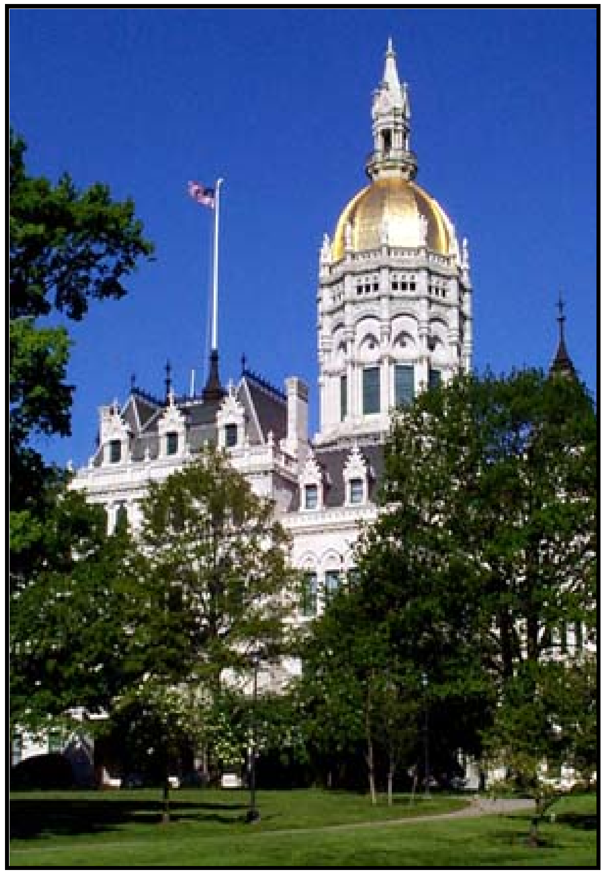
STATE OF CONNECTICUT



AUDITORS' REPORT
COMMISSION ON THE DEAF AND HEARING IMPAIRED
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011

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

Table of Contents

STATE OF CONNECTICUT

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April 18, 2012

AUDITORS' REPORT
COMMISSION ON THE DEAF AND HEARING IMPAIRED
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011

We have examined the records of the Commission on the Deaf and Hearing Impaired (Commission) for the fiscal years ended June 30, 2010 and 2011. This report on our examination consists of the Comments, Recommendations and Certification which follow.

Financial statement presentation and auditing are done on a Statewide Single Audit basis to include all state agencies. 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 internal control policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Commission operates under the provisions of Title 46a, Chapter 814a, Sections 46a-27 through 46a-33b of the General Statutes. Although the Commission operates autonomously, it has been placed within the Department of Social Services for administrative purposes only. In accordance with the terms of applicable memorandums of understanding, the Department of Administrative Services (DAS) provided personnel, payroll, affirmative action and business office functions for the Commission during the audited period.

The duty of the Commission is to act as a statewide 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 may be expended for the purpose designated by the donor or to accomplish the goals of the Commission.

Stacie J. Mawson continued to serve as executive director during the audited period.

Membership of Commission:

As set forth in Section 46a-28 of the General Statutes, the Commission consists of twenty-one members, three of which are ex-officio. Additionally, there are seven voting members representing other state agencies and eleven members appointed by the Governor. The members of the Commission as of June 30, 2011, were:

Ex-officio members:

Vacant	Consultant, Hearing Impaired Programs (State Board of Education)
Susan Pedersen	President, Connecticut Council of Organizations Serving the Deaf
Edward Peltier	Superintendent, American School for the Deaf

Voting members:

Amy Mirizzi	Department of Public Health
Astread Ferron-Poole	Department of Social Services
Efrain Diaz	Department of Mental Health and Addiction Services
Colleen Hayles	Department of Education
Jane Whitehead	Department of Developmental Services
William Rivera	Department of Children and Families
Bridget Kemmling	Department of Labor

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

Other members who served during the audited period were:

Jacqui Kelleher
Jose Ortiz

Significant Legislation:

During the 2011 Session of the General Assembly, the following significant legislation was enacted as follows:

Public Act 11-44:
Section 2, effective July 1, 2011, included the Commission as part of a newly-created consolidated agency known as the Bureau of Rehabilitative Services (Bureau) with all functions, powers and duties of the Commission being transferred to the Bureau.

Section 69, effective upon passage, provided that no later than June 30, 2012, all personnel, payroll, affirmative action and business office functions be transferred from DAS to the Bureau.

RÉSUMÉ OF OPERATIONS:

General Fund:

General Fund receipts totaled $797 and $980 for the fiscal years ended June 30, 2010 and 2011, 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 $468,599 and $778,453 during the respective audited years. For comparative purposes, such collections for the fiscal year ended June 30, 2009, totaled $727,982.

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

	Fiscal Year Ended June 30,		
	2009	**2010**	**2011**
Budgeted Accounts:			
Personal Services and Employee Benefits	$ 909,732	$ 466,859	$ 794,474
Purchased and Contracted Services	164,288	125,252	169,282
Total General Fund Expenditures	**$1,074,020**	**$ 592,111**	**$ 963,756**

Expenditures from budgeted accounts decreased 45 percent from fiscal year 2009 to 2010 and then increased 63 percent from fiscal year 2010 to 2011. The decrease in fiscal year 2010 was due primarily to a decrease in full-time salary expense, part-time salary expense, mileage reimbursement and overtime. The increase in fiscal year 2011 was due primarily to an increase in part-time salary expense, payments for accumulated leave upon separation, overtime, longevity 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:

The Commission's Federal and Other Restricted Accounts Fund receipts totaled $108,728 and $212,640 for the fiscal years ended June 30, 2010 and 2011, respectively. For comparative purposes, such receipts for the fiscal year ended June 30, 2009, totaled $245,024. 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 Fund totaled $120,519 and $212,980 for the fiscal years ended June 30, 2010 and 2011, respectively. For comparative purposes, such expenditures for the fiscal year ended June 30, 2009, totaled $217,269. 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 $3,629, and $0 during the fiscal years ended June 30, 2010 and 2011, respectively. Noted expenditure activity primarily involved the purchase of several personal computers for the Commission's operational staff.

CONDITION OF RECORDS

We found various areas in need of attention and corrective action. These areas are described in the following sections.

Inadequate P-2 Bargaining Unit Contractual Terms, Questionable Claims Involving Interpreter Employees and Need for Adoption of Administrative Policy and Procedures:

Background: Throughout the audited period, the Commission's part-time interpreter staff prepared a claim document known as the Interpreter Service Report for each assignment they were scheduled to perform under the provisions of Section 46a-33b of the General Statutes. This report served dual purposes as the document used to support the calculation of the employee's compensation and also the invoice billed to the customer. Although the manual processing of a high volume (approximately 600 per week) of report documents has recently been eliminated through the adoption of an automated scheduling system, the essential underlying integrity of certain interpreter claim information continues to remain subject to question.

Criteria: Sound business practice suggests that when consecutive back-to-back interpreter assignments do not run their allotted time, any resultant surplus time should be offset against that portion of the interpreter's claim determined to be overstated. All claims involving such apparent overstatement should be adjusted according to established administrative policy and procedures.

Interpreter employee claims for travel time and mileage reimbursement should bear a reasonable correlation to itinerant measures provided by objective routing guides.

Condition: During the conduct of our audit, we were informed by the Commission's staff that there have been ongoing instances in which certain interpreter employees have been submitting overstated service claims. At times, when the Commission has questioned the propriety of such claims, grievances have been filed with the P-2 Bargaining Unit of AFSCME.

Furthermore, we were informed by staff of both the Commission and DAS that, regardless of scheduling technicalities, there have been numerous other instances in which certain interpreters have submitted questionable claims for excessive travel time and/or mileage reimbursement. Again, when the propriety of such claims has been questioned, grievances have been filed with the P-2 Bargaining Unit.

Effect: Whenever an interpreter submits an overstated claim involving service, wait or travel time, there exists a risk that not only may the employee be overcompensated, but that all such charges billed directly to the customer will also be overstated. Additionally, higher costs could also be passed on indirectly to the universe of all customers in the form of an inflated billable service rate, as that rate would be based on overstated underlying cost data.

Whenever an interpreter submits an overstated claim for mileage reimbursement, there is a risk that the involved employee may receive overpayment. In these instances, as the customer is not billed directly for the interpreter's mileage reimbursement, higher costs could be passed on indirectly to the universe of all customers in the form of an inflated billable service rate, as that rate would be based on overstated underlying cost data.

Cause: The involved P-2 Bargaining Unit labor agreement contract does not adequately address certain recurring scheduling contingencies. Also, there does not appear to be any established policy or procedures addressing the manner in which proper adjustment to overstated claims for service, wait and travel time should be effected.

Furthermore, the above-mentioned contract fails to present benchmarks that interpreters should observe when submitting claims for travel time and mileage reimbursement.

Recommendation: There should be sustained monitoring of interpreter service and service-related claims. Regardless of the determined cause(s), all questionable claims should continue to be challenged and documented. Additionally, all such claims should be systematically recorded, categorized and aggregated to support a statement of potential cost savings that would result from addressing the various deficiencies of the existing P-2 Bargaining Unit labor agreement contract. Lastly, administrative policy and procedures should be adopted to address the manner in which questionable interpreter service and service-related claims are to be managed. (See Recommendation 1.)

Agencies Responses: DSS:

"We agree with the condition in this finding. However, the majority of the recommendation is not warranted because we are currently monitoring interpreter service and service-related claims and all questionable claims we identify are being documented (as recommended by HR/OLR). HR/OLR told us that all such instances should simply be "documented" to support a statement of potential cost savings that would result from addressing the various deficiencies of the existing labor agreement contract. As recommended we will formalize the current polices and procedures that we are following for identifying questionable claims. It should be noted that OLR has mentioned that the issues stated in the condition of this finding cannot be resolved without union negotiations and that is not scheduled to happen until year 2016."

DAS:

"In addition to advising CDHI management to document all instances of questionable overstated service claims and questionable claims for excessive travel time and/or mileage reimbursement, DAS advised CDHI managers to continue to challenge/question the employee(s) at issue when such instances occur, to ascertain the employees' reasons for submitting the higher claims. DAS advised that all discussions, including the reasons provided, should be documented. DAS further advised that if a reasonable explanation for the higher claims was not provided, then the mileage or travel time should be reduced by management to the appropriate amount. With regard to efforts to resolve the underlying issues stated in the condition of this finding, while the contract negotiations scheduled for 2016 may certainly be an avenue, union negotiations can also occur via Labor-Management meetings and grievance proceedings, and therefore do not necessarily need to wait until the end of the current contract to be addressed. DAS, OLR, and CDHI management have in fact been engaged with the union through these meetings and proceedings in an attempt to resolve many outstanding issues prior to the current contract's expiration date."

Management and Control of Aged Receivable Accounts:

Background: The Commission's legacy automated billing and receivable system for interpreting services was used to track receivables, receipts, prepare invoices, accounts receivable aging and other management reports. Effective February 2005, billing and receivable activities were transferred to DAS and maintained on the Core-CT system. However, no accounts receivable information from the legacy system was ever transferred to DAS.

Criteria: Past due receivable accounts should be periodically reviewed to determine whether they are collectible. Receivables judged to be uncollectible should be written off in accordance with the provisions of Section 3-7 of the General Statutes.

Conditions: Proper management of account balances due, as reflected on the legacy system, has not been performed on a consistent basis.

According to the legacy system, the most up-to-date available accounts receivable balance was determined to be $140,013, as of June 2010. At that point in time, all such uncollected accounts were over five years old.

Monthly accountability reports were not prepared and a control account was not maintained for accounts receivable residing on the legacy system.

Effect: Untimely collection efforts increase the risk that receivables will not be collected.

Cause: Inexperienced and inadequate staffing contributed to operating and collection deficiencies.

Recommendation: A final review should be performed of all receivable accounts maintained on the Commission's legacy system and all such accounts should then either be collected or properly written off. (See Recommendation 2.)

Agency Response: DSS:
"We agree, and in accordance with state statute, we will continue to have all uncollectable receivables under $1,000 reviewed by the agency head, and all uncollectable receivables over $1,000 reviewed by the Secretary of the Office of Policy and Management."

RECOMMENDATIONS

Our prior audit report of the Commission contained three recommendations, of which satisfactory corrective action has been taken for two of them and one which has been repeated in a modified form. One additional recommendation is being presented as a result of our current examination.

Status of Prior Audit Recommendations:

- 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. Our examination noted a significant improvement in internal controls relating to the processing of payroll related expenses. However, due to noted inadequacies involving the P-2 Bargaining Unit contract and the need for adoption of related administrative policy and procedures, this recommendation is being repeated in an amended form.

- The Commission on the Deaf and Hearing Impaired should deposit funds in accordance with Section 4-32 of the General Statutes. Based on the results of our audit testing, this recommendation is not being repeated.

- 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. Based on the results of our audit testing, this recommendation is not being repeated.

Current Audit Recommendations:

1. **There should be sustained monitoring of interpreter service and service-related claims. Regardless of the determined cause(s), all questionable claims should continue to be challenged and documented. Additionally, all such claims should be systematically recorded, categorized and aggregated to support a statement of potential cost savings that would result from addressing the various deficiencies of the existing P-2 Bargaining Unit labor agreement contract. Lastly, administrative policy and procedures should be adopted to address the manner in which questionable interpreter service and service-related claims are to be managed.**

   Comment:

   Our review found various instances in which certain interpreter employees have been submitting questionable service claims. Additionally, our review found continuing instances in which certain interpreters have been submitting questionable claims for excessive travel time and/or mileage reimbursement.

2. **A final review should be performed of all receivable accounts maintained on the Commission's legacy system and all such accounts should then either be collected or properly written off.**

Comment:

The most up-to-date available legacy system accounts receivable balance was determined to be $140,013, as of June 2010. At that point in time, all such uncollected accounts were over five years old.

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, 2010 and 2011. This audit was primarily limited to performing tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Commission's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Commission are complied with, (2) the financial transactions of the Commission are properly initiated, authorized, recorded, processed, and reported on consistent with management’s direction, and (3) the assets of the Commission 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, 2010 and 2011, 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 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:

Management of the Commission on the Deaf and Hearing Impaired is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants. In planning and performing our audit, we considered the 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 Commission'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 an opinion on the effectiveness of the Commission's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Commission on the Deaf and Hearing Impaired’s internal control over those control objectives.

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

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Commission's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiency, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be a significant deficiency: Recommendation 2 – Management and Control of Aged Receivable Accounts. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the 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 Commission'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*.

Responses to the findings identified in our report are described in the accompanying Condition of Records section of this report. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of Commission 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.

Marc Amutice
Associate Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts