

STATE OF CONNECTICUT



*AUDITORS' REPORT
COMMISSION ON THE DEAF AND HEARING IMPAIRED
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009*

AUDITORS OF PUBLIC ACCOUNTS

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September 10, 2010

**AUDITORS' REPORT
COMMISSION ON THE DEAF AND HEARING IMPAIRED
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009**

We have examined the records of the Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 2008 and 2009. This report on our examination consists of the Comments, Recommendations and Certification which follow.

Financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all State agencies including the Commission on the Deaf and Hearing Impaired. This audit has been limited to assessing the Commission's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the Commission's internal control policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Commission on the Deaf and Hearing Impaired (CDHI) operates under the provisions of Title 46a, Chapter 814a, Sections 46a-27 through 46a-33b of the General Statutes.

The duty of the Commission is to act as a State-wide coordinating agency to advocate, strengthen, and implement State policies affecting deaf and hearing impaired individuals and to improve and enhance their relationship with the public, industry, health care, and educational opportunity. The Commission is authorized to receive monies from any source, including gifts, grants, bequests and reimbursements, which monies may be expended for the purpose designated by the donor or to accomplish the goals of the Commission.

Throughout the audited period, Stacie J. Mawson continued to serve as Executive Director. The Commission on the Deaf and Hearing Impaired is within the Department of Social Services for administrative purposes only.

Membership of Commission:

As set forth in Section 46a-28 of the General Statutes, the Commission shall consist of twenty-one members, three of which will be ex officio, seven voting members, which will be representatives from other state agencies and eleven members appointed by the Governor. The members of the Commission as of June 30, 2009, were:

Ex officio members:

Colleen Hayles	Consultant, Hearing Impaired Programs (Dept. of Education)
Susan Pedersen	Pres. of the Connecticut Council of Organizations Serving the Deaf
Edward Peltier	Executive Director, American School for the Deaf

Voting members:

Jane Whitehead	Department of Developmental Services
Jacqueline Kelleher	Department of Education
Amy Mirizzi	Department of Public Health
Bridget Kemmling	Department of Labor
Astread Ferron-Poole	Department of Social Services
Mary Ann D'Addario	Department of Children and Families
James Donagher	Department of Mental Health and Addiction Services

Appointed members:

- Luisa J. Soboleski, Chairperson
- Jeffrey S. Bravin
- Raymond M. DeRosa
- John D. Garvin
- Mary Lynch
- Matt Ranelli
- Mary M. Silvestri
- Gloria W. White
- Lucrecia C. Trusock
- Vacancy
- Vacancy

The Commission notified the Governor's Office of membership vacancies; however, the Governor's Office had not made any appointments. Other members who served during the audited period were:

- James Pedersen
- John Purdy
- Mary Ann Duvall
- Patricia Staszko-Koik
- Donna Maselli
- Daniel A. Milton

RÉSUMÉ OF OPERATIONS:

General Fund:

General Fund receipts totaled \$4,653 and \$10,106 for the fiscal years ended June 30, 2008 and 2009, respectively. These receipts consisted primarily of refunds from prior years expenditures for personal services. In addition, the Commission collects fees from clients for interpreting services, as authorized by Section 46a-33b of the General Statutes, that are credited to the appropriation account used to pay for part-time interpreter services. These reimbursement collections are coded directly as reductions to current expenditures and amounted to \$743,351 and \$727,982 during the respective audited years.

A comparative summary of General Fund expenditures applicable to Commission operations for the audited period and the previous fiscal year is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Budgeted Accounts:			
Personal services	\$615,132	\$873,051	\$765,063
Contractual services	192,088	264,322	305,495
Commodities	5,991	4,669	3,462
Sundry charges	191	0	0
Equipment	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Total General Fund Expenditures	<u>\$ 814,402</u>	<u>\$1,143,042</u>	<u>\$1,074,020</u>

Expenditures from budgeted accounts increased 40 percent from fiscal year 2007 to 2008 and then decreased six percent from fiscal year 2008 to 2009. The majority of the increase in fiscal year 2008 was due primarily to an increase in part-time salary expense, overtime and mileage reimbursement. The Commission’s interpreting staff are all part-time employees and salary, overtime and mileage expenses are dependent on the amount of services provided, which can vary greatly from year to year.

Special Revenue Fund – Federal and Other Restricted Accounts:

Public Act 04-02 of the May Special Session of the 2004 General Assembly authorized the establishment of a new special revenue fund for grant and restricted accounts activity. During the 2003-2004 fiscal year as a result of the implementation of the new Core-CT State accounting system and Public Act 04-02, the Comptroller established a new special revenue fund entitled “Grants and Restricted Accounts Fund” to account for Federal and other revenues that are restricted from general use and were previously recorded in the General Fund as restricted contributions and accounts.

The Commission’s Federal and Other Restricted Accounts receipts totaled \$189,186, and \$245,024 for the fiscal years ended June 30, 2008 and 2009, respectively. For comparative purposes, Federal and other restricted receipts for the fiscal year ended June 30, 2007, totaled \$186,528. These receipts consisted of Federal contributions from interagency transfers of Social Services Block Grant (#93.667) funding from the Connecticut Department of Social Services.

Expenditures in the Federal and Other Restricted Accounts totaled \$187,910, and \$217,269 for the fiscal years ended June 30, 2008 and 2009, respectively. For comparative purposes, Federal and other restricted expenditures for the fiscal year ended June 30, 2007, totaled \$192,620. Expenditures for the Social Services Block Grant (#93.667) comprised the majority of the restricted account activity. These expenditures primarily consisted of personal services, related fringe benefits, and miscellaneous costs for providing interpreting services.

Capital Equipment Purchases Fund:

Capital Equipment Purchases Fund expenditures totaled \$1,193, and \$1,062 during the fiscal years ended June 30, 2008 and 2009, respectively. These purchases were primarily made for office and data processing equipment and furniture.

CONDITION OF RECORDS

Our review of the Commission on the Deaf and Hearing Impaired's records revealed the following areas that require improvement.

Internal Controls Over Payroll Processing:

Criteria: Internal controls should be designed and followed to ensure that payments made to employees for payroll related expenses accurately reflect amounts earned in the performance of their job duties and in accordance with the collective bargaining contract.

Condition: We found that nine of nine interpreters tested were paid incorrectly or had questionable payments. Interpreters are paid mileage and travel time and we found that in some cases mileage appeared overstated and travel time appeared excessive. Interpreters are also paid shift differential and weekend differential and we found in some cases these amounts were paid incorrectly. We also found two cases in which overtime was paid incorrectly in addition to an error in a mileage payment and the calculation of an auto usage amount.

Effect: Due to the questionable payments related to mileage overstatement and excessive travel time, the effect can not be quantified, however the risk of significant payment errors is high and there is less assurance that payments made to the other 32 to 34 interpreters were paid accurately.

Cause: Internal controls were inadequate to prevent or detect certain errors.

Recommendation: The Commission on the Deaf and Hearing Impaired, in conjunction with the Department of Administrative Services, should have internal controls in place to verify that amounts paid for payroll related expenses are paid accurately. (See Recommendation 1.)

Agency Response: "Payroll is calculated manually for each part-time interpreter. A Service report for each assignment is submitted, these are due weekly due to the volume. Each interpreter usually is scheduled on several assignments daily. The average number of individual service reports (time sheets) processed each week is 600. Currently the service reports arrive by mail on Monday or Tuesday after the work week is completed.

The DAS Assistant Accountant has a very limited time to process the time sheets for submission to Core-CT which creates a greater margin for error.

Currently to alleviate errors the time sheets are being reviewed by two additional individuals.

Another area of concern is the documentation of travel times and mileage. The current P-2 contract allows staff to document time and mileage for

reimbursement without restrictions or limitations. A request was made to the Office of Labor Relations to suggest changes for future contracts defining specific requirements to mileage and travel time in order to establish consistency.

CDHI is now transitioning to new software that will allow interpreters to document their time daily on-line. This will allow the office staff sufficient time to verify the accuracy. It also minimizes the amount of manual handling of time sheets received. This will give staff additional time to accurately process the time sheets.”

Late Deposits:

Criteria: Section 4-32 of the General Statutes, requires each State agency to deposit and account for revenues within 24 hours of receipt.

Condition: We tested 20 deposits, which included 167 individual receipts totaling \$63,102, and found that 40 receipts totaling \$9,481 were deposited 1 day late and four receipts totaling \$707 were deposited two days late.

Effect: Receipts were not deposited in a timely manner as required by Section 4-32 of the General Statutes. Late deposits could compromise the physical control over checks.

Cause: Cause could not be determined.

Recommendation: The Commission on the Deaf and Hearing Impaired should deposit funds in accordance with Section 4-32 of the General Statutes. (See Recommendation 2.)

Agency Response: “There have been problems with the delivery of mail. Complaints have been filed with the Washington Street, Hartford Post Office, without resolution. The agency now rents a P.O. Box in order to receive our mail daily which insures daily deposits.”

Property Control and Reporting:

Criteria: Section 4-36 of the General Statutes requires each State agency to keep property inventory records in the manner prescribed by the State Comptroller. The Property Control Manual, issued by the State Comptroller, provides further guidance on controls for inventory management, including that equipment reports should be accurately prepared.

Condition: We found that amounts reported to the State Comptroller did not accurately represent the reportable value of equipment. We also found that the capitalized equipment records were not accurate. We estimated

that the total amount of capital equipment was understated by \$16,025, for the fiscal year ended June 30, 2009. The capitalized equipment records for the fiscal year ended June 30, 2008 were overstated by \$17,302.

Effect: The amount reported to the State Comptroller did not accurately reflect the capitalized inventory as of June 30, 2009.

Cause: Amounts reported to the State Comptroller were not reconciled to the capitalized inventory control account. Amounts reported for total equipment inventory were calculated using incorrect additions and deletions.

Recommendation: The Commission on the Deaf and Hearing Impaired, in conjunction with the Department of Administrative Services, should maintain accurate equipment inventory records and accurately report capital assets to the State Comptroller. (See Recommendation 3.)

Agency Response: “The Agency is working with the Department of Administrative Services to rectify inaccuracies in the GAAP Report in order to reconcile the capitalized inventory control account.”

RECOMMENDATIONS

Our prior audit report of the Commission on the Deaf and Hearing Impaired contained two recommendations, one for which corrective action has been taken, and one which has been repeated in a modified form. Two additional recommendations are being presented as a result of our current examination.

Status of Prior Audit Recommendations:

- *The Commission on the Deaf and Hearing Impaired should improve its controls over accounts receivable operations to ensure that records are accurate and that collection efforts are made in a timely manner.* The accounts receivable function has been provided by DAS for the entire audited period. The issue reported in the prior audit was with receivables that were incurred prior to DAS taking over the function. The Commission has identified those receivables which are valid and are attempting to make collections. They have also identified a large amount that can not be supported and must be written off. The Commission has made an effort to remedy this situation and therefore this recommendation is not being repeated.
- *The Commission on the Deaf and Hearing Impaired, in conjunction with the Department of Administrative Services, should comply with the State of Connecticut's Property Control Manual by maintaining accurate equipment inventory records.* The Commission made corrections to its inventory records to address the concerns of this audit finding, however, additional mistakes have been made and this finding is being repeated with some modifications. (See Recommendation 3.)

Current Audit Recommendations:

- 1. The Commission on the Deaf and Hearing Impaired, in conjunction with the Department of Administrative Services, should have internal controls in place to verify that amounts paid for payroll related expenses are paid accurately.**

Comments:

Our examination noted a weakness in internal controls over payroll processing that did not detect or prevent errors and overpayments to employees.

- 2. The Commission on the Deaf and Hearing Impaired should deposit funds in accordance with Section 4-32 of the General Statutes.**

Comments:

Receipts were not always deposited within twenty-four hours as required by Statute.

- 3. The Commission on the Deaf and Hearing Impaired, in conjunction with the Department of Administrative Services, should maintain accurate equipment inventory records and accurately report capital assets to the State Comptroller.**

Comments:

Inventory amounts reported to the State Comptroller were understated by \$16,025 for fiscal year ended June 30, 2009. Equipment inventory records were overstated by \$17,302, for fiscal year ended June 30, 2008.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 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 Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 2008 and 2009, are included as 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 Commission on the Deaf and Hearing Impaired 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 Commission on the Deaf and Hearing Impaired'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 deficiency* 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 deficiency, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be a significant deficiency in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 concerning weaknesses in the processing of payroll.

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 do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Commission on the Deaf and Hearing Impaired 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 Commission on the Deaf and Hearing Impaired's response to the findings identified in our audit is described in the accompanying "Condition of Records" section of this report. We did not audit the Commission on the Deaf and Hearing Impaired's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Agency's 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 Commission on the Deaf and Hearing Impaired during the course of our examination.

David Tarallo
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts