting their responsibilities; aid in providing standardized, uniform procedures in responding to the needs of children and their families; provide basic information about all other department operations and services; and to serve as a tool for auditing and quality assurance activities.

Section 6-2 of the manual states that all official DCF policies and forms shall be issued through the Policy Unit. The role of the Policy Unit is to develop and issue department policies and forms, maintain policy in the department's official policy manual and in electronic format, maintain records of policy development, and provide consultation and assist department staff regarding policy topics.

Condition: We noted that various policy manual sections still had not been updated, despite significant changes in information and procedures. Examples of policies with significant changes that were not updated in a timely manner are as follows:

- Policies 36-55-25.2 and 48-18-5 provide the rates for foster care, subsidized guardianship, and subsidized adoption. Although the rates were revised effective July 1, 2007, at the time of our review in April 2011, the policies still had not been updated to reflect the revised rates. However, after our inquiry, the department updated the policies with the current rates.

- Policy 41-16-3.1, regarding protective service and criminal history records searches for foster and adoptive families, still has not been updated to include the change in procedures relating to the process of performing federal and state background checks.

DCF still utilizes, in the process of licensing foster and adoptive families, forms which were developed and implemented by the Office of Foster and Adoptive Services independently from the Policy Unit. These forms replaced the official forms previously used and referenced in the policy manual.

The Policy Unit did not maintain or coordinate the revision of the policies for two of its former facilities, Riverview Hospital and Connecticut

Children's Place. Each facility independently maintained and revised its own policies during the audited period. As noted previously, the Albert J. Solnit Psychiatric Center was created subsequent to the audited period as the result of an administrative consolidation of these two facilities. The Policy Unit indicated that any necessary policy revisions for the newly-created facility would be made through the Policy Unit.

Effect: When policies and forms are not kept current, are not officially approved through the Policy Unit, or not available department-wide, there is potential for inaccuracies or misinterpretation of information by employees while performing duties.

Cause: DCF did not have a process in place during the audited period to review policies and forms on a regular basis to ensure that the policies are current. It also appears that the department's divisions and units may not be aware of the requirement to formalize policies and forms prior to their distribution and use.

Recommendation: DCF should implement procedures to ensure that policies and forms are regularly reviewed, officially approved, and updated in a timely manner. (See Recommendation 1.)

Agency Response: "The Department agrees with the finding. The Department has established procedures to review policy and forms. At this time, the entire policy manual is being reviewed and re-written. A progress chart has been developed to track due dates for each individual chapter. On the last day of each month, reminders are being sent to chapter authors of upcoming due dates. The goal for complete revision is July 1, 2013. The Department has notified staff that all forms must come through the Policy Unit to be reviewed and given an official DCF-XXX designation. All forms and policy, including facility policy, will be available on the internet."

Control Environment - Information Systems:

Background: LINK is the DCF Statewide Automated Child Welfare Information System. LINK is used for various department functions, including child protective services, intakes and referrals, investigations, case narratives, child placement histories, central registry, facility case management, provider licensing, payment generation, budgeting, and federal reimbursability. There are approximately 3,100 LINK users and more than 40 user groups from which access is assigned. When an employee is hired, the supervisor selects the user group and submits a DCF-2116 Network/Security Change Request Form to the Information Systems (IS) Unit for processing. When an employee leaves employment with the department, a DCF-2116 form must also be submitted by the employee's supervisor to notify IS to terminate their access.

Criteria: Documentation of a well-controlled system should be complete and current to help ensure that controls are fully understood and adequately applied.

Sound business practice requires that the ability to view or change data be restricted to only those employees whose direct job responsibilities require such access. Access should be granted only after a review to determine that the employee for whom the access has been requested has the requisite responsibilities. Access granted over sensitive areas should be reviewed to ensure that employees with such access continue to have job responsibilities that require it. Proper segregation of duties should be established when assigning access.

Proper internal control procedures require that terminated employees have their access to the data in information systems disabled in a timely manner.

Condition: Our review of access to the DCF LINK system revealed the following:

- Our review of LINK access granted to five employees between January and June of 2010 disclosed that for one employee, supervisory approval of the user access was not found. We could not determine if the employees' access was appropriate for their job responsibilities because the department does not maintain detailed documentation describing the information to which the user group would have access. Therefore, supervisors and managers may not be fully knowledgeable of the level of access that they are approving.

- Our review of five employees who separated from the department between January and June of 2010 revealed that for four employees, the DCF-2116 forms were not submitted by the employee's supervisor after the employee was terminated. In the four instances, we were unable to determine the date that the employee's access was terminated by IS, as we were informed that the system does not capture this information. In all five instances, the employees' access status was inactive at the time of our review.

- Through inquiry of agency personnel and the review of a LINK report which showed that at least three LINK users could approve both the creation of the providers and payments to the providers, we determined that there is inadequate segregation of duties within certain levels of LINK user access.

Effect: There is potential that supervisors may approve LINK access that is unnecessary for performing the user's job responsibilities and that appropriate segregation of duties may not exist. The risk of unauthorized access to the LINK system is increased when prompt deactivation of user accounts does not take place.

Cause: DCF indicated that there have not been many changes to the user groups' assigned access levels and employees are typically assigned the same access as other employees in similar positions.

The department does not regularly reassess the structure of the access granted. Internal controls over the prompt deactivation of LINK access are lacking.

Recommendation: DCF should strengthen internal controls to ensure that those responsible for approving access for LINK users have sufficient information available to enable them to select appropriate access levels. The department should periodically reassess users' LINK access to ensure that the access granted is still needed for their job responsibilities and that proper segregation of duties exists. The department should strengthen internal controls to ensure that LINK access is promptly deactivated for individuals no longer working at DCF. (See Recommendation 2.)

Agency Response: "The Department agrees with the finding. The Department has recently strengthened its internal controls regarding acquiring and renewing LINK access for employees. A system has been put in place that triggers a LINK user's access to expire unless action is taken by the supervisor to continue access to the system. The Department has developed plans to initiate a project that will allow IS to match an employee's LINK access to their chain of command and department through the Core-CT timekeeping system. This will indicate the level of access an employee should have to perform their duties, ensuring segregation of duties at all times and will give notification when an employee has been separated from the Department. The Department is developing a plan for auditing user access to ensure proper levels of authority are not being exceeded in LINK."

Control Environment - Meal Tickets:

Background: We received information from a DCF employee that many employees at Riverview Hospital were being provided free meals that they were not entitled to receive. Based on this information, we investigated this matter further.

Criteria: The hospital's policy states that meals are free of charge if the employees are engaged in the supervision and care of patients. All other employees are required to purchase a meal ticket from the business office.

Condition: We inquired of dining services staff at Riverview Hospital as to what procedures they employed to ensure that employees not providing paid meal tickets were entitled to receive a free meal. We were informed that there were no such procedures in place to determine whether the employee was entitled to receive the free meal and that the purchase or non-purchase of meals was based on an honor system.

Effect: Some employees may be receiving free meals that they are not entitled to receive.

Cause: The hospital does not have internal controls in place for ensuring that employees receiving free meals are entitled to them.

Recommendation: DCF should design and implement procedures to ensure that free meals are only provided to employees entitled to them. (See Recommendation 3.)

Agency Response: "The Department agrees with the finding. Fiscal Services staff will work collaboratively with Riverview Hospital's executive management team and food services staff to strengthen, monitor and enforce existing internal controls to ensure compliance with established meal ticket procedures and protocols."

Foster Care/Adoption Assistance – Criminal Background Checks/Unsupported Payments:

Background: Section 17a-17 of the General Statutes permits the commissioner of the Department of Children and Families to make direct payments for reasonable expenses necessary for the care and maintenance of children in the commissioner's custody. The department has established a board and care checking account to disburse payments to foster and adoptive families and private providers. Payments are processed through the department's LINK computer system. Much of the authority and control over the payments, including entering them into the system, is vested in the local area offices.

Criteria: Section 17a-114 of the General Statutes provides that no child in the custody of the commissioner of the Department of Children and Families shall be placed with any person, unless the department licenses such person for that purpose. Applicants for licensure must submit to state and national criminal records checks prior to the department issuing a license to such applicant to accept placement of a child.

Proper internal controls over board and care payments dictate that payments should be supported by vendor invoices or other appropriate documentation and that services be documented as received.

Condition: DCF made payments totaling $304,992,007 and $299,351,213 from its board and care checking account during the fiscal years ended June 30, 2009 and 2010, respectively. These payments represented monthly board and care payments made to foster homes and private providers, payments for miscellaneous expenses not covered by the monthly foster care payment, and monthly adoption subsidy payments made to adoptive parents.

We selected 226 transactions totaling $225,978 from the payments noted above to test internal controls and compliance with state laws and regulations. The results of our review identified 69 exceptions, as summarized below:

- Sixty-six provider files did not contain adequate documentation to support that complete criminal background checks were performed.
- We were unable to determine whether the department performed criminal record checks in three instances because the department could not locate the provider files or the file was destroyed.
- Nine payments, totaling $7,825, were not adequately supported or there was no evidence that services were received.

Effect: DCF has reduced assurance that providers did not commit criminal acts that would pose a risk to the health, safety or well-being of children placed in their care and that goods and services paid for were provided and received.

Cause: Administrative controls relative to obtaining, maintaining and documenting criminal record checks were inadequate. Internal controls over payment processing were also inadequate.

Recommendation: DCF should improve its administrative controls relative to the custody and control of provider records, strengthen internal controls to ensure that criminal records documentation is obtained and on file prior to making board and care payments, and strengthen internal controls to ensure that payments are adequately supported. (See Recommendation 4.)

Agency Response: "The Department agrees with the finding. Effective January 1, 2012, no licenses requested by provider agencies will be issued without the proof of completion of background checks. That procedure ensures that no children are placed in unlicensed homes and therefore no payments will be made or claimed."

Foster Care/Adoption Assistance – Relative Licensing:

Background: DCF is responsible for the licensing and re-licensing of foster and adoptive families, including relative's homes that will care for children under the custody of the department. The primary purposes of licensing are to protect children in out-of-home care from abuse and neglect, assure parents and the community that the person, facility, or agency meets specific requirements, improve the quality of child care through regulation and consultation, and to ensure that all service providers meet established standards of quality.

Criteria: Section 17a-114 subsection (c) of the General Statutes states that a child may be placed with a relative who is not licensed for a period of up to 90 days. Any relative foster parent who accepts placement of a child in excess of the 90-day period is subject to licensure. Within the 90-day time period, a more detailed and thorough assessment to affect licensure must be completed.

DCF uses a comprehensive standard relicensing form that documents the review process. The Recommendation for License Renewal form is signed and submitted by the assigned social worker. The social work supervisor and program supervisor responsible for the licensing at each respective office must then approve it.

Condition: As follow-up to the prior audit recommendation, we reviewed initial relative foster care provider licenses and foster care license renewals that occurred between January 1, 2010 and June 30, 2010. There were 63 relative foster care providers initially licensed and 201 licenses renewed during this period.

Our review of relative foster care providers initially licensed revealed that 30 of the 63 relative foster care providers, who cared for 40 children, were not licensed within 90 days of receiving placement of the children. The number of days exceeding the 90-day limit ranged from three to 90 days.

Our review of foster care provider license renewals revealed that four of the eight licenses reviewed were approved by the social work supervisor and/or program supervisor after the license's effective date by between one and seven business days.

Effect: Children placed with relatives by the department were allowed to remain in unlicensed homes longer than what is statutorily allowed. Therefore, there is potential that children may remain in homes that are not appropriate.

The department has lessened assurance that license renewals are appropriate if responsible supervisory program staff is not reviewing the information timely.

Cause: DCF does not have effective internal controls in place to ensure that relative foster homes are licensed within 90 days and that supervisors review and approve license renewal documentation timely.

Recommendation: DCF should implement procedures to ensure that relative foster families are licensed within 90 days as required by Section 17a-114 subsection (c) of the General Statutes. The department should also establish internal controls to ensure that supervisors review and approve license renewals prior to the license effective date. (See Recommendation 5.)

Agency Response: "The Department agrees with the finding. The Revenue Enhancement Division (RED), in collaboration with Foster and Adoption Services (FAS), has instituted procedures for identifying relative homes that do not have documentation of licensure. Weekly notification is sent from RED to FAS unit supervisors area offices of cases that lack any of the required elements for claiming."

Foster Care/Adoption Assistance - Wraparound Funds:

Background: Section 36-100 of the DCF Policy Manual states that wraparound funds may be used for the benefit of any child and biological, foster, relative or adoptive family that have an open case with the department. The department uses these funds to provide services to children and their families not covered under traditional contracted services or services offered by another state agency. The funds may be used to reduce risk factors and permit children to remain in their own homes, to delay entry or reduce the children's length of stay in out-of-home care, and to provide timely support and resources for families.

Criteria: Proper internal controls over wraparound payments should provide assurance for the following:

- Services and their costs are properly authorized prior to commencing services.
- Payments are made for authorized services at authorized amounts.
- Documentation that supports services was actually received.
- Services are invoiced and correctly paid.

Condition: Our review of 24 wraparound payments totaling $83,602 that were selected from three area offices during the fiscal years ended June 30, 2009 and June 30, 2010, disclosed deficiencies related to 18 payments totaling $65,534. The exceptions noted were as follows:

- For five payments, we could not determine if the services were authorized prior to the commencement of services or whether payments were made within the authorized amounts because the authorizations could not be located.

- For one payment, the service authorization did not contain a service period or an amount that was authorized.
- For one payment, the service authorization was not adequately approved.
- Five payments were made for services that were not authorized prior to the commencement of services.
- For six payments, the total payments exceeded the amount authorized by the department.
- Five payments did not have adequate documentation to support that the services were received.
- Seven payments were not supported by detailed provider invoices.
- One provider was overpaid by $3,600 due to an error during payment processing.
- One case file could not be located by the department.

For one of our wraparound expenditure transactions, we performed a comparison of actual expenditures against authorized expenditures for an extended period of time ranging from July of 2009 through March of 2010. During this time frame, DCF expended $48,780 on a specific service for the child in our sample. For the time frame reviewed, the department could only provide service authorizations for the service totaling $17,625.

Effect: Management has less assurance that wraparound funds are being economically and efficiently expended and utilized.

Cause: The DCF area offices have not implemented sufficient internal controls over the administration of wraparound funds. The Hartford office's closed records procedures instruct staff to destroy certain documents prior to case files being sent to closed records.

Recommendation: DCF should improve its internal controls over the administration of wraparound funds. (See Recommendation 6.)

Agency Response: "The Department agrees with the finding. The Department expended a great deal of effort to improve controls over the approval and payment of wrap funds. The Department has created a new web-based computer system that allows workers to input service authorizations outlining the service to be provided, the individual providing the service, the length and/or frequency of the service and the unit cost of the service that is transmitted through the supervisory chain for approval. From this document a payment authorization is created including all of these elements. This payment authorization is attached to vendor invoices so the authorization can be verified easily at time of payment. Inquiries can be made within the computer system and there is the ability to audit approved service authorizations and payment authorizations by Fiscal Services to ensure that appropriate fees are being paid to qualified providers.

During the course of the audit, the Auditors of Public Accounts notified DCF Fiscal Services that in the Hartford area office fiscal records were being discarded prior to audit and not in adherence to the Agency's records retention policy. The Department immediately notified the Hartford area office and instructed them to cease the destruction of records. The Agency's Policy Division met with the Hartford area office management and trained them on proper records retention."

Foster Care/Adoption Assistance - Revenue Maximization:

Background: DCF utilizes the services of a certain provider that offers special-rate foster care services to department clients on a child-specific basis. The provider and the department enter into individual contracts for each child based on their specific needs. The contracts outline the individual services to be received. Some of these services are allowable under the federal foster care program. The percentage of the dollar value of allowable services relative to the dollar value of the entire contract amount is the allowable reimbursable amount claimable for federal reimbursement for each contract.

Criteria: One of the purposes of the department's Revenue Enhancement Division is to maximize the recoupment of expenditures from various federal resources for services to children and families served by the department. (DCF Policy Manual, Section 16-2)

Recipients have up to two years to claim federal reimbursement under the federal foster care program. The time limits do not apply to any claim for an adjustment to prior year costs or any claim resulting from an audit exception. (Title 45 Code of Federal Regulations, Subpart A, Sections 95.7 and 95.19)

Condition: We noted that the department used one percentage (80 percent) to claim federal reimbursement for all contracts with this one provider. We calculated the allowable reimbursable percentages for 42 contracts for this provider and determined that federal reimbursable percentages ranged from 82 to 100 percent.

We reviewed all payments, totaling $5,275,259, made to the provider from October 1, 2009 through June 30, 2010. Our sample was narrowed down to payments amounting to $1,646,778 that were claimed for federal reimbursement under the federal Foster Care Program.

Effect: We estimate that DCF under-claimed expenditures by $160,137, forgoing $89,997 in federal reimbursement.

Cause: The DCF eligibility/claims reporting system does not allow for child-specific rates. In statewide single audits performed by us for the fiscal years ended June 30, 2008 and 2009, we reported that the department incorrectly claimed federal reimbursement for two payments made to this provider because the per diem rates used to pay the provider included the cost of certain unallowable services under the foster care program. The allowable percentages cited in the audit reports for the two transactions were 92.3 percent in the fiscal year ended June 30, 2008 and 91.3 percent in the fiscal year ended June 30, 2009. To address this audit exception, DCF arbitrarily reduced the claimed percentage to 80 percent for all payments made to this provider to ensure that the department did not over claim for federal reimbursement. The department chose not to manually recalculate the actual allowable costs associated with each contract and adjust previous payments claimed.

Recommendation: DCF should recalculate the actual allowable costs associated with each contract and adjust previous payments claimed. The department should prospectively claim federal reimbursement based on the contract's actual percentage of allowable reimbursable costs. (See Recommendation 7.)

Agency Response: "The Department agrees with the finding. The Department will develop and implement a plan to individually calculate the reimbursable expenditures on each case to maximize revenues."

Foster Care/Adoption Assistance - Dedicated Accounts:

Background: DCF maintains separate trust accounts for children in their custody who receive income. The major sources of income are Social Security death benefits and Supplemental Security Income (SSI). Recurring benefit payments are deposited into a trust checking account administered by the department. Individual accounts are established as a checking account for each child. Each month, the department calculates the cost of care provided to the child and recovers these costs from the child's account.

Occasionally, certain large past-due SSI payments to blind or disabled children are received by the department on behalf of the child. The Social Security Administration (SSA) requires that these funds not be co-mingled with other funds and be paid directly into a separate dedicated account because these funds may only be used for certain expenses primarily related to the child's disability.

Criteria: Each child's social worker should be made aware of special financial resources available to a child in order for the worker to consider such resources in the child's care plan.

Condition: We noted that dedicated accounts are rarely used to purchase goods and services for children who have such accounts. The funds in the accounts essentially remain idle and are returned to the child when they are no longer in the care of DCF. As of June 30, 2010, there were 25 dedicated accounts with a balance of $61,195.

Effect: In many cases, DCF is not utilizing, as part of the child's care plan, dedicated accounts to purchase goods or services related to the child's impairment that could benefit the child but would not normally be available due to the cost or unique nature of those goods or services.

Cause: The DCF administrative procedures do not adequately address the administration of these types of accounts. SSI past due payments are made directly from SSA to the bank. Social workers for the children are not made aware that these funds are available for the benefit of the child.

Recommendation: DCF should communicate the existence of dedicated accounts to the children's social workers. (See Recommendation 8.)

Agency Response: "The Department agrees with the finding. Effective March 2012, the Child Welfare Accounting (CWA) Unit established procedures regarding social security benefits which includes sending a copy of the "Dedicated Account Use of Funds Statement" to those social workers who have cases that qualify for this benefit. An explanation of how the funds can be used is defined in the document. On a monthly basis, this account is reconciled to reflect all transactions and to identify new recipients."

Foster Care/Adoption Assistance - Adoption Assistance Agreements:

Background: DCF enters into an adoption assistance agreement with prospective adoptive parents that specify the duration of the agreement, amount of monthly adoption subsidy payments and the nature and amount (if determinable) of any other payments, services and assistance to be provided that both parties agree to.

Criteria: Adoption agreements should specify the amount of all payments to be made during the length of the agreement. If such information is not available or determinable, the agreement should be reviewed by appropriate staff in order to estimate the potential future costs of the services prior to executing the adoption agreement with the family.

Condition: The DCF adoption agreements do not always specify the total cost of the state's financial commitment, especially in cases that involve children with complex medical needs. It is not uncommon for adoption agreements to include special medical equipment or home modifications that the child will require some time in the future. However, the cost of the equipment or modifications is not quantified in the agreement. We noted one case in which the department paid $226,331 in home modifications.

Effect: DCF does not know its potential liability of future equipment/home modification costs agreed to in adoption assistance agreements.

Cause: The DCF Adoption Subsidy Unit reviews and approves adoption agreements. Agreements with possible significant future outlays for equipment or home modifications are not communicated to the department's Fiscal and Child Welfare Accounting Units prior to approving the agreements. These units first become aware of the agreements when the family needs to purchase the equipment or make the home modification.

Recommendation: DCF should improve its internal controls over adoption assistance agreements that have the potential of requiring significant future medical costs by ensuring that the cost of the equipment or home modifications are calculated prior to approving the adoption agreement and that the calculations are tracked for budgetary purposes. (See Recommendation 9.)

Agency Response: "The Department agrees with the finding. The Department will develop and implement a process to estimate and review the potential liability related to adoption assistance agreements."

Financial Systems - Property Control and Reporting:

Background: The DCF central office and four facilities maintained their own inventory records and prepared separate Asset Management/Inventory Report/GAAP Reporting Forms (CO-59) during the audited period. The central office is responsible for tracking and reporting the cost of its LINK case management system software on its CO-59 and for maintaining the department's software inventory.

Criteria: State agencies annually report the value of all property owned by them on the CO-59 form to the state comptroller. Agencies are required to generate this information from the state's Core-CT asset management module for assets that are capitalized. Assets that have an expected useful life of one or more years and have a value or cost of $1,000 or more are required to be capitalized. Agencies are instructed to use asset management queries to complete the CO-59 form.

All additions, renovations, or improvements which increase the economic benefit of an asset should be capitalized. The expenditures must clearly and significantly enhance the asset's value. Routine repairs and maintenance, including replacement and renovation costs that are incurred to maintain the asset in its operating condition and that do not increase the asset's economic benefits over the amount originally intended, should be expensed.

The Capital Equipment Purchase Fund (CEPF) was created pursuant to Section 4a-9 of the General Statutes. The fund shall be used for the acquisition of capital equipment and state agencies are required to use it for this purpose. An agency's General Fund other expense appropriation is used for the operating expenses of an agency as well as miscellaneous purposes not included in some other appropriation. The appropriation is not to be used for equipment or capital outlays.

The CO-59 form reports the cost data or market value of each asset category beginning with the carryover of the prior year's ending balance, adding current year additions and subtracting current year deletions to arrive at the current year's ending balance. Each amount reported should reconcile to data in Core-CT.

Agencies are responsible for maintaining adequate inventory controls and accountability systems for their personal property. Property determined to be surplus, unserviceable, or obsolete must be disposed of through the Department of Administrative Service's Property Distribution Center.

A software inventory must be established by all agencies to track and control all of their software media, licenses or end-user license agreements, certificates of authenticity, documentation and related items. (State Property Control Manual, State Accounting Manual)

Condition: Our review of the central office and facilities property records and CO-59 reports noted the following:

Central Office

- The central office did not report any LINK software development costs on its CO-59 report for the fiscal years ended June 30, 2009 and 2010. In June of 2012, the department reported to us that the cost for Link software development for those years was $2,682,026 and $2,212,326, respectively. We also noted that the ending balance on the CO-59 report for the fiscal year ended June 30, 2008 was understated by $882,167, thus causing the beginning and ending balances on the 2009 and 2010 reports to be reported incorrectly.

- We noted that the department's inventory software did not include all the information required by the State Property Control Manual.

Software at certain locations was not included and software no longer in use was not removed from the inventory.

- We followed up on the disposition of a laptop computer that was removed from the central office's inventory in October of 2009. We were initially told that the laptop was removed from inventory because it was purchased with federal funds and it would not be staying with the department. We informed the department that the laptop should not have been removed from inventory and requested to see it. In the course of tracking down the laptop, the department determined that the laptop in question was a different laptop than the one it had told us was purchased with federal funds. The department was able to trace the laptop to the individual to whom it was given. Subsequent discussions with this individual disclosed that he was no longer in possession of the laptop and he could not account for its whereabouts.

CJTS

- We noted that the purchases of nine assets costing $51,661 were assigned to an incorrect asset category. CJTS purchased a stand-alone storage building, smoking shelter and seven awnings that are permanently attached to existing buildings. All of the purchases were incorrectly assigned to the equipment asset inventory category rather than to the building asset category.

- The facility did not capitalize the purchase of 18 lockers permanently affixed to resident's cells valued at $21,888.

- The facility reported $1,500,000 for state-owned software on the CO-59 reports for the fiscal years ended June 30, 2009 and 2010 that were not supported by subsidiary records.

- A Certificate of Disposal/Abandonment authorizing the disposal of one asset costing $1,648 in the fiscal year ended June 30, 2010 was not on file.

- A synthetic gym floor costing $73,800 was installed over the existing gym floor at the facility. The transaction was coded to a capital equipment account on the general ledger; however, the transaction was correctly not added to the facility's capital equipment inventory.

Riverview Hospital

- The facility purchased capital equipment costing $4,680 using its General Fund other expense appropriation in the fiscal years ending June 30, 2009 and 2011.

CCP

- Building additions valued at $113,500 and equipment deletions of $10,809 reported on the CO-59 report for the fiscal year ended June 30, 2009 were not supported by facility subsidiary records. Amounts reported for store and supplies deletions totaling $262,873 and $243,563 on the CO-59 reports for the fiscal years ended June 30, 2009 and 2010 were plugged.

High Meadows

- Five transactions totaling $16,439 were incorrectly coded to equipment accounts on the general ledger. Three of the transactions should have been coded to a current expense account while the other two transactions should have been coded as site improvements. All five transactions were charged to the Capital Equipment Purchase Fund.

- The department could not explain the disposition of three assets removed from the facility's inventory records during the audited period.

- Reported values for the asset categories of land, buildings, equipment and stores and supplies reported on the facility's CO-59 reports for the fiscal years ended June 30, 2009 and 2010 were not supported or were partially supported.

Effect: The value of property owned by DCF was inaccurately reported to the State Comptroller.

Cause: DCF's internal controls over property control and reporting were inadequate. Department personnel responsible for property control and reporting appear to lack a sufficient understanding of policies and procedures contained in the State Property Control Manual.

Recommendation: DCF should improve internal controls over its property control and reporting systems. (See Recommendation 10.)

Agency Response: "The Department agrees with the finding. The Department will review existing property control protocols and procedures. Stronger internal controls will be established which will include additional training for all property control staff. Property control activities will be monitored to ensure compliance on a department-wide basis."

Financial Systems - Fiduciary Funds:

Background: DCF administers a multitude of accounts and funds in a fiduciary capacity. The central office administers the Our Kids account, which is used by the area offices. The central office also administers the Children's Trust

Funds, which are used to account for benefits received by children in the department's care. Funds and accounts were also maintained at each of the department's four facilities.

Criteria: The State Accounting Procedures Manual for Activity and Welfare Funds includes procedures for maintaining all activity and welfare funds operated by state agencies. Internal control procedures identified in the manual include the following:

- Cash receipts are to be recorded in a cash receipts journal.
- Monies received by the state should be accounted for and deposited within 24 hours when receipts total $500 or more. Receipts of lesser amounts may be held until they equal $500, but not for more than seven calendar days.
- All cash receipts in the form of currency, coin, checks or money orders will be deposited intact to the fund's bank accounts.
- Agencies must establish a policy statement identifying suitable uses for the funds that would benefit the clients. The policy statement must include information on the type of purchases authorized to be made with the funds as well as the types of purchases prohibited. A copy of the approved policy must be forwarded to the Office of the State Comptroller, Fiscal Policy Division.
- All payments for goods and services should be substantiated by vendor invoices or by receipts from individuals.
- For checks outstanding over six months, a reverse entry should be made in the checking account, and the funds accounted for under "unclaimed funds" for a period of three years. When all attempts to return the funds are exhausted, the funds are deemed unclaimed property. At the completion of three years, the funds must be escheated to the Office of the State Treasurer.
- A comparative balance sheet, together with statements showing the financial operations of the fund for the year, will be prepared at the end of the fiscal year. Copies of the balance sheet and related statements will be filed with the Office of the State Comptroller as required. Subsidiary records should be maintained as necessary to properly account for the financial operations of the fund.
- Assets donated to the state should not be shown on a trustee account balance sheet. Assets should be carried on state records. Assets acquired by donation should be capitalized at estimated fair market value at time of acquisition.

Effective internal controls should also ensure that payments for client work programs are supported by approved timesheets or equivalent documentation and that all records are retained until audited.

Condition: Our review of the various funds and accounts administered by DCF noted the following:

- Thirty-three receipts ($33,622) from various funds and accounts were deposited between one and 43 days late. For seven receipts ($3,250), we could not determine the receipt date. Two receipts ($268) were placed in the fund's cash box rather than deposited into the fund's checking account.

- For three receipts ($200) deposited to the Our Kids account, it could not be determined who provided the funds because the offices did not maintain a cash receipts journal recording the source and amount of funds received.

- Bank deposit slips and reconciled bank statements were not provided for review for the High Meadow's Student Activity Fund for the audited period. The department provided copies of the bank statements obtained from the bank at the auditor's request.

- The Our Kids account and High Meadow's Student Activity Fund did not have policy statements identifying the types of purchases authorized and not authorized.

- Four disbursements ($1,650) from the Our Kids account were made for gift cards prior to their need in the area offices. Area offices appear to be keeping a supply of gift cards on hand and are not requesting them as needed. Thus, we were unable to determine the purpose of the card at the time of purchase.

- Our review of disbursements from the CJTS Welfare Fund noted two transactions that were partially unsupported. Vendor receipts on file did not support $10 for two disbursements. In addition, proper authorization was not obtained for one of the two disbursements ($257). Vendor receipts indicated that the purchases were made prior to the requisition approval date.

- Our review of disbursements from the CJTS Residents' Cash Fund noted that the student cash account record was not on file for one of five disbursements tested. Therefore, we were unable to determine whether the disbursement tested was properly recorded on the resident's account.

- Student timesheets in support of payments made for the CJTS residents' work for pay program were not on file for two of the five payroll transactions tested. We were informed that the supporting timesheets for the fiscal year ended June 30, 2009 were disposed of prior to our audit. Therefore, we were unable to verify that those payments were supported.

- Chore payments ($123) were not supported with staff-approved assignment sheets for High Meadow's pay call program.

- Financial statements prepared for the CJTS Donation Fund for the fiscal years ended June 30, 2009 and 2010 were not supported by the facility's accounting records or accurately reported. The facility reported two properties that were donated to the state on the fund's balance sheet for the fiscal years ended June 30, 2009 and 2010. The properties were reported at their current assessed values ($230,000) for each of the fiscal years.

- Financial statements prepared for the High Meadow's Student Activity Fund did not include client cash account balances as of June 30, 2009. Financial statements were not prepared for the fund for the fiscal year ended June 30, 2010.

- Riverview's Student Activity Fund had 22 checks ($146) outstanding as of June 30, 2010 that were outstanding more than six months. Client cash funds ($104) owed to former residents of High Meadows and deposited into the student activity fund were not set aside as unclaimed funds when the facility closed. The funds were transferred to the department's other student activity funds.

Effect: DCF has less assurance that funds are being properly used and transacted in accordance with state accounting policies and procedures.

Cause: Internal controls over these funds were inadequate.

Recommendation: DCF should improve its internal controls over fiduciary funds. (See Recommendation 11.)

Agency Response: "The Department agrees with the finding. The Fiscal Services Division will develop policies and procedures regarding internal controls over fiduciary funds. Fiscal Services staff responsible for maintaining fiduciary funds, including deposits, will be trained on these new procedures. In addition, the fiscal administrative manager overseeing the facility business offices will monitor and review fiduciary fund activity on a quarterly basis to ensure compliance to established protocols."

Financial Systems - Petty Cash Funds:

Background: The DCF petty cash balance was $55,924 as of June 30, 2010. The department's central office allocates portions of the amount to its various local area offices, units and facilities. Each location receiving funds is responsible for administering the funds and is accountable for the allocated amount.

Each location prepares an annual petty cash fund report and submits the report to the central office. The central office consolidates the information reported by each location into one petty cash report that is submitted to the state comptroller.

Criteria: The State Accounting Manual (SAM) provides policies and procedures state agencies should use for administering petty cash funds. Internal control procedures identified in SAM include the following:

- A receipt or petty cash voucher is completed at the time of disbursement. Every transaction must be tangibly documented.

- An annual petty cash fund report is required for each petty cash amount advanced from the State Comptroller. The report is required to be prepared as of April 30th. Reported amounts should reflect the disposition of the fund as of that date.

- Petty cash monies should be kept separate from all other monies received by an agency.

In accordance with the state agencies record retention schedule promulgated by the State Library, the minimum records retention requirement for a state agency's fiscal records is the later of three years, or until audited by the Auditors of Public Accounts.

Condition: We reviewed the petty cash accounts at three area offices, the central office, the Revenue Enhancement Unit, Riverview Hospital, Connecticut Juvenile Training School, High Meadows and Connecticut Children's Place. Our review noted the following:

Area offices

- The Meriden area office could not locate its petty cash ledger for the period prior to January 8, 2009. In addition, the supporting documentation for petty cash disbursements during the audited period could not be located.

- The Manchester area office could not locate its petty cash ledger covering the audited period.

- One of ten petty cash disbursements reviewed at the Willimantic office was unsupported. The reimbursement request was not authorized by the supervisor and the supporting receipt was not found.

CJTS

- The petty cash report prepared as of April 30, 2009 disclosed that the facility did not report actual cash in the bank. The actual cash total in the fund exceeded the allocated balance of $3,000 by $7,032. The overage was due to reimbursements to the Residents' Cash Fund that are processed through the petty cash account that were not transferred to the Residents' Cash Fund.

- Six of 15 petty cash disbursements reviewed were not properly approved and/or supported. Requisitions were not on file for three transactions and were not properly approved for three other transactions. In addition, documentation was not on file for one of the three aforementioned transactions for which the requisition was not properly approved.

High Meadows

- Three of 10 petty cash disbursements reviewed were not pre-approved.

- The department could not locate the bank statements for the audited period or the 2010 petty cash journal.

Effect: DCF has less assurance that funds are being properly used and transacted in accordance with state accounting policies and procedures.

Cause: Internal controls over these funds were inadequate.

Recommendation: DCF should improve its internal controls over petty cash funds and ensure that financial records are retained until audited. In addition, the department should request from the State Comptroller that Residents' Cash Fund reimbursements be processed through that fund's bank account rather than CJTS' petty cash bank account. (See Recommendation 12.)

Agency Response: "The Department agrees with the finding. The Fiscal Services Division established new petty cash procedures in September 2011 which includes having the monthly petty cash reports forwarded to the petty cash custodian and reconciled on a monthly basis. In addition, the area offices and facilities were reminded that all financial records are to be maintained until they have been audited. The Department will make a request to the comptroller seeking approval to have the CJTS Resident's Cash Fund reimbursements processed through the fund's bank account rather than the CJTS petty cash account."

Financial Systems – Grants:

Background: DCF makes grants to its residential and child guidance service providers for capital improvements to their properties that are used in the delivery of services to department clients.

The funds are authorized by the legislature from state bond funds for the purposes and projects described in bonding legislation. As a condition for receiving funds, grantees must place a lien on the property for which the grant-in-aid is received, providing that the facility is to be used for the purpose that the grant was provided.

The department notifies its service providers when bond funds become available and provide them with a bond fund application along with informational and instructional guidelines for completing the application.

Criteria: Bond fund application instructions state the following:

- A performance bond must be submitted to the department for projects greater than or equal to $50,000 prior to payment of contractor invoices.

- A lien analysis form must be completed and submitted to the department. This form is used by the department to determine the building owner's equity in the property for which funds are being provided. If the current value of the liens plus the mortgage balance plus the bond fund application amount exceeds the current market value of the property, projects will not be considered for funding.

- DCF will not reimburse providers for projects that have already started.

- The selection process for project proposals will be evaluated using the following categories:

    1. Fire, health and safety code compliance requirements.
    2. Fire, health and safety recommendations.
    3. Upgrading or additions to existing systems that are presently in compliance with fire, health and safety codes.
    4. Essential renovations and improvements to prevent further deterioration of buildings.
    5. Energy conservation.

    Based on the intent of the legislation, fire, health, and safety code compliance requirements shall be given the highest priority.

As part of the review process, the bond fund advisory committee will review the most recent audited financial statements and any other audit findings in the most recent audit.

The review will also take into account the provider's compliance with DCF contract requirements, timeliness of reports submitted, current reports indicating surplus/deficit amount and the provider's overall status with the department.

Condition: Our review of two grant projects disclosed the following:

- Performance bonds were not on file for both projects.
- For one project, information on the lien analysis form was insufficient to determine the building owner's equity in the property. The applicant reported the insurance replacement value as the current market value of the property. Mortgage information reported for the property was combined with three other properties owned by the applicant.
- For one project, we could not determine when the work had been started or completed based on the supporting documentation submitted by the provider for payment.
- For both projects, documentation was not on file indicating how the proposals were evaluated and/or prioritized.

Effect: Management has reduced assurance that grant funds are administered in accordance with its objectives.

Cause: It appears that the DCF has not reviewed its bond fund application requirements for quite some time and no longer applies or enforces several of the requirements when administering the grant program.

Recommendation: DCF should review its procedures for administering bond fund grants to ensure that grant funds are administered in accordance with management's objectives. (See Recommendation 13.)

Agency Response: "The Department agrees with the finding in part. The agency has never obtained performance bonds; the bond application materials were changed in 2011 to reflect that practice by stating that providers should consider obtaining performance bonds for their own protection. Liens are based on the appraised and not the insured value of property. The department's policy of obtaining appraisals on properties was followed and is documented in the files reviewed.

Evaluation criteria are established and used in the determination of bond awards but there is no requirement to document the discussion and approval or denial of applications for awards. If awards are made to assist with completion of emergency repairs, (i.e. septic system) the work may begin prior to the award. The department ascertains the need but allows the provider to complete the work if the health of the children in residence would be negatively impacted. That information will be documented in future emergency awards."

Auditors' Concluding Comment:

Applications for funding for both projects were submitted during the fiscal year ended June 30, 2007. Bond fund application instructions applicable to these projects at that time required applicants to submit performance bonds.

The applicant reported the insurance replacement value of the property on the lien analysis form. The department did obtain appraisals on the property; however, the appraisals were performed in 1999 and 2001. The application for funding was submitted in April of 2007.

The selection process should be transparent and include documentation indicating the criteria used to select the project and the selection committee's evaluations that support the selection process.

The bond fund instructions did not provide for any exceptions relative to reimbursement for started and/or completed projects.

Financial Systems – GAAP Reporting:

Background: Each year, state agencies prepare GAAP (Generally Accepted Accounting Principles) closing packages and submit them to the State Comptroller. Agency submissions contain financial information not available on the state's Core-CT accounting system. The information is used by the Comptroller in preparation of the state's financial statements. Our office audits the closing packages submitted by agencies and reports adjusting entries to the State Comptroller for misstatements contained in the packages.

Criteria: Financial statement information reported by state agencies contains management assertions that reported amounts are accurate and properly valued.

Condition: DCF reported other liabilities of $18,106,161, $17,802,330 and $18,153,018 on its GAAP closing packages for the fiscal years ended June 30, 2009, 2010 and 2011, respectively. Our office submitted audit adjustments of $302,225, $294,824 and $159,268 for the fiscal years ended June 30, 2009, 2010 and 2011, respectively.

The department performed a query of its board and care database in July of each year. Payments that were issued in July with a beginning service date of June 30th or earlier were reported. Several payments reported were negatives and included service periods that crossed over two fiscal years.

Effect: Other liabilities reported by the department were not accurate.

Cause: DCF did not perform any further analysis of the query results in any of the years.

Recommendation: DCF should review the results of its other liabilities queries to determine whether the queried amounts accurately reflect the value of its other liabilities as of June 30th. (See Recommendation 14.)

Agency Response: "The Department agrees with the finding. Fiscal Services Division staff will review the liabilities reported on the GAAP closing package to determine if the amounts reflected are accurate as of June 30."

Contract Administration - Improper Payment:

Background: Our office received an anonymous complaint concerning a three-day conference held in March of 2009 at the University of Connecticut presented by an outside vendor. The complainant questioned the propriety of a payment made by the department to the university on behalf of the vendor.

The DCF Bureau of Adolescent and Transitional Services had co-sponsored the conference with the vendor for several years. A personal services agreement (PSA) was normally executed between the bureau and the vendor to pay the registration fees for department employees and children who attended the conference.

Criteria: Before any obligation is incurred by a budgeted state agency requiring a future expenditure out of an appropriation, Section 4-98 of the General Statutes requires a portion of that appropriation be reserved to ensure that funds will be available when payment is due. Purchase orders encumber funds for future use. A purchase order is used to encumber funds for a PSA.

Condition: The 2009 conference was co-sponsored by two DCF units. The Bureau of Adolescent and Transitional Services authorized $19,000 for registration fees for department employees and children to attend. The Office of Prevention Services authorized an additional $10,000 to sponsor a speaker at the conference ($1,200) with the balance ($8,800) applied to registration fees for department staff and clients in attendance.

Our review of the conference found that only one of the two units, the Office of Prevention Services, executed a PSA with the vendor. We noted that the Bureau of Adolescent and Transitional Services submitted two separate PSA request forms to the department's Grants and Contracts Management Unit for its review and submission to the Office of Policy and Management (OPM) for approval. However, neither request was submitted to OPM.

Throughout this process, despite not having a PSA in place, the bureau was accepting registrations from department staff and ultimately registered 252 people at a cost of $25,200.

Unable to complete a PSA prior to the conference, DCF sought alternate ways to pay the vendor the $19,000 authorized by the Bureau of Adolescent and Transitional Services. The department eventually arranged with the university to have the university bill the department for a portion of the conference costs incurred by the vendor.

A service transfer invoice for $19,000 was submitted by the university to the department for payment. Service transfer invoices are used by state agencies to settle claims between each other. Supporting documentation accompanying the transfer invoice included a bill invoiced by the university to the vendor for $44,306. The bill was for the cost of holding the conference at the university. The invoice was adjusted by a credit of $25,306 resulting in a balance of $19,000. The department instructed the vendor to pay the university a portion of the bill, leaving a $19,000 balance. The department paid the university the remaining balance.

We compared the registration list compiled by the Bureau of Adolescent and Transitional Services to the registration list submitted by the vendor to the Office of Prevention Services for payment of the PSA. The conference registration list submitted to the Office of Prevention Services contained 85 names at a cost of $8,872.

Our comparison found that the same 85 names and amounts were also on the list compiled by the Bureau of Adolescent and Transitional Services. We also noted that three individuals were listed twice on the PSA attendee list, resulting in the department paying the conference registration costs for these individuals three times.

Effect: DCF violated state purchasing laws and policies by not encumbering funds prior to incurring an obligation and overpaid the vendor $8,872 for duplicate or triplicate registrations.

Cause: The co-sponsorship of the conference was mismanaged by the department.

Recommendation: DCF should ensure that purchase orders are created and in place prior to incurring costs for goods or services. Department units co-sponsoring events should communicate with each other the goods and services it has agreed to purchase. The department should seek reimbursement of the duplicate or triplicate registrations paid to the vendor. (See Recommendation 15.)

Agency Response: "The Department agrees with the finding. The Department is seeking reimbursement from the provider for the conference overpayment."

Contract Administration - Flexible Funds:

Background: DCF provides flexible funds to non-DCF children and adolescents with significant behavioral health needs. Therapeutic support, clinical services, mentoring, clothing and tutoring are some of the services provided in order to help children remain with their families.

A department contractor provides statewide fiduciary services for the program, including invoice processing and payment. The contractor processes payment requests from care coordinators providing services throughout the state. The contractor bills the department for payments made to the care coordinators.

Criteria: DCF should monitor the activities of providers receiving state funds as necessary to ensure that the funds are being used for authorized purposes.

Condition: We were informed by DCF staff of two separate incidents reported by care coordinators identifying fraudulent claims submitted by their employees to the fiduciary. The care coordinators conducted internal reviews of cases associated with the employees, determined the total amount of claims fraudulently billed by their employees and returned the funds to the fiduciary.

In both cases, DCF accepted the results of the internal investigations performed by the care coordinators and did not perform any further procedures to determine whether the reported amounts were correct.

In one case, we requested the department demonstrate to us that the fraudulent claims reported by it were returned to the department. We were informed that the care coordinator returned the funds to the fiduciary and that the fiduciary internally credited the refund to its records thereby factoring in the return of the funds on the subsequent invoice billed to the department. We reviewed that invoice and were unable to identify the return of the funds and requested that the department demonstrate how the funds were returned. The department was unable to do so.

In the other instance, DCF instructed the fiduciary to have the care coordinator pay the fiduciary the amount of unsupported claims identified by the care coordinator and had the fiduciary pay the department the same amount.

Effect: DCF was fraudulently billed $91,674 for services that were not provided.

Cause: DCF did not have adequate monitoring procedures in place.

Recommendation: DCF should monitor the activities of care coordinators as necessary to ensure that flexible funds are being used for authorized purposes. (See Recommendation 16.)

Agency Response: "The Department agrees with the finding. The Department worked with the fiduciary to identify system weaknesses and strengthen the controls used to approve expenditures and ensure the proper approvals had been acquired before issuing payment. The Department subsequently examined the fiduciary's records to determine if the state had been reimbursed for the fraudulent claim payments. The Department was satisfied that the state had been reimbursed. The Department then proceeded with examining the records of the care coordinators and identified system weaknesses, researched payments for appropriateness and the following of system controls. Recommendations have been made to add more control improvements to the system and are scheduled to be implemented in the near future."

Contract Administration - Queen Esther Ministries:

Background: The Queen Esther Ministries is a faith-based foster care and adoption recruitment and support program focused on increasing the number of foster and adoptive homes within the greater Hartford area. Contracts for this program were awarded to two providers for the period of July 1, 2009 through June 30, 2012. The annual budget for the program was $181,110.

The contract requires the providers, through the work of faith outreach workers and local church coordinators, to recruit 120 families per year for foster and/or adoption and to license 12 of those families annually.

Criteria: DCF is responsible for monitoring and evaluating its contractors to ensure that progress is made according to the established schedule and that the quality of the services delivered meets the agency's requirements. It also involves maintaining communications with the contractors while the work proceeds, so as to identify and resolve problems early. Evaluating the contractors' performance upon completion of the contract creates a formal record of the agency's level of satisfaction with the contractor, which can help determine future decisions about using the contractors again. (Office of Policy and Management – Procurement Standards for Personal Service Agreements and Purchase of Service Contracts)

Condition: The DCF Grants and Contracts Management Unit performed a program review of the Queen Esther Ministries program from January 20, 2011 to September 4, 2011. The review revealed that neither provider had met the contractual obligation of providing the department 12 licensable foster parents from July 1, 2009 through September 2, 2011. The review noted that the department may have licensed two families through the date of the review but that number was suspect because the contractor providing the information was unable to produce the names of the families.

The review noted a serious lack of programmatic reports needed to fully explain why the providers did not meet the department's contractual requirements to a satisfactory level. Data was insufficient to gauge the progress or any areas of success the providers may have shown due to a lack of reporting.

In June of 2012, the department renewed the contracts of both providers for one year at an annual cost of $181,110.

Effect: DCF is paying for a service that produces no measurable benefits to it.

Cause: The program review noted that there had been inconsistent oversight, no program monitoring, and that over the past several years, there had been several different gatekeepers/program leads overseeing the program.

The regional administrator responsible for overseeing the Hartford local area office indicated that the program's poor performance was partly attributable to poor program oversight by the department. These reasons were presumably considered by the Hartford area office in their decision to renew the contracts with these providers.

Recommendation: DCF should review its contract monitoring procedures to ensure that contractors are meeting the requirements of their contracts and that contracts subject to renewal are reviewed prior to the renewal decision being made. (See Recommendation 17.)

Agency Response: "The Department agrees with the finding."

Contract Administration - Residential Treatment Centers:

Background: A state agency wishing to enter into a purchase of service (POS) contract must adhere to the procurement standards set forth in the General Statutes as established by the secretary of the Office of Policy and Management (OPM). OPM has developed a standard contract template that must be used by any agency contracting with private provider organizations for the purchase of health and human services.

Criteria: Section 4-70b subsection (g) of the General Statutes prohibits state agencies from hiring a private provider organization to provide direct health or human services to agency clients without executing a purchase of service contract with such provider organization.

The statute defines private provider organizations as non-state entities that are either a nonprofit or proprietary corporation or partnership that receives funds from the state to provide direct health or human services to agency clients.

Condition: In our prior audit, we reported that DCF did not comply with Section 17a-17 subsection (c) of the General Statutes that requires the department to pay private residential treatment centers, by POS agreement, the reasonable expenses for room and board and education based on a single cost accounting system.

We reported that DCF did not enter into POS contracts with the centers and made payments based on rate letters. While the department agreed that the statute required it to have POS agreements with providers, it did not agree that the agreements must be in the format of the existing POS contract since the statute preceded the development of the POS agreement.

Public Act 09-210, effective July 8, 2009, amended Section 4-70(b) codifying prior practice by prohibiting state agencies from hiring private provider organizations to provide direct health or human services to the agency's clients without executing a POS contract with them.

Subsequent to the prior audit and after the passage of Public Act 09-210, the department did enter into contracts with the residential treatment centers. However, the department did not use the standard POS contract developed by OPM.

Effect: DCF did not comply with Section 4-70b subsection (g) of the General Statutes.

Cause: The cause was not determined.

Recommendation: DCF should use OPM's standard Purchase of Service (POS) agreement when contracting with residential treatment centers. (See Recommendation 18.)

Agency Response: "The Department does not agree with this finding. The Department does not believe that payments for residential care on a fee for service basis would be considered a "hiring" relationship, and therefore would not be subject to the requirements of C.G.S. 4-70b."

Contract Administration – Vendor Invoice Preparation:

Background: DCF contracted with a vendor to act as a fiduciary for community collaboratives. The purpose of the collaboratives was to recruit, strengthen and support neighborhood-based, culturally competent foster and adoptive resources for children. The role of the fiduciary was to receive funds from the department, make payments to the collaboratives, maintain records of received and expended funds and provide quarterly reports on the use of funds to the department.

Criteria: Invoices should be prepared by the entity providing the services.

Condition: We were informed by DCF staff that an employee of the department prepared invoices on behalf of the fiduciary for payment. We reviewed 11 payments ($734,633) made to the fiduciary from August 1, 2008 through July 28, 2010 and determined that nine invoices totaling $628,984 were prepared by department staff.

Effect: DCF has less assurance that the fiduciary performed the requisite services for payment.

Cause: The fiduciary could not determine how to bill DCF for payment. They arranged with department staff to have them prepare the invoices on their behalf based on information they communicated to staff.

Recommendation: DCF should not prepare invoices on behalf of vendors. (See Recommendation 19.)

Agency Response: "The Department agrees with the finding. Program leads and vendors have been notified by email of the appropriate procedures for submitting invoices."

Payroll/Personnel - Longevity Payments:

Criteria: Section 5-213 of the General Statutes authorizes the payment of semiannual longevity payments to state employees who have completed 10 years of state service. Payments are made in accordance with longevity rate schedules established by the Commissioner of Administrative Services. Payments increase after employees complete 15, 20 and 25 years of state service.

Sound business practice requires that overpayments made to employees should be collected.

Condition: Our review of longevity payments for the fiscal years ended June 30, 2009 and 2010 revealed that DCF had the incorrect service time on file for six of ten employees reviewed. In one instance, an employee's service time was overstated by more than three years resulting in four overpayments in our audited period totaling $424. For the other five employees, their longevity service time was overstated by between 15 days and 11 months and 18 days. No overpayments resulted from these overstatements.

Effect: Some employees could receive longevity payments that they are not entitled to, while others could be overpaid.

Cause: DCF did not adjust employees' service time for circumstances such as unpaid leave, a change from full-time to part-time employment or prior state service.

Recommendation: DCF should improve administrative controls over the processing of longevity payments and recover any overpayments. (See Recommendation 20.)

Agency Response: "The Department agrees with the finding. The payroll department has started to audit the time records of all new employees. Once completed, they will begin the process of auditing the time records of all current employees making the necessary corrections to service dates as deemed appropriate. As errors are found, longevity payments will be evaluated and employees will be asked to repay overpayments or will receive any additional funds they were entitled to receive in their longevity payments."

Payroll/Personnel - Compensatory Time:

Criteria: Department of Administrative Services' (DAS) Management Personnel Policy 06-02 states that compensatory time may be granted to managers if the agency head or a designee has given prior written authorization for the extra work. The written authorization must outline the reasons for the compensatory time and proof of advance authorization must be retained in the employee's personnel file for audit purposes.

Section 8-7 of the DCF Policy Manual states that managers shall record accrued compensatory time on Form DCF-706, Request for Approval to Accrue Compensatory Time, submit the form to the supervising manager for signature, and submit the approved form with the official timesheet at the end of the bi-weekly pay period.

DAS Item 462-Q provides that any DCF employee in a class assigned to the managerial pay plan that is in an administrative position and is scheduled to be on administrative on-call status is eligible for additional compensation at the established on-call rates of pay.

The collective bargaining contracts for the professional health care (P-1) and paraprofessional health care (NP-6) employees state that when employees are allowed to accumulate compensatory time during a four-month period, the employee should schedule or use the accumulated compensatory time within the three-month period following the accumulation period. In the event that the employee is not allowed or is unable to use the compensatory time, the agency shall seek permission from the Office of Policy and Management for payment of compensatory time within the fourth month following the accumulation period. The employee will receive either the compensatory time off or payment for such time. The contracts also state that when an employee earns holiday compensatory time, the employer shall attempt to schedule a mutually agreeable day off within six months of the holiday. If no mutually agreeable day off is scheduled in the next thirty days, the employer shall either schedule a compensatory day off or pay the employee their regular daily rate in lieu of the compensatory day.

Condition: Our review of three managers who earned compensatory time found that advanced written authorization, including the reason, was not on file for the three managers in five instances totaling 26 hours. In addition, for one of the three managers, review of the supporting timesheet, which was not signed by the manager's supervisor, revealed that eight hours of the compensatory time earned was in lieu of on-call pay. This resulted in a net overpayment of $341.

Our review of compensatory time earned by ten employees covered under collective bargaining agreements revealed that DCF did not pay two employees for compensatory time that was allowed to expire in the amounts of $4 and $379.

Effect: Without proper oversight and documentation, DCF has less assurance that the services it has compensated its employees for have actually been received.

Department employees did not receive time and/or compensation that they were entitled to receive.

Cause: DCF did not have adequate procedures in place to ensure that its compensatory time policy was followed. The department did not enforce the use of the DCF-706, Request for Approval to Accrue Compensatory Time Form, when managers earned compensatory time during most of the audited period.

We were informed that the payroll unit manually monitors compensatory time balances for expiration but relies on employees to request payment before the time expires.

Recommendation: DCF should improve administrative controls over compensatory time. (See Recommendation 21.)

Agency Response: "The Department agrees with the finding. The Department has instructed managers on the proper submittal of pre-approval forms for compensatory time. The Department will send out periodic reminders regarding the need for the pre-approval form to be attached to the time card. Payroll will be advised not to post compensatory time without the signed pre-approval form attached to the time sheet. The Department will work with Core-CT to generate a periodic report of compensatory time that will expire within 30 days to allow the Department to notify the employee and the employee's supervisor of their options related to use of or payment of compensatory time."

Payroll/Personnel - Medical Certificates:

Criteria: Regulations of Connecticut State Agencies Section 5-247-11 and several collective bargaining contracts require the submission of an acceptable medical certificate from a licensed physician or practitioner to substantiate the use of sick leave for a period of more than five consecutive working days.

Condition: Our review of medical certificates for the fiscal years ended June 30, 2009 and 2010 noted that three of eight employee personnel records reviewed did not contain a medical certificate substantiating a medical absence of more than five consecutive work days.

Effect: Employees may have abused their sick leave benefits.

Cause: Administrative controls over medical certificates were insufficient.

Recommendation: DCF should improve administrative controls over medical certificates. (See Recommendation 22.)

Agency Response: "The Department agrees with the finding. Payroll staff will contact the appropriate human resource staff to ensure a medical certificate has been provided by the employee when a timesheet is received in payroll indicating an absence of more than five days."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Department should improve its administrative controls relative to the custody and control of provider records, should strengthen internal controls to ensure that criminal records documentation is obtained and on file prior to making board and care payments and strengthen internal controls to ensure that payments are adequately supported. This recommendation is being repeated. (See Recommendation 4.)

- The Department should implement procedures to ensure that relative foster families are licensed within ninety days as required by Section 17a-114 subsection (c) of the General Statutes. The Department should also establish internal controls to ensure that supervisors review and approve license renewals prior to the license effective date. This recommendation is being repeated. (See Recommendation 5.)

- The Department should improve its internal controls over the administration of discretionary/flexible funds. The Department should consider implementing standardized procedures for all area offices to follow to ensure that payments are appropriately authorized and supported. Our current audit identified similar exceptions identified in our prior audit. The recommendation is repeated, as modified. (See Recommendation 6.)

- The Department should comply with Section 17a-17 subsection (c) of the General Statutes. This recommendation has been resolved.

- The Department should strengthen its internal controls to ensure that funds are committed prior to purchasing goods and services. The Department should strengthen internal controls to ensure compliance with the terms of state contracts. This recommendation is repeated in part, as modified. (See Recommendation 15.)

- The Department should improve its internal controls over agency-administered projects to ensure that certificate of compliance forms are submitted to the appropriate state oversight offices in a timely manner and that certificates of insurance are obtained and maintained in the project files. Our current audit did not identify exceptions of the type noted in our prior audit. The recommendation has been resolved.

- The Department should institute procedures to ensure that grant payments are made in compliance with state laws and regulations. Our current audit did not identify grant payments that were not made in compliance with state laws and regulations. The recommendation has been resolved.

- The Department should improve internal controls over fiduciary funds. Our current audit identified similar exceptions identified in our prior audit. The recommendation is repeated, as modified. (See Recommendation 11.)

- The Department should improve its internal controls over petty cash funds. Our current audit identified similar exceptions in our prior audit. The recommendation is repeated, as modified. (See Recommendation 12.)

- The Department should improve its internal controls over the custody and reporting of its property inventory. Our current audit identified similar exceptions in our prior audit. The recommendation is repeated, as modified. (See Recommendation 10.)

- The Department should improve administrative controls to ensure that required medical certificates are obtained and should strengthen internal controls regarding the processing of longevity payments. Our current audit identified similar exceptions in our prior audit. The recommendation is repeated, as modified, as separate recommendations in our current report. (See Recommendations 20 and 22.)

- The Department should strengthen internal controls over compensatory time and update its compensatory time policy for managers. The Department should establish procedures to ensure that all timesheets are properly approved by supervisors. This recommendation is being repeated in part. (See Recommendation 21.)

- The Department should institute procedures to ensure that all employees accurately complete their timesheets and work the number of hours for which they are paid. This recommendation has been resolved.

- The Department should strengthen and implement procedures to ensure maximum federal revenue collection and should improve internal controls to ensure that supporting documentation is maintained. This recommendation has been resolved.

- The Department should strengthen internal controls to ensure that those responsible for approving access for LINK users have sufficient information available to them to enable them to select appropriate access levels. The Department should periodically reassess users' LINK access to ensure that the access granted is still needed for their job responsibilities. The Department should strengthen internal controls to ensure that LINK access is promptly deactivated for individuals no longer working at the Department. This recommendation is being repeated. (See Recommendation 2.)

- The Department should implement procedures to ensure that policies and forms are regularly reviewed, officially approved, and updated in a timely manner. This recommendation is being repeated. (See Recommendation 1.)

- The Department should prepare and submit reports required by Sections 17a-91 and 17a-98a of the General Statutes until superseding legislation is passed. This recommendation has been resolved.

Current Audit Recommendations:

1. **DCF should implement procedures to ensure that policies and forms are regularly reviewed, officially approved, and updated in a timely manner.**

   Comment:

   We noted that various policy manual sections still had not been updated when there had been significant changes in information or procedures. The department still utilizes, in the process of licensing foster and adoptive families, forms which were developed and implemented by the Office of Foster and Adoptive Services independently from the policy unit. These forms replaced the official forms previously used and referenced in the policy manual.

   The Policy Unit did not maintain or coordinate the revision of the policies for two of its former facilities, Riverview Hospital and Connecticut Children's Place. Each facility independently maintained and revised its own policies during the audited period.

2. **DCF should strengthen internal controls to ensure that those responsible for approving access for LINK users have sufficient information available to enable them to select appropriate access levels. The department should periodically reassess users' LINK access to ensure that the access granted is still needed for their job responsibilities and that proper segregation of duties exists. The department should strengthen internal controls to ensure that LINK access is promptly deactivated for individuals no longer working at the DCF.**

   Comment:

   Our review of LINK access granted to five employees disclosed that for one employee, supervisory approval of the users' access was not found. Furthermore, we could not determine if the employees' access was appropriate for their job responsibilities, as the department does not maintain detailed documentation describing the information to which the user group would have access. Our review of five employees who separated from the department revealed that for four employees, the DCF-2116 forms were not submitted by the employees' supervisor after the employees were terminated. In the four instances, we were unable to determine the date that the employees' access was terminated by Information Systems as we were informed that the system does not capture this information. We also noted that some LINK users could approve both the creation of the providers and payments to the providers.

3. **DCF should design and implement procedures to ensure that free meals are only provided to employees entitled to them.**

   Comment:

   We inquired with Riverview Hospital's dining services staff what procedures they employed to ensure that employees not providing paid meals tickets were entitled to receive a free meal. We were informed that there were no such procedures in place to determine whether the employee was entitled to receive the meal free and that the purchase or non-purchase of meals was based on an honor system.

4. **DCF should improve its administrative controls relative to the custody and control of provider records, strengthen internal controls to ensure that criminal records documentation is obtained and on file prior to making board and care payments, and strengthen internal controls to ensure that payments are adequately supported.**

   Comment:

   Our testing noted 66 provider files that did not contain adequate documentation to support that complete criminal background checks were performed. We were unable to determine whether the department performed criminal record checks for three transactions because the department could not locate the provider files or the file was destroyed. Nine payments were not adequately supported and/or there was no evidence that services were received.

5. **DCF should implement procedures to ensure that relative foster families are licensed within 90 days as required by Section 17a-114 subsection (c) of the General Statutes. The department should also establish internal controls to ensure that supervisors review and approve license renewals prior to the license effective date.**

   Comment:

   Our review of relative foster care providers initially licensed revealed that 30 of the 63 providers were not licensed within 90 days of receiving placement of the children. The number of days exceeding the 90-day limit ranged from three to 90 days. We also noted that four of eight foster care provider licenses reviewed were approved by the social worker supervisor and/or program supervisor after the license's effective date by between one and seven business days.

6. **DCF should improve its internal controls over the administration of wraparound funds.**

   Comment:

   We noted exceptions in 18 of 24 payments reviewed including missing or incomplete service authorizations, service authorizations not authorized prior to the start of services, payments exceeding authorized amounts, payments not supported by detailed provider invoices or inadequate documentation supporting that services were received.

7. **DCF should recalculate the actual allowable costs associated with each contract and adjust previous payments claimed. The department should prospectively claim federal reimbursement based on the contract's actual percentage of allowable reimbursable costs.**

   Comment:

We noted that the department used one percentage (80 percent) to claim federal reimbursement for all contracts with this one provider. We calculated the allowable reimbursable percentages for 42 contracts with this provider and determined that federal reimbursable percentages ranged from 82 to 100 percent.

8. DCF should communicate the existence of dedicated accounts to the children's social workers.

Comment:

We noted that dedicated accounts are rarely used to purchase goods and services for children who have such accounts. Social workers for the children are not made aware that these funds are available for the benefit of the child. The funds in the accounts essentially remain idle and are returned to the child when they are no longer in the care of the department.

9. DCF should improve its internal controls over adoption assistance agreements that have the potential of requiring significant future medical costs by ensuring that the cost of the equipment or home modifications are calculated prior to approving the adoption agreement and that the calculations are tracked for budgetary purposes.

Comment:

We noted the department's adoption agreements do not always specify the total cost of the state's financial commitment, especially in cases that involve children with complex medical needs. It is not uncommon for adoption agreements to include special medical equipment or home modifications that the child will require sometime in the future. However, the cost of the equipment or modifications is not quantified in the agreement. We noted one case in which the department paid $226,331 in home modifications.

10. DCF should improve internal controls over its property control and reporting systems.

Comment:

Our review of the central office and facilities' CO-59 forms and property records noted that amounts reported for several reportable categories were misstated, unsupported or could not be traced to underlying subsidiary records. We also noted several items that were removed from inventory without prior approval from the Property Distribution Center (PDC) or explanation from the department accounting for the removal of the items. We noted that the department's software inventory was incomplete, inaccurate and not maintained in accordance with state comptroller instructions. Several items were incorrectly and/or inconsistently coded on the general ledger and Core-CT's asset management module and incorrectly charged to the Capital Equipment Purchase Fund or the department's other expenses appropriation.

11. DCF should improve its internal controls over fiduciary funds.

Comment:

Our review of the various fiduciary funds administered by the department noted several instances of late depositing of receipts, lack of recording receipts, inadequate or missing supporting documentation for transactions, inappropriate or questionable purchases, a lack of policy statements indicating the use of funds, inaccurate or unsupported financial statements and outstanding checks not correctly added back to accounts or funds that should have been escheated.

12. **DCF should improve its internal controls over petty cash funds and ensure that financial records are retained until audited. In addition, the department should request from the State Comptroller that Residents' Cash Fund reimbursements be processed through that fund's bank account rather than CJTS' petty cash bank account.**

Comment:

Our review of petty cash accounts at various office locations noted that several locations could not locate their petty cash ledgers, supporting documentation for petty cash disbursements and/or bank statements. Several transactions were not supported or properly approved. The petty cash report prepared as of April 30, 2009 by CJTS disclosed that the facility did not report actual cash in the bank. The actual cash total in the fund exceeded the allocated balance of $3,000 by $7,032. The overage was due to reimbursements to the Residents' Cash Fund that are processed through the petty cash account that were not transferred to the Residents' Cash Fund in a timely manner.

13. **DCF should review its procedures for administering bond fund grants to ensure that grant funds are administered in accordance with management's objectives.**

Comment:

We noted the department did not follow its bond fund application instructions/guidelines to administer this grant program. Our review of two grant projects noted performance bonds were not on file for both projects, information on one project's lien analysis was insufficient to determine the building owner's equity in the property, we could not determine when the work had been started or completed based on the supporting documentation submitted by the provider for one project payment and documentation was not on file indicating how both proposals were evaluated and/or prioritized.

14. **DCF should review the results of its other liabilities queries to determine whether the queried amounts accurately reflect the value of its other liabilities as of June 30th.**

Comment:

Our office submitted audit adjustments of $302,225, $294,824 and $159,268 to the State Comptroller for other liabilities reported by the department on its GAAP closing package for the fiscal years ended June 30, 2009, 2010 and 2011, respectively. The department performed a query of its board and care database in July of each year. Payments that were issued in July that had a beginning service date of June 30th or earlier were reported. Several payments reported were negatives and included service periods that crossed over two fiscal years.

15. **DCF should ensure that purchase orders are created and in place prior to incurring costs for goods or services. Department units co-sponsoring events should communicate with each other the goods and services it has agreed to purchase. The department should seek reimbursement of the duplicate or triplicate registrations paid to the vendor.**

    Comment:

    Our review of a 2009 conference co-sponsored by two department units with an outside vendor held at the University of Connecticut found that only one of the two units executed a PSA with the vendor. Both units committed a total of $27,800 to pay the registration costs for department staff and children to attend. We reviewed the registration lists compiled by both units and found the same names and amounts for 85 people on both lists. We determined that the department overpaid the vendor $8,872 for duplicate/triplicate registrations.

16. **DCF should monitor the activities of care coordinators as necessary to ensure that flexible funds are being used for authorized purposes.**

    Comment:

    We were informed by department staff of two incidents reported by care coordinators to the department identifying fraudulent claims submitted by their employees to the fiduciary. In both instances, the care coordinators conducted internal reviews of cases associated with the employees and determined the total amount of claims fraudulently billed by their employees and returned the funds to the fiduciary. The department accepted the results of the internal investigations performed by the care coordinators and did not perform any further procedures to determine whether the reported amounts were correct.

17. **DCF should review its contract monitoring procedures to ensure that contractors are meeting the requirements of their contracts and that contracts subject to renewal are reviewed prior to the renewal decision being made.**

    Comment:

    The department's Grants and Contracts Management Unit completed a program review of the Queen Esther Ministries program in September of 2011. The review revealed that neither provider had met the contractual obligation of providing the department 12 licensable foster parents. The review noted that the department may have licensed two families through the date of the review but that number was suspect because the contractor providing the information was unable to produce the names of the families. The review cited a serious lack of programmatic reports needed to fully explain why the providers did not meet the department's contractual requirements to a satisfactory level. Data was insufficient to gauge the progress or any areas of success the providers may have shown due to a lack of reporting.

In June of 2012, the department renewed the contracts of both providers for one year at an annual cost of $181,110.

18. DCF should use OPM's standard Purchase of Service (POS) agreement when contracting with residential treatment centers.

Comment:

Public Act 09-210, effective July 8, 2009, amended Section 4-70(b) subsection (g) codifying prior practice by prohibiting state agencies from hiring private provider organizations to provide direct health or human services to the agency's clients without executing a purchase of service contract with them. Subsequent to the prior audit and after the passage of Public Act 09-210, the department did enter into contracts with the residential treatment centers. However, the department did not use the standard POS contract developed by OPM.

19. DCF should not prepare invoices on behalf of vendors.

Comment:

We were informed by department staff that an employee of the department prepared invoices on behalf of a vendor for payment. We reviewed 11 payments ($734,633) made to the vendor from August 1, 2008 through July 28, 2010 and determined that nine invoices totaling $628,984 were prepared by department staff.

20. DCF should improve administrative controls over the processing of longevity payments and recover any overpayments.

Comment:

Our review of longevity payments noted that the department had the incorrect service time on file for six of ten employees reviewed. In one instance, an employee's service time was overstated by more than three years resulting in four overpayments in our audited period totaling $424. For the other five employees, their service time was overstated by between 15 days and 11 months and 18 days.

21. DCF should improve administrative controls over compensatory time.

Comment:

Our review of three managers who earned compensatory time found that advanced written authorization, including the reason, was not on file for the three managers in five instances totaling 26 hours. In addition, for one of the three managers, review of the supporting timesheet revealed that eight hours of the compensatory time earned was in lieu of on-call pay. This resulted in a net overpayment of $341. Our review of compensatory time earned by ten employees covered under collective bargaining agreements revealed that the department did not pay two employees for compensatory time that was allowed to expire in the amounts of $4 and $379.

22. DCF should improve administrative controls over medical certificates.

Comment:

We noted that three of eight employee personnel records reviewed did not contain a medical certificate substantiating a medical absence of more than five consecutive work days.

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, 2009 and 2010. This audit was primarily limited to performing tests of the department's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the department's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the department are complied with, (2) the financial transactions of the department are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the department are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Children and Families for the fiscal years ended June 30, 2009 and 2010, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

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

Management of the Department of Children and Families is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered the Department of Children and Families' internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the department's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Department of Children and Families' internal control over those control objectives.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that non compliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the department's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the department's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 1–policy manual, Recommendation 2–information systems, Recommendation 3–meal tickets, Recommendation 4–criminal background checks/unsupported payments, Recommendation 6–wraparound funds, Recommendation 7-revenue maximization, Recommendation 9-adoption assistance agreements, Recommendation 10–property control and reporting, Recommendation 11–fiduciary funds, Recommendation 12–petty cash funds, Recommendation 13–grants, Recommendation 14-GAAP reporting, Recommendation 15–improper payment, Recommendation 16-flexible funds, Recommendation 17-Queen Esther ministries, Recommendation 19–vendor invoice preparation and Recommendation 20-longevity payments. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

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

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

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

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

CONCLUSION

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.

Joe Faenza
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts