STATE OF CONNECTICUT

AUDITORS' REPORT
CHILDREN'S TRUST FUND COUNCIL
FOR THE FISCAL YEARS ENDED JUNE 30, 2007, 2008 and 2009

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

Table of Contents

June 10, 2011

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FOR THE FISCAL YEARS ENDED JUNE 30, 2007, 2008 and 2009

We have examined the financial records of the Children's Trust Fund Council for the fiscal years ended June 30, 2007, 2008 and 2009. This report of that examination consists of the Comments, Recommendations and Certification that follow.

This audit examination of the Children's Trust Fund Council (hereinafter referred to as the Children's Trust Fund or "CTF") has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control policies and procedures established to ensure such compliance. Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies.

Pursuant to Public Act 09-5, Section 21 subsection (b), of the September 2009 Special Session of the General Assembly, effective October 5, 2009, the Children's Trust Fund merged with and became a division of the Department of Social Services. As such, this report on the audited period ending June 30, 2009 is the last reporting period for which a separate report will be issued on the Children's Trust Fund, as it will now be included as part of the report on the Department of Social Services.

COMMENTS

FOREWORD:

Section 17a-50 of the General Statutes contains the Children's Trust Fund Council's statutory authority and responsibility. The CTF's principal public responsibility is to fund programs aimed at preventing child abuse and neglect and family resource programs. This is accomplished through the following programs administered by the CTF:

Nurturing Families Network – provides education and support for all interested new parents and intensive home visiting services for parents identified as most at risk. This is the main program supported by the Children's Trust Fund.

Family Empowerment Initiatives – includes seven prevention programs that assist high-risk groups of parents with children of various ages. The programs are co-located in various settings where families may be addressing other issues, including a school, a substance abuse center, a prison, a domestic violence shelter, a child guidance center and a public housing project.

Help Me Grow Program – identifies and refers children with behavioral, health, development and psychosocial needs to community-based services. Parents, pediatricians and other providers are given information and training in how to recognize the early signs of developmental problems.

Family School Connection – intensive home visiting program that helps parents with children who are experiencing behavioral or academic problems and are excessively tardy or truant from school.

Kinship and Respite Fund – awards small grants to orphaned or abandoned children and the court-appointed relative guardians they live with. The Children's Trust fund provides funding to thirteen probate courts to administer the program.

The Parent Trust Fund – provides grants to offer classes to parents to help improve the health, safety and education of children by training parents in leadership skills and by supporting the involvement of parents in community affairs.

Family Development Credential and Training Program – offers family servicing agencies with training for their staff so that they have the skills needed to help the families they serve attain healthy self-reliance within their communities.

Shaken Baby Prevention Project – trains hospital and medical professionals and community service providers throughout Connecticut on methods to prevent shaken baby syndrome. Three regional trainers provide outreach, education and support to the community on preventing shaken baby syndrome.

The Children's Law Center (CLC) – protects the interest of indigent children in family court and to advocate policies which advance their well-being and best interest. The CLC strives to create safe, stable environments for children whose parents are in chronic conflict. Services provided include legal representation of children by court appointment, a statewide legal help-line, and a parenting education and mediation program.

"The Stranger You Know" Program – gives adults information about how child molesters successfully offend against children, helps them identify patterns of behavior that represent danger, and provides them with steps to take to keep their children safe.

During the audited period, the Children's Trust Fund Council was within the Department of Children and Families for administrative purposes only. The Children's Trust Fund Council is composed of sixteen members as follows: the Commissioners of the Department of Social Services (DSS), Department of Education (DOE), Department of Children and Families (DCF), and Department of Public Health (DPH), or their designees; four representatives of the business community with experience in fund-raising; three parents; two persons with expertise in child abuse prevention; two staff members of a child abuse prevention program; and a pediatrician. The CTF members as of June 30, 2009, were as follows:

Sylvia Gafford-Alexander, MSW (DSS designee)
Paul Flinter (DOE designee)
Rudolph Brooks (DCF designee)
Nancy Berger, MPH (DPH designee)
Laura Amenta
Donna Grant
Bonnie Stewart
Geralyn Kogut
Joan Barry-Parris, MA
Carolyn Signorelli, Esq.
Dr. Paul Dworkin
Five vacancies

In addition to the above CTF members, Flo Woodiel, Rose Marie DeRoche, Bernard E. Jacques, and Dr. Frederick Berrien also served during the audited period.

The CTF may, subject to the provisions of Chapter 67 of the General Statutes, employ an Executive Director and any necessary staff within available appropriations. Karen Foley-Schain was the Executive Director during the audited period and continues to serve in that capacity. The Children's Trust Fund had fourteen full-time employees as of June 30, 2009.

RÉSUMÉ OF OPERATIONS:

General Fund:

Receipts:

General Fund receipts for the fiscal years ended June 30, 2006, 2007, 2008 and 2009 were $58,536, $52,604, $1,762, and $165, respectively, and were for refunds of expenditures.

Expenditures:

A summary of General Fund expenditures during the audited period, along with those of the preceding fiscal year, follows:

	Fiscal Year Ended June 30,			
	2006	**2007**	**2008**	**2009**
Personal Services	$ 697,098	$ 708,428	$ 1,086,974	$ 1,354,786
Contractual Services	1,131,961	647,025	1,119,199	33,874
Commodities	12,489	12,272	30,312	8,654
Capital Outlay	1,469	0	0	0
Grants	7,828,014	8,982,739	11,377,763	13,157,472
Total Expenditures	**$ 9,671,031**	**$ 10,350,464**	**$ 13,614,248**	**$ 14,554,786**

Personal services increased during the 2007-2008 and 2008-2009 fiscal years due to the hiring of new staff and collective bargaining increases affecting salary and wages for full time employees. In addition, during the 2007-2008 and 2008-2009 fiscal years, personal services, some of which were formerly federally funded, were mostly paid from State funds.

Contractual services and commodities significantly declined in the 2006-2007 and 2008-2009 fiscal years due to the State budget restraints. However, during the 2007-2008 fiscal year, the Agency's appropriations significantly increased. Therefore, expenditures increased for Agency programs.

Grants increased during the audited period primarily due to funds appropriated directly to CTF for the expansion of the Nurturing Families Network. In addition, private providers received cost of living increases during the audited period.

Special Revenue Funds:

Federal and Other Restricted Accounts Fund:

Receipts:

Federal and Other Restricted Accounts Fund receipts for the fiscal years examined and the prior fiscal year are summarized as follows:

	Fiscal Year Ended June 30,			
	2006	**2007**	**2008**	**2009**
Federal Grants	$ 712,938	$ 565,936	$ 664,761	$ 627,263
Non-Federal Aid	270,471	210,513	155,782	151,773
Grant Transfers – Federal	0	0	18,000	0
Grant Transfers – Non-Federal	0	729,110	305,000	175,000
Investment Interest	20,113	27,181	21,341	7,630
Total Receipts	**$ 1,003,522**	**$ 1,532,740**	**$ 1,164,884**	**$ 961,666**

Fluctuations in the federal grants revenue during the audited period are due to the timing of drawdowns. The non-federal aid reported is primarily for donations, private grants and fundraisers. CTF received a federal grant transfer from the Department of Developmental Services in the 2007-2008 fiscal year for birth-to-three screening. Grant transfers (non-federal) increased during the 2006-2007 fiscal year because, pursuant to Section 23 of Public Act 06-188, DCF transferred appropriated funds to CTF. These funds were designated for the expansion of the Nurturing Families Network in New Haven.

Expenditures:

A summary of expenditures during the audited period, along with those of the preceding fiscal year, follows:

	Fiscal Year Ended June 30,			
	2006	**2007**	**2008**	**2009**
Federal:				
Personal Services	$ 334,591	$ 266,506	$ 52,873	$ 0
Contractual Services	201,469	202,419	459,168	263,229
Commodities	14,313	54,090	14,274	7,287
Grants	46,300	27,197	125,729	93,923
Total Federal Accounts	596,673	550,212	652,044	364,439
Non-Federal:				
Contractual Services	$ 40,071	$ 17,611	$ 9,979	$ 40,926
Commodities	15,793	19,049	62,239	75,068
Grants	161,904	214,754	393,970	416,959
Total Non-Federal Accounts	217,768	251,414	466,188	532,953
Total Expenditures	**$ 814,441**	**$ 801,626**	**$ 1,118,232**	**$ 897,392**

Federal expenditures are related to the administration of the Community-Based Child Abuse Prevention Programs. Non-federal expenditures consisted of payments made in accordance with various requirements of private funding received for specific purposes such as Parent Leadership Training and Help Me Grow outreach activities.

Other Special Revenue Funds:

The Department had received funding from the Capital Equipment Purchases Fund. Total expenditures for the 2005-2006 fiscal year was $7,854. There were no expenditures from the fund during the audited period.

CONDITION OF RECORDS

Our testing of Children's Trust Fund identified the following areas that warrant comment.

Timely Depositing and Recording of Revenue:

Criteria: Section 4-32 of the General Statutes requires that an agency shall account for receipts within twenty-four hours and, if the total receipts are $500 or more, deposit the same within twenty-four hours of receipt. Total daily receipts of less than $500 may be held until the receipts total $500, but not for a period of more than seven calendar days. Chapter 2, Section 7 of the Comptroller's State Accounting Manual requires agencies to maintain a receipts journal that indicates the date of receipt and name of payer.

With the implementation of Core-CT, on a daily basis the bank deposit information is entered into Core-CT through an interface between the bank and the State. The "Entered Date" recorded on Core-CT represents the date the deposit information was loaded into the system and is ready to be recorded by direct journal. During the audit period, the journal "Posted Date" was the date the posting process was run and the journal actually appeared in the General Ledger.

Condition: Our review of 45 receipts disclosed that three receipts, totaling $3,365, were deposited between one and 13 business days late. In addition, we were unable to determine whether nine receipts, totaling $117,634, were deposited in a timely manner, as the Agency did not maintain a complete cash receipts journal that indicated the date of receipt. Because supporting documentation was not always date stamped we were unable to determine the initial receipt date of receipts. We also noted that four receipts, totaling $1,045, were posted to the General Ledger between three and ten business days after the information was available to be recorded on Core-CT. Finally, we found that the Agency recorded multiple receipts as one entry in the cash receipts journal in eight instances.

Effect: The Agency is not in compliance with Section 4-32 of the General Statutes with regard to the late deposits and accounting of receipts. There is non-compliance with the Comptroller's State Accounting Manual with regard to the information lacking from the cash receipt journal.

Cause: The Agency attributed the delay in depositing and properly accounting for cash receipts to an oversight and an inadequate staffing level.

Recommendation: The Agency should institute procedures to comply with the Comptroller's State Accounting Manual and to ensure that receipts are accounted for in a timely manner.

Agency Response: “The Department [of Social Services] agrees with this finding. In regard to the recommendation, as the Children's Trust Fund is now administered by this Department, we believe that adequate procedures are in place to ensure compliance with the Comptroller's State Accounting Manual. In addition, receipts are being accounted for in a timely fashion.”

Purchasing, Receiving and Expenditures:

Criteria: Section 4-98 subsection (a) of the General Statutes states that no budgeted agency may incur any obligation except by the issuance of a purchase order or any other documentation approved by the State Comptroller and a commitment transmitted to the State Comptroller. Proper internal controls require that commitment documents be properly authorized prior to receipt of goods or services.

Section 4-98 subsection (c) of the General Statutes states that the State Comptroller may allow budgeted agencies to use purchasing cards for purchases of ten thousand dollars or less. The Department of Administrative Services’ Credit Card Use Policy states that agencies shall retain documentation to support the business purpose of all transactions made with State cards which includes original cashier receipts or vendor invoices and packing slips for goods received.

The State Accounting Manual requires that agencies are responsible to ensure that accounts payable procedures are supported by proper internal controls. Such internal controls include the proper recording of expenditure receipt dates.

Section 3-117 of the General Statutes states that agencies shall certify that such articles or services have been received or performed. In addition, each claim against the State shall be supported by vouchers or receipts for the payment of any money exceeding twenty-five dollars at any one time.

Pursuant to Sections 4-250 to 4-252 and 4a-81 of the General Statutes, affidavits are required during various phases of the contract process which should be prior to the start of services.

Condition: Our review of 75 expenditure transactions, totaling $9,135,280, for the fiscal years ended June 30, 2007, 2008, and 2009 disclosed deficiencies related to 47 transactions, totaling $1,529,474, as follows:

- Thirteen transactions had receipt dates that were prior to the creation and/or approval of the purchase order.
- Nine contracts or contract amendments, associated with ten transactions, were not executed in a timely manner.
- Six contracts, associated with 12 transactions, required affidavits were not found or were not completed timely.

- Eighteen transactions had incorrect receipt dates recorded.
- For ten transactions, the Department did not certify that the goods or services were received or rendered.
- Six transactions were not supported by vendor invoices. Five of the transactions were credit card purchases for which supporting documentation to the charges shown on the credit card statements was not found.
- In two instances, transactions were coded to the incorrect special identification number.

Effect: When expenditures are incurred prior to the commitment of funds, there is less assurance that Agency funding will be available at the time of payment.

The Agency cannot be assured that consultants are in compliance with State statutes without obtaining the required affidavits and having fully executed contracts or contract amendments prior to the contract service period.

The incorrect recording of dates or coding could result in improper year-end reporting and lack of compliance with Generally Accepted Accounting Principles.

Payment for goods or services not actually received or rendered may be made if the Agency does not certify their receipt.

Cause: Internal controls over purchasing, receiving and expenditures are not effective. Staffing changes throughout the audit period could have contributed to the breakdown of controls.

Recommendation: The Agency should improve internal controls over its procurement and payment processes to ensure that commitments and expenditures are processed in accordance with State purchasing regulations.

Agency Response: "The Department [of Social Services] agrees with this finding. As the Children's Trust Fund is now administered by this Department, we believe there are adequate internal controls over the procurement and payment process that ensure commitments and expenditures are processed in accordance with State purchasing regulations."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Children's Trust Fund should prepare a CO-59 Fixed Assets/Property Inventory Report, should track inventory on the Core-CT Asset Management Module, and should maintain a detailed software inventory listing. Our current review found that the Agency prepared and submitted their CO-59 Fixed Assets/Property Inventory Reports to the State Comptroller's Office. As the Agency is now administered by the Department of Social Services (DSS), we verified that the Agency's assets were appropriately transferred to DSS. This recommendation has been implemented or otherwise resolved.

- The Agency should institute procedures to comply with the Comptroller's State Accounting Manual and to ensure that receipts are accounted for in a timely manner. This recommendation is being repeated. (See Recommendation 1.)

- The Agency should comply with State Accountability Directive Number One by performing annual internal control self-assessments. Our current review found that the Agency completed their annual internal control questionnaires. Therefore, this recommendation has been resolved.

- The Children's Trust Fund should prepare and submit reports required by Sections 4-60 and 17a-56 subsection (f) of the General Statutes. Our current review found that the Agency was preparing and submitting reports required by statute. This recommendation has been implemented.

- The Agency should strengthen internal controls to ensure that funds are committed prior to purchasing goods and services and receipt dates are correctly recorded. This recommendation has been repeated and expanded to reflect current conditions. (See Recommendation 2.)

- The Agency should institute procedures to ensure that all expenditures are incurred for valid and reasonable business purposes and charged to appropriate funding sources. Our current review found that expenditures were for valid and reasonable business purposes. In addition, the Agency ceased the practice of purchasing certain items in response to the prior audit. Therefore, this recommendation has been resolved.

- The Department should institute procedures to ensure that contracts are awarded in compliance with State purchasing regulations. Our current review found that the Agency complied with State purchasing regulations and awarded a personal service agreement based on competitive negotiation. Therefore, this recommendation has been resolved.

Current Audit Recommendations:

1. **The Agency should institute procedures to comply with the Comptroller's State Accounting Manual and to ensure that receipts are accounted for in a timely manner.**

   Comment:

   Our review of 45 receipts disclosed that three receipts, totaling $3,365, were deposited between one and 13 business days late. In addition, we were unable to determine whether nine receipts, totaling $117,634, were deposited in a timely manner, as the Agency did not maintain a complete cash receipts journal that indicated the date of receipt. Because supporting documentation was not always date stamped, we were unable to determine the initial receipt date of receipts. We also noted that four receipts, totaling $1,045, were posted to the General Ledger between three and ten business days after the information was available to be recorded on Core-CT. Finally, we found that the Agency recorded multiple receipts as one entry in the cash receipts journal in eight instances.

2. **The Agency should improve internal controls over its procurement and payment processes to ensure that commitments and expenditures are processed in accordance with State purchasing regulations.**

   Comment:

   Our review of 75 expenditure transactions, totaling $9,135,280, for the fiscal years ended June 30, 2007, 2008, and 2009 disclosed deficiencies related to 47 transactions, totaling $1,529,474. We found instances where receipt dates were prior to the creation and/or approval of the purchase orders, incorrect receipt dates were recorded, goods or services were not certified as received or rendered, transactions were not supported by vendor invoices, transactions were coded to the incorrect special identification number, contract or contract amendments were not executed in a timely manner, and affidavits required for certain contracts were not found or were not completed in a timely manner.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Children's Trust Fund for the fiscal years ended June 30, 2007, 2008 and 2009. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Children's Trust Fund for the fiscal years ended June 30, 2007, 2008 and 2009, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

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

In planning and performing our audit, we considered the Children's Trust Fund's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficie*ncy exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 regarding timely depositing and recording of revenue and Recommendation 2 regarding purchasing, receiving and expenditures.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

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

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

The Department of Social Services', on behalf of the Children's Trust Fund which is now a division of the Department, response to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We did not audit the Department of Social Services' response and, accordingly, we express no opinion on it.

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

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Children's Trust Fund and the Department of Social Services during this examination.

Jill A. Schiavo
Associate Auditor

Approved:

John C. Geragosian	Robert M. Ward
Auditor of Public Accounts	Auditor of Public Accounts