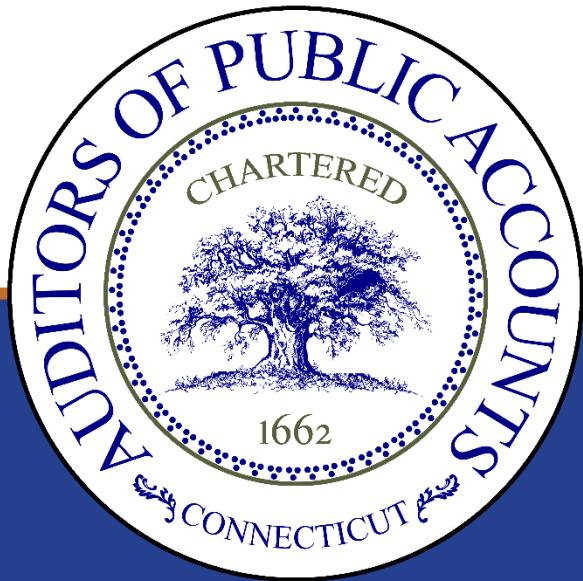


AUDITORS' REPORT

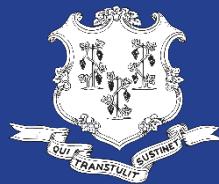
Department of Mental Health and Addiction Services

FISCAL YEARS ENDED JUNE 30, 2021 AND 2022



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CRAIG A. MINER
State Auditor

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STATE OF CONNECTICUT



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May 20, 2025

INTRODUCTION

We are pleased to submit this audit of the Department of Mental Health and Addiction Services (DMHAS) for the fiscal years ended June 30, 2021 and 2022 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies and instances of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Mental Health and Addiction Services during the course of our examination.

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

Thomas Caruso
Sophia Chen
Anna Karpiej

Amanda Lee
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A handwritten signature in black ink that reads "Jill A. Schiavo".

Jill A. Schiavo
Principal Auditor

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John C. Geragosian
State Auditor

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Craig A Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Mental Health and Addiction Services disclosed the following 13 recommendations, of which 11 were repeated from the previous audit.

Finding 1

Routine Payroll Transactions

Criteria

Proper internal controls dictate supervisors should review and approve employee timesheets at the end of each pay period to ensure accuracy and completeness. Employees and supervisors should promptly correct any timekeeping errors.

Section 5-237-1 of the Regulations of Connecticut State Agencies requires agencies to file annual service ratings for each permanent employee at least three months prior to the employee's annual increase date.

Employees accrue leave time for each month worked at a rate based on their collective bargaining agreement. Employees are allowed to donate no more than five days of leave semi-annually by using the leave donation form found within the NP-6 bargaining unit contract.

Condition

Our review of 40 payroll transactions found:

- DMHAS did not have timesheets on file for two of four employees with \$22,346 in payroll expenditures.
- Four employees improperly charged 47 hours to the holiday time reporting code. Upon our inquiry, DMHAS changed their time reporting codes and adjusted leave accruals.
- DMHAS did not have 24 annual performance evaluations on file for 16 employees.
- Two NP-6 bargaining unit employees received 42 hours of donated leave time that was not supported by leave donation forms.

Context

DMHAS paid 3,640 employees \$309,487,940 and 3,674 employees \$338,643,223 during fiscal years 2021 and 2022, respectively. We judgmentally selected 40 employees with \$327,729 in payroll

expenditures, of which five employees had leave adjustments. We also reviewed 64 performance evaluations required for these employees during the audited period.

Effect

There is an increased risk of undetected timekeeping errors and improper payroll transactions. The lack of performance evaluations diminishes management's ability to measure employee performance and may result in employees receiving unmerited annual increases. Employees may be receiving unearned leave time.

Cause

The conditions noted appear to be the result of a lack of management oversight.

Prior Audit Finding

This finding has previously been reported, in part, in the last five audit reports covering the fiscal years 2011 through 2020.

Recommendation

The Department of Mental Health and Addiction Services should strengthen internal controls to ensure management maintains timesheets and leave donation forms, conducts annual employee evaluations, and improves supervisory review of timesheets.

Agency Response

"We agree with this finding. The department will strengthen internal controls to ensure management maintains timesheets and leave donation forms, conducts annual employee evaluations, and promptly corrects timesheet errors, when found."

Finding 2

Inadequate Compensatory Time Controls

Criteria

Core-CT Job Aids provide state agencies with guidance to set up employee compensatory plans in Core-CT. Enrollment in a compensatory plan is only necessary if the employee is eligible to earn compensatory or holiday compensatory time, which is governed by bargaining unit contracts and various stipulated agreements.

Collective bargaining agreements and the Department of Administrative Services' Management Personnel Policy 17-01 require the agency head or their designee to provide advanced written authorization to employees seeking to earn compensatory time.

Condition

Our review of 20 employees who earned 170 hours of compensatory time identified the following:

- Prior supervisory approval for compensatory time requests was not on file for seven employees, totaling 52 hours.
- Compensatory time requests and approvals were not on file for six employees, totaling 64.5 hours.

In addition, we queried Core-CT and noted that DMHAS enrolled 627 employees in the incorrect compensatory time plan as of June 30, 2022.

Context

During the audited period, DMHAS had 263 employees who earned 11,485 hours of compensatory time. We judgmentally selected 20 employees for review.

There were 2,002 employees enrolled in eight compensatory time plans as of June 30, 2022.

Effect

There is an increased risk for employees to improperly earn compensatory time.

Cause

The conditions appear to be due to the lack of management oversight.

Prior Audit Finding

This finding has been previously reported in part in the last four audit reports covering the fiscal years 2013 through 2020.

Recommendation

The Department of Mental Health and Addiction Services should strengthen internal controls to ensure it maintains compensatory time requests and supervisory approvals and enrolls employees in the correct compensatory time plan.

Agency Response

"We agree with this finding. Efforts to strengthen internal controls for compensatory time earned utilizing collective bargaining agreements and DAS Management Personnel Policy were implemented towards the end of the FYE 22 audit cycle."

Finding 3

Weaknesses in the Administration of Overtime

Criteria

DMHAS timekeeping policy requires the authorization and advance approval of all overtime using a recognized approval method. Each overtime request should include the employee's name, overtime location, number of hours requested, and the justification for the

extra hours to be worked. The department should maintain adequate documentation to support overtime.

Condition

Our review of 20 employees found DMHAS did not have overtime request forms on file to support 1,174 hours of overtime worked by 14 employees, totaling \$61,195.

Context

During the audited period, 2,712 employees earned \$105,059,020 in overtime. We judgmentally selected 20 employees who earned \$78,545 in overtime.

Effect

The lack of proper documentation and approvals increases the risk for improper overtime payments.

Cause

The conditions appear to be due to a lack of management oversight.

Prior Audit Finding

This finding has previously been reported in the last five audit reports covering the fiscal years 2011 through 2020.

Recommendation

The Department of Mental Health and Addiction Services should strengthen internal controls for overtime to ensure compliance with its policies.

Agency Response

"We agree with the Condition noted above. While some type of documentation was available for some of the selected samples, the documentation did not meet the necessary minimum key elements used to accurately identify the needs of the requested overtime and receive the proper prior approval.

Agency staff and supervisors have been re-educated on the proper procedures for requesting overtime and obtaining all necessary and required information prior to working overtime.

The agency has also continued to recruit and hire additional Nurse Managers on all shifts to assist with better management of the overtime process. However, the management of patient care and overtime was a rapidly changing situation that left management in a constant scramble to meet patient care staffing minimums resulting in an unusually high number of overtime shifts, many being last minute add-ons."

Finding 4

Inadequate Records to Support Working Test Periods

Background

The state centralized its human resources (HR) functions under the Department of Administrative Services (DAS) effective August 28, 2020. DAS HR professionals are stationed at state agencies.

A working test period extension may be filed with HR based upon an employee's deficient work performance or absence from work. If the extension is due to performance, a supervisor must complete a performance evaluation and counsel the employee. The supervisor is required to document the counseling. DAS HR will notify the employee of the extension as well as their union when applicable.

Criteria

The Department of Administrative Services' General Letter No. 31 requires state agencies to counsel employees with performance deficiencies prior to extending their working test period. Agencies must document prior employee counseling and performance evaluations.

Condition

Our review of ten working test period extensions found DMHAS did not document employee counseling and/or performance evaluations for four employees with performance deficiencies.

Context

During the audited period, DMHAS extended the working test period for 25 employees. We judgmentally selected ten employees for review with extended working testing periods, four of which had performance deficiencies.

Effect

Without DMHAS providing performance evaluations and documentation of counseling to DAS HR staff, working test period extensions may not be adequately justified and employees may not improve their job performance. Furthermore, DAS HR would not be able to notify the employee and their union.

Cause

Management did not ensure supervisors conducted performance evaluations and maintained counseling documentation.

Prior Audit Finding

This finding has previously been reported in the last two audit reports covering the fiscal years 2017 through 2020.

Recommendation

The Department of Mental Health and Addiction Services should strengthen internal controls to ensure supervisors conduct

performance evaluations and employee counseling. The department should maintain documentation of employee counseling.

Agency Response

"The Department agrees with the finding. The agency has significantly improved its internal processes to ensure that employees have an evaluation of their working test period. We have incorporated mid period and final working test period evaluation completions into our monthly human resources/labor relations operating system. This includes a report to each facility leader indicating outstanding evaluations as well as a meeting with the senior leadership to reinforce the need to complete the evaluations or address any questions. In the event that an extension of the working test period related to performance is requested, both human resources and labor relations require the objective evidence of the completed evaluation be completed by the manager to document the request extension."

Finding 5

Lack of Separation Procedures

Criteria

DMHAS policy requires, upon an employee's separation, supervisors complete a checklist to verify the employee returned all state property. DAS HR completes the separation data form documenting the specifics of the separation, verifies the agency collected the property, and the DAS IT staff disabled the employee's access to information systems.

Condition

The department did not have supervisor separation checklists on file for the ten employees reviewed.

Context

During the audited period, the department had 1,030 employees who separated, of which ten were judgmentally selected for review.

Effect

The lack of DMHAS separation checklists increases the risk DAS HR staff may not be able to promptly complete the employee separation process to ensure the return of all state property and disabling of information system access.

Cause

There appears to be a lack of communication between DMHAS and DAS HR employees regarding the employee separation process.

Prior Audit Finding

This finding has previously been reported in the last four audit reports covering the fiscal years 2013 through 2020.

Recommendation

The Department of Mental Health and Addiction Services should ensure supervisors are promptly completing and providing employee separation checklists to the Department of Administrative Services human resources staff to ensure the return of all state property and disabling of information system access.

Agency Response

"We agree with this finding. The Department will ensure supervisors will complete a checklist for all employees separating from state service."

Finding 6

Lack of Monitoring of Leave in Lieu of Accrual Time Reporting Code

Criteria

Core-CT allows agencies to temporarily use the Leave in Lieu of Accrual (LILA) time reporting code until it posts monthly accruals to an employee's leave balance. Core-CT Job Aid procedures require state agencies to review monthly usage of LILA time reporting codes and adjust these hours to the appropriate leave accrual balances. The Time Keeping for DMHAS Employees policy states LILA should be checked each pay period.

Condition

Our review found 11 employees with 461.5 hours of unadjusted LILA.

Context

During the audited period, there were 15 employees with 543.5 hours of unreversed LILA entries. We reviewed all 15 employees.

Effect

Lack of monitoring of the use of the LILA time reporting code could result in employees using more leave time than they earned.

Cause

This appears to be the result of an oversight by management in the monitoring of the LILA time reporting code.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Mental Health and Addiction Services should strengthen internal controls to ensure it monitors and promptly adjusts the Leave in Lieu of Accrual time reporting code in accordance with Core-CT procedures and department policy.

Agency Response

"We agree with this finding. DMHAS policy titled "Time Keeping for DMHAS Employees" outlines various payroll related audit reports, including LILA, which are required to be run during the payroll cycle, and continues to correct all deficiencies in this area. All identified deficiencies have been corrected within this audit cycle."

Finding 7

Weaknesses in Purchasing Card Processing

Criteria

The Office of the State Comptroller Purchasing Card Manual and the DMHAS general purchasing card policy provide the requirements for the use of purchasing cards. Agencies must maintain supporting documentation for all transactions. In addition, each purchasing card includes transaction and overall spending limits. Agencies cannot split orders to stay under the designated transaction limit.

The Office of the State Comptroller Purchasing Card Manual makes the cardholder responsible for ensuring receipt of goods or services. The DMHAS general purchasing card policy specifies that if goods or services are delivered to a different location, the person receiving them must verify the order by signing the packing slip or receipt and immediately forwarding it to the cardholder.

DMHAS general purchasing card policy requires purchases to be preapproved.

Condition

Our review of purchasing card transactions at Capitol Region Mental Health Center (CRMHC), Connecticut Mental Health Center (CMHC), Connecticut Valley Hospital (CVH), Southwest Connecticut Mental Health System (SWCMHS), and Whiting Forensic Hospital (WFH) identified the following:

- DMHAS did not obtain preapproval for 18 transactions totaling \$29,008. The department approved thirteen transactions between one and 40 days late, and five transactions lacked evidence of preapproval.
- Four transactions, totaling \$7,070, appear to have been intentionally split to avoid cardholder limits.
- DMHAS lacked adequate documentation on file to support nine transactions totaling \$9,009.
- There was no evidence employees received the goods or services for 33 transactions totaling \$64,305.

Facility	No Prior Approval		Split Transactions to Avoid Cardholder Limits		Inadequate Support on File		No Evidence Goods/ Services were Received	
CVH	7	\$15,115	1	\$ 3,334	1	\$ 1,193	21	\$ 49,799
SWCMHS	2	3,374	1	280	-	-	8	5,737
WFH	9	10,519	2	3,456	8	7,816	4	8,769
Total	18	\$29,008	4	\$ 7,070	9	\$ 9,009	33	\$ 64,305

Context

During the audited period, there were 17,084 purchasing card transactions totaling \$7,638,156 made by 89 cardholders. We judgmentally selected for review six transactions from 15 cardholders for a total of 90 purchases, totaling \$123,172, throughout the following DMHAS facilities:

Facility	Cardholders Reviewed	Total Transactions	Total Dollar Amount
CRMHC	1	6	\$ 6,923
CMHC	1	6	2,029
CVH	7	42	81,214
SWCMHS	2	12	6,757
WFH	4	24	26,249
Total	15	90	\$ 123,172

Effect

There is an increased risk for erroneous, improper, and unauthorized purchases.

Cause

The conditions appear to be due to a lack of management oversight.

Prior Audit Finding

This finding has previously been reported in the last five audit reports covering the fiscal years 2011 through 2020.

Recommendation

The Department of Mental Health and Addiction Services should strengthen internal controls over purchasing cards to ensure compliance with established policies and procedures.

Agency Response

"The Department agrees with this finding and will strengthen internal controls over the P-Card function to ensure compliance with established policies and procedures."

Finding 8

Weaknesses in Contract Processing

Criteria

In accordance with the Office of Policy and Management (OPM) Procurement Standards for Personal Service Agreements and

Purchase of Service Contracts, contractors must not begin work until a contract is fully executed.

Sound business practice provides that contracts should adequately identify the specific services contractors are to provide.

Condition

Our review of 20 contracts identified the following:

- DMHAS signed four contracts totaling \$35,774,827, between 12 and 77 days after the start of the contract period.
- The contracts for the Young Adult Services (YAS) program do not adequately identify the contractor's services.

Context

During the audited period, there were 791 contracts with expenditures totaling \$814,743,612. We judgmentally selected 20 contracts with expenditures totaling \$228,754,365 and total values of \$457,280,542. We also reviewed the language for YAS contracts, for which expenditures totaled \$100,296,108.

Effect

There is an increased risk the department may incur expenditures for unauthorized activities, and contractors may not provide the intended services.

Cause

There appears to be a delay in obtaining approvals for contract execution, and lack of management oversight of the language in the YAS contracts.

Prior Audit Finding

This finding has previously been reported, in part, in the last five audit reports covering the fiscal years 2011 through 2020.

Recommendation

The Department of Mental Health and Addiction Services should comply with contracting laws and regulations and ensure contracts are promptly executed and adequately identify the scope of services.

Agency Response

"The Department agrees with the finding. YAS has rectified this finding by creating individual scopes of work, within each contract, to define each level of care offered by YAS contracted providers."

Finding 9

Weaknesses in Provider Monitoring

Background

DMHAS contracts with a network of private nonprofit providers for a variety of mental health and addiction services. There are 20 DMHAS units responsible for program monitoring, which ensure providers properly deliver services and meet established standards of care by meeting with providers, conducting site visits, reviewing program goals, and other methods. The Fiscal and Internal Audit divisions are responsible for fiscal monitoring. Through reviews of financial and audit reports, the divisions ensure providers use funds properly and return unexpended funds.

Criteria

Providers must submit annual financial audits within six months after the close of their fiscal years. Within six months of receiving the audit reports, the department must review the reports and perform a reconciliation to determine whether providers have any unexpended funds. Providers must promptly return unexpended funds.

Condition

Our review of DMHAS' monitoring activities performed during the audited period for 20 programs administered by 20 providers, identified the following conditions:

- DMHAS reviewed two providers' single audit reports approximately three to four months late. The provider received \$9,995,262 in state funding from DMHAS for fiscal year 2021.
- Single audit reviews for four providers were still pending as of audit testing on April 28, 2023, between seven and eleven months late. The provider received \$10,047,228 in state funding from DMHAS.
- DMHAS did not ensure three providers promptly returned \$223,268 in unexpended funds. At the time of our review (April 2023), all three providers had not returned the unexpended funds between ten and twelve months after DMHAS notified them of the surplus. DMHAS followed up with two providers with surplus funds totaling \$64,921. However, there was no evidence DMHAS followed up with the remaining provider which owed \$158,346.

Context

During the audited period, 166 providers administered 1,000 programs. Funding for the programs totaled \$192,623,720 and \$307,853,600 for fiscal years 2021 and 2022, respectively. We judgmentally selected 20 programs administered by 20 providers with total contract funding of \$127,627,495 during fiscal year 2022.

Effect	The failure to promptly review audit reports increases the risk for the improper use of funds. There is also additional risk providers may not return unexpended funds.
Cause	These conditions appear to be the result of staffing shortages and key personnel turnover in the internal audit unit, leading to a lack of management oversight.
Prior Audit Finding	This finding has previously been reported in the last four audit reports covering the fiscal years 2013 through 2020.
Recommendation	The Department of Mental Health and Addiction Services should strengthen internal controls over its monitoring of private providers to ensure they promptly return unexpended funds.
Agency Response	"We agree with the finding. A combination of factors, including the COVID pandemic, division retirement, division leadership turnover, extended leave of personnel and new federal and state funding legislation, caused significant delays in the timely review of the providers audit reports. The department is in the process of hiring a new division director and is bringing current the review of provider audit reports."

Finding 10

Weaknesses in Internal Controls over Assets

Criteria	The State Property Control Manual requires state agencies to perform a complete physical inventory of all property by the end of the fiscal year to ensure property control records accurately reflect the inventory on hand.
	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).
	Chapter 9 of the State Property Control Manual states agencies may use the DPS-38 Disposal of Surplus Property Form and/or DPS-38A Disposal of Seized Property Form to request approval of disposals from the Department of Administrative Services Surplus Unit. The surplus or disposed items should remain on an agency's inventory until final disposition.
Condition	DMHAS did not conduct physical inventories during the 2021 and 2022 fiscal years.

We performed a physical inspection of 60 assets and found three assets, totaling \$5,485, were disposed of but remained on the department's records two to eight months as of May 2023. DMHAS did not receive DAS disposal authorization for two of these assets, costing \$3,626.

Our review of 15 disposed assets found 14 assets, totaling \$79,141, remained on the department's records between approximately two months to three years and four months after disposal.

Context

DMHAS has 1,723 controllable and capital assets totaling \$10,548,584 as of March 22, 2023. We judgmentally selected 60 assets from the agency's inventory listing, totaling \$228,550, for physical inspection. There were 89 assets removed from inventory, totaling \$340,517, during the audited period. We judgmentally selected 15 assets disposed during the audited period, totaling \$99,142.

Effect

The lack of physical inventories and late or unauthorized removal of assets from inventory increases the risk of noncompliance with state policies, inaccurate inventory records, and theft.

Cause

DMHAS received the Comptroller's approval to skip the 2020 fiscal year physical inventory due to the pandemic and did not resume its physical inspection in 2021. DMHAS lacked adequate internal controls over physical inventory and removal of assets.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Mental Health and Addiction Services should perform annual physical inventories and strengthen internal controls over surplus property to ensure assets are promptly removed in accordance with the State Property Control Manual.

Agency Response

"The Department agrees with this finding. During the period of this audit, our state-operated health care facilities were inaccessible due to COVID. DMHAS has implemented new procedures to ensure that asset monitoring protocols, done in accordance with Comptroller guidelines, will be performed. In addition, periodic training for asset monitoring protocols for agency staff will be implemented throughout the year."

Finding 11

Weaknesses in Bank Reconciliations

Background

DMHAS maintains bank accounts for various purposes at its facilities throughout the state. They include General Fund petty cash accounts, activity funds, and client funds. DMHAS contracted with a private nonprofit entity to manage client funds at certain facilities. In these instances, the private nonprofit entity is responsible for preparing the monthly bank reconciliations.

Criteria

Sound business practice provides bank reconciliations should be prepared within 30 days of the month-end and should be reviewed and approved by management. Additionally, management should investigate discrepancies between bank and book balances and take prompt corrective action when bank reconciliations identify potential fraud or accounting errors.

Section D.5. of the State Accounting Procedures Manual for Trustee Accounts requires state agencies to attempt to locate the payee if a check is outstanding for four months. If the check is still outstanding after six months, agencies must account for the funds as "unclaimed" for a period of three years.

Condition

We reviewed 24 bank reconciliations from ten accounts and identified the following conditions:

- There was no evidence DMHAS reviewed reconciliations for five months.
- DMHAS and its contracted nonprofit entity did not promptly void 19 checks, totaling \$9,472. The checks were outstanding for approximately four months to over two years when voided. Additionally, a \$40 check was outstanding for almost two years at the time of our review.

Context

DMHAS maintained 30 bank accounts with balances totaling \$1,198,024 and \$1,076,683, as of June 30, 2021 and 2022. We judgmentally selected ten bank accounts and 24 bank reconciliations, with balances totaling \$875,002 and \$794,215, as of June 30, 2021 and 2022. Connecticut Mental Health Center (CMHC), Connecticut Valley Hospital, River Valley Services, Southwestern Connecticut Mental Health System (SWCMHS), and Western Connecticut Mental Health Network (WCMHN) administered the bank accounts reviewed. CMHC, SWCMHS, and WCMHN contracted with a nonprofit entity to manage three of these bank accounts.

Effect	There is an increased risk for undetected errors and fraudulent activities, losses, and mismanagement of agency bank accounts.
Cause	The conditions appear to be the result of limited staffing, turnover, and lack of management oversight.
Prior Audit Finding	This finding has been previously reported, in part, in the last audit report covering the fiscal years 2019 through 2020.
Recommendation	The Department of Mental Health and Addiction Services should strengthen internal controls over the bank reconciliation process.
Agency Response	"The Department agrees with this finding. Oversight measures have been put in place to ensure that all outstanding checks over 3 years are properly escheated to the state of Connecticut."

Finding 12

Inactive Client Funds

Background	In 2013, DMHAS contracted with a private nonprofit entity to provide client money management services for Southwest Connecticut Mental Health System (SWCMHS). At that time, SWCMHS opened a new account and transferred active client balances to the account. SWCMHS left inactive client balances in their original accounts.
Criteria	In accordance with Section IV of the State Comptroller's Accounting Procedures Manual for Trustee Accounts, when an individual has left a facility and has remaining client funds, agencies must make every effort to return the funds to the rightful owner.
Condition	SWCMHS determined the funds belong to the U.S. Social Security Administration (SSA), but it has not followed up with SSA on guidance for escheating the funds. The funds remain inactive in the original accounts.
Context	Since 2013, SWCMHS has maintained \$44,811 in client funds in two inactive SWCMHS bank accounts.
Effect	SWCMHS has not returned \$44,811 in unclaimed funds to the U.S. Social Security Administration.

Cause	SWCMHS has not received guidance on the escheatment process from SSA.
Prior Audit Finding	This finding has previously been reported in the last three audit reports covering the fiscal years 2015 through 2020.
Recommendation	The Department of Mental Health and Addiction Services should make every effort to escheat unclaimed client funds to the U.S. Social Security Administration.
Agency Response	"The Department agrees with this finding. The SWCMHS will continue to reach out to the appropriate authorities to facilitate the return of these funds."

Finding 13

Weaknesses in the Administration of Client Loans

Background	The Southwest Connecticut Mental Health System (SWCMHS) may use trustee funds for loans and grants to clients for expenses related to food, lodging, travel, clothing, and personal hygiene supplies.
Criteria	Southwest Connecticut Mental Health System Activity and Welfare Fund Policy requires SWCMHS to make diligent written communication efforts to collect the outstanding loan balance for six months after the account becomes delinquent.
Condition	Our review of client loans from the SWCMHS trustee account did not reveal any evidence that SWCMHS attempted to collect six loans, totaling \$4,354, prior to the clients' discharge or after they were delinquent for more than six months.
Context	During the audited period, SWCMHS issued 17 client loans from its trustee account, totaling \$10,182. We judgmentally selected ten client loans, totaling \$7,544.
Effect	There is an increased risk the Southwest Connecticut Mental Health System will not collect or properly write off client loans.
Cause	The condition appears to be the result of a lack of management oversight.

Prior Audit Finding

This finding has previously been reported in the last three audit reports covering the fiscal years 2015 through 2020.

Recommendation

The Department of Mental Health and Addiction Services should strengthen internal controls to ensure it properly manages client loans and attempts to collect outstanding loan balances.

Agency Response

"The Department agrees with this finding. The issue resulted from insufficient record-keeping during the outstanding loan collection process. Since then, improved oversight and processes have been established to ensure loans are reviewed monthly and collection efforts are made through written communication."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Department of Mental Health and Addiction Services contained 18 recommendations. Seven have been implemented or otherwise resolved and 11 have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that management conducts annual employee evaluations, approves timesheets, and promptly corrects timekeeping errors.	REPEATED Recommendation 4
The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that employees properly earn compensatory time.	REPEATED Modified Form Recommendation 2
The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that separation procedures are properly followed.	REPEATED Recommendation 3
The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that workers' compensation claims are accurate and adequately supported.	RESOLVED
The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it is administering medical leave in accordance with collective bargaining unit agreements and Family and Medical Leave Act guidelines.	RESOLVED
The Department of Mental Health and Addiction Services should strengthen internal controls for overtime to ensure compliance with policies and collective bargaining agreements.	REPEATED Recommendation 5
The Department of Mental Health and Addiction Services should comply with state personnel regulations and bargaining unit contracts when placing employees on paid administrative leave.	RESOLVED

Prior Recommendation	Current Status
<p>The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it extends working test periods in accordance with the Department of Administrative Services' General Letter No. 31 and collective bargaining agreements.</p>	<div style="background-color: red; color: white; padding: 5px; text-align: center;"> REPEATED Modified Form </div> <p>Recommendation 1</p>
<p>The Department of Mental Health and Addiction Services should strengthen internal controls over purchasing cards to ensure compliance with established policies and procedures.</p>	<div style="background-color: red; color: white; padding: 5px; text-align: center;"> REPEATED </div> <p>Recommendation 7</p>
<p>The Department of Mental Health and Addiction Services should comply with contracting laws and regulations and ensure that contracts are executed timely and adequately identify the scope of services.</p>	<div style="background-color: red; color: white; padding: 5px; text-align: center;"> REPEATED </div> <p>Recommendation 8</p>
<p>The Department of Mental Health and Addiction Services should strengthen internal controls over its monitoring of private providers and ensure that each monitoring unit has formal, written procedures in place.</p>	<div style="background-color: red; color: white; padding: 5px; text-align: center;"> REPEATED Modified Form </div> <p>Recommendation 9</p>
<p>The Department of Mental Health and Addiction Services should strengthen internal controls over Young Adult Services client support funds to ensure compliance with established policies and procedures.</p>	<div style="background-color: green; color: white; padding: 5px; text-align: center;"> RESOLVED </div>
<p>The Department of Mental Health and Addiction Services should strengthen internal controls over the bank reconciliation process.</p>	<div style="background-color: red; color: white; padding: 5px; text-align: center;"> REPEATED </div> <p>Recommendation 11</p>
<p>The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts to ensure compliance with established policies and procedures.</p>	<div style="background-color: green; color: white; padding: 5px; text-align: center;"> RESOLVED </div>
<p>The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it properly manages client loans and obtains the required approvals for the write-off of uncollectible loans.</p>	<div style="background-color: red; color: white; padding: 5px; text-align: center;"> REPEATED Modified Form </div> <p>Recommendation 13</p>
<p>The Department of Mental Health and Addiction Services should strengthen internal controls over client fund disbursements and ensure that the contracted provider complies with established policies and procedures.</p>	<div style="background-color: green; color: white; padding: 5px; text-align: center;"> RESOLVED </div>

Prior Recommendation	Current Status
<p>The Department of Mental Health and Addiction Services should make every effort to escheat unclaimed client funds to the appropriate parties.</p>	<div style="background-color: red; color: white; padding: 5px; text-align: center;">REPEATED</div> <p>Recommendation 12</p>
<p>The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it promptly completes reconciliations and cost settlements of interim rates to ensure the state receives all federal funding.</p>	<div style="background-color: green; color: white; padding: 5px; text-align: center;">RESOLVED</div>

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Department of Mental Health and Addiction Services 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, 2021 and 2022. The objectives of our audit were to evaluate the:

1. Department's internal controls over significant management and financial functions;
2. Department's compliance with policies and procedures internal to the department 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.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included payroll and personnel, purchasing and expenditures, asset management, trustee accounts, activity and client funds, and information technology. We also determined the status of the findings and recommendations in our prior audit report.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the department. We also tested selected transactions. This 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. We obtained this information from various available sources including the department's management and state information systems. It was not subject to our audit procedures. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. Did not identify 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 Department of Mental Health and Addiction Services.

ABOUT THE AGENCY

Overview

The [Department of Mental Health and Addiction Services](#) operates under the provisions of Title 17a, Chapters 319i and 319j of the General Statutes. DMHAS is a health care agency whose mission is to promote the overall health and wellness of persons with behavioral health needs through an integrated network of holistic, comprehensive, effective, and efficient services and supports that foster dignity, respect, and self-sufficiency in the areas served.

While DMHAS' prevention and health promotion services serve all Connecticut citizens, its mandate is to serve adults (18 years and older) with mental health and/or substance use disorders who lack the means to obtain such services on their own. DMHAS also provides collaborative programs for individuals with co-occurring mental health and substance use disorders, people in the criminal justice system, those with problem gambling disorders, pregnant women with substance use disorders, persons with traumatic brain injury and their families, and young adult populations transitioning out of the Department of Children and Families.

Organizational Structure

Miriam E. Delphin-Rittmon served as commissioner of DMHAS from March 30, 2015 through June 26, 2021. Governor Ned Lamont appointed Nancy Navarretta commissioner on December 1, 2021, and she continues to serve in that capacity.

The DMHAS commissioner manages the agency's operations through its various divisions, which include:

- Affirmative Action
- Community Services
- Evaluation/Quality Management and Improvement
- Evidence-Based Practices
- Fiscal
- Forensic Services
- Government Relations
- Healthcare Finance
- Human Resources
- Information Systems
- Legal Services
- Managed Services
- Multicultural Healthcare Equality
- Office of Workforce Development
- Office of the Commissioner
- Prevention/Health Promotion
- Recovery Community Affairs
- State-Operated Facilities
- Statewide Services
- Young Adult Services

Governor Lamont's Executive Order No. 2 directed the centralization of statewide human resources and labor relations into the Department of Administrative Services and the Office of Policy and Management, respectively. Effective August 28, 2020, the functional areas within the DMHAS human resources unit, including labor relations, are operating within the new centralized structure. In addition, Governor Lamont's information technology optimization was launched on July 1, 2022. The Bureau of Information of Technology Solutions was established within the Department of Administrative Services to centralize information technology solutions and support to state agencies.

DMHAS divided the state into five regions and 23 catchment areas to deliver mental health and substance use disorder treatment services. DMHAS assigned each catchment area, which is a defined geographic

area based on population, to a local mental health authority (LMHA). As of June 30, 2022, there were 13 LMHAs, six state-operated and seven private non-profit organizations. The six state-operated LMHAs provide mental health services as well as manage and fund a network of private nonprofit agencies in their respective geographic regions. The five regions are:

- **Region 1** - Southwest Connecticut Mental Health System (SWCMHS), including the F.S. DuBois Center and the Greater Bridgeport Community Mental Health Center, which serves lower Fairfield County.
- **Region 2** - Connecticut Mental Health Center (CMHC), which serves the New Haven area and River Valley Services (RVS), which serves Middlesex County.
- **Region 3** - Southeastern Mental Health Authority (SMHA), which serves New London County.
- **Region 4** - Capitol Region Mental Health Center (CRMHC), which serves the Hartford area.
- **Region 5** - Western Connecticut Mental Health Network (WCMHN) - an umbrella unit that oversees the (1) Waterbury Mental Health Authority, which serves Northern New Haven County; (2) Danbury Mental Health Authority, which serves Northern Fairfield County; and (3) Torrington Mental Health Authority, which serves Litchfield County.

DMHAS also operates five inpatient treatment programs for persons with mental health and/or substance use disorders at the following facilities:

- Connecticut Valley Hospital in Middletown
- Whiting Forensic Hospital in Middletown
- Connecticut Mental Health Center in New Haven
- Greater Bridgeport Community Mental Health Center in Bridgeport
- Capitol Region Mental Health Center in Hartford

DMHAS programs served 89,043 and 95,291 individuals during the 2021 and 2022 fiscal years.

Pursuant to Sections 17a-456 and 17a-457 of the General Statutes, the Board of Mental Health and Addiction Services consists of members appointed by the Governor, Regional Mental Health Board chairs and their designees, and designees from the Regional Action Councils for substance abuse. The board meets monthly with the commissioner of DMHAS and advises the commissioner on programs, policies, and plans for the department.

Pursuant to Section 17a-581 of the General Statutes, the Psychiatric Security Review Board is an autonomous body within DMHAS for administrative purposes only. The board is composed of six members appointed by the Governor and confirmed by either house of the General Assembly. The board's mission is to protect the safety of Connecticut citizens by ordering treatment, confinement, or conditional release of persons acquitted of a crime by reason of mental disease or defect.

Significant Legislative Changes

There were no notable legislative changes that took effect during the audited period.

Inpatient Per Capita Costs

Under the provisions of Sections 17b-222 and 17b-223 of the General Statutes, the State Comptroller determines annual per capita costs for the care of persons in the three inpatient facilities that meet the definition of a state humane institution. The per capita costs for inpatient care during the audited period were as follows:

	Fiscal Year Ended June 30,			
	2021		2022	
	Daily	Annual	Daily	Annual
Connecticut Valley Hospital	\$ 2,079	\$ 758,835	\$ 3,414	\$ 1,246,110
Connecticut Mental Health Center	2,132	778,180	3,503	1,278,595
Southwest Connecticut Mental Health System	1,669	609,185	2,663	971,995

The inpatient per capita rates increased for all three facilities from fiscal year 2021 to 2022. The rate increases were mainly due to significant reductions in inpatient days due to fewer admissions and a lower patient census resulting from protective measures during the COVID-19 pandemic. In addition, large positive roll-forward adjustments were applied in the 2022 rate calculations to account for under recoveries in the prior year.

Financial Information

General Fund Receipts

A summary of General Fund receipts, including receipts of the Psychiatric Security Review Board, during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Rental of Cottages or Residences	\$ 25,318	\$ 24,780	\$ 24,780
Refund of Prior Years' Expenditures	2,488,938	1,577,502	4,539,875
All Other	33,284	58,597	105,238
Federal Aid - Unrestricted	-	-	6,854
Total	\$ 2,547,540	\$ 1,660,879	\$ 4,676,747

The department's Internal Audit Division reviews single audit reports submitted by contracted providers and determines whether providers owe refunds to DMHAS. The decline in fiscal year 2021 and increase in fiscal year 2022 refunds of prior years' expenditures are attributable to the pandemic.

General Fund Expenditures

A summary of General Fund expenditures, including expenditures of the Psychiatric Security Review Board, during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Personal Services and Employee Benefits	\$ 305,741,693	\$ 306,705,230	\$ 312,366,423
Workers' Compensation	15,183,955	18,196,041	327,296
Contractual Services	36,098,508	39,621,826	45,082,960
Client Services	256,837,154	259,252,044	271,471,052
Premises and Property Expenses	13,819,730	17,096,859	18,036,006
Information Technology	3,824,518	3,962,270	3,072,951
Purchased Commodities	13,302,042	13,883,116	15,651,894
Fixed Charges	50,717,379	46,834,744	49,103,136
All Other	4,624,469	5,559,085	4,870,143
Subtotal	700,149,448	711,111,215	719,981,861
Medicaid Disproportionate Share Payments	(79,818,547)	(79,818,547)	(79,818,547)
Total	\$ 620,330,901	\$ 631,292,668	\$ 640,163,314

The General Fund is the department's principal source of operation and includes all expenditures not accounted for in a specified fund. General Fund expenditures were primarily for personal services and employee benefits, and payments to contractors providing mental health and addiction services to clients.

During each year of the audited period, DMHAS received \$79,818,547 in disproportionate share payments. An amendment to the state's Medicaid plan under Section 1923(c)(3) of the Social Security Act permitted these Medicaid reimbursements. The amendment provided payment adjustments to the state for the cost of care for uninsured low-income persons in certain state-operated psychiatric hospitals. The department applied disproportionate share deposits as reductions to General Fund expenditures. DMHAS credited \$29,116,453 in reimbursements to fringe benefits for each to the State Comptroller's accounts.

Federal and Other Restricted Accounts Fund Receipts

A summary of Federal and Other Restricted Accounts Fund receipts during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Federal Aid	\$ 75,625,920	\$ 74,585,006	\$ 111,338,195
Non-Federal Aid	11,415,478	16,750,553	13,486,058
Grant Transfers	74,976	500,566	55,491
Investment Interest	2,950	151	4,267
Total	\$ 87,119,324	\$ 91,836,276	\$ 124,884,011

Federal and Other Restricted Accounts Fund receipts were primarily for federal grants. The Continuum of Care program, Substance Abuse Prevention and Treatment block grant, Community Mental Health Services block grant, Coronavirus Relief Funds, and the CT Promotes Recovery from Opioid Addiction grant accounted for most federal grant receipts. DMHAS received \$148,438,006 in receipts for these grants during the audited period. Timing differences in the drawdowns of federal funds caused the fluctuations in federal grant receipts.

Federal and Other Restricted Accounts Fund Expenditures

A summary of Federal and Other Restricted Accounts Fund expenditures during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Personal Services and Employee Benefits	\$ 2,157,452	\$ 1,723,191	\$ 1,976,393
Contractual Services	3,093,789	3,698,401	4,034,826
Client Services	74,546,141	85,881,922	97,741,983
Premises and Property Expenses	641,680	237,441	10,912
Information Technology	383,256	139,214	176,307
Purchased Commodities	1,644,973	803,710	1,425,506
Fixed Charges	9,447,888	5,921,539	14,436,631
All Other	(180,112)	97,305	27,782
Total	\$ 91,735,067	\$ 98,502,723	\$ 119,830,340

Federal and Other Restricted Accounts Fund expenditures were primarily for payments to contractors providing various mental health and addiction services. The growth in the 2022 fiscal year was due primarily to expending American Rescue Plan Act Funds for client services to help recover from the COVID-19 pandemic.

Special Revenue Funds Expenditures

A summary of Special Revenue Funds expenditures during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Insurance Fund	\$ 412,377	\$ 412,377	\$ 412,377
Capital Equipment Purchase Fund	3,018,488	1,153,362	2,072,898
Bond Fund for Non-Profits' Capital Improvements	984,628	1,605,342	205,469
Housing Assistance	193,050	18,923	0
Community Conservation & Development	3,462,377	11,670,342	5,811,511
Bond Fund for Capital Improvements & Others	412,923	556,988	651,473
Total	\$ 8,483,843	\$ 15,417,334	\$ 9,153,728

The growth in special revenue expenditures for the 2021 fiscal year was primarily due to a significant increase in the Community Conservation and Development Fund. The Urban Act Grant program within this fund provides funding to municipalities for economically distressed, public investment communities, or urban centers. These projects are awarded and operated at different times throughout the fiscal year, which contributed to the fluctuations.