STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF CHILDREN AND FAMILIES
FOR THE FISCAL YEARS ENDED
JUNE 30, 2011, 2012 AND 2013

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

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July 30, 2015

AUDITORS' REPORT
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We have audited certain operations of the Department of Children and Families (DCF) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;

2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and

3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United

States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

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

1. Deficiencies in internal controls;

2. Apparent noncompliance with legal provisions; and

3. Need for improvement in management practices and procedures that we deemed to be reportable.

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

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, 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, and four facilities. The department's four facilities are the Albert J. Solnit Children's Center – South Campus (Solnit South), the Albert J. Solnit Children's Center – North Campus (Solnit North), the Connecticut Juvenile Training School (CJTS), and the Wilderness School. The department closed its High Meadows facility in February of 2010.

The DCF central office provides business support services for the area offices and the Wilderness School. The business operations of CJTS and Solnit North and South are administered by personnel located at each of the facilities.

The Albert J. Solnit Children's Center - North Campus, located in East Windsor, offers 24-hour care to boys ages 13 through 17. The facility is a psychiatric residential treatment facility providing treatment to adolescent males with complex psychiatric needs. The program is designed to be the bridge from hospital to home and community or as a diversionary placement to avoid the need for a hospital stay. The Albert J. Solnit Children's Center - South Campus, located in Middletown, serves adolescent girls ages 13 through 17 with complex psychiatric needs. These 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. Solnit South also provides inpatient treatment for both boys and girls ages 13 through 17.

CJTS, located in Middletown, is a secure facility for boys committed to DCF as juvenile delinquents and placed on parole status. The 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, mental health assessments, and treatment plans, including individual, family, and group therapy. In 2014, the department established a program for girls in the Pueblo Unit on the grounds of Solnit South.

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 development. Courses range from one-day experiences to 20-day expeditions. Designed as a journey experience, the program is based on the philosophies of experiential learning and is considered therapeutic for the participant.

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 that established 22 outcomes for the state to achieve in order to improve services for children and families and end the court's jurisdiction. A revised exit plan was approved in July of 2004 requiring periodic reporting 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 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 July 1, 2014 through September 30, 2014, concluded that the department achieved 13 of the 22 outcome measures and maintained compliance for at least two consecutive quarters with 12 of the measures.

Susan Hamilton served as commissioner through December 2010. She was succeeded by Joette Katz in January of 2011 who continues to serve as commissioner.

Careline

Careline is a unit located in the DCF central office. Careline is open 24 hours/7 days a week and 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 266,741 calls in fiscal years 2011, 2012, and 2013. These included approximately 140,180 reports of suspected abuse or neglect, of which approximately 87,462 were accepted for investigation. Approximately 18,505 reports were substantiated.

Census Statistics

Client census statistics, as of June 30th, for the four fiscal years ended through June 30, 2013, by placement type, are summarized below:

Placement Category	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Adoption	5,292	5,391	5,450	5,496
Foster Care	2,598	2,432	2,221	2,059
Subsidized Guardianship	1,961	1,938	1,926	1,920
Relative Care	648	834	883	837
Residential Home	507	491	308	196
Group Homes	440	421	381	364
DCF Facilities	76	61	52	52
Safe Home	135	76	51	37
Independent Living Program	126	114	122	156
Shelter	84	86	82	80
Medical	39	31	34	23
Total	11,906	11,875	11,510	11,220

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 2009-2010, 2010-2011, 2011-2012, and 2012-2013, which are based on the prior fiscal year costs, are summarized below:

	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Connecticut Juvenile Training School	$1,440	$ 931	$1,411	$1,349
Albert J. Solnit Children's Center – North Campus	$1,517	$4,809*	$1,144	$2,115
Albert J. Solnit Children's Center– South Campus	$2,259	$2,693	$2,538	$2,423

**The unusually high rate at the Solnit Center – North Campus is primarily due to a significant reduction in the population served for the period. It is not representative of normal operations.*

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 nineteen members. The duties of the council include: recommending programs, legislation or other matters that will improve services for children and youth, including behavioral health services; reviewing and advising the commissioner regarding the proposed annual budget; interpreting for the community at large the policies, duties and programs of the department; and issuing reports it deems necessary to the Governor and commissioner. Furthermore, the council shall assist in the development of, and review and comment on, the strategic plan developed by the department pursuant to Section 17a-3 subsection (b) of the General Statutes. It shall receive from the commissioner a quarterly status report on the department's progress in carrying out the strategic plan, independently monitor the department's progress in achieving its goals, offer assistance, and provide an outside perspective so that the department may achieve its goals. The membership of the council is to include the following: two 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; one attorney who has expertise in legal issues related to children and youth; seven persons who shall be representative of young persons, parents, and others interested in the delivery of services to children and youth, including child protection, behavioral health, juvenile justice and prevention services, at least four of whom shall be parents, foster parents, or family members of children who have received, or are receiving, behavioral health services, child welfare services or juvenile services; and six members representing the regional advisory councils established pursuant to section 17a-30 of the General Statutes. 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 regions and create in each region a regional advisory council to advise the commissioner and the regional director on the development and delivery of services and to facilitate the coordination of services in the region. 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 10-43 allowed DCF to include children, adolescents, and families served by the Judicial Branch's Court Support Services Division (CSSD) in the Behavioral Health Partnership. The partnership is an integrated behavioral health system operated by DCF and the Department of Social Services (DSS). The act also made family relations counselors, family counselor trainees, and family services supervisors employed by the Judicial Branch mandated reporters of child abuse and neglect.

Public Act 10-93 allowed DCF to provide the Department of Developmental Services (DDS) with limited abuse and neglect investigation records of children (who are already DDS clients) enrolled in the DDS Voluntary Services Program. Prior law allowed this disclosure only for program applicants.

Public Act 10-119 made changes to the Behavioral Health Partnership's responsibilities, rate setting, clinical management committee, coordinated benefit policies, and oversight council.

Public Act 10-133 created new state agency responsibilities and reporting requirements intended to provide an emergency response to children affected by the recession. DSS is the agency most affected, but the act gave DCF and other state agencies added responsibilities.

Public Act 10-144 made a number of changes to the laws concerning family violence. It expanded information and disclosure requirements for family violence intervention units, courts, and the Department of Children and Families. It added exceptions to the confidentiality rule, allowing Family Violence Intervention Units to disclose information that indicates a defendant poses a danger or threat to a child, or a parent of the child, to a DCF employee. It also required DCF to make disclosures with respect to a child, or parent of a child, to a Superior Court judge and all necessary parties in a family violence proceeding.

Public Act 10-157 required DCF to obtain a free credit report for every foster child age 16 and older and review it for evidence of identity theft. DCF must ask for the credit report within 15 days after a foster child turns age 16. For a youth age 16 or older already in foster care on July 1, 2010, DCF must order the first report by July 31, 2010. If DCF finds any evidence, it must, within five days of receiving the credit report, 1) report this to the chief state's attorney and 2) advise the affected youth and foster parent, caseworker, and legal representative, if any, about this finding at the youth's next biennial treatment plan meeting. The act also required DCF to report to the Human Services and Appropriations committees by July 1, 2011, about its findings of identity theft found through the credit reports.

Public Act 10-160 created a presumption that it is in the best interest of a child DCF placed in out-of-home care under an emergency, temporary custody, or commitment order to continue to attend the school the child attended before the placement. The act applies to 1) school-age children; 2) three to five-year olds determined eligible for special education; and 3) children between 27 months and six years old referred for special education determination. It provided mechanisms for parents to challenge DCF decisions. In addition, it made DCF responsible for some costs of transporting a child from a placement to school and makes a school ineligible to receive state special education excess cost grants for a child placed in another community who continues to attend his or her original school.

Public Act 10-161 specified a process, under the safe haven law, which permits a new mother to use the DCF Safe Haven Program to surrender her infant without having to leave the hospital. It also provided for reporting information about the birth to the Department of Public Health, weakened the law's confidentiality provisions, and required DCF to notify any known parent of a surrendered infant of any legal proceedings it initiates, such as termination of parental rights. The act permitted DCF to approve an applicant as a foster family or prospective adoptive family even if a natural, adopted, or adoptable child of the applicant has died less than a year before the application date.

Public Act 10-170 permitted certain licensed clinical social workers, professional counselors, and advanced practice registered nurses (APRNs) to issue an emergency certificate, under certain conditions, to hospitalize a child for medical and psychiatric evaluation. They may issue such certificates if they have received at least eight hours of specialized training in conducting direct evaluations as a member of a DCF emergency mobile psychiatric services team and reasonably believe, based on their direct evaluation, that the child a) has a psychiatric disability; b) is a danger to himself, herself, or others or is gravely disabled; and c) needs immediate care and treatment. The act required the child to be evaluated by a psychiatrist within 24 hours after the emergency certificate is issued. Under prior law, only physicians could issue such certificates.

Public Act 11-44, among other things, generally prohibited DCF from placing any child under age six in a group home.

Public Act 11-93 expanded the law governing the reporting and investigation of suspected child abuse and neglect, with particular focus on school employees who are the alleged perpetrators and the local or regional school district's response. The act expanded the state's "mandated reporter" law, which generally requires specified professionals to report to DCF or local law enforcement when they suspect that children have been abused or neglected. The act required DCF, in consultation with the State Department of Education, to craft a model mandated reporter policy for school boards to use to train school personnel. It also required that the DCF commissioner offer a refresher reporter training program; develop a policy for investigating mandated reporters who either fail to report or report late; and, within available funding, provide training to all new school employees. The act also made changes in the use of, and reporting to, the child abuse registry that DCF maintains.

Public Act 11-105 required the DCF commissioner to appoint up to two program directors and up to six regional directors in the unclassified service. Under prior law, the commissioner appointed directors as necessary in the classified service and with duties the commissioner determined. By law, unchanged by the act, the commissioner must make the appointments after consulting with the State Advisory Council on Children and Families (SAC). The act replaced the department's structure of area directors, offices, and advisory councils in prior law with regional directors, offices, and advisory councils. The act conformed state law to federal requirements for foster care programs, making the state eligible for federal reimbursement of subsidized guardianship assistance funds. The act also eliminated the Connecticut Juvenile

Training School's (CJTS) public safety committee and transfers responsibility for reviewing safety and security issues that affect the CJTS host municipality (Middletown) to the CJTS advisory committee.

Public Act 11-112 required DCF, when making an initial in-person investigation of a complaint of child abuse or neglect, to give the child's parent or guardian written notice of their rights, as well as the implications of their failure to communicate with the department. The act required the notice to be written in plain language and DCF to make reasonable efforts to ensure that it is provided in a language and manner the parent or guardian understands.

Public Act 11-116 authorized the commissioner to waive any standard for separate bedrooms and room-sharing arrangements when placing a child in foster care with an unlicensed relative if doing so is in the child's best interest. It also required that the commissioner convene a working group to examine DCF practices and policies that affect kinship care and submit a report to the Human Services and Children's committees summarizing existing policies and practices affecting kinship care and recommending ways to increase such care.

Public Act 11-120 added two members to the State Advisory Council on Children and Families and adds foster parents to its membership. It deleted DCF's duty to (1) prepare a plan on delinquent children to be placed in the Connecticut Juvenile Training School and (2) an approach to juvenile rehabilitation. It also deleted the requirement that DCF adopt regulations concerning discharge planning for, and ongoing DCF involvement with, high-risk newborns. Instead, it required DCF to coordinate with birthing hospitals to disseminate information on the care of high-risk newborns.

Public Act 11-156 allowed certain detained juvenile delinquents to qualify for leave and release earlier than they would have otherwise. Under existing DCF rules, juvenile delinquents cannot be granted leave or release unless they have satisfactorily completed a 60-day fitness and security risk evaluation. The act allowed the commissioner to waive the requirement when a delinquent who transferred from one facility to another had already satisfactorily completed the evaluation before the transfer.

Public Act 11-157, An Act Concerning Juvenile Justice, reduced DCF's responsibilities for delinquent children by cutting off services at age 20. The act also incorporated by reference definitions of child and youth from the delinquency statutes into the general definitions of those terms. The previous general definition of a child was a person under age 16; under the act, it is a person under age 18 who has not been emancipated (legally designated an adult). The definition of youth changed from anyone at least age 16 and younger than 19 to an unemancipated 16- or 17-year-old. The act also made changes to other juvenile justice matters.

Public Act 11-166 eliminated the minimum age requirement with which DCF must comply to temporarily place a child with a special study foster parent. Previously, only children ten years or older could be placed in such care. A special study foster parent is at least 21 years old and not licensed by DCF to provide foster care.

Public Act 11-167 generally expanded the list of individuals and entities to which DCF must, or may, disclose its otherwise confidential records, while broadening the circumstances in which the department can deny access. Also, in a number of instances, it limited or changed the use the recipient may make of materials contained in a record. By law, unauthorized disclosures are subject to imprisonment for up to one year, a fine of up to $1,000, or both. DCF may not disclose its records to anyone unless (1) state law or federal regulations require or allow the disclosure or (2) the subject of the record or his or her authorized representative consents to the disclosure.

Public Act 11-194 required state, regional, and municipal animal control officers (ACOs) and DCF employees to report to the Department of Agriculture commissioner when they reasonably suspect that an animal is being treated cruelly, harmed, or neglected. The Department of Agriculture commissioner must forward the information received from the ACOs to the DCF commissioner in a monthly report. The DCF commissioner must then determine whether any address in an animal cruelty report corresponds to an address where there is an open investigation of a child in response to a report of child abuse or neglect. The act also required that the DCF commissioner develop and implement training for DCF employees on how to identify cruelty, harm to, or neglect of animals and their relationship to child welfare case practices. The commissioner must also train ACOs concerning identifying and reporting child abuse and neglect.

Public Act 11-240 authorized the DCF commissioner to establish a differential response program for cases that the department classifies as lower risk. Accordingly, it allowed the commissioner or a designee, when the department receives reports of alleged child abuse or neglect, to refer to community providers for family assessments and services, rather than investigate, those cases that it classifies as presenting a lower risk. It also required DCF, in its annual report on children and youth in its custody, to include specific information about children and youth who have unauthorized absences from DCF's care.

Public Act 12-35 restricted DCF's duty to disclose records in certain situations. Prior law required DCF to disclose a record, subject to applicable law and without the consent of the person who is the subject of the record, to a DCF employee for any purpose reasonably related to DCF business. Under the act, DCF may make such a disclosure only if it is reasonably related to the performance of the employee's duties.

Public Act 12-53 required DCF to document a child's eligibility for Social Security benefits, including Supplemental Security Income (SSI), survivor, and disabled adult child benefits, in the permanency plan for each child in its care and custody. The act also established additional permanency plan requirements. The act required DCF to 1) complete and submit an SSI application for each eligible child in its care and custody and 2) maintain and respond to any correspondence regarding the application and benefits. It also required DCF to determine if a 17-year-old Social Security recipient will need a representative payee when he or she ages out of DCF care, and plan accordingly.

Public Act 12-58 required the commissioner or agent to visit each foster home at least once every 60 days. The commissioner or an agent must carefully supervise children under DCF guardianship or care. The commissioner or agent must maintain contact with the child and the child's foster family to promote the child's safety and physical, educational, moral, and emotional development. The act also required DCF to prescribe a form for foster families to use when submitting special requests to DCF on the child's behalf.

Public Act 12-71 established minimum visitation requirements for separated siblings of children placed in DCF care and custody, including children in foster homes. Specifically, it required the DCF commissioner, within available appropriations and provided the siblings live in the state and within 50 miles of each other, to ensure that visits occur, on average, at least once a week, unless the commissioner determines that allowing such frequent visits would not be in the siblings' best interests. The act required the commissioner to report annually by October 1st, to the Select Committee on Children, data sufficient to demonstrate DCF has complied with the visitation law. The act also required the commissioner to meet with members of each Youth Advisory Board to get recommendations for creating a Sibling Bill of Rights. DCF must incorporate the final version of this document into department policy and share it with children placed in its care and custody.

Public Act 12-82 as amended by PA 12-1 June special session permitted DCF to file adoption petitions in Superior Court, instead of probate court, when the child's biological parents' rights have been terminated by that court. The act also entitled the adoptive parents to access records and other information relating to the child's history, provided these records are disclosed in accordance with confidentiality laws. In addition, the act 1) changed the appointing authority and composition of the State Advisory Council on Children and Families and increases the number of consecutive terms members may serve; 2) directed the DCF commissioner, instead of the council, to appoint certain members of the Children's Behavioral Health Advisory Committee; 3) allowed additional DCF records to be disclosed without the consent of the person who is the subject of the record; 4) placed additional limits on how DCF records that are legally subject to disclosure can be further disclosed; 5) required individuals who falsely report child abuse or neglect to be referred to the chief state's attorney for criminal investigation; and 6) exempted DCF attorneys from having to pay certain court fees. The act also renamed the Riverview Hospital for Children and Youth in Middletown and Connecticut Children's Place in East Windsor; the new names are, respectively, the Albert J. Solnit Children's Center – South Campus, and the Albert J. Solnit Children's Center – North Campus.

Public Act 12-201 raised from 17 to 20 the maximum age at which a child committed to DCF can be placed for the first time in a child care facility. By law, child care facilities are DCF-licensed congregate residential settings. The DCF commissioner can petition a court for permission to place a child committed to her custody in such a facility if the child cannot be satisfactorily cared for in a foster home because the child has developmental or physical disabilities, mental illness, emotional issues, or behavioral disorders. The commitment statute defines a child to include young adults 18 to 20 years old who attend a secondary school, technical school, college, or state accredited job training program full-time.

RÉSUMÉ OF OPERATIONS

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

A significant amount of DCF operating expenditures is 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 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Receipts	$99,599,557	$93,514,999	$75,354,159	$98,430,761

General Fund receipts consist primarily of Foster Care and Adoption Assistance reimbursements. The decrease in General Fund receipts in fiscal year 2012 was mainly due to timing of the federal reimbursement for the quarter ended March 31, 2012, which was received by the department in July of 2012.

Expenditures

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

	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Personal Services	$265,363,848	263,923,446	264,168,811	247,072,305
Workers' Compensation Payments	9,698,917	9,345,490	11,035,823	10,474,191
Contractual Services and Commodities	41,392,071	42,193,410	42,255,260	42,501,135
Purchase of Service Payments/Grants	199,113,356	193,218,687	187,115,174	191,853,645
Board and Care Payments	293,579,604	299,667,589	297,162,257	281,341,709
Capital Outlays	569	250	40,768	13,546
Total Expenditures	$809,148,365	808,348,872	801,778,093	773,256,531

Total General Fund expenditures decreased by $799,493 in the fiscal year ended June 30, 2011. Expenditures further decreased by $6,570,779 in fiscal year 2012 and by $28,521,562 in fiscal year 2013.

The significant decrease in fiscal year 2013 was primarily attributable to decreases in personal services expenditures and board and care payments. Personal services expenditures decreased because the department did not refill positions as vacancies occurred.

Decreases in board and care payments were due to decreases in the use of residential care fee-for-service beds, which is the most expensive form of treatment. The department has been able to treat children in their homes using Wraparound Funds and Husky services.

Special Revenue Funds

Grants and Restricted Accounts Fund

Receipts

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

	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Federal Receipts	$18,143,038	$13,157,715	$12,698,029	$13,592,444
Non-Federal Receipts	1,864,617	1,808,735	1,827,525	2,519,664
Other	43	30	21	20
Total Receipts	$20,007,698	$14,966,480	$14,525,575	$16,112,128

Receipts decreased by $5,041,218 in the fiscal year ended June 30, 2011 compared to the fiscal year ended June 30, 2010. The decrease was primarily attributable to the timing of the drawdown of federal funds from the Social Services Block Grant Program that occurred in the fiscal year ended June 30, 2010, in addition to a decrease in 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 four fiscal years below:

	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Personal Services/Fringe Benefits	$2,720,943	$2,208,268	$1,925,906	$1,568,344
Contractual Services and Commodities	8,797,558	5,877,555	6,840,065	6,623,192
Grants/Transfers	8,247,105	8,981,428	10,376,228	11,444,483
Capital Outlays	469,178	397,300	253,445	701,256
Total Expenditures	$20,234,784	$17,464,551	$19,395,644	$20,337,275

Special revenue fund expenditures decreased by $2,770,233 in the fiscal year ended June 30, 2011, compared to the fiscal year ended June 30, 2010. The decrease was mostly attributable to decreases in contractual services and commodities expenditures. Expenditures increased by $1,931,093 in the fiscal year ended June 30, 2012, compared to the fiscal year ended June 30, 2011. The increase was mainly due to increases in grant expenditures made from the Grants to Local Governments and Others Fund. Similarly, in fiscal year ended June 30, 2013, expenditures increased by $941,631 primarily due to increases in grant expenditures. Personal services expenditures decreased during each fiscal year because the department did not fill vacant positions.

Capital Projects Funds

Expenditures from various capital projects funds during the fiscal years ended June 30, 2011, 2012, and 2013 totaled $222,817, $430,707, and $840,896 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. Furthermore, 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 the 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 $7,572,949 and disbursements totaled $8,782,340 for the three-year period ending June 30, 2013.

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 the central office during the audited period. Cash receipts and disbursements from these funds totaled $329,397 and $349,183, respectively, 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, 2013 were $694,754. Cash receipts and disbursements from this fund totaled $5,027 and $36,165, respectively, during the audited period.

Residents' Cash Fund – Connecticut Juvenile Training School and Client Services Fund (formerly Allowance Fund) – Solnit North:

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 paid work programs comprise the major source of receipts for these funds. Solnit South administered a similar account through its activity fund. Cash receipts and disbursements from these funds totaled $195,105 and $201,871, respectively, during the audited period.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

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

CONTROL ENVIRONMENT

Maintenance of DCF 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 carrying out 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.

It also states that all official DCF policies and forms shall be issued through the Policy Unit of the Office of Legal Affairs. The role of the Policy Unit is to assist Policy Sponsors with the development of DCF policies and supplemental material; issue DCF policies and supplemental material; maintain policies in the department's official policy manual and in electronic format; maintain records of policy development; and provide consultation, training, and assistance to staff regarding policy topics.

Condition: Our current review found that just one of the policy manual sections noted in our prior audit review has been updated. The following previously noted conditions still exist:

- 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 utilizes forms 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.

- Policy 48-18-5, regarding subsidized adoption rates, has not been updated.

- The Policy Unit did not maintain or coordinate the revision of the policies for one of its facilities, the Albert J. Solnit Center.

In addition, we noted the following:

- Policies 34-4 and 34-2-3 contradict each other regarding the timeliness of child protective investigations. One policy states 30 days, the other states 45 days.

- Policy 34-12-8, regarding child protective investigations involving DCF employees, has not been updated since changes to procedures were made in 2012.

Effect: When policies and forms are not kept current, there is potential for inconsistent application or misinterpretation of information by employees while performing duties.

Cause: Although the department has made progress in updating its policy manual, key policies remain incomplete. It also appears that one of its facilities, the Albert J. Solnit Center, is not aware of the requirement to formalize policies and procedures through the Policy Unit prior to their distribution and use.

Recommendation: The Department of Children and Families should strengthen its procedures to ensure that all policies are kept current and revised in accordance with established procedures. (See Recommendation 1.)

Agency Response: "The department agrees with this finding in part.

Forty-five separate policy sections have been updated in the past three years. The policies mentioned above are in progress and will be updated by the end of fiscal year 2014-15.

The Solnit policies are available internally for Solnit staff. They will be moved to the public website."

Internal Controls over Food Inventories

Criteria: The State Property Control Manual provides that stock items and supplies used and consumed in the daily operations of an agency, such as food, should be maintained in a separate perpetual inventory if the value of the inventory is over $1,000. Due to the rapid rate of turnover, strong internal control is especially important.

Condition: During our review of inventory at Solnit North, we reviewed food purchases as noted in the facility's report on the Connecticut Child

Nutrition Program. We noted that large purchases of food supplies were made in the month of June in fiscal years 2011 and 2012. Purchases for the previous 11 months of each year averaged approximately $9,600; food purchases in June totaled $21,000 and $20,000, respectively. Ending inventory reported for June in both fiscal years was consistent with the average ending inventory for the previous 11 months. In fiscal year 2013, we found no increase in food purchases during the month of June. We inquired whether there were unusual circumstances that required large food purchases in June 2011 and June 2012 and were informed that there was no significant event. DCF initiated a review of the food services unit at Solnit North. The report prepared by the department indicates that the increase in food purchases cannot be attributed to a significant event. The report recommended that Solnit North implement an effective and efficient food inventory system that identifies beginning inventory, usage and depleted goods, and ending inventory as well as conduct weekly or other frequent periodic inventory. The report also recommended implementing segregation of duties in the food services unit as well as improving internal controls to minimize theft, waste, and poor handling of goods.

Effect: The department either suffered a loss of food inventory or failed to perform a proper inventory and record actual ending inventory amounts.

Cause: There was a lack of internal control in the food services unit.

Recommendation: The Department of Children and Families should strengthen internal control over its food supplies. (See Recommendation 2.)

Agency Response: "The department agrees with this finding.

To ensure better oversight, especially as it relates to the Child Nutrition Program, a new spreadsheet has been developed to track all meals issued by each facility. Each facility is required to submit this information each month to the accounting unit, along with its corresponding monthly inventory report."

Accountability of Meals and Meal Tickets

Background: During a prior audit, we received information that many employees at Albert J. Solnit Children's Center – South Campus were being provided free meals that they were not entitled to. Based on this

information and a prior audit finding, we investigated this matter further.
Meal tickets can be purchased from the business office at Solnit South. The prices of meals differ depending on the employee's collective bargaining unit; therefore, to accommodate the various meal prices, the tickets are available in three denominations.

On occasion, a free meal pass might be issued when someone is visiting Solnit South for a meeting or new employee orientation. In addition, a free meal pass might be given to a family member of a patient visiting during meal time, and it was determined that having a meal with the parent would benefit the patient based on the patient's plan of care.

Criteria: During our audit period, Solnit South's policy stated that meals were free of charge if the employees were engaged in the supervision and care of patients at mealtime. All other employees were required to purchase a meal ticket from the business office.

Condition: We inquired as to what procedures were in place to ensure that employees not presenting a paid meal ticket or free meal pass were entitled to receive a free meal. We were informed that there were no such procedures in place and that it was based on an honor system. In addition, the free meal passes and meal tickets were returned to the business office occasionally and were not reviewed or reconciled.

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

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

Recommendation: The Department of Children and Families 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 this finding.

The department implemented new meal procedures for Solnit North and South in September 2014. The new procedures were distributed to Solnit staff and ensure that meals will only be provided to staff who are entitled to a free meal due to the fact that they are engaged in the supervision and direct care of the patients. The new procedures include the use of the daily census sheets, meal tracking sheets and determining eligibility of meal passes.

Staff who are mandated to work and, as a result, are not receiving an official lunch/dinner mealtime break will receive a meal and are required to sign the staff meal tracking sheet. All other DCF staff must purchase a meal ticket from the business office to receive a meal."

Oversight of Regional Office Employee Attendance

Background: The Department of Children and Families administers programs and services through a network of 14 area offices located throughout the state. Six regional administrators are responsible for the supervision of these offices. An area director is assigned to each area office to manage the day-to-day operations.

The standard work schedule for Department of Children and Families central office and area office full-time employees is Monday through Friday from 8:00 a.m. to 5:00 p.m. with one hour for lunch. Employees may submit a request for an adjusted work schedule. All requests are approved by the area director.

Proxy card readers are located at the central office and a majority of the area offices. The readers allow entrance to the buildings, stairwells, and offices. A swipe of the proxy card is not required by each individual that enters a building at the same time. Reports are available from the proxy card system that identify the swipe time of the employees entering or moving throughout the buildings. Employee attendance is also monitored through a variety of means such as time in/out sheets, desk slips, electronic calendars, emails, text messages, and cell phones.

Criteria: Section 5-238 of the General Statutes states that the Commissioner of the Department of Administrative Services shall adopt regulations for establishing and maintaining uniform and equitable hours of work. The number of hours any employee shall be required to be on duty each day shall be uniform for all whose positions are allocated to the same class unless specifically provided otherwise. In addition, collective bargaining units specify the number of hours in a work week for applicable positions.

Condition: We performed an initial review of employee arrival times at two area offices, Willimantic and Milford. As a result of our review, management took steps to improve control over employee attendance. A subsequent review was undertaken at the Willimantic and Milford area offices, and improvement was noted.

We performed an additional review of employee arrival times at the Bridgeport and Waterbury area offices. In order to conduct all reviews, we obtained employee schedules and compared the schedules to the employee arrival times as noted on the proxy card reports. Late arrival times were compared to employee time sheets to determine whether leave time was charged, and in all cases noted below, leave time was not charged to account for the late arrival. Arrival times up to ten minutes later than scheduled were not considered late. Days in which the arrival time was recorded at mid-day or later were not considered and removed from our review.

Our review disclosed the following:

- Willimantic - July 1, 2012 - December 31, 2012 (Initial Review)
  Key-in times for all 21 employees tested indicated that employee swipe times exceeded their work schedule starting times by more than ten minutes 50 percent of the time. Four employees were late between 94 and 100 percent of the time. The percentage of employees late 75 percent or more times over the six-month period was 43 percent.

- Milford - January 1, 2013 - February 28, 2013 (Initial Review)
  Key-in times for all 27 employees tested indicated that employee swipe times exceeded their work schedule starting times by more than ten minutes 51 percent of the time. The percentage of employees late 75 percent or more times over the two-month period was 37 percent.

- Willimantic – August 1, 2013 - September 30, 2013 (Follow-up Review)
  We tested 21 employees and noted that the percentage of employees arriving late 75 percent of the time or more decreased from 43 percent in our initial review to 14 percent. One supervisor arrived later than scheduled 100 percent of the time.

- Milford - August 1, 2013 - September 30, 2013 (Follow-up Review)
  We tested 27 employees and noted that the percentage of employees arriving late 75 percent of the time or more decreased from 37 percent in our initial review to 7 percent.

One supervisor arrived later than scheduled 100 percent of the time.

- Bridgeport – February 18, 2014 - May 31, 2014
  We tested 20 employees and noted that the percentage of employees arriving late 75 percent or more of the time was 25 percent.

- Waterbury – February 18, 2014 - May 31, 2014
  We tested 20 employees and noted that the percentage of employees arriving late 75 percent or more of the time was 55 percent. Two employees arrived late 100 percent of the time.

Effect: There is a serious lack of accountability over employee starting times. Employees appear to be compensated for time not worked.

Cause: A lack of management oversight and confusion about employee start times due to alternative work schedules contributed to this condition

Recommendation: The Department of Children and Families should strengthen internal control over employee attendance to ensure that all employees adhere to scheduled hours and work the number of hours for which they are paid. Leave time should be charged for hours not worked. (See Recommendation 4.)

Agency Response: "The department agrees with this finding.

To address this finding, Human Resources will offer supervisory training to supervisors and managers, ensuring time and attendance monitoring is an item that is reviewed. In addition, we will research attendance tracking systems that may be compliant with Core-CT to evaluate the feasibility of implementation of such systems."

Access Controls of the LINK Information System

Background: LINK is the Department's Statewide Automated Child Welfare Information System (SACWIS). The LINK system is a tool used to document all casework performed by DCF social workers. LINK touches on areas such as child protective services, intakes and referrals, investigations, case narratives, child placement histories, central registry, case management, provider licensing, payment generation, budgeting, eligibility for federal reimbursement, and interfacing with other state and federal agencies. There are approximately 4,000 LINK users and approximately 48 user groups from which access is assigned. When an employee is hired, the supervisor selects the appropriate 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 internal control 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 has the requisite responsibilities. Access to sensitive areas should be reviewed to ensure that employees 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 information systems disabled in a timely manner.

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

- We reviewed LINK access for ten employees who were hired between July 1, 2010, and June 30, 2013. For two employees, the user group identified in LINK differed from the user group identified on the DCF-2116 Network/Security Change Request Form. In addition, for one employee, a user group was not identified on the DCF-2116 Form.

- We reviewed LINK access for ten employees who were terminated between July 1, 2010, and June 30, 2013. We found that LINK access was not deactivated in a timely manner for four employees. Deactivation ranged between 25 and 160 days after termination. In addition, we could not locate a DCF-2116 for one employee.

- The department does not clearly define user groups and security groups. Consequently, we could not determine whether LINK 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 about the level of access that they are approving.

- Inadequate segregation of duties exists within certain levels of LINK. Testing disclosed that three users have the ability to create and approve providers, as well as request and approve payments to the providers.

Effect: Potential exists that supervisors may approve LINK access that is not necessary for performing the user's job responsibilities and that appropriate segregation of duties is lacking. Supervisors and managers may not be fully knowledgeable of the access that they are granting, as the levels of access are not properly documented. The risk of unauthorized access to the LINK system is increased when prompt deactivation of user accounts does not take place.

Cause: User group levels are assigned based on the access level that supervisors and managers deem to be required and that is generally the same as access granted to other personnel in similar positions. The department does not have procedures in place to regularly reassess the levels of access granted. In addition, internal controls over the prompt deactivation of LINK access are lacking.

Recommendation: The Department of Children and Families should strengthen its controls to ensure that user groups within the LINK system are clearly defined to enable those responsible for approving LINK access to make certain that appropriate access levels are granted. The department should periodically reassess LINK access to ensure that the access granted is still appropriate for current job responsibilities. DCF should ensure that a proper segregation of duties exists between those employees who have the ability to create and approve providers, and those who have the ability to request and approve payments to those providers. The department should strengthen controls to ensure that LINK access is deactivated in a timely manner upon separation. DCF-2116 forms should be completed in full and easily accessible for review. (See Recommendation 5.)

Agency Response: "The department agrees with this finding.

The Child Welfare Accounting Unit will work in collaboration with the Information Systems Division and the Human Resources

Division to strengthen internal controls and ensure segregation of duties regarding LINK activity."

Outdated Business Continuity Plan

Background: The department's business continuity plan (BCP) is intended to minimize service disruption and the negative impact on services to children and families as a result of potential disasters. The execution of the plan facilitates the continuation of vital processes and the eventual orderly resumption to normal DCF operations.

Criteria: DCF policies and procedures require an annual review and update of the BCP. Each team leader is to keep a current copy of the BCP, including the personnel contact information, at home and at the office.

Condition: Our review disclosed that the department does not adequately update and review the BCP. The current copy of the BCP has not been certified and updated since March 26, 2012.

Effect: The department may not be adequately prepared for disaster recovery. Department personnel may not have a thorough understanding of the recovery plan and process because it is outdated and does not accurately reflect the current status of the agency.

Cause: The department has shifted responsibility for the plan to several employees during the past several years.

Recommendation: The Department of Children and Families should improve internal controls over its business continuity plan to ensure that it is updated regularly and reflects the current conditions of the agency. (See Recommendation 6.)

Agency Response: "The department agrees with this finding in part.

Each area office and facility maintains its own BCP and these are updated regularly. The Central Office BCP is out of date."

Lack of a Records Management Liaison Officer (RMLO)

Background: The Connecticut State Library serves as a library for all state agencies. The library offers a wide variety of reference services; collects and permanently maintains a collection of agency publications; serves as the official state archive for public records of enduring historical value; develops and enforces agency record retention schedules; and provides storage for agency records.

Criteria: Pursuant to Section 11-8a subsection (f) of the General Statutes, each state agency must appoint a records management liaison officer (RMLO) to coordinate records management activities for the agency and to serve as a liaison with the Office of the Public Records Administrator. The office will not approve agency retention schedules, disposal requests, or record transfers if the agency does not have a designated RMLO.

Condition: DCF has five records management liaisons: two at the central office, one at CJTS, one at Solnit North, and one at Solnit South. Our review disclosed that the department had not appointed a records management liaison to replace a central office employee who had not served in that function since 2012. In addition, the state library RMLO list had not been updated to remove separated and transferred employees at the facilities. Current RMLOs are not included on the list.

Effect: The department is not in compliance with Section 11-8a subsection (f) of the General Statutes.

Cause: Responsibility for notifying the Office of the Public Records Administrator of changes in RMLO designations had not been assigned.

Recommendation: The Department of Children and Families should designate a records management liaison and update the RMLO list with the state library's Office of the Public Records Administrator. (See Recommendation 7.)

Agency Response: "The department agrees with this finding.

To ensure future compliance, the agency will maintain scanned copies of the Records Management Liaison Officer Designation, Form RC-078. This information will be kept by the Central Business Office (CBO) and the CBO will submit all future additions and deletions to the Office of the Public Records Administrator."

FOSTER CARE/ADOPTION ASSISTANCE

Criminal Background Checks/Unsupported Payments

Background: Section 17a-17 of the General Statutes permits the commissioner of Children and Families to make direct payments for reasonable expenses necessary for the care and maintenance of children in the commissioner's custody. 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 statewide automated child welfare information system referred to as LINK. 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 record 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 service be documented as received.

Condition: The department made payments totaling $302,809,716, $299,869,005 and $284,925,782 from its board and care checking account during the fiscal years ended June 30, 2011, 2012, and 2013, respectively. These amounts 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 390 transactions totaling $561,532 from the payments noted above to test internal controls and compliance with state laws and regulations. The results of our review identified the following exceptions:

- We were unable to determine whether the department performed criminal record checks for six transactions because the department could not locate the provider file.

- Sixteen payments, totaling $18,789, were not adequately supported and/or there was no evidence that services were received.

Effect: The department has decreased 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 actually provided and/or received.

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

Recommendation: The Department of Children and Families should improve its administrative controls relative to the custody and control of provider records and should strengthen internal controls to ensure that payments are adequately supported. (See Recommendation 8.)

Agency Response: "The department agrees with this finding.

The department has already begun efforts to work with the regional offices and providers to strengthen their internal control in entering timely and accurate placements and payments into the department's LINK system. The department has created a check and balance system to ensure that provider records are obtainable and that all criminal background checks are conducted and filed in the appropriate record."

Licensing

Background: The department is responsible for the licensing and re-licensing of foster and adoptive families, including the homes of relatives 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, a non-relative, if such child's sibling is also placed with such caregiver or with a special study foster parent, when such placement is in the best interest of the child. Any such relative, non-relative or special study foster parent who accepts placement of a child shall be subject to licensure by the commissioner.

DCF Policy 41-17-15.3 allows a child to be placed with a relative who is not licensed for a period up to 90 days when such placement is in the best interest of the child. Within the ninety-day time period, a more detailed and thorough assessment to approve licensure must be completed.

The department 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. Renewal forms must be submitted and approved prior to the license renewal effective date.

Condition: As a follow-up to our prior audit recommendation, we reviewed initial relative foster care provider licenses and foster care license renewals that occurred between January 1, 2013 and June 30, 2013. There were 134 relative foster care providers initially licensed and 69 licenses renewed during this period.

Our review of relative foster care providers initially licensed disclosed that 66 of the 134 relative foster care providers, who cared for 94 children, were not licensed within 90 days of receiving placement of the child. The number of days exceeding the 90 day limit ranged from one to 154 days.

Our review of foster care provider license renewals disclosed that four of the 19 licenses reviewed were approved by the social work supervisor and/or program supervisor after the effective date of the license. Renewal documentation for three of the four licenses was submitted late by the social worker. In addition, four provider files could not be located by the Manchester area office; therefore, we could not determine whether license renewals were approved prior to the effective date.

Effect: Children placed with relatives by the department were allowed to remain in unlicensed homes longer than allowed by policy. Therefore, there is potential that children may remain in inappropriate homes.

The department has less assurance that license renewals are appropriate if responsible supervisory program staff are not reviewing the information timely and maintaining provider files.

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: The Department of Children and Families should implement procedures to ensure that relative foster families are licensed as required by current DCF policy and establish internal controls to ensure that appropriate license renewal documentation is submitted for approval in a timely fashion and retained for review. (See Recommendation 9.)

Agency Response: "The department agrees with this finding.

Section 17a-114 of the General Statutes was amended in December of 2012 to eliminate the reference to a specific time-frame for the licensure of relative foster parents. During this same time period, it was determined that 150 days to license relative homes better reflected the amount of time needed to accomplish this. The department will complete and publish policy to mirror this practice."

Revenue Maximization

Background: The department utilizes the services of Child Placing Agencies (CPAs) that offer special-rate foster care services to DCF clients on a child-specific basis. The CPAs and the department enter into individual contracts for each child based on the child's specific needs. The contracts outline the individual services to be received by the child. The child-specific per diem rates for these services consist of both allowable and unallowable services claimable under the Foster Care Program.

Criteria Funds may be expended for foster care maintenance payments on behalf of eligible children. Title 42 United States Code (USC) Section 675(4)(A) defines the term "foster care maintenance payments" as payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation.

Title 45 Code of Federal Regulations (CFR) Section 1356.60(c) states that funds may be expended for costs directly related to the administration of the program that are necessary for the proper and efficient administration of the Title IV-E Plan. Title 45 CFR Section 1356.60(c)(3) states that allowable administrative costs do not include the costs of social services provided to the child, the child's family or foster family which provide counseling or treatment to ameliorate or remedy personal problems, behaviors or home conditions.

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. (Department Uniform Policy Manual, Section 16-2)

Condition: Our review disclosed that the Revenue Enhancement Division is not performing an analysis of all components of certain child-specific per diem rates prior to claiming for federal reimbursement. For claiming purposes, the department reduces the claim by 20 percent for two providers to compensate for unallowable activities and prior audit findings. However, we reported in a prior audit that using this method resulted in DCF under-claiming expenditures by $160,137, forgoing $89,997 in federal reimbursement. In addition, currently, there are over 20 providers performing the same services for the department whose rates are not being reviewed to determine whether they are allowable. In response to our prior audit finding, the department stated that it would develop and implement a plan to individually calculate the reimbursable expenditures to maximize revenues. However, our testing disclosed that the department had not done so as of the audited period.

Effect: Because the state agency's per diem rates used for purposes of federal reimbursement did not distinguish between services that were eligible or ineligible for Title IV-E reimbursement, the lack of review of all child-specific rates lessens the department's assurance that amounts claimed for federal reimbursement are correct. The department may be forgoing federal reimbursement.

Cause: The department's claiming process was not adequately designed to accurately identify costs of allowable and unallowable services included in certain per diem rates. DCF has not implemented alternate procedures to ensure that federal reimbursement is maximized.

Recommendation: The Department of Children and Families should develop procedures to calculate actual allowable costs to ensure that revenue is maximized and that all amounts claimed for reimbursement are adequately supported. Claims for federal reimbursement should be based on the contract's actual percentage of allowable reimbursable costs. (See Recommendation 10.)

Agency Response: "The department agrees with this finding.

We continue our review of child-specific rates with the goal of including all potential allowable expenditures within our Title IV-E claim."

Failure to Expend Funds from Dedicated Accounts

Background: DCF maintains separate trust accounts for children in its 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 comingled with other funds and be paid directly into a separate dedicated account because they may only be used for certain expenses primarily related to the child's disability. In our prior audit, we found that DCF was not utilizing dedicated accounts to purchase goods or services related to the child's impairment. The funds in the accounts essentially remained idle and were returned to the child after the child had left DCF's care.

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: As a result of our prior audit finding, the department is currently using funds in the dedicated account for therapeutic care for children. However, there may be other services that the child's social worker may be aware of that would benefit the child. Furthermore, we found that there are numerous other expenses that are currently charged to the department's Wraparound Funds Account that could appropriately be paid out of the child's dedicated account. DCF uses the Wraparound Funds Account to provide services to children and their families not covered under traditional contracted services. As of June 30, 2013, the balance in the dedicated account was $233,470.

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: DCF administrative procedures do not adequately address the management 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: The Department of Children and Families should implement procedures to ensure that resources in the dedicated account are used for all expenses related to the impairment of the child. DCF should communicate the existence of dedicated accounts to the children's social workers. (See Recommendation 11.)

Agency Response: "The department agrees with this finding.

The agency will solicit help from the Area Office Social Security Liaisons, in addition to the social workers (SWs) with the notification process of the available funds in the child's dedicated account.

The Social Security Administration requires specific information concerning the review of the agency's use of dedicated funds for Therapeutic Foster Care (TFC); before dedicated funds can be used, the agency must now provide specific reasons why or how the services provided benefited the disability of the child. The agency plans on extending this process to allow for the use of dedicated funds as the funds get deposited to the dedicated account."

Internal Controls over the Use of Debit Cards

Background: The Department of Children and Families issues debit cards through the board and care checking account to enable social workers and others to purchase items necessary for the well-being of children. The department has established written procedures which provide the information necessary to request, distribute, and control the debit cards. The procedures indicate that the department has blocked the ability to use the card to buy tobacco and liquor. Certain merchant category codes block access to various merchants including package stores and tobacco stores. However, we noted that items such as tobacco and alcohol can be purchased at a merchant with an approved merchant code, such as a grocery store. DCF procedures do not require that the purchaser provide a sales receipt to document the items purchased. Debit card purchases totaled $2,664,139.91 for fiscal years 2011, 2012, and 2013.

Criteria:

The department's procedures provide as follows:

- The Child Welfare Unit is responsible for monitoring transaction reports to ensure that debit cards were used for the appropriate purpose.

- Assigned employees in each area office are responsible for maintaining a debit card log to record cards that are distributed to the social workers. All debit cards should be accounted for in the log and should include the required information noted in the procedures.

- All undistributed debit cards must be stored in a locked safe with limited access to employees. Debit cards cannot be maintained in separate locations.

In addition, in order to claim a payment for federal reimbursement, the service code must be designated in LINK as reimbursable, and the child must be eligible.

Condition:

We reviewed 15 debit card payments, five from each of the fiscal years ended June 30, 2011, 2012 and 2013. Our review disclosed the following:

- None of the transactions had supporting receipts. Through inquiry of department personnel, we determined that the department does not require the submission of receipts for debit card transactions.

- We reviewed debit card logs at three area offices. Two of the area offices failed to maintain complete logs. Required information per DCF procedures was not recorded in the log for each card. The third area office did not maintain a debit card log because it felt that it would be redundant to record data that was entered into the Sharepoint system when that information was readily accessible by the area office and the central office.

- We noted that two of three area offices reviewed do not store undistributed debit cards in a locked safe. The Hartford area office stores undistributed debit cards in a locked desk drawer with limited access, while the Manchester area office allows managers to keep the undistributed debit cards in their offices. Office doors have locks, but remain open throughout the day.

- Allowable purchases for eligible children are not claimed for federal reimbursement due, in part, to insufficient purchase data collection.

Effect: There is no assurance that debit cards were used for their intended purpose. Debit card logs do not provide information on the intended use of the card and the child the purchase would benefit. The department is not maximizing revenue when it does not claim allowable debit card expenditures for federal reimbursement under Title IV-E.

Cause: Receipts and supporting documentation for debit card expenditures are not obtained by the agency. Agency personnel do not record detailed information in the debit card log prior to disbursement. Insufficient purchase data prior to the purchase prevent the department from claiming federal reimbursement for allowable purchases.

Recommendation: The Department of Children and Families should develop and implement controls to ensure that debit card expenditures were made for the purpose for which they were intended. Detailed transaction data should be entered and maintained in the debit card logs prior to card disbursement, and debit cards should be kept in a locked safe with limited access in accordance with written procedures. DCF should also develop procedures to ensure that all allowable expenditures are claimed for Title IV-E eligible children. (See Recommendation 12.)

Agency Response: "The department agrees with this finding in part.

The department agrees that detailed transaction data should be entered into the debit card logs prior to card disbursement, and the debit cards should be kept in a locked safe with limited access in accordance with written procedures. The department would like to note that although it is good practice to secure and control the debit cards prior to activation, they have no value and are unable to be used for purchases prior to activation, similar to gift cards purchased in a store, before the funds are loaded on it at the store's register.

The department believes having the ability to have receipts for all purchases on file would be beneficial, but it is highly unlikely the department would be able to gain compliance from clients. The current debit card system allows the department to designate a group of vendors that sell the authorized merchandise and limit purchases to just those vendors. It does not allow us to control the commodity group purchased at an approved vendor. It is the practice of the case managers to ask to see the purchases made with the debit card during the monthly home visit. The state is working with a new vendor, and DCF will ask for the ability to restrict commodities within the vendor's approved commodity list.

The only other method the department could employ to achieve full compliance would be to assign a social work case aide to accompany the clients on the shopping trips, retrieve the receipt, and document the expenditures within LINK for potential reimbursement. In SFY14 DCF issued approximately 7,500. A shopping trip on average would take approximately three hours of staff time, allowing for the family to be picked up, shop and returned to their home. A social worker case aide earns on average $23.88 per hour, for a total of $71.64 per shopping trip in staff labor costs. The payroll expense for 7,500 trips annually would total $537,300. During the three years audited, DCF spent $2,664,139.91 or on average $888,046 annually, or on average $118.40 per debit card. DCF's normal reimbursement penetration rate is 40%, representing potential revenue of $355,218 annually. The cost of providing the staffing to ensure the source documents are available for claiming exceeds the potential reimbursement. Additionally, considering the cost of $71.64 for staffing for each shopping trip to safeguard $118.40 in average purchases, makes staff accompanying families not a cost beneficial solution."

Internal Controls over Wraparound Funds

Background:

Section 36-100 of the DCF Policy Manual states that wraparound funds (wrap) 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. Wrap fund expenditures during the audited period totaled $74,136,391.

The department implemented a web-based proposal system that was introduced in 2012, tested in several area offices, and gradually implemented in other area offices. Social workers enter their requests, or proposals, for wrap funds on-line; supervisory approvals authorizing the expenditure are entered on-line. In addition, the department hired six regional grants and contracts specialists to provide assistance to social workers for wraparound fund requests and to review problems that arise.

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 supports that services were received.

Condition:

Our review of 24 wraparound payments totaling $256,774.71 selected from three area offices and the central office during the fiscal years ended June 30, 2011, 2012, and 2013, disclosed numerous deficiencies. The exceptions noted were as follows:

- Two case files could not be located by the department. As a result, the exceptions noted below relate only to 22 payments.
- We could not determine whether the services were authorized prior to their commencement or whether payments were made within the authorized amounts because the proposals could not be located in 12 out of 22 instances.
- Payments were made for services that were not authorized prior to the commencement of services in eight out of ten instances. In addition, in two instances the proposals were not authorized.
- In one instance, the total payments exceeded the amount authorized by the department.

- In one instance, the total dollar amount requested and the service dates were not provided on the proposal.

- In ten out of 22 instances, payments were not supported by provider invoices.

- In seven out of 12 instances, payments did not have adequate documentation to support that the services were received.

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

Cause: Although DCF expended a great deal of effort to improve internal controls over wraparound funds, new procedures were not consistently implemented during the audited period.

Recommendation: The Department of Children and Families should improve its internal controls over the administration of wraparound funds. (See Recommendation 13.)

Agency Response: "The department agrees with this finding.

The oversight for credentialed services, which are a subset of wraparound funded services, has moved to contract management, and Grants and Contracts Specialists were put in place in all regions during SFY 14. This has greatly increased the capacity to provide training in the area offices on use of the wrap proposals. The Grants and Contracts Specialists also review invoices and service plans to see that wraparound funds are the appropriate source of payment."

FINANCIAL SYSTEMS

Internal Controls over Property Control and Reporting

Background: The DCF central office and three facilities maintained their own inventory records and prepared separate Asset Management/Inventory Report/GAAP Reporting Forms (CO-59) during the audited period. Operations at a fourth facility, High Meadows, were discontinued in fiscal year 2010.

Criteria: State agencies annually report the value of all property owned by them to the State Comptroller on the CO-59 form. 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 that 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 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, accounting for current year additions and 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 Services Property Distribution Center.

Agencies that have items of fine art (paintings, statues, and sculptures, etc.) must maintain a separate inventory account for each item regardless of cost or value. The inventory record must contain the minimum data specified in the State Property Control Manual. Items with a cost of $1,000 or more should be included on the CO-59. In addition, the cost of art work that is an integral part of a state building should be reported on the CO-59 under fine art and should not be included as part of the cost of the building.

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 according to the State Property Control Manual and State Accounting Manual.

Sound internal control over state property requires that an agency develop procedures for disposal of assets; such procedures should include appropriate internal departmental approvals.

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

Central Office

- Operations at the High Meadows facility were discontinued in fiscal year 2010. Some equipment and fine art were transferred to other facilities and offices. The department neglected to report the High Meadows land, buildings, and remaining equipment on a CO-59 in fiscal years 2011, 2012, and 2013. The fiscal year 2010 CO-59 reported total assets of $4,620,735 for High Meadows.

- The department could not provide a detailed listing of licensed software to support the amount reported on the CO-59 for the fiscal years ended June 30, 2012 and 2013.

- During our review, we noted the following exceptions related to the recording and reporting of art work maintained by the department:

  - The department does not maintain a separate inventory account for items of fine art as required by the State Property Control Manual.

  - We were unable to determine the location of a piece of fine art that had been transferred from the High Meadows facility. As a result of our inquiries, the department determined that during the renovation of the Pueblo Unit at Solnit South, the artwork, which appears to have been a wall hanging, was mistaken as having no value and discarded as trash. In addition, the department is unable to account for a remaining balance of $535 under the fine art category.

  - The State Bond Commission allocated funds for art work during the construction of CJTS. The cost of the art, $315,000, was not recorded separately on the CO-59, nor was the art work maintained in a separate inventory account.

- Our review disclosed an inadequate segregation of duties in the property control area. The same employee was responsible for adding an item to the inventory, tagging equipment, completing the annual physical inventory, and disposing of equipment. In addition, we noted that employees circumvented assigned Core-CT roles by entering their password into Core-CT to allow the upload of Core reports.

- The department does not require that documentation be submitted when an item is moved to a different location. We found six items in locations that differed from the Core-CT report.

- The department does not have procedures in place regarding the disposal of equipment. Authorized signatures are not required to dispose of an item.

- The agency could not provide a detailed listing of items added and deleted under the stores and supplies category on the CO-59 for fiscal years 2011, 2012, and 2013.

CJTS

- Our review of asset management and reporting at the Connecticut Juvenile Training School for the fiscal years ended June 30, 2011, 2012 and 2013 found that capitalized equipment was not coded to the proper accounts. As a consequence, we performed a review of all account codes and identified two miscoded capitalized equipment items that had not been added to the inventory. In addition, we found that the facility purchased both non-capital items and 18 capital items in the amount of $56,430. The entire purchase was recorded and tagged as one capital item. Inventory was overstated by $29,700.

- CJTS did not include food inventory in the amount reported on the CO-59 under the stores and supplies category in fiscal years 2011, 2012, and 2013.

- The facility reported $1,500,000 for state-owned software on the CO-59 reports for the fiscal years ended June 30, 2011, 2012, and 2013 that were not supported by subsidiary records.

- We found unreconciled differences on the CO-59s for the fiscal years 2011, 2012, and 2013.

Solnit Center South

- Building repairs totaling $600,862 were capitalized and reported on the CO-59 as building improvements.

Solnit Center North

- Our review disclosed an inadequate segregation of duties in the property control area.
- The facility failed to include food inventory on the CO-59 under the stores and supplies category in fiscal years 2011, 2012, and 2013.

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: The Department of Children and Families should improve internal controls over its property control and reporting systems. The department should ensure that the licensed software inventory is up-to-date and prepare a detailed inventory listing of the fine art. (See Recommendation 14.)

Agency Response: "The department agrees with this finding.

Fine art was improperly disposed of, and the department will ensure that all inventory and disposal of assets will be accounted for in the future.

In respect to software inventory, as part of the new Agency Help Desk system, the department purchased a new software system called Footprints – Asset Core. This program can scan each agency computer to determine what software has been installed. Information Systems (IS) can then generate a report and cross reference it against the licenses that were purchased to ensure compliance.

Over the next three years, the department is implementing a new desktop computing model known as Virtual Desktop Infrastructure (VDI). This system will maintain a centralized control of software, distributing it to specific users. This will allow IS and the Central Office business office to identify software licenses assigned to specific users.

The department has defined appropriate roles for its employees to ensure compliance with Core-CT asset management functions, resulting in adherence to segregation of duties."

Internal Controls over Fiduciary Funds

Background: DCF administers numerous 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 are also maintained at each of the department's three 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 intact 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.

- 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.

- Approval of the State Comptroller Fiscal Policy Division must be obtained for any single expenditure from the trustee account in excess of $1,000.

- 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.

- Monthly bank account reconciliations will be prepared. Sound internal control dictates that the responsibility for preparing and approving bank account reconciliations should be segregated from those for other cash receipt or disbursement functions. Bank statements and canceled checks should be delivered directly in unopened envelopes to the employee responsible for bank reconciliations.

- 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.

- In general, gifts to organizations from a trustee fund are prohibited. However, if a fundraiser event is held, the net profits of the proceeds may be donated to a charitable organization.

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

- We found that receipts from various funds and accounts were deposited late as follows:

  - Our Kids Fund: Sources of receipts for this fund include profits from vending machines, donations from individuals and business, and fundraisers. From a sample of 15 deposits, we verified that two deposits were three days late. In addition, there was strong evidence that seven receipts were deposited significantly later than required, as the deposit dates were as much as 70, 80, or 100 days later than the check dates. We could not verify the dates these funds were received, as most of the area offices collecting donations for the Our Kids Fund did not maintain cash receipts journals recording the date, amount, and source of funds received.

  - Children's Trust Fund: From a sample of 32 checks, we found that 24 were deposited between 5 and more than 90 days late.

- The department does not have policy statements identifying the types of purchases authorized and not authorized for the various trustee accounts.

- Two payments were not substantiated by vendor invoices or by receipts from individuals.

- We reviewed disbursements from the Donation Fund and the Trustee Fund of the Connecticut Juvenile Training School and noted exceptions as follows:

  - We found two expenditures that were inappropriately paid from these accounts. Employee training was paid from the CJTS Trustee Account; this expenditure should have been the responsibility of the department. In addition, a donation in the amount of $683.75 was made to a charitable organization; however, we found no evidence that a fundraiser was held.

  - The department did not obtain the approval of the State Comptroller for an expenditure that exceeded $1,000.

- We reviewed the department's Our Kids Fund, which is used to purchase items a child needs that cannot be purchased by other means. Such purchases include supplies and decorations for holiday parties, gifts for birthdays, Christmas, or graduations, or to enroll children in special activities. Gifts for older children are primarily in the form of gift cards. Our review disclosed that the department does not have written procedures in place, including procedures to track the purchase and distribution of gift cards. We noted the following exceptions:

  - We found two instances in fiscal year 2013 in which there was no support that the gift cards were received by the intended recipient.

  - Five gift cards were transferred between area offices; the department only documented three in the ledger.

  - An online purchase was unnecessarily shipped overnight at a cost of $190.66. For this purchase of $1,057.29, the agency was only able to provide part of the receipt documenting $103.75.

  - We found two instances in which sales tax was paid on purchases.

- We found one instance in which an electronic funds transfer was accounted for in the general ledger 71 days after the transfer was made. In addition, in 12 instances, we could not determine whether receipts were accounted for within 24 hours, as the area offices did not maintain receipts logs.

- Our review of fiduciary fund financial statements disclosed that financial statements were either not prepared for some of the trustee funds or were not adequately supported.

  - The financial statements for the CJTS Donation, Resident, and Trustee Funds were not adequately supported by the facility's accounting records. In addition, on the Donation Fund balance sheets for fiscal years ended June 30, 2011, 2012, and 2013, the facility reported two properties that were donated to the state. These properties should be reported on state records rather than on the trustee account balance sheet. Furthermore, the properties were reported at their current assessed value ($230,040) rather than the fair market value at the time of the donation.

  - The Children's Trust Fund has three separate accounts. It appears that the department has never prepared financial statements for the accounts within this fund.

- Our review of the Children's Trust Fund also disclosed the following exceptions:

  - The checking account is reconciled monthly, but the reconciliation is not prepared properly. The dedicated and escrow accounts have not been reconciled.

  - Cash receipts and disbursements journals are not maintained for the dedicated and escrow accounts.

  - Subsidiary ledgers are not maintained for each child.

  - There is a lack of segregation of duties; the checking account, escrow account, and dedicated account bank statements are mailed directly to the employee responsible for deposits and disbursements.

Effect: DCF has less assurance that funds are being properly used and transacted in accordance with state accounting policies and procedures. The lack of policy statements for the CJTS fiduciary funds has led to confusion regarding which funds to use when requisitions are submitted. During our testing of petty cash expenditures, we noted that petty cash funds were used for expenditures that should have been paid out of the fiduciary funds.

Cause: Internal controls over these funds were inadequate.

Recommendation: The Department of Children and Families should improve its internal controls over fiduciary funds. (See Recommendation 15.)

Agency Response: "The department agrees with this finding.

The finding as it relates to a donation in the amount on $683.75 made by the CJTS business office to a charitable organization should have been properly documented. All cash receipts (CO-99) should have reflected the fundraiser by name, and a flyer should have been included as back-up as proof that the event occurred.

The finding as it relates to employee training being paid from the CJTS Trustee Account should not have been paid from the Trustee Account, and the department will correct this transaction.

The finding as it relates to the overnight delivery charge of $190.66 was processed by the New Britain area office, and the holiday merchandise should have been planned and ordered in a timely manner.

The department has developed a draft policy as it relates to the Our Kids Fund, establishing appropriate protocols and procedures."

Internal Controls over Petty Cash Funds

Background: The DCF petty cash balance was $49,075 as of June 30, 2013. 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 provides policies and procedures state agencies should use for administering petty cash funds.

Internal control procedures identified in the manual include the following:

- Petty cash funds are intended to facilitate agency purchases of small, but necessary, operating items not to exceed $50, except for emergencies or specific exceptions granted by the State Comptroller.

- 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.

- Checking account bank statements should be reconciled monthly by a person other than the petty cash fund custodian.

Condition: We reviewed the petty cash accounts at four area offices, the central office, the Revenue Enhancement Unit, Solnit Center North, Solnit Center South, and the Connecticut Juvenile Training School. Our review noted the following:

Area offices and Central Office

- Manchester:

  - ➢ The petty cash box could not be reconciled to the ledgers because transactions were not entered into the ledger on the date cash was disbursed or reimbursements were received. Transactions for several months were entered at one time in random order; therefore, an accurate balance could not be determined.

  - ➢ The annual petty cash reports for April 30, 2011, 2012, and 2013 could not be traced to the petty cash ledger.

  - ➢ Monthly reconciliation reports were not prepared for fiscal year 2013. The reconciliation reports for fiscal year 2011 were prepared by the petty cash custodian.

  - ➢ Supporting documentation for two petty cash transactions totaling $27.50 could not be located.

- Meriden:

  - ➢ Monthly reconciliation reports are prepared by the petty cash custodian.

  - ➢ Supporting documentation for two petty cash transactions totaling $20.32 could not be located.

- Hartford:

  - ➢ The petty cash ledger for July 1, 2010 through December 31, 2010, could not be located for review.

  - ➢ It appeared that the petty cash box was $75.68 short. However, we could not confirm that the box was actually short because the petty cash ledger contained multiple errors. The central office was in the process of performing an audit of petty cash at that office.

  - ➢ The annual petty cash reports for April 30, 2011 and 2012 could not be traced to the petty cash ledger.

  - ➢ Monthly reconciliation reports are prepared by the petty cash custodian.

  - ➢ Supporting documentation for 9 transactions totaling $595.41 could not be located.

- New Britain:

  - ➢ Monthly reconciliation reports are prepared by the petty cash custodian.

  - ➢ The annual petty cash report for April 30, 2013 was not accurately reported. Expenditures claimed for reimbursement were excluded from the report, and expenditures to be entered into the LINK system were erroneously included in the report. We also noted that the annual petty cash report for April 30, 2011 was not accurately reported.

- Central Office – Child Welfare Accounting:

- Monthly reconciliation reports are prepared by the petty cash custodian.

- Central Office – Administrative Petty Cash:

  - Supporting documentation for one transaction in the amount of $92.16 could not be located.

CJTS

- In fiscal years 2011, 2012, and 2013, we noted seven instances in which petty cash funds were not properly used. Expenditures tested were not necessary operating expenses and appear to be more appropriately paid out of a fiduciary account.

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: The Department of Children and Families should improve its internal controls over petty cash funds and ensure compliance with procedures promulgated by the Office of the State Comptroller. (See Recommendation 16.)

Agency Response: "The department agrees with this finding.

The agency is in the process of updating the petty cash procedures for distribution to the area offices. These procedures will define petty cash roles and segregation of duties. In addition, procedures are being introduced that would lead to greater accountability of the Petty Cash Fund by the area offices; for example, counting and verification of the cash on hand by two individuals on a monthly basis, and the verification of the paid vouchers against the detail of the check stubs which contain all information used to process the check and the filing of all related paperwork.

Hartford and Manchester's petty cash accounts have been reconciled; updated ledgers are currently being used by both offices. The agency will introduce the updated ledgers to all area offices effective July 1, 2015."

Administration of 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 DCF clients. The department notifies its service providers when bond funds become available and provides them with a bond fund application.

In addition, the department receives pass-through grants from the Office of Policy and Management for specific projects approved by the State Bond Commission as a result of requests by legislators on behalf of their constituents. DCF administers these funds in the same manner as applications approved through DCF procedures.

Criteria: Sound administration of pass-through grants requires that an agency audit completed projects to ensure that the bond funds were spent in accordance with the terms of the funding approval.

Condition: Our review of eight grant projects by five providers disclosed that four projects did not have project audit reviews performed upon completion.

Effect: Completed projects may not be in compliance with approved plans and specifications.

Cause: Completed projects are audited as time and weather permits. The department does not have procedures in place to ensure that project audits are performed in a timely manner.

Recommendation: The Department of Children and Families should implement procedures to ensure that audits of completed projects are performed in a timely manner. (See Recommendation 17.)

Agency Response: "The Department agrees with this finding.

Although it is the practice of the Department to perform site visits at various stages of project completion, there were projects during the audit period that were not inspected in a timely manner. This condition was caused by weather related issues and staffing shortages. The Department will emphasize the need to complete inspections in a timely manner in the future to ensure compliance."

State Vehicle Usage

Background: The Department of Children and Families is assigned a fleet of state vehicles for use by department employees, including social workers and various other employees. Such uses may include home visits, transportation of children and youth, attendance at meetings with community providers, attendance at court proceedings, and other department business. It should be noted that transportation of children and youth must be provided in a state vehicle. DCF reduced its fleet in 2012, and it currently consists of more than 700 vehicles.

The department has an unwritten policy which requires that all employees use a state vehicle rather than a personal vehicle when conducting state business. The unwritten policy also requires that employees check with all units/supervisors in the area office for available vehicles prior to using a personal vehicle and receiving mileage reimbursement.

Criteria: The Department of Administrative Services (DAS) General Letter 115, *Policy for Motor Vehicles Used for State Business*, states, in part, that agency heads are responsible for the following: enforcing the DAS policy at their agency; determining the agency's vehicle needs; ensuring the efficient and cost-effective use of state-owned vehicles consistent with their agency's mission; and serving as, or designating, an agency transportation administrator for their agency. The transportation administrator is responsible for, among other things, authorizing reimbursements to agency employees for the use of personally-owned vehicles on state business and maintaining records related to the usage of state-owned vehicles, including daily mileage logs.

Condition: We performed a review of the department's state vehicle usage to determine whether the number of vehicles in the DCF fleet was in excess of what is needed for agency operations. In addition, we reviewed claims for mileage reimbursement to determine whether state vehicles were available for employees claiming mileage reimbursement. We summarized the monthly usage reports for all vehicles assigned to two DCF area offices during the months of March and May, 2014. We concluded as follows:

- It appears there is not a sufficient need for the number of vehicles assigned to DCF. For one area office, only 36% of the vehicles were used more than 75% of the time in March, and only 22% of the vehicles were used more than 75% of the time in May. For the second area office, 51% of the vehicles were used more than 75% of the time in March, and 37% of the vehicles were used more than 75% of the time in May.

- Employees are not exhausting all resources to obtain a state vehicle prior to using their personal vehicle. The employees tested submitted and received mileage reimbursement for use of their personally-owned vehicle when a state vehicle was available in that area office.

- We noted that employees are not completing the monthly usage reports completely and legibly. In several instances, the monthly usage report was not on file.

Effect: The state is incurring a high cost for vehicles that are not needed by DCF. In addition, the state is paying unnecessary expenses for mileage reimbursement to employees who use a personally-owned vehicle rather than an available state vehicle.

Cause: DCF reduced its state vehicle fleet by approximately 100 vehicles in 2012. It has not performed an extensive evaluation of state vehicle usage to determine whether further reductions should be made. In addition, each area office is responsible for tracking the state vehicles assigned to it. In some cases, the area offices assign vehicles to units or supervisors, and employees in those units do not check with other units to determine whether a state car is available before using their personal vehicle. The department has not developed a method for the area office to make that determination, and, therefore, the employees have been receiving mileage reimbursement for use of their personal vehicle.

Recommendation: The Department of Children and Families should reduce the size of its fleet to ensure the efficient and cost-effective use of state-owned vehicles. Furthermore, the department should develop uniform procedures that would enable the area offices and facilities to assign and track the use of state vehicles. Such procedures would enable the department to determine whether a state vehicle was available for use by an employee submitting a claim for mileage reimbursement. (See Recommendation 18.)

Agency Response: "The department agrees with this finding.

The Fiscal Services/IS Divisions are in the process of implementing a pilot program with several area offices and the Central Office which will schedule and track vehicle activity. This new software will enable staff to determine if a vehicle is available, allow them to reserve a vehicle, track vehicle activity and generate monthly mileage reports. Once this software is implemented agency-wide, Fiscal Services will be able to determine and analyze the overall fleet utilization and take appropriate action if necessary. In addition, a reminder was sent out to all DCF staff that they must use a state vehicle to conduct state business, and employee mileage reimbursements are only being processed if the employee has attached the appropriate documentation (form/e-mail) which states that a state vehicle was not available on that day/time."

Preparation of Statutorily Required Reports

Criteria: Section 17a-63 of the General Statutes requires that the Commissioner of the Department of Children and Families submit an annual report to the General Assembly having cognizance of matters relating to children regarding internal departmental and administrative case reviews.

Section 17a-32a of the General Statutes requires that the facilities that come under the jurisdiction of the Department of Children and Families shall submit an annual report to the State Advisory Council on Children and Families and to their respective advisory groups (Solnit North, Solnit South, the Connecticut Juvenile Training School (CJTS), and the Wilderness School).

Condition: We could not verify that the department submitted statutorily required reports in accordance with laws and regulations. Transmittal letters were not maintained, and reports could not be located. However, we were able to verify that CJTS submitted reports to the State Advisory Council for all years in the audited period.

Effect: The intended recipients of the reports are not able to evaluate the required information.

Cause: One person is not assigned to monitor reporting requirements and transmittal letters are not maintained.

Recommendation: The Department of Children and Families should strengthen internal controls to ensure that reports are prepared and submitted in accordance with General Statutes. (See Recommendation 19.)

Agency Response: "The department agrees with this finding.

The DCF Legislative Program Manager maintains a list of all statutorily required reports; however, this individual is not assigned the task of monitoring the reporting requirements or maintaining transmittal letters to ensure agency compliance."

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: The department submits financial statements on funds it administers in a trustee capacity. During our review of trustee accounts, we found that the department did not include financial information for its Children's Trust Fund on GAAP form #7, Other Financial Information, in fiscal years ended 2011, 2012, and 2013.

Effect: The department did not prepare or submit financial statements for the Children's Trust Fund.

Cause: The department was unaware that financial statements for that trustee account had not been prepared.

Recommendation: The Department of Children and Families should take steps to ensure that financial statements are prepared for all of its trustee accounts. (See Recommendation 20.)

Agency Response: "The department agrees with this finding.

The department will implement procedures to prepare and submit financial statements for the Children's Trust Fund on GAAP form #7 – 'Other Financial Information'."

Residential Treatment Center Contracts

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 (f) of the General Statutes states that no state agency may hire a private provider organization to provide direct health or human services to agency clients without executing a standard purchase of service contract with such private 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 the Department of Children and Families entered into contracts with the residential treatment centers but did not use the standard POS contract developed by OPM. DCF did not agree with the finding based on its belief 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 4-70b subsection (f) of the General Statutes. The department continues to use an Agreement to Provide Residential Treatment Services, and makes payments based on rate letters.

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

Cause: The department believes that it is more cost effective to use the Agreements to Provide Residential Treatment Services. The DCF standard POS contracts obligate the department to pay quarterly payments based on maximum capacity prior to receiving the services. The Agreements to Provide Residential Treatment Services do not obligate the department to use the provider; payments are based on rate letters for actual services provided and are made in arrears after services have been provided.

Recommendation: The Department of Children and Families should use standard purchase of service agreements as developed by the Office of Policy and Management when contracting with residential treatment centers. (See Recommendation 21.)

Agency Response: "The department disagrees with this finding.

POS contracts specify that payments will be made through the Core-CT system quarterly in advance of services. Payment for residential services is child-specific and paid through Child Welfare Accounting upon submission of invoices after the services are delivered. The POS template language is approved by the Attorney General and cannot be edited to reflect the payment process for fee-for-services that occurs through the Single Cost Accounting System. The payment system cannot be changed without significant cost for services not received. The department's Residential Provider Agreement and implementation of Single Cost Accounting Reporting provide appropriate safeguards and oversight for the relationships with residential providers."

Auditors' Concluding Comment:

The department should consult with the Office of the Attorney General to develop a modified POS contract that suits the needs of the department.

PAYROLL/PERSONNEL

Internal Controls over 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.

Regulation of Connecticut State Agencies section 5-213-1 states that when an employee is on leave of absence without pay on a date when the employee would otherwise be entitled to a longevity payment under Section 5-213 of the General Statutes, such payment shall be made within 60 days after the employee is reinstated to service in a pay status.

Condition:

Our review of longevity payments for the fiscal years ended June 30, 2011, 2012, and 2013 disclosed that incorrect longevity dates were recorded for three out of fifteen employees. There were no overpayments associated with those errors. However, we followed up on the status of our prior audit finding related to incorrect longevity dates and resulting overpayments, and we determined that the inaccurate dates had not been corrected in Core-CT. As a result, incorrect payments totaling $229.50 were made to one employee during the current audited period. Upon further investigation by the department, it was determined that various longevity overpayments and underpayments had been made to that employee during the course of employment. Net overpayments were $556.25.

Our review of longevity payments for the fiscal years ended June 30, 2011, 2012, and 2013 disclosed that one employee out of fifteen did not receive a longevity payment for the pay period ending April 7, 2011. The employee was out on workers' compensation at the time of the longevity payment disbursement and was entitled to a payment in the amount of $212.

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

Cause: The department does not have effective internal controls over longevity.

Recommendation: The Department of Children and Families should improve internal controls over the processing and distribution of longevity payments. (See Recommendation 22.)

Agency Response: "The department agrees with this finding.

The agency will implement the following procedures regarding longevity payments:

All new employees to DCF will be checked upon hire for prior service time. If there is prior service time, an audit will be conducted, and the correct longevity service date will be entered into Core-CT.

Twice per year, and in conjunction with the longevity payment schedule, payroll staff will run longevity reports. Any DCF employee appearing on the report for the first time will be audited to ensure they are eligible for the longevity payment."

Distribution of Telecommuting Agreements:

Criteria: Section 5-248i of the General Statutes states that each state agency shall provide the Department of Administrative Services (DAS) with a copy of any telecommuting or work-at-home program arrangement that it authorizes for any employee of such agency within one week of the agency's approval.

Condition: Our review of telecommuting program arrangement forms during the fiscal years ended June 30, 2011, 2012, and 2013 disclosed that three out of five forms reviewed were not submitted to DAS.

Effect: DAS does not have required documentation on file to reflect all DCF employees participating in the telecommuting program.

Cause: The DCF human resources department failed to submit approved telecommuting arrangement forms to DAS after approval.

Recommendation: The Department of Children and Families should improve internal controls to ensure that telecommuting program arrangement forms are properly submitted to DAS. (See Recommendation 23.)

Agency Response: "The department agrees with this finding.

HR Management will redistribute the DAS Telecommunication policy to ensure HR staff is aware all telecommuting arrangement forms must be submitted to DAS for review."

Leave Payments at Separation

Criteria: Core-CT provides a Checklist for Terminating an Employee, a set of instructions for payroll clerks to follow at employee separation. The payroll department calculates all final earnings and vacation payouts, and reduces to zero all leave balances at termination.

Condition: During our review of termination payments, we noted that one employee out of fifteen was erroneously posted ten hours of vacation and ten hours of sick leave accruals on October 1, 2010, after separation from service. The employee was terminated on September 11, 2010 and was not properly terminated in Core-CT until October 4, 2010. Leave balances cannot be removed from Core-CT for terminated employees. The ten hours of vacation and sick leave accruals will remain in Core-CT indefinitely.

Effect: The payroll department was not in compliance with Core-CT instructions for terminating an employee.

Cause: The payroll department did not properly terminate the employee in Core-CT on September 11, 2010, allowing vacation and sick hours to accrue after separation.

Recommendation: The Department of Children and Families should improve internal controls to ensure that all Core-CT instructions for terminating an employee are followed. (See Recommendation 24.)

Agency Response: "The department agrees with this finding.

The Checklist for Terminating Employees will be re-distributed to all payroll staff to ensure transactions are completed timely."

Internal Controls over Compensatory Time

Criteria:

Section 8-5 of the DCF Policy Manual "Authorization for Overtime" applies to compensatory time for exempt employees, and Department of Administrative Services Management Personnel Policy No. 06-02 applies to compensatory time for management employees. Compensatory time earned must be supported by a notation on the employee's timesheet and initialed by management authorizing payment and indicating the reason for the compensatory time. Written pre-authorization must be obtained in advance of earning compensatory time, including the employee's name and reason for the compensatory time. Pre-authorization is provided and maintained by the supervisor.

The collective bargaining contract for the professional health care (P-1) employees states 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 his/her regular daily rate in lieu of the compensatory day.

Condition:

Our review of twenty-four employees who earned compensatory time disclosed the following:

- Four employees in 12 instances did not have management initials or a notation on their timesheet indicating the reason for compensatory time earned.

- One employee did not receive advanced written pre-authorization prior to earning compensatory time.

- Supporting documentation could not be provided for advanced pre-authorization for two employees.

- Holiday comp time was not expired or deleted in Core-CT for one employee. Compensatory time was carried forward, and the employee was permitted to use the expired time.

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

Cause: The department did not have adequate procedures in place to ensure that its compensatory time policy was followed.

Recommendation: The Department of Children and Families should strengthen internal controls and monitoring over compensatory time. (See Recommendation 25.)

Agency Response: "The department agrees with this finding.

To address this finding, DCF will draft and implement a Compensatory Time Authorization policy for dissemination to all staff.

Payroll clerks will run a holiday comp time report quarterly and send an email to each employee who has holiday comp time that will be expiring during the upcoming quarter. Employees will be notified via email of the amount of comp time, the expiration date of the comp time, and that if it is not scheduled by the expiration date, the check date that it will be paid out in."

RECOMMENDATIONS

Our prior audit report contained 22 recommendations for improving operations, 15 of which are being repeated or restated with modifications in our current audit report.

Status of Prior Audit Recommendations:

- **DCF should implement procedures to ensure that policies and forms are regularly reviewed, officially approved, and updated in a timely manner.** Although the department has made progress in updating its policy manual, key policies remained unfinished. Therefore, the recommendation is being repeated. (See Recommendation 1.)

- **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.** The recommendation is repeated. (See Recommendation 5.)

- **DCF should design and implement procedures to ensure that free meals are only provided to employees entitled to them.** The recommendation is being repeated. (See Recommendation 3.)

- **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.** The recommendation is being repeated. (See Recommendation 8.)

- **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.** A change in legislation during the audited period removed the requirement that relative foster families be licensed within 90 days. However, the department's policy has not changed; therefore, the recommendation is being repeated with modification. (See Recommendation 9.)

- **DCF should improve its internal controls over the administration of wraparound funds.** The recommendation is being repeated. (See Recommendation 13.)

- **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.** The recommendation is being repeated. **(**See Recommendation 10.)

- **DCF should communicate the existence of dedicated accounts to the children's social workers.** The recommendation is being restated and repeated. (See Recommendation 11.)

- **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.** This recommendation has been resolved.

- **DCF should improve internal controls over its property control and reporting systems.** Our current audit disclosed that internal control over property control and reporting has not improved. We also noted that the department does not maintain a fine art inventory and that the licensed software inventory is not up-to-date. Therefore, the recommendation is being repeated with modification. (See Recommendation 14.)

- **DCF should improve its internal controls over fiduciary funds.** The recommendation is being repeated. (See Recommendation 15.)

- **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 the CJTS petty cash bank account.** The recommendation is being restated and repeated. (See Recommendation 16.)

- **DCF should review its procedures for administering bond fund grants to ensure that grant funds are administered in accordance with management's objectives.** The conditions noted in our prior audit related to bond fund projects granted by DCF. There were no projects granted by DCF in fiscal years 2011, 2012, and 2013. In our current audit our review of pass-through grants for projects approved by the State Bond Commission and administered by the department disclosed that final grant project audit reviews had not been completed for four projects. Therefore, we are restating the recommendation. (See Recommendation 17.)

- **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.** This recommendation has been resolved.

- **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.** This recommendation has been resolved.

- **DCF should monitor the activities of care coordinators as necessary to ensure that flexible funds are being used for authorized purposes.** The recommendation is not being repeated.

- **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.** This recommendation has been resolved.

- **DCF should use OPM's standard Purchase of Service (POS) agreement when contracting with residential treatment centers.** The recommendation is being repeated. (See Recommendation 21.)

- **DCF should not prepare invoices on behalf of vendors.** This recommendation has been resolved.

- **DCF should improve administrative controls over the processing of longevity payments and recover any overpayments.** This recommendation is being repeated with modification. (See Recommendation 22.)

- **DCF should improve administrative controls over compensatory time.** The recommendation is being repeated. (See Recommendation 25.)

- **DCF should improve administrative controls over medical certificates.** This recommendation will not be repeated.

Current Audit Recommendations:

1. **The Department of Children and Families should strengthen its procedures to ensure that all policies are kept current and revised in accordance with established procedures.**

   Comment:

   We noted that two of the policy manual sections cited in our prior audit still had not been updated. In addition, another key policy had not been updated since changes in procedures were made in 2012; two policies contradict each other regarding timeliness of child protective investigations. Furthermore, the Policy Unit did not maintain or coordinate the revision of the policies for one of its facilities.

2. **The Department of Children and Families should strengthen internal control over its food supplies.**

   Comment:

   During our review of inventory at Solnit North, we noted that the facility made large food purchases during the month of June in fiscal years 2011 and 2012 without a corresponding increase in ending inventory as reported by the facility. We made inquiries as to whether there were unusual circumstances that required significant food consumption during the month of June in those fiscal years and determined that there were none. As a result of our review, the department performed an internal review and also determined that internal control over food supplies at the facility was inadequate and that there was a lack of segregation of duties.

3. **The Department of Children and Families should design and implement procedures to ensure that free meals are only provided to employees entitled to them.**

   Comment:

   Employees are entitled to a free meal if they are engaged in the supervision and care of patients at mealtime. Our review disclosed that the facility did not have procedures in place to ensure that employees receiving a free meal were entitled to that meal.

4. **The Department of Children and Families should strengthen internal control over employee attendance to ensure that all employees adhere to scheduled hours and work the number of hours for which they are paid. Leave time should be charged for hours not worked.**

   Comment:

We performed a review of employee arrival times at four area offices – two in fiscal year 2013 and four in fiscal year 2014. For the employees selected in fiscal year 2013, we noted that the percentage of employees arriving more than ten minutes late 75 percent of the time at two of the area offices was 37 percent and 43 percent. Testing of the same offices in fiscal year 2014 disclosed that the percentages were 14 percent and 7 percent. Our review of two additional area offices in fiscal year 2014 disclosed that the percentage of employees arriving more than ten minutes late 75 percent of the time was 25 percent and 55 percent.

5. **The Department of Children and Families should strengthen its controls to ensure that user groups within the LINK system are clearly defined to enable those responsible for approving LINK access to make certain that appropriate access levels are granted. The department should periodically reassess LINK access to ensure that the access granted is still appropriate for current job responsibilities. DCF should ensure that a proper segregation of duties exists between those employees who have the ability to create and approve providers, and those who have the ability to request and approve payments to those providers. The department should strengthen controls to ensure that LINK access is deactivated in a timely manner upon separation. DCF-2116 forms should be completed in full and easily accessible for review.**

   Comment:

   Our review of LINK access granted to ten employees disclosed that for two employees, the user group identified in LINK differed from the user group identified on the DCF-2116 Network/Security Change Request form. In addition, for one employee, a user group was not identified on the form. Our review of ten employees who separated from the department disclosed that LINK access was not deactivated in a timely manner for four employees. Furthermore, the department does not clearly define user groups and security groups; consequently, we could not determine whether LINK access was appropriate for their job responsibilities, and supervisors and managers may not be fully knowledgeable about the level of access that they are approving. We also noted that inadequate segregation of duties exists within certain levels of LINK. Some LINK users have the ability to create and approve providers, as well as request and approve payments to the providers.

6. **The Department of Children and Families should improve internal controls over its business continuity plan to ensure that it is updated regularly and reflects the current conditions of the agency.**

   Comment:

   Our review disclosed that the current copy of the business continuity plan has not been certified and updated since March 26, 2012.

7. **The Department of Children and Families should designate a records management liaison and update the RMLO list with the state library's Office of the Public Records Administrator.**

   Comment:

   Our review disclosed that the department has not appointed a records management liaison to replace a central office employee who no longer served that function. In addition, the state library RMLO list had not been updated to remove separated and transferred employees at the facilities.

8. **The Department of Children and Families should improve its administrative controls relative to the custody and control of provider records and should strengthen internal controls to ensure that payments are adequately supported.**

   Comment:

   We were unable to determine whether the department performed criminal record checks for six transactions because the department could not locate the provider file. In addition, 16 payments totaling $18,789 were not adequately supported and/or there was no evidence that services were received.

9. **The Department of Children and Families should implement procedures to ensure that relative foster families are licensed as required by current DCF policy and establish internal controls to ensure that appropriate license renewal documentation is submitted for approval in a timely fashion and retained for review.**

   Comment:

   Our review of relative foster care providers initially licensed disclosed that 66 of the 134 relative foster care providers, who cared for 94 children, were not licensed within 90 days of receiving placement of the child. The number of days exceeding the 90-day limit ranged from one to 154 days. Our review of foster care provider license renewals disclosed that four of the 19 licenses reviewed were approved by the social work supervisor and/or program supervisor after the effective date of the license. Renewal documentation for three of the four licenses was submitted late by the social worker. In addition, four provider files could not be located; therefore, we could not determine whether license renewals were approved prior to the effective date.

10. **The Department of Children and Families should develop procedures to calculate actual allowable costs to ensure that revenue is maximized and that all amounts claimed for reimbursement are adequately supported. Claims for federal reimbursement should be based on the contract's actual percentage of allowable reimbursable costs.**

    Comment:

    Our review disclosed that the Revenue Enhancement Division is not performing an analysis of all components of certain child-specific per diem rates prior to claiming for federal reimbursement. For claiming purposes, the department adjusts the claim by 20 percent for two providers to adjust for unallowable activities and prior audit findings. Currently, there are over 20 providers performing the same services for the department whose rates are not being reviewed for to determine whether they are allowable. In response to our prior audit finding, the department stated that it would develop and implement a plan to individually calculate the reimbursable expenditures to maximize revenues. However, our testing disclosed that the department had not done so during the audited period.

11. **The Department of Children and Families should implement procedures to ensure that resources in the dedicated account are used for all expenses related to the impairment of the child. DCF should communicate the existence of dedicated accounts to the children's social workers.**

    Comment:

    As a result of our prior audit finding, the department is currently using funds in the dedicated account for therapeutic care for the child. However, there may be other services that the child's social worker may be aware of that would benefit the child. Furthermore, we found that there are numerous other expenses that are currently charged to the department's wraparound funds account that could appropriately be paid out of the child's dedicated account.

12. **The Department of Children and Families should develop and implement controls to ensure that debit card expenditures were made for the purpose for which they were intended. Detailed transaction data should be entered and maintained in the debit card logs prior to card disbursement, and debit cards should be kept in a locked safe with limited access in accordance with written procedures. DCF should also develop procedures to ensure that all allowable expenditures are claimed for Title IV-E eligible children.**

    Comment:

    Our review disclosed that the department does not require the submission of receipts for debit card transactions. In addition, our review of debit card logs at three area offices disclosed that one area office did not maintain a debit card log, and the logs of two area offices were incomplete. Two of the three area offices do not store undistributed debit cards in a locked safe. Finally, allowable purchases for eligible children are not claimed for federal reimbursement, due, in part, to insufficient purchase data collection.

13. The Department of Children and Families should improve its internal controls over the administration of wraparound funds.

Comment:

We noted exceptions in 23 of 24 payments reviewed including missing files, missing or incomplete service proposals, proposals not authorized prior to the start of services, payments exceeding authorized amounts, payments not supported by provider invoices, or inadequate documentation supporting that services were received.

14. The Department of Children and Families should improve internal controls over its property control and reporting systems. The department should ensure that the licensed software inventory is up-to-date and prepare a detailed inventory listing of the fine art.

Comment:

Our review of the central office and facilities' CO-59 forms and property records disclosed that the department failed to report the assets of the closed High Meadows facility on its CO-59 in fiscal years 2011, 2012, and 2013. In addition, the amounts reported for several reportable categories were misstated, unsupported, or could not be traced to underlying subsidiary records. The department could not provide a detailed listing of licensed software to support the amount reported on the CO-59. Our review disclosed that an item of fine art was mistaken as having no value and accidentally discarded. We also noted that the department does not maintain a separate inventory for items of fine art, nor was the cost of fine art that was an integral part of the CJTS building reported on the CO-59.

Furthermore, we found that there was an inadequate segregation of duties in the property control area. We noted that the department does not require that documentation be submitted when an item is moved to a different location and does not have procedures in place regarding the disposal of equipment; authorized signatures are not required to dispose of an item. Food inventory was not reported by two facilities under the stores and supplies category, and the central office could not provide a detailed listing of items added and deleted under that category.

Several items were incorrectly and/or inconsistently coded on the general ledger and Core-CT's asset management module

15. The Department of Children and Families should improve its internal controls over fiduciary funds.

Comment:

Our review of the various fiduciary funds administered by the department noted numerous instances of late depositing of receipts, lack of recording receipts and maintaining receipts logs, inadequate or missing supporting documentation for transactions, inappropriate or questionable purchases, a lack of policy statements indicating the use of funds, and inaccurate or unsupported financial statements. We also found that sales tax was paid on two purchases.

Our review of one fiduciary fund, the Children's Trust Fund, disclosed that subsidiary ledgers were not maintained for each child, cash receipts and disbursements journals are not maintained for the dedicated and escrow accounts, and those accounts had never been reconciled. We also found that financial statements had never been prepared for that fund, and there is a lack of segregation of duties in that bank statements are mailed directly to the employee responsible for deposits and disbursements.

16. The Department of Children and Families should improve its internal controls over petty cash funds and ensure compliance with procedures promulgated by the Office of the State Comptroller.

Comment:

Our review of petty cash accounts at various office locations disclosed that one office could not locate one of the petty cash ledgers. In addition, we found that annual petty cash reports could not be traced to the ledgers because either the ledgers contained multiple errors or transactions were not entered timely. The annual petty cash report for one office was not accurate. Supporting documentation for 14 petty cash disbursements could not be located. At CJTS, we found that seven expenditures were not for necessary operating expenses and appeared to be more appropriately paid out of a fiduciary account. We also noted a lack of segregation of duties in that monthly reconciliation reports are prepared by the petty cash custodian in five of the offices tested.

17. The Department of Children and Families should implement procedures to ensure that audits of completed projects are performed in a timely manner.

Comment:

Our review of eight grant projects by five providers disclosed that four projects did not have project audit reviews performed upon completion.

18. The Department of Children and Families should reduce the size of its fleet to ensure the efficient and cost-effective use of state-owned vehicles. Furthermore, the department should develop uniform procedures that would enable the area offices and facilities to assign and track the use of state vehicles. Such procedures would enable the department to determine whether a state vehicle was available for use by an employee submitting a claim for mileage reimbursement.

Comment:

We performed a review of the department's state vehicle usage to determine whether the number of vehicles in DCF's fleet was in excess of that needed for agency operations. In addition, we reviewed claims for mileage reimbursement to determine whether state vehicles were available for employees claiming mileage reimbursement. We concluded that it appears there is not a sufficient need for the number of vehicles assigned to DCF. For one area office, only 36 percent of the vehicles were used more than 75 percent of the time in March, and only 22 percent of the vehicles were used more than 75 percent of the time in May. For the second area office, 51 percent of the vehicles were used more than 75 percent of the time in March, and 37 percent of the vehicles were used more than 75 percent of the time in May.

We also found that employees are not exhausting all resources to obtain a state vehicle prior to using their personal vehicle. The employees tested submitted and received mileage reimbursement for use of their personally-owned vehicle when a state vehicle was available in that area office. In addition, monthly usage reports were not on file in several instances, and we noted that employees were not filling out the reports completely and legibly.

19. The Department of Children and Families should strengthen internal controls to ensure that reports are prepared and submitted in accordance with the General Statutes.

Comment:

We could not verify that the department submitted statutorily required reports in accordance with laws and regulations. Transmittal letters were not maintained, and reports could not be located.

20. The Department of Children and Families should take steps to ensure that financial statements are prepared for all of its trustee accounts.

Comment:

The department did not prepare or submit financial statements for the Children's Trust Fund. Contractual obligations reported by the department were not accurate.

21. The Department of Children and Families should use standard purchase of service agreements as developed by the Office of Policy and Management when contracting with residential treatment centers.

Comment:

In our prior audit, we reported that DCF entered into contracts with the residential treatment centers but did not use the standard purchase of service contract developed by OPM. DCF did not agree with the finding based on its belief 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 4-70b subsection (f) of the General Statutes. The department uses an Agreement to Provide Residential Treatment Services and makes payments based on rate letters.

22. The Department of Children and Families should improve internal controls over the processing and distribution of longevity payments.

Comment:

Our review of longevity payments disclosed that incorrect longevity dates were recorded for three out of fifteen employees reviewed. There were no overpayments associated with those errors. In addition, we found that one employee did not receive a longevity payment in fiscal year 2011 when the employee was out on workers' compensation.

We also followed up on the status of our prior audit finding related to incorrect longevity dates and resulting overpayments, and we determined that the inaccurate dates had not been corrected in Core-CT. As a result, incorrect payments totaling $229.50 were made to one employee during the current audited period. Upon further investigation by the department, it was determined that various longevity overpayments and underpayments had been made to that employee during the course of employment. Net overpayments were $556.25.

23. The Department of Children and Families should improve internal controls to ensure that telecommuting program arrangement forms are properly submitted to DAS.

Comment:

Our review of telecommuting program arrangement forms disclosed that three out of five forms reviewed were not submitted to DAS.

24. The Department of Children and Families should improve internal controls to ensure that all Core-CT instructions for terminating an employee are followed.

Comment:

We noted that one employee was not properly terminated in Core-CT, resulting in an additional posting of one month's leave accrual.

25. The Department of Children and Families should strengthen internal controls and monitoring over compensatory time.

Comment:

Our review of twenty-four employees who earned compensatory time disclosed that four employees in 12 instances did not have management initials or a notation on their timesheet indicating the reason for compensatory time. One employee did not receive advanced written pre-authorization prior to earning compensatory time, and supporting documentation could not be provided for advanced pre-authorization for two employees. In addition, we noted that holiday compensatory time was not expired or deleted in Core-CT for one employee. Compensatory time was carried forward, and the employee was permitted to use the expired time.

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.

Cynthia A. Ostroske
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts