

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
OFFICE OF EARLY CHILDHOOD  
FISCAL YEARS ENDED JUNE 30, 2018, 2019 AND 2020*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

## Table of Contents

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EXECUTIVE SUMMARY .....	ii
AUDITORS' REPORT.....	1
COMMENTS .....	2
FOREWORD .....	2
Significant Legislation.....	2
RÉSUMÉ OF OPERATIONS .....	3
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	6
Memorandum of Understanding (MOU).....	6
Failure to Perform Internal Control Self-Assessment .....	7
Payroll – Minimum Leave Increments .....	8
Property Control – Deficiency in CO-59 Asset Management/Inventory Reporting .....	9
Reporting .....	10
ImpaCT System - Inactive Providers .....	12
Property Control – Physical Inventory .....	12
Submission of Schedule of Expenditures of Federal Award.....	13
Property Control – Insufficient Control over Software Inventory .....	14
Information Technology - Lack of Property Control .....	15
Expenditures - Temporary Workers and Cost-Benefit Analysis .....	16
Expenditures – Purchasing Card Transactions .....	17
Payroll - Compensatory Time, Overtime and Holiday Timesheet Approvals .....	17
Payroll - Medical Certification.....	19
Payroll - Improper Use of the Leave in Lieu of Accrual Time Reporting Code.....	19
Expenditures - United Way Subcontracting .....	20
Payroll – Recruitment Process.....	22
RECOMMENDATIONS .....	24
Status of Prior Audit Recommendations: .....	24
Current Audit Recommendations: .....	27
ACKNOWLEDGMENTS .....	32

**February 23, 2022**

**EXECUTIVE SUMMARY**

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Office of Early Childhood (OEC) for the fiscal years ended June 30, 2018, 2019 and 2020. Our audit identified internal control deficiencies, and instances of noncompliance with laws, regulations, and policies, and the need for changes in management practices that warrant the attention of management. The significant findings and recommendations are presented below:

<a href="#"><u>Page 6</u></a>	The Office of Early Childhood (OEC) and the State Department of Education (SDE) have not executed a new memorandum of understanding (MOU), and SDE continues to provide administrative support under the prior agreement. The Office of Early Childhood should execute an updated memorandum of understanding with the State Department of Education defining terms of the department's administrative support. (See Recommendation 1.)
<a href="#"><u>Page 12</u></a>	The OEC informed us that the ImpaCT system can deactivate a provider after six months of inactivity. However, it is not an enabled function. The Office of Early Childhood should consider enabling ImpaCT system function that automatically deactivates inactive childcare providers after six months. (See Recommendation 6.)
<a href="#"><u>Page 13</u></a>	The Office of Early Childhood failed to properly submit its Schedule of Expenditures of Federal Awards (SEFA) information to the Office of the State Comptroller. As a result, our office had to submit \$27,332,249 in changes on behalf of OEC to the Comptroller as an audit adjustment. The Office of Early Childhood should prepare and submit its SEFA in accordance with the Office of the State Comptroller's instructions. (See Recommendation 8.)
<a href="#"><u>Page 16</u></a>	OEC did not perform a cost-benefit analysis before procuring services from a privatization contract. During the audited period, OEC spent \$200,767 on temporary services without the appropriate cost-benefit analysis to determine the potential cost savings and other elements specified in Section 4e-16(b). The Office of Early Childhood should comply with Section 4e-16(b) of the General Statutes and perform a cost-benefit analysis before procuring services. (See Recommendation 12.)
<a href="#"><u>Page 20</u></a>	OEC did not provide supporting documentation to demonstrate that it improved its efforts to monitor United Way's subcontracting activities. OEC did not sufficiently document its invoice review process. The Office of Early Childhood should develop internal controls to monitor United Way subcontracting activities to ensure compliance with state policies. OEC should provide and retain written authorization granting the authority to hire a subcontractor, and should document its procedures concerning its review of subcontractor invoices to ensure completeness and accuracy. (See Recommendation 17.)

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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February 23, 2022

### **AUDITORS' REPORT OFFICE OF EARLY CHILDHOOD FISCAL YEARS ENDED JUNE 30, 2018, 2019 AND 2020**

We have audited certain operations of the Office of Early Childhood (OEC) 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 fiscal years ended June 30, 2018, 2019 and 2020. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions;
2. Evaluate the office'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 effectiveness, 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, and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we reached the following conclusions:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified a need for improvements in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Office of Early Childhood.

## COMMENTS

### FOREWORD

The Office of Early Childhood (OEC) was created through Executive Order No. 35, effective June 24, 2013, which identified OEC as the office responsible for coordinating and improving the delivery of early childhood services for Connecticut children. OEC operates under the provisions of [Title 10, Chapter 184c](#) of the General Statutes and is the lead agency for early care and education, workforce development, program quality and improvement, childcare licensing, and family support.

OEC is administered by a commissioner appointed by the Governor under section 10-500 of the General Statutes. David Wilkinson was appointed commissioner on May 11, 2017 and served in that capacity until January 21, 2019. Beth Bye was appointed commissioner on January 22, 2019 and continues to serve in that capacity.

The State Department of Education (SDE) and OEC entered a memorandum of understanding (MOU) defining the administrative relationship and responsibilities of the agencies. SDE is designated to support OEC for administrative purposes only. In accordance with the agreement, SDE provides OEC payroll, human resources, business office, and fiscal functions.

### Significant Legislation

Notable legislative changes that took effect during the audited period are as follows:

[Public Act 17-2 \(Sections 174 – 177\)](#) effective July 1, 2019, included language concerning criminal background checks that comply with the federal Child Care Development Fund (CCDF) reauthorization requirements. The new provisions include making background checks more comprehensive and requiring them every five years. The act requires supervision of an employee

in a childcare center whose background check has not cleared, and makes background checks portable across childcare settings. The act also earmarked \$100,000 to hire two background check positions.

[Public Act 18-172 \(Sections 1 and 2\)](#) effective July 1, 2018, created a 90-day grace period for homeless children to provide health and immunization records, enabling immediate access to childcare in a home or a center.

[Public Act 19-121 \(Section 1\)](#) effective July 1, 2019, changed Care 4 Kids allowable income eligibility from 75% of the state-wide median income to the 85% prescribed by federal law.

[Public Act 19-61](#) effective July 1, 2019, proposed an early childhood educator compensation schedule for employees in a childcare or school readiness program that accepts state funds for infant, toddler, and preschool spaces. The proposed compensation schedule must include a recommended minimum salary and be submitted, with a report containing recommendations, to the Appropriations and Education committees by January 1, 2021.

## RÉSUMÉ OF OPERATIONS

### Revenue

Presented below is a summary of revenue by fund:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
General Fund	\$45,245,268	\$ 74,935,876	\$ 14,163,177
Federal and Other Restricted Account Fund	53,268,465	44,713,503	92,359,359
<b>Total Revenue by Fund</b>	<b>\$98,513,733</b>	<b>\$119,649,379</b>	<b>\$106,522,536</b>

The increase in General Fund revenues during the fiscal year ended June 30, 2019 was primarily attributable to growth in the Child Care and Development Fund (CCDF). This was the last year OEC received the CCDF award as a revenue through the General Fund. In the fiscal year ended June 30, 2020, OEC realigned its CCDF award drawdown, which resulted in an increase of Federal and Other Restricted Accounts during the fiscal year ended June 30, 2020.

A summary of General Fund revenue by account is presented below:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Dependent Children	\$42,960,217	\$72,551,660	\$12,939,212
Refunds of Expenditures Prior Years	1,648,141	1,945,005	964,781
Child Day Care Center Licenses	365,790	149,605	94,635
Youth Camp Licenses	251,500	255,060	129,100
Fines and Civil Penalties	20,040	34,793	35,660
All Other Receipts	(420)	(248)	(211)
<b>Total General Fund Revenue by Account</b>	<b>\$45,245,268</b>	<b>\$74,935,875</b>	<b>\$14,163,177</b>

The changes in the Dependent Children account were due to an increase in the CCDF award and a realignment of the fund from the General Fund to the Federal and Other Restricted Fund.

Presented below is a summary of Federal and Other Restricted receipts:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Federal Grants	\$43,342,273	\$42,056,141	\$91,043,500
Non-Federal Grants	4,644,889	927,905	315,859
Grant Transfers	5,281,303	1,729,457	1,000,000
<b>Total Federal and Other Revenue</b>	<b>\$53,268,465</b>	<b>\$44,713,503</b>	<b>\$92,359,359</b>

### **Expenditures**

A summary of expenditures by fund is presented below:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
General Fund	\$258,256,148	\$282,121,512	\$258,063,010
Federal and Other Restricted Accts Fund	56,060,261	45,626,112	131,104,016
Community Conservation and Development	1,167,500	282,500	7,500
STEAP – Grants to Local Governments	939,161	145,100	(37,995)
Capital Improvement and Other	823,193	912,440	530,087
Capital Equipment Purchase Fund	395	54,472	948
<b>Total All Funds</b>	<b>\$317,246,658</b>	<b>\$329,142,136</b>	<b>\$389,667,566</b>

The increase in Federal and Other Restricted accounts during the fiscal year ended 2020, was due to realignment of CCDF from the General Fund to the Federal and Other Restricted Fund.

General Fund expenditures by account are presented below:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Early Care and Education	\$119,109,797	\$122,655,861	\$124,295,170
Care 4 Kids TANF/CCDF	86,031,555	100,597,048	77,963,811
Birth to Three	21,446,804	23,336,710	22,845,964
Nurturing Families Network	10,026,687	10,217,642	10,275,655
Personal Services	7,400,006	7,757,017	8,173,924
Child Care Quality Enhancement	6,836,990	6,576,798	4,134,063
Head Start Services	5,048,843	5,078,417	4,507,650
Smart Start	-	3,325,000	3,325,000
Early Head Start – Child Care Partnership	1,575,750	1,430,750	1,402,269
Other Expenses	384,926	383,261	431,549
Even Start	295,456	295,456	295,456
Two Generation - TANF	108,335	467,552	412,500
<b>Total General Fund Expenditures</b>	<b>\$258,265,149</b>	<b>\$282,121,512</b>	<b>\$258,063,011</b>

Some CCDF funds were charged to a General Fund Special Identification Code in the fiscal years ended June 30, 2018 and 2019. In response to our prior audit recommendation, the OEC realigned CCDF from the General Fund to the Federal and Other Restricted Fund.

Total Federal and Other Restricted expenditures are presented below:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Federal Grants	\$ 33,826,522	\$ 26,928,591	\$ 47,488,609
Non-Federal Grants	7,955,878	644,679	341,904
Grant Transfers	14,277,860	18,052,841	83,273,504
<b>Total Federal and Other Restricted Expenditures</b>	<b>\$ 56,060,260</b>	<b>\$ 45,626,111</b>	<b>\$ 131,104,017</b>

Grant transfers into the Department of Social Services cash book increased by \$65,220,633 between fiscal years ended June 30, 2019, and 2020 due to the realignment of the CCDF funding from the General Fund to the Federal and Other Restricted Fund. Because OEC does not have a system to process payments, the Department of Social Services (DSS) processes payments and uses the cash book to handle the OEC cash management functions. DSS makes these payments to providers as a replenishment to a debit card, a direct deposit, or a check. OEC transfers funds quarterly to DSS to cover these payments.



## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Office of Early Childhood (OEC) disclosed the following 18 recommendations, of which ten have been repeated from the previous audit:

### **Memorandum of Understanding (MOU)**

*Background:* A memorandum of understanding (MOU) is a formal written agreement between two or more parties that communicates mutually accepted expectations. The agreement may include responsibilities, plans, and actions to accomplish specific goals.

Section 10-500 of the General Statutes states, in part, that the Office of Early Childhood shall be within the State Department of Education (SDE) for administrative purposes only.

The State Department of Education and the Office of Early Childhood entered a memorandum of understanding defining the administrative relationship and responsibilities of the agencies. SDE is responsible for providing OEC payroll, human resources, and business office and fiscal functions.

*Criteria:* Strong internal controls dictate that an executed MOU should be on file to document the SDE administrative support services provided to OEC.

*Condition:* OEC and SDE have not executed a new MOU. SDE continues to provide administrative support under the prior agreement. The MOU between OEC and SDE expired on June 30, 2015.

*Effect:* Without an executed MOU, the parties may not understand and fulfill the expected terms and duties.

*Cause:* The MOU between the OEC and SDE lapsed, and management failed to extend it or reach a new agreement.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Office of Early Childhood should execute an updated memorandum of understanding with the State Department of Education defining the terms of the department's administrative support. (See Recommendation 1.)

*Agency Response:* "We agree with this finding; however, recognize that Section 10-500 of the General Statutes states, in part, that the Office of Early Childhood shall be within the State Department of Education (SDE) for administrative purposes only. No MOU is required under this statute for the agencies to maintain their statutorily required relationship. With that, discussions

between the two agencies commenced prior to the COVID-19 pandemic. The COVID-19 pandemic and the agency’s expansive response to the pandemic has been the agency’s primary focus for the past 18 months. The OEC and SDE will benefit from having a formal agreement to ensure that it is clear which administrative services are being provided as required by statute.”

### **Failure to Perform Internal Control Self-Assessment**

*Criteria:* The Office of the State Comptroller issues an annual memorandum reminding agency heads to conduct yearly internal control self-assessments as required by the Internal Control Guide. In accordance with the Internal Control Guide, agency management is responsible for establishing and maintaining effective internal controls. Agencies must annually complete an internal control self-assessment by June 30th and keep it on file. The review of the self-assessment questions should include a report noting weaknesses and recommendations for improvements.

The questionnaire includes a form that the agency head and business manager must sign to confirm that the information is complete and accurate.

Section 10-500 of the General Statutes states that the Office of Early Childhood (OEC), “shall be within the Department of Education for administrative purposes only.” Section 4-38f of the General Statutes defines the term “administrative purposes only.” Part B of this section states, in part, “the department to which an agency is assigned for administrative purposes only shall provide record keeping, reporting, and related administrative and clerical functions for the agency to the extent deemed necessary by the department head.”

OEC entered a memorandum of understanding (now expired) with the State Department of Education. The MOU outlines the fiscal responsibilities of each agency. Part 4, section J, states that the SDE Bureau of Fiscal Services will perform “additional functions,” including preparing, coordinating, or updating internal control questionnaires.

*Condition:* The OEC internal control questionnaire was not available during the audited period. SDE informed us that it did not prepare the OEC questionnaire.

*Effect:* OEC has not used the annual internal control questionnaire as an assessment tool to assist in identifying weaknesses in internal controls. Management has less opportunity to design and implement effective controls.

*Cause:* SDE did not complete the annual internal control questionnaire for OEC as part of its responsibilities under the MOU. OEC did not follow up with SDE to ensure that the department completed the required report.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Office of Early Childhood should work with the State Department of Education to ensure that the department completes the annual OEC internal control questionnaire and maintains a copy on file. The Office of Early Childhood should document any identified deficiencies and corrective action taken to address those deficiencies. (See Recommendation 2.)

*Agency Response:* “We agree with this finding. OEC has relied upon SDE to provide administrative support and functions to the agency. As the agency was preparing to add staffing capacity and develop a process for assuming additional administrative responsibilities, the agency was fully engaged with the state’s COVID-19 response. The COVID-19 pandemic and the agency’s expansive response to the pandemic has been both agencies primary focus for the past 18 months. SDE needs additional capacity to achieve these tasks or additional capacity needs to be provided to OEC.”

### **Payroll – Minimum Leave Increments**

*Criteria:* Certain bargaining unit contracts require employees to take their leave time in at least one-hour increments. Internal controls should be sufficient to ensure compliance with bargaining unit contracts. Administrative Clerical Union employees must charge vacation leave in one-hour increments. Education Administrators Union employees must charge sick leave in one-hour increments.

*Condition:* There were 101, 81, and 56 instances in which employees took leave time below the minimum increment during fiscal years ended June 30, 2018, 2019, and 2020, respectively.

*Effect:* Use of leave time under the minimum increment is a violation of the bargaining unit contract.

*Cause:* The State Department of Education informed us that it did not complete and distribute new guidelines regarding the appropriate use of leave time.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Office of Early Childhood should improve controls over the review and approval of timesheets to ensure compliance with minimum leave time increments in bargaining unit contracts. The State Department of Education should develop and distribute guidelines to OEC employees on the appropriate charging of leave time. (See Recommendation 3.)

*Agency Response:* “We agree with this finding. OEC’s payroll is managed by the State Department of Education. As noted above, the State Department of Education notified the state auditors that it did not complete and distribute

to the staff new guidelines regarding the use of appropriate leave increments. OEC, with the support of the State Department of Education, will inform staff of the new guidelines regarding how employees should appropriately charge leave time increments.”

**Property Control – Deficiency in CO-59 Asset Management/Inventory Reporting**

*Criteria:* Section 4-36 of the General Statutes requires each state agency to establish and maintain inventory records as prescribed by the Office of the State Comptroller (OSC). The State Property Control Manual (SPCM) establishes the standards and reporting requirements to maintain an inventory system, and provide for accountability and the safeguarding of assets.

Core-CT is the official record for each agency’s inventory. The SPCM states that the Asset Management/Inventory Report (CO-59 form) should be used to report all property owned by each state agency based on Core-CT Asset Management queries of capitalized assets. If the values reported on the CO-59 form do not reconcile with Core-CT, the agency must provide a written explanation of the discrepancy.

*Condition:* The Office of Early Childhood (OEC) did not prepare and submit its CO-59 Form for the fiscal year ended June 30, 2020. Additionally, OEC reported equipment in its CO-59 form for the fiscal years ended June 30, 2018, and 2019 that did not agree with values in Core-CT, and had \$64,840 in errors.

*Effect:* There is a decreased ability to safeguard state assets.

*Cause:* Management did not follow proper internal control procedures included in the property control manual.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The State Department of Education should maintain and report assets as prescribed by the State Property Control Manual. The Office of Early Childhood should ensure the accurate reporting of all items on its CO-59 form. (See Recommendation 4.)

*Agency Response:* “OEC agrees with this finding. SDE’s Information Technology Department had previously performed this function on behalf of OEC. OEC’s Information Technology Department was under resourced and unable to complete this task on its own during this timeframe. The agency will review existing software assets and work with the Fiscal Division to comply with established practices in the State Property Control Manual going forward.

In addition, the agency will work with the newly establish Bureau of Information Technology Solutions to determine how this information will be managed, tracked, and reported moving forward.”

## **Reporting**

### *Criteria:*

The Office of Early Childhood is required to submit reports under various statutes and public acts. The information in the reports is necessary for executive and legislative branch oversight of OEC programs.

Public Act 18-123, Section 2, states that OEC shall, within available appropriations, conduct an analysis of the staff qualifications requirement and report to the General Assembly’s Education Committee.

Public Act 18-137, Section 25, stated that no later than January 1, 2019, the Commissioner of Early Childhood shall make recommendations, in accordance with the provisions of Section 11-4a of the General Statutes, to the General Assembly’s Education Committee, on how a precertification process could be implemented for prospective employees of a child day care center or group day care home in lieu of the current background check requirements.

Special Act 17-1, Section 1, required the State Department of Education, in consultation with the Office of Early Childhood, the Early Childhood Cabinet, and two private providers designated by the OEC Commissioner, to develop a plan for universal preschool and submit to the General Assembly’s Education Committee. The plan was to be developed by January 1, 2019, with an implementation date of July 1, 2022.

Section 10-16z(c) of the General Statutes states that the Early Childhood Cabinet shall, within available resources, develop an annual plan of action that assigns the appropriate state agency to complete the tasks specified in the federal Head Start Act of 2007, P. L. 110-134, an annual state-wide strategic report to the General Assembly’s Education and Human Services committees, pursuant to said federal Head Start Act.

### *Condition:*

Our review of the OEC reporting requirements noted the following exceptions:

- OEC did not prepare or submit the staff qualification report of early childhood educators to the General Assembly’s Education Committee.
- OEC filed the report on the implementation of a background check precertification process for prospective employees of child day care centers or group day care homes nine months late.

- OEC did not develop or submit the plan for universal preschool to the General Assembly’s Education Committee.
- OEC did not submit the annual state-wide strategic report to the Governor and the General Assembly’s Education Committee.

*Effect:* The intended report recipients are not receiving and evaluating required information in a timely manner.

*Cause:* OEC management did not track the completion and submission of required reports.

*Prior Audit Finding:* This finding has been previously reported in the audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Office of Early Childhood should improve administrative control to ensure that it prepares and promptly submits all statutorily mandated reports to their required recipients. (See Recommendation 5.)

*Agency Response:* “The agency agrees in part with this finding.

P.A. 18-123–An Act Concerning the Staff Qualification of Early Childhood Educators: This report was not submitted on time due to lack of staff capacity and lack of an appropriation to support the required outside expertise.

P.A. 18-137–An Act Concerning the Recommendations of the Auditors of Public Accounts: This report was submitted late due to delays in securing the needed information to make a decision about a background check precertification process.

S.A. 17-1–An Act Concerning Developing a Plan for Universal Preschool: The State Department of Education, not the Office of Early Childhood, was required to develop and submit the plan for universal preschool. OEC does not track the submission of reports required to be submitted by other agencies.

P.A. 09-6-An Act Implementing the Provisions of the Budget Concerning Education, Authorizing State Grant Commitments for School Building Projects, and Making Changes to the Statutes Concerning School Building Projects and other Education Statutes: This report has not been completed for FY20, FY19 and FY18 due to lack of staffing and available appropriations.”

### **ImpaCT System - Inactive Providers**

- Criteria:* The Office of Early Childhood utilizes the state’s Integrated Management of Public Assistance for Connecticut (ImpaCT) system to process eligibility determinations and maintain client case files.
- Condition:* OEC informed us that the ImpaCT system can deactivate a provider after six months of inactivity. However, OEC has not enabled this function.
- Effect:* Management’s accountability over inactive providers is limited and may increase the risk of payment errors.
- Cause:* Management decided not to enable this ImpaCT function.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Office of Early Childhood should consider enabling the ImpaCT system function that automatically deactivates inactive childcare providers after six months. (See Recommendation 6.)
- Agency Response:* “The OEC agrees with this finding. There is built-in functionality in ImpaCT to deactivate providers after six months of inactivity, meaning providers who have not served a child in six months. The decision not to enable this functionality was made back when the system first became live in December of 2018, at which time the OEC was transitioning from the old legacy system, CCMIS, to the new ImpaCT system. Because of this transition period, OEC did not want to incorrectly or inadvertently deactivate providers during the conversion and transition process. Now that the system has been tested and the system is functional, the OEC can enable the functionality and will make plans to do so this fiscal year.”

### **Property Control – Physical Inventory**

- Criteria:* The State Property Control Manual states that each agency should have a complete physical inventory of all property by the end of the fiscal year to ensure accurate property control records. The State Department of Education (SDE) performs certain administrative functions, including Office of Early Childhood’s inventory.
- Condition:* SDE did not conduct a physical inventory during the audited period.
- Effect:* There is less assurance that the recorded inventory is accurate, leaving state property susceptible to loss or theft.
- Cause:* SDE decided not to conduct an inventory.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The State Department of Education should perform the Office of Early Childhood’s annual physical inventory as required by the State Property Control Manual. (See Recommendation 7.)

*Agency Response:* “OEC agrees with this finding. SDE did not conduct an inventory for the OEC. SDE agrees with this finding and has recently ordered new scanners and is working on retraining staff to begin a full central office inventory. Staff has been instructed that if internet service is not available to operate the scanners, then manual inventories should be conducted. Please note that during this period SDE’s storekeeper staff was transferred to CTECS in preparation for the agency separation. SDE is establishing a new asset management unit.”

### **Submission of Schedule of Expenditures of Federal Award**

*Criteria:* The Office of the State Comptroller (OSC) delineates instructions to all state agencies for the submission of timely, complete, and accurate Schedule of Expenditures of Federal Awards (SEFA). The Federal Financial Assistance Package is due every year on September 30th.

*Condition:* The Office of Early Childhood failed to properly submit its SEFA information to the Office of the State Comptroller. As a result, our office had to submit \$27,332,249 in changes on behalf of OEC to the Comptroller as an audit adjustment.

*Effect:* If not corrected, the statewide SEFA would have included significant errors, which could result in penalties from the federal government.

*Cause:* OEC management failed to follow OSC instructions.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Office of Early Childhood should prepare and submit its Schedule of Expenditures of Federal Awards in accordance with the Office of the State Comptroller's instructions. (See Recommendation 8.)

*Agency Response:* “OEC agrees in part with this finding. Submission of the schedule of expenditures of federal awards was a function that SDE historically performed on behalf of OEC. Due to staffing capacity, OEC has been unable to complete this task on its own. This has been addressed and OEC will begin submitting its SEFA on its own behalf.”



**Property Control – Insufficient Control over Software Inventory**

- Criteria:* The State Property Control Manual states that all agencies must establish a software library to track, inventory, and report all software media and licenses. The memorandum of understanding between State Department of Education and the Office of Early Childhood states that OEC is responsible for maintaining its software inventory. In addition, if the software was internally generated and exceeds the capitalization threshold, it must be capitalized.
- Condition:* The Office of Early Childhood did not properly track or report its purchased or internally generated software.
- Effect:* Records are inaccurate and there is less assurance that software records are properly maintained and controlled.
- Cause:* Management’s accountability over licensed software was inadequate.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.
- Recommendation:* The Office of Early Childhood should improve controls over software and correct its reporting of inventory in accordance with the State Property Control Manual. (See Recommendation 9.)
- Agency Response:* “OEC agrees with this finding. SDE’s Information Technology Department had previously performed this function on behalf of OEC. OEC’s Information Technology Department was under resourced and unable to complete this task on its own during this timeframe. The agency will review existing software assets and work with the Fiscal Division to comply with established practices in the State Property Control Manual going forward. In addition, the agency will work with the newly establish Bureau of Information Technology Solutions to determine how this information will be managed, tracked, and reported moving forward.”

**Property Control – Asset Purchases Deficiencies**

- Criteria:* The State Accounting Manual and subsequent memos require proper coding of transactions and tracking of assets by a unique identifier (tagging). This process is essential in providing fiscal and budgetary accountability over the costs of capitalized and controllable asset.
- Condition:* Our review of capital asset purchases at the Office of Early Childhood disclosed that OEC improperly capitalized \$50,856 in laptops, software and a warrantee plan. OEC could not provide tag numbers for newly purchased assets and could not confirm that it added 51 newly purchased assets to its financial record.

- Effect:* Without adequate inventory records, there is a greater risk that agency physical assets could be lost or stolen.
- Cause:* Management’s accountability over agency assets was inadequate.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Office of Early Childhood should improve the coding of expenditures to ensure that it records purchased assets in proper expenditure accounts and capitalizes them when appropriate. (See Recommendation 10.)
- Agency Response:* “OEC agrees with this finding. OEC will not code expenditures beneath the capitalization threshold of \$5,000 to the capitalized software account. Further, during this audit period, SDE did not complete an inventory for OEC. This is addressed in a previous audit finding and response.”

**Information Technology - Lack of Property Control**

- Criteria:* The State Property Control Manual requires state agencies to establish and maintain a listing to track all information technology assets to control software media, licenses, and hardware. The Comptroller has determined that to protect software, inventory listings must contain certain data fields to comply with the Copyright Act, United States Code - Title 17. The state is also responsible to ensure compliance with software manufacturers' licensing requirements.
- Condition:* The Office of Early Childhood software and hardware inventory listing did not comply with Office of the State Comptroller’s requirements during the audited period. OEC did not provide sufficient documentation to support costs of all software media, licenses, and hardware.
- Effect:* There is an increased risk of assets being lost, stolen, or not properly used in accordance with licensing and copyright agreements.
- Cause:* OEC does not have adequate internal controls over its software media, licenses, and hardware.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Office of Early Childhood should strengthen internal controls over software media, licenses, and hardware inventory to ensure that listings are complete, accurate, and maintained in accordance with the State Property Control Manual. (See Recommendation 11.)
- Agency Response:* “OEC agrees with this finding. SDE’s Information Technology Department had previously performed this function on behalf of OEC. OEC’s

Information Technology Department was under resourced and unable to complete this task on its own during this timeframe. The agency will review existing software assets and work with the Fiscal Division to comply with established practices in the State Property Control Manual going forward. In addition, the agency will work with the newly establish Bureau of Information Technology Solutions to determine how this information will be managed, tracked, and reported moving forward.”

### **Expenditures - Temporary Workers and Cost-Benefit Analysis**

- Criteria:* Section 4e-16(b) of the General Statutes requires that “cost-benefit analysis conducted by a state contracting agency prior to entering into a privatization contract shall document the direct and indirect costs, savings, and qualitative and quantitative benefits that will result from the implementation of such privatization contract.”
- Condition:* OEC did not perform a cost-benefit analysis before procuring services from a privatization contract. During the audited period, OEC spent \$200,767 on temporary services without the appropriate cost-benefit analysis to determine the potential cost savings and other elements specified in Section 4e-16(b).
- Effect:* OEC did not determine its projected costs or whether savings were achievable through privatization contracts.
- Cause:* A lack of administrative controls and management oversight contributed to this condition.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.
- Recommendation:* The Office of Early Childhood should comply with Section 4e-16(b) of the General Statutes and perform a cost-benefit analysis before procuring services. (See Recommendation 12.)
- Agency Response:* “The OEC agrees with this finding. Due to the agency’s capacity, the agency determined that temporary services were required to perform its duties and to meet its federal and state obligations. The agency will document these decisions more formally using the CEE and/or the CBA, as required. At the agency’s request, the Office of Policy and Management recently provided training to the agency’s leadership on both the CEE (Cost Effectiveness Evaluation) and the CBA (Cost-Benefit Analysis). In addition, the agency has built these two tools into its new Pre-Authorization process.”

### **Expenditures – Purchasing Card Transactions**

- Criteria:* The State of Connecticut's Agency Purchasing Card (P-card) Coordinator Manual requires cardholders to record transactions on a purchase log and retain documentation for reconciliation and subsequent review by supervisors.
- Condition:* The Office of Early Childhood did not provide 36 purchasing logs, totaling \$278,434 in purchases, for selected cardholders for the fiscal years ended June 30, 2018, 2019, and 2020. We reviewed \$5,553 of purchases and found no other exceptions.
- Effect:* There is an increased risk of unauthorized use.
- Cause:* The cardholders did not follow established P-card procedures.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Office of Early Childhood should strengthen internal controls over purchasing card transactions by ensuring compliance with established procedures in the Agency Purchasing Card Coordinator Manual. (See Recommendation 13.)
- Agency Response:* “We agree in part with this finding. SDE has maintained the P-Card coordinator role for the OEC. OEC’s needs for the P-Card as determined by its wide array of programs do not align with SDE’s policies and procedures. This needs reconciliation between the two agencies and OEC will initiate a request to this effect.”

### **Payroll - Compensatory Time, Overtime and Holiday Timesheet Approvals**

- Criteria:* Office of Early Childhood employees are permitted to earn compensatory time or overtime, with prior approval, for time worked in excess of their normal schedule. Such time is awarded in accordance with collective bargaining agreements and agency policies. Employees must submit a request form that documents the dates, approximate hours, and reason for the request. Supervisors must authorize requests in advance and maintain them at the division level.
- When a regularly scheduled workday falls on a designated holiday, the Holiday (HOL) timecode is used. Supervisors review employee timesheets to identify and correct timesheet errors prior to approval.
- Condition:* OEC did not comply with the compensatory time, overtime or holiday policies.

During the audited period, 33 OEC employees earned 3,061 hours of compensatory time. We selected one pay period for testing, in which nine employees earned 238 hours of compensatory time. Those nine employees earned 1,850 hours of compensatory time which accounts for 60% of the total compensatory time earned.

Our review of the nine employees who earned compensatory time in a single pay period noted:

- Five of nine did not have authorization forms, and four with forms did not have them properly preauthorized.
- Eight of nine did not have timesheets.
- Five of eight managerial employees earned compensatory time inappropriately because it was not significant in duration.
- One employee earned 116 hours of compensatory time during a single pay period in addition to working their regular 80 hours.

During the audited period, OEC employees earned a total \$157,611 in overtime. We selected eight employees from a single pay period who earned a total of \$1,178 (16 hours) in overtime. We noted:

- Three of eight were not properly authorized.
- Three of five did not have preapproval forms on file.

Our review of holiday time charged on non-holidays revealed 24 instances, totaling 183 hours, in which an employee charged holiday paid leave on a day that is not defined as a holiday.

*Effect:* The failure to approve compensatory or overtime in advance could lead to unnecessary expenses. OEC overpaid holiday pay on nonholidays.

The lack of administrative controls over timesheet approvals increases the risk of errors.

*Cause:* OEC employees and supervisors did not document and approve compensatory, overtime and holiday time in accordance with established policy.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Office of Early Childhood should enhance its control procedures to ensure compliance with agency compensatory, overtime and holiday policies, including advance approvals and maintenance of records. The office should ensure proper review of timesheets to prevent incorrect timecode usage. (See Recommendation 14.)

*Agency Response:* “The OEC agrees in part with this finding. Documentation on the approval of compensatory time was provided to the State Department of Education upon their request. Auditors may be provided with the same information, if necessary or upon request. Compensatory time was pre-approved and was the direct result of the agency’s response to the COVID-19 pandemic. The time approved for each staff during this period was determined to be necessary and appropriate given their respective roles and assignments. OEC will remind time approvers of their responsibility to review time entries more thoroughly prior to approving their respective staff’s time in CORE.”

**Payroll - Medical Certification**

*Criteria:* Section 5-247-11 of the Regulations of Connecticut State Agencies requires state employees to provide medical certificates for any period of absence of more than five consecutive working days.

*Condition:* Four of five instances of medical leave reviewed were not supported by complete documentation.

*Effect:* There is an increased risk that abuse of sick leave could occur and not be detected.

*Cause:* Lack of management oversight appears to be the cause.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Office of Early Childhood should improve its monitoring of employee medical leave to ensure that employees submit complete medical certificates when required for absences of more than five consecutive working days. (See Recommendation 15.)

*Agency Response:* “OEC partially agrees with this finding. The State Department of Education manages OEC’s personnel files and payroll operations. SDE agrees that we manage payroll, but HR functions were transitioned to DAS in February 2020.”

**Payroll - Improper Use of the Leave in Lieu of Accrual Time Reporting Code**

*Criteria:* Core-CT established a job aid to assist agencies in the proper use of the Leave in Lieu of Accrual (LILA) time reporting code (TRC). The job aid states that the code is intended to be used temporarily and should be changed once the accrual/compensatory time has been posted and is available for use. Additionally, the job aid indicates that the appropriate override reason code should be used with LILA so that the correct leave can be identified and adjusted accordingly.

- Condition:* Our review of 44 instances of LILA usage revealed that in all instances, OEC did not make subsequent adjustments to reflect the actual leave time used.
- Effect:* A lack of monitoring of the use of the LILA time reporting code could result in employees using more leave time than they earned.
- Cause:* Management’s accountability over LILA transactions is inadequate.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Office of Early Childhood should ensure that the Leave in Lieu of Accrual time reporting code is properly used, reported, and adjusted in accordance with established criteria. (See Recommendation 16.)
- Agency Response:* “OEC partially agrees with this finding. The State Department of Education manages OEC’s payroll operations.”

**Expenditures - United Way Subcontracting**

- Criteria:* Sections 4-212 to 4-219 of the General Statutes establish guidelines for the selection and contracting for personal services. These standards establish that an agency must develop an outline of work that describes in detail what the agency wants the prospective contractor to provide or accomplish. At a minimum, the outline of work must include information about the contract’s purpose, scope, activities, deliverables, outcomes, and timeline.
- The Office of Early Childhood contracted with the United Way of Connecticut, Inc. to manage and administer childcare programs on its behalf.
- Section I, subsection 3, of the contract states that “the contractor must request and obtain prior written approval from the OEC before finalizing any subcontract arrangement.”
- Condition:* OEC did not provide supporting documentation to demonstrate that it improved its efforts to monitor United Way’s subcontracting activities. OEC did not sufficiently document its invoice review process.
- Context:* During the audited period, OEC paid United Way approximately \$22.7 million. Our prior audit noted that United Way allocated \$5,000,000 to subcontractors without proper written authorization.
- Effect:* There is an increased risk of fraud, waste, and abuse within the subcontracting process.

*Cause:* OEC does not have formal written policies and procedures regarding the hiring and monitoring of subcontractors. Management oversight and lack of an adequate review process contributed to this condition.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Office of Early Childhood should develop internal controls to monitor United Way subcontracting activities to ensure compliance with state policies. The office should provide and retain written authorization granting the authority to hire a subcontractor, and should document its procedures concerning its review of subcontractor invoices to ensure completeness and accuracy. (See Recommendation 17.)

*Agency Response:* “The Agency disagrees with this finding. The Agency performs monthly internal meetings with agency program leads to review the activities and deliverables related to this contract. The activities and deliverables are reconciled monthly and help to forecast upcoming potential expenditures. In addition, the agency also performs monthly external meetings directly with the contractor to forecast upcoming monthly expenditures and programmatic deliverables that include sub-contractor functions as listed in the UCOA (Uniform Chart of Accounts) Justification tab and corresponding Financial Reporting tab by activity. The agency provided examples of this process to the auditors in September 2020 and again in August 2021.

The contract language states OEC will have written approval of sub-contractors. The agency uses the monthly UCOA review and approval as formal OEC approval of sub-contractor functions.

It is important to clearly differentiate contractual services from sub-contractors used to perform the work the contractor conducts on behalf of the agency. Contractual services such as cleaning services, independent auditor, building security, payroll services, etc. are not necessary to discharge the duties under this contract. These expenses are classified under contractual expense in the contractor’s General Ledger System. Sub-contractors who actually provide efforts on behalf of the agency are identified in the UCOA and are included when budget revisions are submitted and approved by the agency. The agency provided examples of this process to the auditors in September 2020 and again in August 2021.

The Agency will require from the contractor a quarterly update report of sub-contractors and copies of the signed sub-contract agreements to be retained on file at the agency. The new CCDF Administrator will review the contractor’s sub-contractor policies and will perform a sampling of sub-contract agreements and invoice payments annually.”



*Auditors Concluding*

*Comment:* We asked OEC to show us examples of invoices associated with United Way subcontracting. OEC informed us that it reviews invoice documentation to ensure that costs are in line with expectations. However, OEC did not provide further documentation of that review process or copies of the invoices for our review.

**Payroll – Recruitment Process**

*Criteria:* A memorandum of understanding (MOU) between the State Department of Education (SDE) and the Office of Early Childhood (OEC) outlines the fiscal responsibilities of each agency.

Part 4, Section A of the MOU states that SDE shall be responsible for managing policies and procedures for recruitment, selection, processing human resources transactions, and maintaining employee records. Part 5, Section A states that OEC shall be responsible for “participating in hiring/promotional interview panels except at SDE’s discretion.”

Commission on Human Rights and Opportunities (CHRO), Affirmative Action Plans by State Government Agencies Regulations section 46a-68-92, part C, states that, to ensure a fair and nondiscriminatory selection process, agencies should interview as many applicants as possible to increase opportunity, keep written records of all applicants interviewed, and to fully document the selection process.

The SDE recruitment manual provides guidance for interviewing potential candidates. The manual requires the use of an “interview questions template” to document interview questions. Each interview panel member may document notes in space provided on the form.

*Condition:* Our review of 14 new hires and three promotions found that OEC was missing required documentation for three new hires and one promotion. Missing documentation included the applicant list and tracking form, the employees’ applications, screening sheets, resumes and applications for other candidates, and justification for the selected candidate.

*Effect:* We were unable to determine whether the agency engaged in a fair and nondiscriminatory selection process, or why OEC selected the employees.

*Cause:* The lack of complete recruitment documentation appears to be the result of management oversight.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Office of Early Childhood and the State Department of Education should strengthen internal controls to ensure the hiring and promotional process is adequately supported by complete documentation. (See Recommendation 18.)

*Agency Response:* “OEC partially agrees with this finding. During part of this audit period, the State Department of Education managed OEC’s recruitment, hiring, and human resources processes. These responsibilities are now managed by the Department of Administrative Services.”

## RECOMMENDATIONS

### Status of Prior Audit Recommendations:

Our prior audit report on the Office of Early Childhood contained 17 recommendations. Six have been implemented or otherwise resolved and eleven have been repeated or restated with modifications during the current audit.

- The Office of Early Childhood should execute a memorandum of understanding with the State Department of Education defining the terms of SDE administrative support. **This recommendation will be repeated in modified form. (See Recommendation 1.)**
- The Office of Early Childhood should work with the State Department of Education to ensure that the department completes the annual OEC internal control questionnaire and maintains a copy on file. The Office of Early Childhood should document any identified deficiencies and corrective action taken to address those deficiencies. **This recommendation will be repeated in modified form. (See Recommendation 2.)**
- The Office of Early Childhood should enhance its control procedures to ensure compliance with agency compensatory and overtime policies, including advance approvals and maintenance of records. The office should ensure proper review of timesheets to prevent incorrect timecode usage. **This recommendation will be repeated in modified form. (See Recommendation 14.)**
- The Office of Early Childhood should enhance administrative controls to ensure the completion of annual performance evaluations. **This recommendation has been resolved.**
- The Office of Early Childhood should ensure that it executes all contracts prior to the start of the contract term. **This recommendation has been resolved.**
- The State Department of Education should maintain, and report assets as prescribed by the State Property Control Manual. The Office of Early Childhood should ensure the accurate reporting of all items on its CO-59 forms. **This recommendation will be repeated in modified form. (See Recommendation 4.)**
- The Office of Early Childhood should create and maintain a software inventory to track and control its software media, licenses, or end user license agreements and certificates of authenticity. **This recommendation will be repeated in modified form. (See Recommendation 9.)**
- The State Department of Education should perform the Office of Early Childhood's annual physical inventory as required by the State Property Control Manual. **This recommendation will be repeated in modified form. (See Recommendation 7.)**

- The Office of Early Childhood should review its agency-developed software to determine which programs require disclosure on its CO-59 form. The State Department of Education should adhere to the State Property Control Manual guidelines for capitalized property and include agency-developed software on the CO-59 form. **This recommendation will be repeated in modified form. (See Recommendation 9.)**
- The Office of Early Childhood should obtain and review vendor price schedules to ensure that invoices contain accurate pricing and applicable discounts based on the manufacturer suggested retail price. **This recommendation has been resolved.**
- The Office of Early Childhood should improve administrative control to ensure that it prepares and promptly submits all statutorily mandated reports to their required recipients. **This recommendation will be repeated in modified form. (See Recommendation 5.)**
- The Office of Early Childhood and the State Department of Education should ensure a thorough and timely investigation of all hostile work environment complaints.

The State Department of Education should formalize written policies and procedures regarding hostile work environment investigations. These policies should include disciplinary measures for policy violations and review procedures related to its complaint handling and monitoring of the investigation process. **This recommendation has been resolved.**

- The Office of Early Childhood should create formal written procedures for issuing quarterly payments to providers.

The Office of Early Childhood should develop a process to ensure that providers submit all required audit reports. The office should review those reports for significant recommendations and other matters. **This recommendation has been resolved.**

- The Office of Early Childhood should comply with Section 4e-16(b) of the General Statutes and perform a cost-benefit analysis before procuring services.

The Office of Early Childhood should adhere to state contract requirements by selecting the preferred vendor for temporary services. If it cannot select the preferred vendor, OEC should maintain documentation supporting why it made that decision.

The Office of Early Childhood should comply with Section 4-98 of the General Statutes and authorize purchase orders prior to the receipt of goods or services. **This recommendation will be repeated in modified form. (See Recommendation 12.)**

- The Office of Early Childhood and the State Department of Education should strengthen internal controls to ensure accurate and complete documentation supporting the recruitment process, including the hiring manager's review.

The Office of Early Childhood should work with the State Department of Education to formalize written policies and procedures regarding the hiring process and establish procedures to verify candidates' work experience and professional credentials. **This recommendation will be repeated in modified form. (See Recommendation 18.)**

- The Office of Early Childhood should ensure proper oversight and accountability over all contracts and ensure compliance with state contracting rules. The Office of Early Childhood should provide and retain written authorization when a contractor is granted the authority to hire a subcontractor. All sub-contractors should be selected in accordance with state polices. **This recommendation will be repeated in modified form. (See Recommendation 17.)**
- The Office of Early Childhood should ensure that all consultant invoices include detailed support for each activity and determine the most cost-effective resources available when recruiting for agency positions. **This recommendation has been resolved.**

**Current Audit Recommendations:**

- 1. The Office of Early Childhood should execute an updated memorandum of understanding with the State Department of Education defining the terms of the department's administrative support.**

Comment:

OEC and SDE have not executed a new MOU. SDE continues to provide administrative support under the prior agreement.

- 2. The Office of Early Childhood should work with the State Department of Education to ensure that the department completes the annual OEC internal control questionnaire and maintains a copy on file. The Office of Early Childhood should document any identified deficiencies and corrective action taken to address those deficiencies.**

Comment:

SDE did not complete OEC's annual internal control questionnaire as part of its responsibilities under the MOU. OEC did not follow up with SDE to ensure that the department completed the required report.

- 3. The Office of Early Childhood should improve controls over the review and approval of timesheets to ensure compliance with minimum leave time increments in bargaining unit contracts. The State Department of Education should develop and distribute guidelines to OEC employees on the appropriate charging of leave time.**

Comment:

There were 101, 81, and 56 instances in which employees took leave time below the minimum increment during fiscal years ended June 30, 2018, 2019, and 2020, respectively.

- 4. The State Department of Education should maintain and report assets as prescribed by the State Property Control Manual. The Office of Early Childhood should ensure the accurate reporting of all items on its CO-59 form.**

Comment:

The Office of Early Childhood (OEC) did not prepare and submit to OSC, its CO-59 Form for the fiscal year ended June 30, 2020. Additionally, OEC reported equipment in its CO-59 form for the fiscal years ended June 30, 2018, and 2019 that did not agree with values in Core-CT, and had \$64,840 in errors.

- 5. The Office of Early Childhood should improve administrative control to ensure that it prepares and promptly submits all statutorily mandated reports to their required recipients.**

Comment:

OEC did not submit statutorily required reports or submitted them late. The intended report recipients are not receiving and evaluating required information in a timely manner.

- 6. The Office of Early Childhood should consider enabling the ImpaCT system function that automatically deactivates inactive childcare providers after six months.**

Comment:

OEC informed us that the ImpaCT system can deactivate a provider after six months of inactivity. However, OEC has not enabled this function. Management's accountability over inactive providers is limited and may increase the risk of payment errors.

- 7. The State Department of Education should perform the Office of Early Childhood's annual physical inventory as required by the State Property Control Manual.**

Comment:

SDE did not conduct a physical inventory on behalf of OEC during the audited period. There is less assurance that the recorded inventory is accurate, leaving state property susceptible to loss or theft.

- 8. The Office of Early Childhood should prepare its Schedule of Expenditures of Federal Awards in accordance with the Office of the State Comptroller's instructions.**

Comment:

The Office of Early Childhood failed to properly submit its SEFA information to the Office of the State Comptroller. As a result, our office had to submit \$27,332,249 in changes on behalf of OEC to the Comptroller as an audit adjustment.

- 9. The Office of Early Childhood should improve controls over software inventories and correct its reporting of inventory in accordance with the State Property Control Manual.**

Comment:

The Office of Early Childhood did not properly track or report its purchased or internally generated software. The lack of adherence to software management policies increases the risk that unauthorized copies of software could go undetected and hinders the proper management of the disposal and upgrade of computers.

- 10. The Office of Early Childhood should improve the coding of expenditures to ensure that it records purchased assets in proper expenditure accounts and capitalizes them when appropriate.**

Comment:

Our review of capital asset purchases at the Office of Early Childhood disclosed that OEC improperly capitalized \$50,856 in laptops, software and a warrantee plan. OEC could not provide tag numbers for newly purchased assets and could not confirm that it added 51 newly purchased assets to its financial record.

- 11. The Office of Early Childhood should strengthen internal controls over software media, licenses, and hardware inventory to ensure that listings are complete, accurate, and maintained in accordance with the State Property Control Manual.**

Comment:

The Office of Early Childhood software and hardware inventory listing did not comply with Office of the State Comptroller's requirements during the audited period. OEC did not provide sufficient documentation to support costs of all software media, licenses, and hardware.

- 12. The Office of Early Childhood should comply with Section 4e-16(b) of the General Statutes and perform a cost-benefit analysis before procuring services.**

Comment:

OEC did not perform a cost-benefit analysis before procuring services from a privatization contract. During the audited period, OEC spent \$200,767 on temporary services without the appropriate cost-benefit analysis to determine the potential cost savings and other elements specified in Section 4e-16(b).

- 13. The Office of Early Childhood should strengthen internal controls over purchasing card transactions by ensuring compliance with established procedures in the Agency Purchasing Card Coordinator Manual.**

Comment:

OEC did not comply with purchasing card policies and procedures. The office did not provide 36 purchasing logs, totaling \$278,434 in purchases, for selected cardholders for the fiscal years ended June 30, 2018, 2019, and 2020.



- 14. The Office of Early Childhood should enhance its control procedures to ensure compliance with agency compensatory, overtime and holiday policies, including advance approvals and maintenance of records. The office should ensure proper review of timesheets to prevent incorrect timecode usage.**

Comment:

OEC did not comply with the compensatory time, overtime or holiday policies. Leaves were not always preauthorized and did not include appropriate documentation on file. The failure to approve compensatory or overtime in advance could lead to unnecessary expenses. OEC overpaid holiday pay on nonholidays.

- 15. The Office of Early Childhood should improve its monitoring of employee medical leave to ensure that employees submit complete medical certificates when required for absences of more than five consecutive working days.**

Comment:

Four of five instances of medical leave reviewed were not supported by complete documentation. Without medical certificates, as required by state and union policies, there is increased risk that employees may abuse their use of sick time leave.

- 16. The Office of Early Childhood should ensure that the Leave in Lieu of Accrual time reporting code is properly used, reported, and adjusted in accordance with established criteria.**

Comment:

Our review of 44 instances of LILA usage revealed that in all instances, OEC did not make subsequent adjustments to reflect the actual leave time used. A lack of monitoring of the use of the LILA time reporting code could result in employees using more leave time than they earned.

- 17. The Office of Early Childhood should develop internal controls to monitor the United Way's subcontracting activities to ensure compliance with state policies. The office should provide and retain written authorization granting the authority to hire a subcontractor, and should document its procedures concerning its review of subcontractor invoices to ensure completeness and accuracy.**

Comment:

OEC did not provide supporting documentation to demonstrate that it improved its efforts to monitor United Way's subcontracting activities. OEC did not sufficiently document its invoice review process.

- 18. The Office of Early Childhood and the State Department of Education should strengthen internal controls to ensure the hiring and promotional process is adequately supported by complete documentation.**

Comment:

Our review of 14 new hires and three promotions found that OEC was missing required documentation for three new hires and one promotion. Missing documentation included the applicant list and tracking form, the employees' applications, screening sheets, resumes and applications for other candidates, and justification for the selected candidate.

**ACKNOWLEDGMENTS**

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of Early Childhood during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Michael Haynes  
Anna Karpiej  
Edna Maldonado

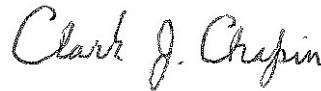


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