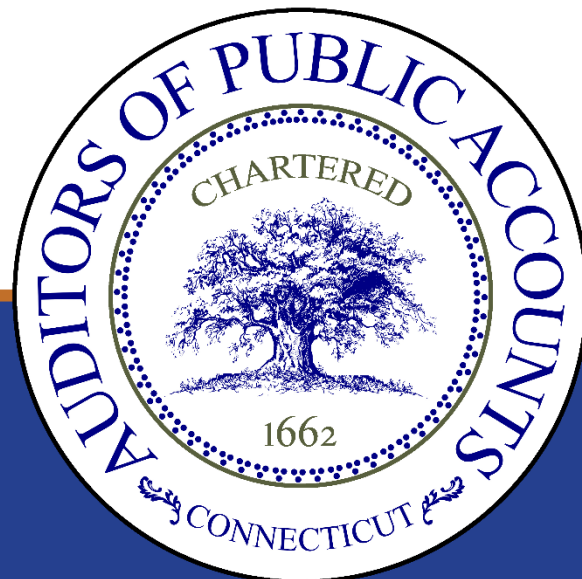


AUDITORS' REPORT

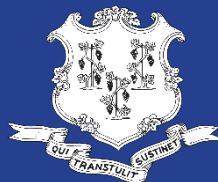
Office of Health Strategy

FISCAL YEARS ENDED JUNE 30, 2018, 2019, 2020, AND 2021



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CRAIG A. MINER
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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April 25, 2024

INTRODUCTION

We are pleased to submit this audit of the Office of Health Strategy (OHS) for the fiscal years ended June 30, 2018, 2019, 2020, and 2021 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, or policies; and a need for improvement in practices and procedures that warrant management's attention.

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 Health Strategy during the course of our examination.

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

Mathew Cyr
Andrea Evans
Aileen Jiang
Roberto Sanchez

A handwritten signature in black ink that reads "Aileen Jiang".

Aileen Jiang
Associate Auditor

Approved:

A handwritten signature in black ink, appearing to be "John C. Geragosian".

John C. Geragosian
State Auditor

A handwritten signature in black ink that reads "Craig A. Miner".

Craig A. Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Office of Health Strategy disclosed the following five recommendations:

Finding 1

Annual Internal Control Self-Assessment Questionnaire

Criteria	The Office of the State Comptroller requires all executive branch agencies to complete an annual internal control self-assessment by June 30th and keep it on file. The purpose of the questionnaire is to help managers evaluate their internal control systems and identify possible deficiencies within their areas of responsibility.
Condition	OHS did not complete its annual internal control self-assessment for the fiscal years ended June 30, 2018, 2019, 2020, and 2021.
Context	The annual internal control questionnaire includes eight sections that apply to agency programs, and five related to federal funds.
Effect	OHS may not have properly evaluated its internal controls or identified possible deficiencies.
Cause	It appears that OHS was unaware of this annual requirement.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Office of Health Strategy should ensure that it completes the annual internal control questionnaire and maintains a copy on file.
Agency Response	"OHS agrees with this recommendation. Effective immediately OHS shall take full responsibility to complete and submit the Annual Internal Control Self-Assessment Questionnaire to OSC and maintain a copy at the agency."

Finding 2

Lack of Supporting Documentation for P-Card Transactions

Criteria	The Office of the State Comptroller's Purchasing Card Cardholder Work Rules Manual governs purchasing card (P-Card) transactions. The manual requires a P-Card Coordinator to provide cardholders with a purchasing log. Cardholders are required to record all purchases on a purchasing log and maintain all supporting documentation for the respective transactions. The coordinator collects the purchasing log each month and maintains cardholder receipts.
Condition	OHS was unable to provide the supporting documentation for P-Card transactions for the two months we reviewed. These transactions totaled \$3,797 and \$3,525.
Context	OHS P-Card purchases totaled \$53,553 during the audited period. We judgmentally selected two months that had the largest totals in fiscal year 2021 for review.
Effect	There is less assurance that purchases were made for a legitimate state business purpose and in compliance with purchasing card policies.
Cause	OHS indicated it did not have adequate staffing during the audited period.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Office of Health and Strategy should implement internal controls to ensure compliance with the State Comptroller's Purchasing Card Cardholder Work Rules Manual.
Agency Response	"OHS agrees with this recommendation. Effective immediately, the OHS business office staff shall use a purchasing log to ensure compliance with this audit finding."

Finding 3

Lack of Compliance with Contract Terms

Criteria	Sound business practices dictate that agencies have procedures to ensure services are received prior to payment.
Condition	In our review of one contract and related amendments, we noted that the contractor was responsible for many activities and deliverables. Those provisions included providing technical support and advisory services for the planning of an electronic clinical quality measures and analytics solution, procurement and implementation of health information exchange services, and development of sustainability models. OHS paid the contractor in full. However, the contractor did not develop sustainability models.
Context	This contract was initially valued at \$2,096,520. The final amendment increased the total value to \$4,777,706. The contract did not breakdown the costs for the sustainability models.
Effect	OHS paid its contractor for services it did not perform.
Cause	OHS indicated it did not have adequate staffing during the audited period.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Office of Health Strategy should strengthen internal controls to ensure that its contractors perform all services required by the terms of their contracts.
Agency Response	"OHS agrees with this recommendation. To ensure future compliance the former one-person legal office has been replaced with a General Counsel and 3 Staff Attorneys 2 (one of the 3 Staff Attorney positions is presently vacant and in the process of being refilled). Both the General Counsel and one Staff Attorney 2 presently oversee the contracts process in conjunction with a contract specialist and the Chief Fiscal Officer and, going forward, will ensure its integrity with the requisite level of oversight to see that contracts are properly and completely performed."

Finding 4

Contractor Evaluations and Report Review

Criteria	<p>Section 4-217 of the General Statutes charges the Office of Policy and Management (OPM) with creating standards and procedures for state agencies to follow when entering health and human services purchase of service (POS) contracts and personal service agreements (PSA). Provisions require state agencies to systematically monitor and evaluate POS and PSA contractor performance.</p> <p>OPM procurement standards require agencies to prepare a written evaluation of a contractor's performance within 60 days after the completion of their work.</p> <p>OHS contracts require contractors to submit programmatic or financial reports.</p>
Condition	<p>OHS could not provide evidence that it completed evaluations for six of seven contracts reviewed totaling \$17,647,956.</p> <p>OHS did not perform procedures to track, review, or monitor whether contractors submitted their required financial or programmatic reports.</p>
Context	<p>OHS paid \$57,547,549 to contractors during the audited period. We judgmentally selected ten payments related to nine contracts valued at \$42,438,692 for review. Of this amount, seven contracts totaling \$22,425,662 required evaluations during the audited period.</p>
Effect	<p>Without timely contractor evaluations, the office may be renewing agreements with nonperforming or underperforming contractors.</p> <p>The inadequate review of reports can lead to inappropriate spending, unauthorized activities, or undelivered services.</p>
Cause	<p>OHS indicated that lack of adequate staffing and the COVID-19 crisis caused these conditions.</p>
Prior Audit Finding	<p>This finding has not been previously reported.</p>
Recommendation	<p>The Office of Health Strategy should promptly perform personal services and purchase of service contractor evaluations to better assess the contractor's quality of work, reliability, and cooperation.</p>

The office should establish policies and procedures to ensure that contractors submit all required reports.

Agency Response

“OHS agrees with this recommendation. Some of the lapses in contract oversight resulted from staff turnover during the term of the contract. OHS shall assign new Project Leads to contracts upon the departure of Project Leads who departed to ensure that contractors are in compliance with completing contractual obligations and also will be responsible for completing PSA evaluations.”

Finding 5

CO-59 Fixed Assets/Property Inventory Reports

Criteria

Section 4-36 of the General Statutes requires agencies to keep a property inventory in the form prescribed by the State Comptroller. The State Property Control Manual specifies requirements and standards for state agency property control systems, including maintaining software inventory and tagging, recording, and maintaining capital assets and controllable property in the Core-CT Asset Management module. Agencies are required to transmit an annual asset management report (CO-59) to the State Comptroller, which provides a detailed inventory of all real or personal property in their custody.

Condition

In our review of the department’s CO-59 reports for fiscal years 2018, 2019, 2020 and 2021, we noted that OHS understated its equipment ending balance for fiscal year 2019 by \$17,026.

Context

OHS reported \$1,598, \$4,241, \$15,868, and \$15,864 in ending balances on the CO-59 for the fiscal year ended June 30, 2018, 2019, 2020, and 2021, respectively.

Effect

The office’s failure to report accurate asset information prevents the Office of the State Comptroller from preparing an accurate Annual Comprehensive Financial Report.

Cause

OHS did not adequately oversee its inventory process and had limited staffing.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Office of Health Strategy should work with the Department of Public Health to ensure the accuracy of its annual asset management report.

Agency Response

"OHS agrees with this recommendation. We note that DPH is responsible for all OHS CO-59 Fixed Assets/Property Inventory Reports. The finding identified above has been rectified by the DPH CFO".

STATUS OF PRIOR AUDIT RECOMMENDATIONS

This was our initial audit of the Office of Health Strategy. As such, there were no prior audit recommendations.

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Office of Health Strategy 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, 2020 and 2021. The objectives of our audit were to evaluate the:

1. Office's internal controls over significant management and financial functions;
2. Office's compliance with policies and procedures internal to the office or promulgated by other state agencies, as well as certain legal provisions; and
3. 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 office; 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 financial information is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the office's management and the state's information systems, and was not subjected to the procedures applied in our audit of the office. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. A need for improvement 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 Health Strategy.

ABOUT THE AGENCY

Overview

Public Act 17-2 of the June Special Session, effective January 1, 2018, established the [Office of Health Strategy](#) (OHS). OHS operates primarily under the provisions of Title 19a, Chapter 368dd of the General Statutes. The legislation organized existing state resources into one body and centralized healthcare policymaking to advance health reform initiatives with the goal of improving health, driving down consumer costs, and supporting modernization efforts made possible by advancements in technology and communication. Through collaboration with consumers, providers, payers, employers, and other stakeholders, OHS is responsible for leading work to forward high-quality, affordable, and accessible healthcare for all Connecticut residents, including:

- Developing health policy that improves health outcomes, ensures better access to healthcare, and identifies and addresses health inequities.
- Reining in Connecticut's high per-capita healthcare spending, stabilizing consumer costs across all sectors of healthcare, and promoting growth and job creation through healthcare reform initiatives.
- Modernizing how healthcare providers communicate and share data to improve patient experience, reduce costly redundant testing, and strengthen the value of each dollar spent on healthcare.
- Developing and supporting multi-payer healthcare payment and service delivery reforms that improve population health, focus on the root causes of health conditions, and prevent those conditions from occurring, and
- Ensuring that healthcare facilities are financially stable and appropriate to meet the medical needs of consumers in all geographic areas.

The Office of Health Strategy is within the Department of Public Health for administrative purposes only. It is led by an executive director appointed by the Governor in accordance with the provisions of Sections 4-5 to 4-8 of the General Statutes. Victoria Veltri served as executive director from February 2018 through July 1, 2022. Dr. Deidre S. Gifford was appointed executive director on December 7, 2022, and currently serves in that capacity.

Significant Legislative Changes

Notable legislative changes that took effect during the audited period are presented below:

- **Public Act 18-91**, effective May 14, 2018, amended the Office of Health Strategy's mission by adding to its responsibilities. The act transferred administration of the Office of Health Care Access from the Department of Public Health to OHS and renames it the Health Systems Planning Unit. Additionally, the act transferred responsibility for studying the feasibility of creating a certification program for community health workers from the State Innovation Model Initiative Program Management Office to the OHS executive director.

Financial Information

General Fund

A summary of General Fund receipts during the audited period follows:

Revenue and Receipts	Fiscal Years Ended June 30,			
	2018	2019	2020	2021
Certificate of Need Filing Fees	\$ -	\$ 9,250	\$ 14,500	\$ 17,500
Miscellaneous Fees	-	-	13,350	29,475
Reports, Statutes, Registers	-	25	1	25
Recovered Expenses-Hospitals	3,776,640	3,502,856	3,574,171	4,030,666
Refunds of Prior Years Expenditures	-	738,324	-	999,980
Total Revenue and Receipts	\$ 3,776,640	\$ 4,250,454	\$ 3,602,022	\$ 5,077,646

The major source of revenue is the recovery of OHS 's costs from hospitals as mandated under Section 19a-631(b) of the General Statutes. That section permits the recovery of the OHS Health Systems Planning Unit's actual costs during each fiscal year, including the cost of personal services, fringe benefits, central state services attributable to the unit, and expenditures made on behalf of the unit from the Capital Equipment Purchase Fund. Hospitals are assessed for a portion of the costs in relation to each hospital's net revenue as compared to the total net revenue of all hospitals.

Expenditures	Fiscal Years Ended June 30,			
	2018	2019	2020	2021
Personal Services	\$ -	\$ 1,839,937	\$ 1,954,260	\$ 1,921,623
Administration Expenses	-	20,319	39,299	669,908
Information Technology	-	5,875	4,423	186,474
Equipment and Supplies	-	1,370	10,462	-
Total Expenditures	\$ -	\$ 1,867,501	\$ 2,008,444	\$ 2,778,005

Payroll expenditures were relatively steady throughout the audited period. The increase in administration expenses resulted from growth in management consultant services which were partially offset by a decrease in advertising, marketing, and reportable settlements. In addition to these expenditures, the Office of the State Comptroller allocated indirect costs to OHS totaling \$114,072, \$(169,453), \$197,182, and \$376,421 for fiscal years 2018, 2019, 2020 and 2021, respectively.

Federal and Other Restricted Accounts Fund

Federal and Other Restricted Accounts Fund receipts totaled \$120,000, \$12,414,523, \$52,500, and \$18,938,778 for the fiscal years ended June 30, 2018, 2019, 2020 and 2021, respectively. The largest federal sources were the State Innovation Model and Health Information Technology grant awards totaling \$12,362,023 and \$18,913,778 for the fiscal years ended June 30, 2019, and 2021, respectively.

A summary of Federal and Other Restricted Accounts Fund expenditures for the audited period follows:

Expenditures	Fiscal Years Ended June 30,			
	2018	2019	2020	2021
Personal Services	\$ 296,715	\$ 878,501	\$ 1,072,536	\$ 977,139
Administration Expenses	383,399	4,811,196	6,880,865	2,785,066
Information Technology	-	78,162	-	-
Supplies and Reimbursements	5,970	28,420	143	-
Grants Transfers - State Agencies	2,029,243	6,724,742	4,365,706	13,328,791
Total	\$ 2,715,327	\$ 12,521,021	\$ 12,319,250	\$ 17,090,996

Expenditures in the Grant Transfers - State Agencies were comprised mainly of payments to UConn and the UConn Health Center for the State Innovation Model projects. The growth in administration expenses resulted from increases in management consultant services of \$4,779,613 and \$6,880,565 for fiscal years 2019 and 2020, respectively.

Insurance Fund

A summary of Insurance Fund expenditures for the audited period follows:

Expenditures	Fiscal Years Ended June 30,			
	2018	2019	2020	2021
Personal Services	\$ 459,028	\$ 1,387,620	\$ 1,496,842	\$ 1,455,958
Administration Expenses	235,182	1,138,242	902,294	927,288
Information Technology	98,975	238,256	775,791	658,327
Equipment and Supplies	330,817	49,533	5,494	19,177
Grant Transfers - State Agencies Escrow and Other Program	(1,124,002)	19,953	414,967	492,951
Total Expenditures	\$ -	\$ 2,833,604	\$ 3,595,388	\$ 3,553,701

These non-payroll expenditures were primarily for transfer grants, management consultant, information technology consultant, information technology data, and internet services.

Capital Improvement and Other Purpose Funds

Capital Improvement and Other Purpose Funds expenditures totaled \$489,432, \$1,230,820, and \$2,800,225 for the fiscal years ended June 30, 2019, 2020, and 2021, respectively.