STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2016

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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May 1, 2020

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Department of Mental Health and Addiction Services. The objectives of this review were to evaluate the department's internal controls, compliance with policies and procedures as well as certain legal provisions, and management practices and operations for the fiscal years ended June 30, 2015 and 2016.

The key findings are presented below:

Page 9	DMHAS identified over $300,000 in possible funds due to the state from a nonprofit provider, but failed to take corrective action in a timely manner. The department should promptly follow up with providers when concerns are raised and exercise its contractual rights to withhold payments when necessary. (Recommendation 1)
Page 10	Our review of human services contracts noted numerous concerns regarding contract processing, raising questions about the accuracy of contract documents and payments made to contractors. DMHAS should strengthen internal controls over the processing of contracts. (Recommendation 2)
Page 13	Our review of contract monitoring noted weaknesses in programmatic and fiscal monitoring of over $300 million in human services contracts with private nonprofit providers. DMHAS should strengthen internal controls over its monitoring of private providers. (Recommendation 3)
Page 16	Our review of client support funds disclosed concerns regarding inadequate internal controls, missing and inadequate documentation, and expenditures that appear inconsistent with program goals and requirements. DMHAS should strengthen controls over the Client Support Fund program. (Recommendation 4)
Page 21	The department did not adequately monitor a contractor hired to oversee the client funds program at the Southwest Connecticut Mental Health System. As a result, clients affected by a theft of client funds dating back to 2012 have not been notified of potential losses, and significant contract deliverables remain incomplete. The department should promptly notify affected clients of potential losses, escheat abandoned funds to the State Treasurer, and ensure that contracted parties fulfill contract requirements. (Recommendation 6)
Page 23	We noted missing documentation in 18% of tested client fund disbursement transactions. Past thefts of client funds at the department have shown that failure to establish and follow good internal control procedures can create an opportunity for theft. DMHAS should develop standardized, agency-wide procedures to ensure adequate controls over client funds. (Recommendation 7)

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

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May 1, 2020

INTROUCTION
AUDITORS' REPORT

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 years ended June 30, 2015 and 2016. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the 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. 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. 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 our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

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 identified:

1. Deficiencies in internal controls;

2. Apparent noncompliance with policies and procedures or legal provisions; and

3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Mental Health and Addiction Services.

COMMENTS

FORWARD

The Department of Mental Health and Addiction Services (DMHAS) operates under the provisions of Title 17a, Chapters 319i and 319j and Sections 17a-450 through 17a-715 of the General Statutes. The department's mission is to promote recovery from psychiatric and substance use disorders by providing an integrated network of comprehensive, effective, and efficient mental health and addiction services that foster self-sufficiency, dignity, and respect. The department's mandate is to serve adults older than 18 years of age with psychiatric or substance abuse disorders who lack the financial means to obtain services on their own. In addition to its mandate, the department provides collaborative treatment programs to Connecticut residents with co-occurring mental health and substance abuse disorders, individuals in the criminal justice system, persons with traumatic brain injury, and young adult populations transitioning out of the Department of Children and Families. DMHAS is designated as the lead state agency for substance abuse prevention and treatment and, as such, is designated as the state methadone authority.

Organization Structure

During the audited period, the commissioner of DMHAS managed the department's operations through four major divisions: Agency Management, Clinical Support, Community Treatment and Prevention, and Health Promotion. The Agency Management Division conducts comprehensive statewide planning, data collection, policy analysis, and provides administrative and financial management. The Clinical Support Division manages inpatient services and recovery support services. The Community Treatment Division focuses on outpatient programs, emergency crisis services, residential treatments, and housing assistance programs. The Prevention and Health Promotion Division provides advocacy services, education, training, and research.

DMHAS has divided the state into regions and catchment areas to deliver mental health and substance abuse treatment services. There are 5 regions containing 23 catchment areas. Each catchment area, which is a defined geographic area based on population, receives mental health services as a unit, and is assigned to a local mental health authority (LMHA). As of June 30, 2016, there were 13 local mental health authorities in effect (6 state-operated and 7 private nonprofit organizations). The 6 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 (Bridgeport), 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, which serves the New Haven area and River Valley Services, which serves Middlesex County.

- **Region 3** – Southeastern Mental Health Authority, which serves New London County.

- **Region 4** – Capitol Region Mental Health Center, which serves the Hartford area.

- **Region 5** – Western Connecticut Mental Health Network (Waterbury) – 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.

The 7 local mental health authorities operated by private, nonprofit organizations are funded through DMHAS grants. They maintain community-based network systems for mental health and addiction services in areas not covered by state-operated facilities.

DMHAS also operates 4 treatment facilities that provide inpatient psychiatric and/or substance abuse treatment services:

- Connecticut Valley 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

Patricia A. Rehmer was appointed commissioner of DMHAS on October 23, 2009 and continued to serve as commissioner until March of 2015. Commissioner Miriam E. Delphin-Rittmon was appointed by Governor Dannel P. Malloy in April of 2015 and continues to serve in that capacity.

Boards and Commissions

Board of Mental Health and Addiction Services – Pursuant to Sections 17a-456 and 17a-457 of the General Statutes, the Board of Mental Health and Addition 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.

Psychiatric Security Review Board – Pursuant to Sections 17a-580 through 17a-603 of the General Statutes, the Psychiatric Security Review Board is an autonomous body placed 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 Legislation

Public Act 15-242 (Section 50), effective June 30, 2015, amended Section 17a-451 of the General Statutes to allow the commissioner of the Department of Mental Health and Addiction Services to designate any employee to enter into contracts, agreements, or settlements on behalf of the department.

Public Act 15-120 (Section 2), effective October 1, 2015, repeals Section 17a-452 of the General Statutes, which allowed for the appointment of 2 deputy commissioners.

Public Act 15-198 (Section 9), effective June 30, 2015, amended Section 17a-667 of the General Statutes to make changes to the Connecticut Alcohol and Drug Policy Council, including moving the establishment of the council from the Office of Policy and Management to the Department of Mental Health and Addiction Services. In addition, the act changed the composition of the council to include the president of the University of Connecticut, or designee, and up to 7 additional individuals who the co-chairpersons may jointly appoint.

RÉSUMÉ OF OPERATIONS

DMHAS programs served 109,444 individuals during the 2014-2015 fiscal year and 112,864 individuals during the 2015-2016 fiscal year. The operations of the department, which were mostly accounted for in the General Fund and the Federal and Other Restricted Accounts Fund, are discussed below.

General Fund

A comparison of General Fund receipts during the audited period, along with those of the preceding year, follows:

	2013-2014	2014-2015	2015-2016
Rental of Cottages or Residences	$ 87,197	$ 61,783	$ 46,969
Refund of Prior Years' Expenditures	3,078,971	3,464,229	2,611,662
Others	32,483	39,995	79,353
Total Receipts	$ 3,198,651	$ 3,566,007	$ 2,737,984

General Fund receipts consisted primarily of refunds of prior years' expenditures for various refunds and fees for the rental of cottages and residences to employees.

A summary of General Fund expenditures, including expenditures of the Psychiatric Security Review Board, for the fiscal years under review and the preceding year follows:

	2013-2014	2014-2015	2015-2016
Personal Services	$ 287,274,493	$ 302,282,160	$ 312,888,043
Workers' Compensation	11,990,126	12,386,901	11,628,890
Contractual Services	38,261,053	33,757,604	35,273,890
Client Services	16,693,544	18,263,352	15,153,700
Premises and Property Expenses	14,258,684	14,111,810	13,396,122
Information Technology	4,633,493	5,103,355	4,066,902
Purchased Commodities	12,565,568	12,705,917	14,269,497
State-Aid Grants	346,164,976	277,993,781	304,348,950
All Other Charges	5,384,669	5,261,439	5,645,705
OSC Adjustment for GAAP	1,217,300	1,848,666	0
Total	$ 738,443,906	$ 683,714,985	$ 716,671,699
Medicaid Disproportionate Share	(79,818,546)	(79,818,546)	(79,818,547)
Total Expenditures	$ 658,625,360	$ 603,896,439	$ 636,853,152

The General Fund is the department's main operating fund and includes all expenditures that are not required to be accounted for in a specified fund. The majority of General Fund expenditures were for personal services, state-aid grants that funded a community-based network of services, and contractual services. The increases in personal service expenditures during the audited period were due to collective bargaining wage increases, additional full-time employees, and greater overtime costs in the 2014-2015 fiscal year. As of June 30, 2016, DMHAS had 3,072 full-time employees paid from the General Fund, compared to 3,038 at June 30, 2014.

The decrease in state-aid grant expenditures during the 2014-2015 fiscal year was attributable to a $74,387,230 decrease in the low-income adults program. Beginning in the 2013-2014 fiscal year, DMHAS transferred eligible adult clients formerly served by this program and new enrollees

to the Federal Medicaid Coverage for the Lowest Income Population Program administered by the Department of Social Services.

The largest expenditures of contractual services were for medical services provided by nonprofit organizations. Of these expenditures, DMHAS paid $17,956,578 in fiscal year 2014-2015 and $19,020,996 in fiscal year 2015-2016 to fund the Connecticut Mental Health Center, in collaboration with Yale University, as required by Section 17a-459 of the General Statutes.

Medicaid disproportionate share reimbursements were permitted by an approved amendment to the state's Medicaid plan under Section 1923 (c) (3) of the Social Security Act. That 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 of $79,818,546 as reductions to DMHAS General Fund expenditures in each of the audited years. DMHAS credited $29,116,454 in reimbursements related to fringe benefits to the State Comptroller's accounts in each of the audited years.

Federal and Other Restricted Accounts Fund

A comparison of Federal and Other Restricted Accounts receipts for the fiscal years under review and the preceding year follows:

	2013-2014	2014-2015	2015-2016
Federal	$ 52,710,612	$ 44,501,833	$ 54,354,788
Restricted State Grants	18,351,615	18,721,861	19,871,991
Other Grant Transfers	175,847	499,288	328,672
Investment Income	175	386	831
Total Receipts	**$ 71,238,249**	**$ 63,723,368**	**$ 74,556,282**

The majority of receipts in the Federal and Other Restricted Accounts Fund were attributable to 3 federal programs, Continuum of Care, Substance Abuse Prevention and Treatment Block Grants, and Substance Abuse and Mental Health services Projects of Regional and National Significance. In total, the department received approximately $37 million in the 2014-2015 fiscal year and $47 million in the 2015-2016 fiscal year for these programs.

The fluctuation in federal grant receipts was caused by timing differences in the drawdown of federal funds. These timing differences were partially due to the shutdown of the federal government during the 2012-2013 fiscal year. During the 2013-2014 fiscal year, the federal cash balances became available for the department to draw down, resulting in higher receipts. Restricted state grants consisted primarily of grants for the Pretrial Account and Compulsive Gambling Treatment programs. DMHAS also received transfers from other state agencies, including the Department of Correction and the Judicial Branch for services provided in the Residential Substance Abuse Treatment program.

A summary of the department's Federal and Other Restricted Accounts Fund expenditures follows:

	2013-2014	2014-2015	2015-2016
Personal Services	$ 1,393,277	$ 1,374,245	$ 1,427,616
Contractual Services	1,379,718	3,992,831	2,337,751
Client Services	17,351,226	15,975,917	17,272,235
Premises and Property	186,867	247,873	52,657
Information Technology	103,498	91,520	84,480
Purchased Commodities	39,205	59,150	23,273
Federal & Restricted Grants	47,396,008	56,589,593	50,332,166
All Other Charges	153,689	217,004	133,621
Total Expenditures	**$ 68,003,488**	**$ 78,548,133**	**$ 71,663,799**

Increases in expenditures in the Federal and Other Restricted Accounts Fund during the 2014-2015 fiscal year were due to a $10,000,000 transfer to the department from the Tobacco Settlement Fund. In accordance with Public Act 14-47, DMHAS received a transfer of $3,000,000 for substance abuse services grants, and $7,000,000 for mental health services grants.

Special Revenue Funds – Expenditures

In addition to activities in the General Fund and Federal and Other Restricted Accounts Fund, the department was authorized to expend other special revenue and capital improvement funds, which were used to finance activities in accordance with specific state laws and regulations. DMHAS financed these funds with bond sale proceeds or through specific state revenue dedicated to the renovation of state-owned facilities and capital improvement grants to nonprofit organizations in the DMHAS provider network. Expenditures in the audited fiscal years and those of the preceding fiscal year are summarized below.

	2013-2014	2014-2015	2015-2016
Capital Improvement Purchase Fund	2,671,856	1,420,875	1,287,803
Community Conservation & Development	-	-	2,517,973
Bond Fund: Nonprofits' Capital Improvement	2,802,942	2,067,920	1,652,532
Bond Fund: Capital Improvement and Others	799,428	1,908,822	1,418,943
Insurance Fund	435,000	435,000	397,299
Total Expenditures	**$6,709,226**	**$5,832,617**	**$7,274,550**

Inpatient Per Capita Cost

Under the provisions of Sections 17b-222 and 17b-223 of the General Statutes, the State Comptroller determined annual per capita costs for the care of persons in state humane institutions. The per capita costs for the inpatient care during the audited period were as follows:

	2014-2015		2015-2016	
	Daily	Annual	Daily	Annual
Connecticut Valley Hospital	$1,605	$585,825	$1,507	$550,055
Connecticut Mental Health Center	2,286	834,390	2,324	848,260
Southwest Connecticut Mental Health System	1,537	561,005	1,621	591,665

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Failure to Address Questionable Expenditures and Funds Due to the State

Background: The Department of Mental Health and Addiction Services contracts with a network of nonprofit entities to provide various mental health and addiction services to the department's clients. These agreements are structured so that the department pays for the cost of providing contracted services, and any excess funds are returned to the department.

Criteria: The DMHAS human services contracts require contractors to identify any unexpended program funds and return them to the department. DMHAS may withhold funds not returned within 60 days from future contract payments.

Good business practice dictates that significant issues regarding contractual payments or services provided be resolved in a timely manner.

Condition: As a result of a DMHAS Internal Audit Division review of one of its private nonprofit providers, the department identified the following concerns indicating that the contractor likely owed funds to the state:

- $193,000 in questionable transfers to a related party of the contracted provider.
- $89,674 in unsupported or inadequately supported expenditure transactions.
- $36,894 in unallowed expenditures.
- The appearance that, for two years, the state funded a physical location that housed another entity not associated with state programs. During this time, the state paid $144,496 in office-related expenses at the location.

As of April 2018, 19 months after initial discovery, the department has yet to receive an adequate explanation of these matters or recoup any funds. The department continued to make payments to the contractor, totaling $1,966,957, during the 19-month period.

Effect: Failure by DMHAS to promptly follow up on possible questionable expenditures and recoup possible unexpended funds makes the department susceptible to further significant losses.

Cause: There appears to be a lack of management oversight.

Prior Audit Finding: This finding has not been previously reported

Recommendation: The Department of Mental Health and Addiction Services should promptly follow up with providers when concerns are raised and exercise its contractual rights to withhold payments when necessary. (See Recommendation 1.)

Agency Response: "Subsequent to the completion of the audit but prior to the publication of this report, the provider retained the services of a forensic accounting firm to review the issues initially reported by the Department's internal auditors. At the end of August 2019 the forensic accounting firm submitted its final report to the DMHAS. All of the items identified and noted in the "Condition" paragraph above were reviewed by the accounting firm along with the firm's explanations and clarification of the issues initially noted. In addition, the provider created new policies and procedures regarding proper reporting of its financial transactions."

Weaknesses in Processing of Contract Agreements

Background: DMHAS contracts with a network of private nonprofit entities to provide a wide variety of services to its clients throughout the state. Contract amendments include language describing the program within the contract, changes to funding associated with each program, and funding schedules that detail total funding amounts by program and funding source. During the audited period, DMHAS was party to over 200 contracts for human services covering 1,000 separate programs, and made associated payments totaling $337,888,785 in fiscal year 2014-2015 and $359,683,228 in fiscal year 2015-2016.

Criteria: **Contract Processing**

Sound business practice dictates that contractual agreements and amendments clearly state the contractor's services and the department's payments to the contractor. Contract agreements and amendments should be fully approved and executed prior to commencement of work.

Office of Policy and Management Approvals

State of Connecticut, Office of Policy and Management (OPM) Procurement Standards for Personal Service Agreements and Purchase of Service Contracts, section E, requires OPM approval for any contracts having an original cost of $50,000 or more. When an amendment increases the cost of a contract to more than $50,000, or for second or subsequent amendments, OPM approvals are also required. Section 4-216(b) of the General Statutes indicates that contracts in

excess of $50,000 shall be based on competitive negotiation, unless a waiver is granted from OPM.

Contract Affidavits
Section 4-252 of the General Statutes requires contracts with a total cost of more than $500,000 to be subject to certain gift affidavit and ethics certification requirements. Section 4-252a of the General Statutes requires a contract with a total cost of more than $500,000 to be subject to certain requirements regarding investments in Iran.

Transfers of Appropriations
Section 4-87 of the General Statutes prohibits transfers to or from any specific appropriation of more than $50,000 or 10%, whichever is less, without the approval of the Finance Advisory Committee (FAC).

Condition:

Contract Processing
DMHAS processed 80 amendments related to 20 sampled contracts for the period under review. We noted 81 errors in contract amendment processing, including inconsistencies in amounts carried from one amendment to the next, mathematical errors, inconsistencies between the amendment language and funding schedules, and funding changes inconsistent with the amendment language. Significant impacts of these errors included:

- Eleven instances in which the contract amount paid at fiscal year-end did not agree with auditor calculations. While 9 of these instances resulted in contractor underpayments totaling $1,015,377, 2 resulted in overpayments of $94,348 and $238,468.

- Twelve instances in which contractors received pre-payments during the fiscal year. In 4 instances, cumulative pre-payments exceeded $500,000 and were as much as $1,043,784.

- Nine increases in contract funding, totaling $2,446,354 on funding schedules, without associated amendment language to specify the funding purpose. In one instance, $1,295,237 was added to a contract without language stipulating the funding purpose added until over 7 months after DMHAS began making payments.

In addition, our review of contract amendment execution noted that the department approved amendments up to 670 days after the effective date of the amendment. Of the amendment lines reviewed, DMHAS approved 25% over 200 days after the effective date, with 12% being approved over 300 days after the effective date.

Office of Policy and Management Approvals
Our review of contract amendments noted that OPM did not approve 46% or 164 of the reviewed amendment lines. Of the 185 OPM-approved amendment lines, 110 were approved after the initial funding start date, including 17 approved between 100 and 390 days late. In addition, we noted 8 instances in which DMHAS added new services to contracts without required bids or OPM sole-source approval.

Contract Affidavits
We noted that 11 of the 17 contractors reviewed were missing at least one required affidavit, including 8 ethics, 8 Iran, one gift, and one consulting agreement.

Transfers of Appropriations
Our review of 5 manual expenditure adjustments affecting state grant accounts disclosed that DMHAS did not support any of the entries reviewed with documentation explaining the rationale for the adjustment. As a result, we were unable to determine whether Finance Advisory Committee approval was required for the adjustments. Individual transactions ranged in value from $450,000 to $742,950, and totaled $2,664,091.

Effect:

Contract Processing
Errors in contract processing greatly increase risk that contract documents are incorrect and that DMHAS inaccurately paid contractors.

Office of Policy and Management Approvals
By not following OPM procurement standards, the department bypassed OPM's authority to review and reject contract amendments, including determining whether new services should be competitively bid.

Contract Affidavits
DMHAS did not comply with state laws requiring annual updates of ethics, Iran, gift, and consulting agreement affidavits.

Transfers of Appropriations
Without documentation of a valid purpose for expenditure adjustments or FAC approvals, the department may be in violation of Section 4-89 of the General Statutes requiring unspent funds of specific appropriated accounts to lapse at year end.

Cause:

Due in part to significant contract unit staff reductions, contract amendments were held and processed in batches rather than on an as-needed basis. This approach caused significant processing delays and contributed to the noted processing errors and late approvals. We were

unable to determine the cause for manual expenditure adjustments without appropriate documentation or approval.

Prior Audit Finding: Components of this finding have been previously reported in the last 2 audit reports covering the fiscal years ended June 30, 2011 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over the processing of contracts. Those controls should ensure that the department follows all contracting statutes, regulations, and policies. (See Recommendation 2.)

Agency Response: "The Department agrees with this finding in part. We believe the expenditures noted above were coded appropriately and the department disagrees that an FAC was required for the manual adjustments identified. However, the department does agree to strengthen procedures to ensure we maintain documentation to support manual expenditure entries. Furthermore, the department will undertake action to strengthen the procedures for processing contracts which comply with procurement standards, good business practices and applicable state requirements. We anticipate having these practices in place no later than December 31, 2019."

Weaknesses in Monitoring of Contractors

Background: DMHAS contracts with a network of private nonprofit entities to provide a wide variety of services to its clients throughout the state. During the audited period, DMHAS was party to over 200 contracts covering 1,000 separate programs, and paid $337,888,785 in fiscal year 2014-2015 and $359,683,228 in fiscal year 2015-2016 for these services.

Several centralized DMHAS units and the local mental health authorities (LMHA) are responsible for monitoring the 1,000 programs, depending on the type and location of the program.

The DMHAS Data Performance System (DDaP) is used to collect self-reported information from private nonprofit providers about the services they provide under their DMHAS contract. The collected data correlates to specific requirements in contracts and includes utilization statistics and measurements to assess the effectiveness of the program.

Criteria: **Program Monitoring**

DMHAS human services contracts (section IF1) require that DMHAS annually review and evaluate the performance of each contractor

through examination of documents, reports or site visits. DMHAS established the DDaP system to facilitate reporting of utilization of DMHAS-funded services, effectiveness of the services, and compliance with contractually mandated performance measures.

Good business practice dictates that agencies monitor contractors to ensure that they adequately provide funded services.

Fiscal Report Monitoring
DMHAS human service contracts (section IB3) requires that any amounts that DMHAS paid in excess of the total program expenses shall be deemed as unexpended funds and returned to the department.

DMHAS human service contracts (section IC1 (a)) requires submission of interim (8 month) and annual financial reports that document actual program income and expenditures.

Good business practice dictates that agencies adequately monitor contractors to ensure they provide contracted services, and that they do not owe unexpended funds to the state at the close of each fiscal year.

Condition:

Program Monitoring
We reviewed 9 DMHAS units responsible for programmatic monitoring covering over 61% of DMHAS' programs, and noted that the department conducted site visits for only 18% of reviewed programs in the 2014-2015 fiscal year and 25% in the 2015-2016 fiscal year. The Young Adult Services unit and 4 of the 6 LMHAs (covering 178 programs) performed no documented site reviews during the audited period, while one additional LMHA performed only one documented site review during the audited period. None of the reviewed units maintained tracking logs to indicate when the last site review was performed for a particular provider or program.

Of the 9 units reviewed, one has established standard procedures for reviews of provider data in the DDaP System. While the units appear aware of the availability of provider data reports, any reviews the other eight units performed are undocumented and informal.

Our review of DDaP data for 20 contracts showed that 54% of the reviewed programs did not meet at least one performance goal by at least 10%; 29 or 8% of programs had no performance measures listed in DDaP; and 9 or 2.5% of programs showed no reported data.

Five of the 6 LMHAs have not established standard program review procedures, leaving reviews informal and inconsistent with no

documentation of noted provider issues, DMHAS follow-up, or provider remedial action.

Despite significant overlap in the program providers the respective units are responsible for monitoring, there is no formal coordination between the LMHAs and centralized monitoring units.

Fiscal Monitoring
A review of DMHAS financial monitoring showed that the department did not document interim 8-month reviews and annual financial reports for any of its 208 contracts for the audited period.

DMHAS did not perform reviews of audit reports for 14 out of 20 tested contractors. Of the 6 reports DMHAS reviewed, 4 were not done in a timely manner, and DMHAS did not fully complete reconciliations of audited expenditure amounts to its funding amounts in 5 instances. This increased the risk of the contractor owing unexpended funds to the state.

Effect:

Program Monitoring
The department's systematic lack of monitoring creates significant opportunity for failure of contracted entities to meet DMHAS utilization requirements and standards of care without detection.

There is a higher risk for inaccuracies when critical self-reported performance data is not reviewed.

Fiscal Monitoring
Failure to review financial and audit reports increases risk that unexpended funds will not be returned to the department.

Cause: Lack of management oversight and significant staffing shortages contributed to the conditions.

Prior Audit Finding: Components of this finding have been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over its monitoring of private providers. Monitoring could include the use of data, reports, and site visits. (See Recommendation 3.)

Agency Response: "Program Monitoring: The DMHAS Community Services Division has continued to improve its monitoring tracking protocols as well as establish priorities for on-site visits and data reviews. Depending upon the availability of staff resources, the percentages of on-site visits may vary from year to year. In addition, in 2018, a Commissioner's Policy

statement titled "Monitoring DMHAS Behavioral Health Contractors Performance" was developed and implemented agency-wide. This policy clarifies the roles and responsibilities of the various DMHAS divisions as it applies to monitoring contractor performance which will improve the overall success of this process.

Fiscal Monitoring: The Department will undertake action to strengthen the fiscal monitoring procedures to ensure efficient and adequate monitoring of private providers. In addition, the Department transitioned the responsibility of performing desk reviews of providers' audited financial statements from the Fiscal Division to the Audit Division, commencing in the latter half of FYE 18 to review for any unexpended funds due to the State."

Weaknesses in Administration of Young Adult Services Client Support Funds

Background: The Young Adult Services (YAS) program services clients ages 18-25 with a history of Department of Children and Families (DCF) involvement and a major mental health diagnosis. The program is intended to help qualifying young adults successfully transition from DCF care to the adult mental health system. The Client Support Funds (CSF) program is administered at multiple locations in coordination with private nonprofit providers, and overseen by the centralized YAS unit. DMHAS has contracted with the nonprofit providers to perform fiduciary functions such as recordkeeping and check writing, while state employees initiate and approve requests for funds.

Criteria: **Internal Controls**

DMHAS provider agreements of YAS Money Management Services require the contractor to develop procedures for the use of client support funds and provide a recordkeeping system that includes expenditures by client, and monthly bank reconciliations.

Client Budgets

DMHAS Guidelines for Use of YAS Client Support Funds require that applicants must demonstrate a need for financial assistance. Procedures at the three tested facilities require the development of client budgets to quantify the funds for each client and document expected monthly expenditures.

Expenditure Documentation Exceptions

DMHAS YAS Guidelines for Use of YAS funds require that YAS programs have fiduciary policies and procedures that must be provided and explained to clients to facilitate accessing client support funds. In addition, DMHAS YAS Guidelines require an attendance sheet to

document all clients and staff participating in group events and a brief description of the activity.

Good business practice dictates that adequate documentation be maintained for disbursement transactions, including required approvals, receipts or invoices, and certification of a client's receipt of funds to verify they are expended for their recorded purpose. Processes and approval forms require the chief financial officer to approve disbursements over $500.

Use of Client Support Funds
DMHAS Guidelines for Use of YAS Client Support Funds indicate funds should be utilized for basic, necessary living expenses, services identified in client's recovery plans, and programming or educational certificates that will promote an individual's recovery and independence in the community.

Condition: A review of YAS Client Support Funds at the Southwest Connecticut Mental Health System, Connecticut Mental Health Center, and River Valley Services disclosed the following:

Internal Controls
Our review noted that 2 of the 3 tested locations did not develop policies and procedures defining the request and approval process for the use of CSF funds. As a result, we encountered confusion regarding responsibilities and inconsistent recordkeeping practices and procedures between contracted and state employees. In addition, we noted that clinical staff, without appropriate financial backgrounds, are responsible for managing financial transactions, and that contracted providers who are responsible for processing disbursements have little authority to question the appropriateness of requested disbursements or collect supporting documentation.

YAS client support financial tracking reports included significant errors, were incomplete (missing 25 of the 204 required monthly reports), and did not appear to be reviewed by the agency. Financial tracking reports did not include required client-level expenditure data at 2 locations and did not agree with client budgets at the other location. In addition, we noted that two providers that service three DMHAS locations utilized a common bank account for client support funds, preventing adequate reviews and reconciliations of relevant bank statements.

Client Budgets
A review of 15 clients served by 3 DMHAS locations disclosed that the department could not provide 10 client budgets, and 4 of the 5 provided budgets were incomplete or not properly approved.

Expenditure Documentation Exceptions
Our review of CSF disbursements at 3 locations disclosed:

Transactions in which DMHAS could not provide receipts or other supporting documentation included:

- One $1,000 check, payable to the private nonprofit administering the CSF, for a monthly rental payment
- One $300 check, payable to a state employee, which was listed as reimbursement for visa gift cards for bus transportation for a client
- One $500 payment to a furniture retailer
- One $400 check, payable to a client, for clothing

We noted 5 transactions, totaling $1,605, in which DMHAS could not provide documentation to certify that the client received disbursements of cash and gift cards. We also noted 8 transactions, totaling $7,605, for group activities and lunches that lacked required documentation to show the clients and staff who attended the events.

In addition, we noted 11 transactions at two facilities, totaling $13,744, in which purchases appeared to have been made prior to required approvals.

A review of transactions greater than $500, which required the facility's CFO approval, disclosed 6 instances of missing approvals totaling $12,195. At a second facility, we noted an apparent practice of splitting transactions to avoid the greater than $500 required approval of transactions. A cursory review of fiscal year 2015-2016 transactions disclosed 9 instances in which the department processed multiple related purchases separately, circumventing the required approval. These instances included 7 related purchases, totaling $3,598, for one activity and 24 related purchases, totaling $2,911, for another.

Use of Client Support Funds
Our review of expenditure transactions disclosed the following activities, which seem to be inconsistent with the DMHAS Guidelines for use of YAS Client Support Funds, and appear questionable in nature:

- $4,140 for a songwriting program
- $3,891 for 15 clients' annual gym membership
- $2,915 for a theater training program
- $2,911 for a camping trip, which included a $100 iTunes gift card for "camping music," an $89 extension cord, and a $40 surge protector
- $2,000 for an overnight trip to Vermont for 4 clients and 5 staff members
- $1,600 for 13 season passes to Lake Compounce
- $350 for a bowling night for clients, staff, and friends
- $143 for one client's cigarettes over the course of a month

We also noted one instance in which DMHAS applied $10,038 in unexpended year-end client support funds to an outstanding invoice for the contractor administering the CSF.

Effect: There is reduced assurance that DMHAS granted funds to clients with financial needs for essential expenses. These conditions raise concerns regarding the effectiveness and efficiency of the CSF program.

Cause: These issues are due to a lack of management oversight, failure to develop adequate contractor procedures, and the reliance on generic guidelines and procedures.

Prior Audit Finding: Components of this finding have been previously reported in the last 2 audit reports covering the fiscal years ended June 30, 2011 through 2014.

Recommendation: The Department of Mental Health and Addiction Services Young Adult Services unit should strengthen internal controls over the Client Support Fund program. (See Recommendation 4.)

Agency Response: "Internal Controls: Since the time of the audit, all agencies reviewed have developed policies and procedures defining the request and approval process for the use of CSF. Two agencies are in the process of making additional changes to their policies and procedures at the request of Office of the Commissioner YAS management. Roles and responsibilities of staff managing financial transactions have also been clarified with management oversight of involved agencies.

The fiduciary agency at which some financial tracking reports of YAS CSF were found to be incomplete with errors has hired a new manager who will provide oversight to ensure that these issues are rectified. This manager will dually report to a manager at the state operated facility and at the fiduciary agency to enhance oversight, collaboration and accountability.

Since the audit, the fiduciary that maintained a common bank account for two providers has created a separate account for one of the providers. The fiduciary plans to separate out the funds for the second provider, which has two separate locations, by each of its separate locations.

Client Budgets: YAS procedures and associated documentation are in the process of being modified at agencies where client budgets could not be provided, were incomplete, were not properly approved, or where receipts and other supporting documentation could not be provided. The modifications will provide enhanced accountability to ensure that these issues do not recur.

In addition, audits conducted by YAS managers will increase in frequency in collaboration with facility management at the sites where these issues occurred. Any audit findings will be reviewed at the quarterly OOC YAS Operations meetings with respective facility CEOs and YAS Directors."

Expenditure Documentation Exceptions: According to the "YAS Mixed Model", transactions equal to or greater than $500 requires two approving signatures. YAS OOC will be including a requirement in the Guidelines for Use of YAS Funds that two approving signatures are needed for transactions equal to or greater than $500. Also, the agency which had apparently been splitting transactions to avoid the required approval of transactions equal to or greater than $500 has strengthened oversite of this process. In addition, the fiduciary agency has hired a new manager who will dually report to a manager at the state operated facility and at the fiduciary agency who will be responsible for ensuring that this issue will not recur.

Use of Client Support Funds: The activities which appeared inconsistent with the Guidelines for use of YAS Client Support funds and were questionable in nature were reviewed with management of the agencies at which this occurred. Several of these activities were deemed appropriate based on additional context. These funds were utilized to enhance the environment at which the clients were residing. Should similar needs arise in the future, agency management was advised to access other resources such as applying for bond funds."

Inadequate Description of Services in Human Services Contracts

Criteria: Good business practice dictates that contracts should identify the specific services to be provided by the contractor.

Condition: DMHAS developed a scope of services that includes a number of services related to the YAS client population, referred to as the YAS Mixed Model. DMHAS includes this generic scope of services language in each contract without distinguishing which specific services each contractor would provide.

Effect: The department was unable to identify which services each contractor provided, increasing risk they may not provide contracted services.

Cause: There appears to be a lack of management oversight.

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 that contracts adequately represent services provided by contractors. (See Recommendation 5.)

Agency Response: "As a result of contract revisions made during the 2018-2019 fiscal year, specific services are now documented in the contracts along with program type and funding level."

Inadequate Monitoring of Client Fund Money Management Contractor

Background: To address internal control concerns regarding the theft of client funds at the Southwest Connecticut Mental Health System (SWCMHS), the department contracted with a private nonprofit entity to manage client fund money. At that time, the department opened a new account and transferred active client balances to this account. The department left inactive client balances in the original account.

DMHAS paid this contractor $284,296 in fiscal year 2014-2015 and $217,026 in fiscal year 2015-2016 for the related contract.

Criteria: The requirements of the personal services agreement between the department and the contractor include:

- The establishment of a work plan prior to commencement of work that includes requirements to develop:

- A process for determining each client's starting balance and reconciling/transferring funds
- Policies and procedures to improve SWCMHS financial control and separation of duties, and an annual review and update of those policies and procedures
- Performance measures to ensure the program is efficiently and timely implemented
- A client grievance process
- A training program for SWCMHS staff to implement the program and at least three training sessions

- Submission of quarterly financial reports supported by time and effort reporting.

When the department determines payments exceed the contractor's total expenses, excess income shall be deemed unexpended funds and returned to the department.

The State Comptroller's Manual for Trustee Accounts requires that agencies notify the Collection Services Division of the Department of Administrative Services (DAS) in writing of deceased client fund accounts. If DAS determines that it will not claim the funds, the agency must hold the funds for 3 years, at which time agencies must notify the Office of the State Treasurer of the unclaimed funds.

Condition: DMHAS was unable to provide the contractually required workplan, and staff responsible for overseeing the contractor appeared unaware of the workplan requirement.

The department did not develop a process for determining the starting balance for each client and reconciling or transferring the funds. As a result, inactive client balances, totaling $48,824, remained in unused bank accounts since the discovery of the theft in 2012. DMHAS has not contacted any clients regarding these funds.

The contractor's financial reports for fiscal year 2014-2015 indicated total expenditures of $217,026, and Core-CT records showed payments of $284,296, signifying $69,883 in unexpended funds. The department could not document the review or disposition of the $69,883.

The financial report for fiscal year 2015-2016 was incomplete. The financial reports for both audited years were not supported by required time and effort reporting.

Client accounts have been inactive since at least 2013, and unspent funds should have escheated to the State Treasurer.

Effect: Due to ineffective monitoring of the contractor, weaknesses that caused the theft of client funds may still exist. The department may be due $69,883 in unexpended funds.

Clients remain unaware of and unreimbursed for theft of funds.

The agency is not in compliance with requirements for the escheatment of unclaimed funds.

Cause: DMHAS has asserted that it is waiting for the results of a Social Security Administration review to notify clients. We also noted difficulty in determining client balances due to poor recordkeeping and missing records from prior periods. Inadequate monitoring of the contractor's work appears to be due to a lack of management oversight.

Prior Audit Finding: This finding has not been previously reported

Recommendation: The Department of Mental Health and Addiction Services should promptly notify affected clients of potential losses, escheat abandoned funds to the State Treasurer, and ensure that contractors fulfill agreed-upon requirements and return unexpended funds. (See Recommendation 6.)

Agency Response: "SWCMHS – The Department's Administrative Service Organization which handles client funds is currently researching all issues regarding client notification and escheatment protocols. Once completed, the necessary actions of notifying clients, the Treasurer's Office, and the Social Security Administration will be completed by calendar year end."

Deficiencies Related to Client Fund Disbursements

Background: DMHAS clients unable to manage their own finances may be voluntarily or involuntarily enrolled in a client fund program and designate DMHAS as their Social Security Administration (SSA) Representative Payee when applicable.

Criteria:

Good business practice requires the establishment of and adherence to internal control policies and procedures that document the authorization and payment of expenditures and receipt of funds distributed to clients.

Client fund programs require that budgets are developed, documenting how each client's funds will be disbursed. Budgeted cash and check withdrawals are requested based on the agreed-upon monthly budget. Additional requests for expenditures outside of the budget require a Special Request Form. Once the funds are disbursed, the client is required to sign an acknowledgement of receipt of the funds.

The SSA requires that all receipts for cash disbursements be maintained for clients receiving SSA benefits to verify that funds are spent in accordance with SSA guidelines.

Condition:

We reviewed one month of client fund activity for 53 clients distributed among 7 DMHAS outpatient client funds. Our review noted inadequate documentation for withdrawals and expenditures in 51 instances (18%) of the 281 transactions tested, totaling $47,161. Exceptions included missing receipts and certification of client receipt of funds for 16 cash withdrawals, totaling $2,993, and 33 check disbursements, totaling $4,285.

DMHAS did not complete budgets for 20 of the 53 clients reviewed, and they were incomplete for 6 clients reviewed. Of the 20 missing budgets, 18 related to 3 facilities where none of the requested budgets were available for review. Without budget documents, we were unable to determine the type of documentation required for disbursement transactions or verify whether appropriate procedures were followed.

Our review of one petty cash replenishment consisting of 185 petty cash disbursements totaling $6,845, disclosed that 98 cash withdrawals, totaling $2,269, did not include evidence of client receipt of funds.

We also noted 7 instances in which DMHAS did not give clients the SSA required $30 monthly personal expenditure allowance, or we were unable to verify whether the department gave the allowance. In addition, we noted SSA-required vendor receipts for cash withdrawals were missing or incomplete, and 21 clients did not have signed enrollment forms on file designating the respective facilities as their SSA Representative Payee.

In addition to the missing documentation, we noted missing and unexecuted leases related to client rental payments and miscellaneous missing documentation related to cash receipts, check disbursements,

special purchase requests, cancelled checks, and various other documents.

Effect: While client fund transactions are typically small dollar amounts, past thefts of client funds at DMHAS have shown that failure to establish and follow good internal control procedures can create an opportunity for theft of substantial funds. The noted exceptions are indicative of an environment in which internal controls are routinely bypassed, and little oversight is in place to ensure adherence to established control procedures. This increases the risk of undetected fraudulent activities, losses, and mismanagement of client funds.

Cause: While the needs of client fund functions are similar department-wide, procedures are developed independently by each physical location and fund. The individual locations do not appear to have adequate resources to develop, maintain, and ensure compliance with internal control processes related to client accounts.

In addition, there appears to be a lack of oversight of those charged with establishing sound internal controls over client funds, with no mechanisms in place to ensure compliance with established control policies. Staffing shortages and management turnover also contributed to these conditions.

Prior Audit Finding: Components of this finding have been previously reported in the last 3 audit reports covering the fiscal years ended June 30, 2009 through 2014

Recommendation: The Department of Mental Health and Addiction Services should develop standardized, agency-wide procedures to ensure adequate controls over client funds. (See Recommendation 7.)

Agency Response: "CMHC: The Connecticut Mental Health Center has contracted with a new provider effective 4/1/18 to manage client fund disbursements. The Connecticut Mental Health Center will perform periodic review of the provider's work against the programs policies and procedures to ensure that the Department has adequate control over client funds."

RVS: Effective May 2018, River Valley Services contracted with a private nonprofit organization to manage client funds in accordance with the requirements of the Social Security Administration.

The organization has developed a Policy and Procedure Manual related to their fiduciary capacity with River Valley Services in the operations of the Client Money Management Program. This includes policies and procedures to properly budget, document, and manage all transactions including cash receipts, check disbursements, purchase requisitions, and

other functions. Additionally, the program design provides adequate resources to ensure separation of duties and compliance with internal control processes related to the Client Money Management Program.

CVH: Regarding missing evidence of client's receipt of funds, since initial discovery, Valley Finance implemented several new procedures. If the client cannot present to Valley Finance in person, Valley Finance staff delivers cash directly to the units and secures clients' signature during the exchange of funds. If the Social Worker/Therapist withdraws funds on behalf of the client at the Valley Finance window, Valley Finance staff asks for a signed receipt to be returned back to Valley Finance within five days. The Valley Finance office tracks compliance with this process and reports any exceptions to its Governing Body Committee on a monthly basis."

SWCMHS: has contracted with the Department's Administrative Services Organization (ASO) since March 2013 to manage the representative payee program. The ASO and SWCMHS created new policies and implemented new internal controls to ensure that funds are properly disbursed."

Weaknesses in Internal Controls over State Operated Client Funds

Criteria: The Social Security Administration's (SSA) Guide for Representative Payees and section 2.16 of River Valley Service's (RVS) Policy and Procedure Manual requires that Representative Payees notify SSA when a beneficiary has a change of residency. Furthermore, there is an inherent necessity to report that a client has moved to a state-run, public institution, such as Connecticut Valley Hospital (CVH), since this may affect their eligibility for benefits.

Segregation of duties is a type of internal control created to prevent or reduce the occurrence of errors or fraud by preventing a single employee from having control over all components of a transaction: authorization, custody, and recordkeeping. A separate person should be in charge of each aspect.

Condition: A comparison of accounting and medical records at RVS disclosed 11 inactive clients among the 100 active clients listed in the accounting system. Upon further review, we noted two instances in which RVS intentionally failed to notify SSA that clients had transferred to inpatient care at CVH, disqualifying them for Social Security benefits. One client received $8,382 in SSA retirement benefits during the 7 months from their admittance to CVH and the time of our review. During that time,

RVS paid $5,256 in living expenses (e.g., rent and utilities) to allow another person to continue living in the SSA beneficiary's apartment.

Our review revealed that one person coordinated a majority of responsibilities for administering fiduciary funds under the RVS Money Management Program, resulting in a lack of segregation of duties among authorization, custody, and recordkeeping.

Western Connecticut Mental Health Network staff routinely wrote checks to state employees to make cash withdrawals on behalf of clients.

Effect: There is increased risk for undetected fraudulent activities, losses, and mismanagement of client funds.

Cause: Lack of management oversight and staffing shortages contributed to the noted conditions.

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 compliance with Social Security Administration requirements and revise internal policies to ensure the safeguarding of client funds. (See Recommendation 8.)

Agency Response: "CMHC: The Connecticut Mental Health Center will work with its contracted provider to establish a formal process to report concerns and establish segregation of duties within the provider's fiscal services function.

RVS: "Effective May 2018, River Valley Services contracted with a private nonprofit organization to manage client funds in accordance with the requirement of the Social Security Administration."

The new RVS Policy and Procedure Manual outlines the process of Admitting Clients to the Money Management Program and transferring clients to successor Representative Payee(s). This program provides adequate resources to ensure separation of duties and compliance with internal control processes."

WCMHN: Procedures have been revised to make checks payable only to clients directly or directly to vendors used by clients such as a landlord, utility, or cable company."

Weaknesses in Internal Controls over Client Funds Managed by Contracted Providers

Background: After a theft of client funds at the Southwest Connecticut Mental Health System, the department contracted with private nonprofit providers to take over certain fiduciary duties to improve internal controls over the operation of client funds.

Criteria: Good business practice requires adequate monitoring of outside entities contracted to perform fiscal functions on behalf of the department.

Segregation of duties is a type of internal control created to prevent or reduce the occurrence of errors or fraud by preventing a single employee from having control over all components of a transaction: authorization, custody, and recordkeeping. A separate person should be in charge of each aspect of this process.

Condition: DMHAS divides responsibilities for the processing of transactions between staff at state facilities and contracted private providers. Contracted private providers fulfill fiscal duties, while state caseworkers approve and submit requests for payment on behalf of clients. Our review noted that the contracted entities lack a formal or effective means to question requests submitted to them for payment, eliminating fiscal oversight, which might identify possible caseworker abuse of responsibility.

While the department has contracted with private nonprofit providers to improve internal controls and segregation of duties over client funds, we noted a lack of segregation of duties at a contracted provider serving the Connecticut Mental Health Center and Southwest Connecticut Mental Health System, with one person responsible for authorization, custody, and recordkeeping.

We noted three instances in which clients whose funds were managed by a private provider lived in apartments leased by the same provider. The provider's employee writes monthly checks from clients' accounts payable to the provider for each client's share of rent and utilities. There was no documentation available to support the total charges, how many clients shared each apartment, or their respective share of the costs.

Effect: The hiring of private nonprofit providers to take over certain fiduciary duties without adequate safeguards, including a formal process to report concerns and adequate segregation of duties, decreases the effectiveness of hiring contracted entities to improve internal controls.

Cause: A lack of oversight over the contracted providers contributed to the noted conditions.

Prior Audit Finding: This finding has not been previously reported

Recommendation: The Department of Mental Health and Addiction Services should establish policies for the monitoring of private providers contracted to perform fiscal functions, and establish formal procedures for providers to report concerns. (See Recommendation 9.)

Agency Response: "SWCMHS/CMHC - The SWCMHS and CMHC will work with the contracted provider to establish a formal process to report concerns and establish segregation of duties within the provider's fiscal services contract."

Maintenance of Client Records and Escheatment of Unclaimed Funds

Criteria: Section II, Procedure 7.24 of the Connecticut Valley Hospital's Operational Procedure Manual requires that staff notify the Patient Accounts Unit when a patient is to be discharged. The manual further prescribes that if there are funds in the patient's account, a CVH-15 withdrawal request shall be submitted to the Patient Accounts Unit one day in advance of the discharge.

The State Comptroller's Manual for Trustee Accounts requires that agencies notify the Collection Services Division of the Department of Administrative Services (DAS) in writing of deceased client fund accounts. If DAS determines that they will not claim the funds, the agency must hold the funds for 3 years, at which time agencies must escheat funds to the Office of the State Treasurer.

Condition: Our comparison between the Web Infrastructure for Treatment Services (WITS) medical records system and QuickBooks accounting system for clients of CVH as of June 30, 2016 disclosed that 110 out of 442 (25%), of clients that were listed as active in the QuickBooks system were not listed as active in WITS. These account balances totaled $17,923 (7%) of the $240,862 in CVH client accounts.

Our review of the CVH balance sheet revealed that agency personnel did not promptly review and resolve unclaimed patient account balances. We noted that the balance sheet showed a total of 609 inactive accounts as of June 30, 2016. Of those inactive accounts, 111 were from deceased patients with balances totaling $57,445; 325 were from unclaimed funds less than 3 years old with balances totaling $19,334; and the remaining 173 were from unclaimed funds greater than 3 years old with balances totaling $11,275. It appears that the agency has not

reported the accounts of deceased patients to DAS Collection Services, or escheated unclaimed funds to the Treasurer since May 2014.
CMHC utilized a system through Bank of America (BOA), which tracked individual client account balances within the CMHC client funds bank account. CMHC abandoned the system in 2013; however, individual client accounts remained on the BOA system. BOA continues to post transactions to individual client accounts, resulting in incorrect interest postings and overdraft notifications. Discrepancies between the bank and CMHC accounting records have contributed to the inability to close inactive client accounts. At the time of our review, 7 (14%) of CMHC's 52 client accounts were inactive.

Effect: Maintenance of inactive client accounts increases risk for undetected fraudulent activities, losses, and mismanagement of client funds.

Cause: Lack of management oversight contributed to the noted conditions.

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

Recommendation: The Department of Mental Health and Addiction Services should implement procedures to ensure that inactive client accounts are promptly closed. The department should escheat excess funds to the State Treasurer as required. (See Recommendation 10.)

Agency Response: "CMHC: The Connecticut Mental Health Center has contracted with a new provider effective 4/1/18 to manage client accounts. Inactive client accounts noted above have been returned to the client, the client's conservator, the appropriate entitlement agency, or to the State Treasurer's Office as indicated.

Going forward individual client accounts that become inactive to institutionalization or other changes in client circumstances will be reviewed after no more than 6 months, and at 6 month intervals thereafter. Depending upon the outcome of the review and the level of money management intervention being provided, funds remaining in an inactive account will be returned to the client, the client's conservator, the appropriate entitlement agency, or to the State Treasurer's Office as indicated, in coordination with the DMHAS Central Business Office. Under no circumstances will funds be held in an inactive client account for more than three years."

CVH: Due to frequency of staff turnover, the Department recognizes the need for ongoing training and education of staff on properly handling transactions related to patient accounts. As a result, CVH implemented a working group which meets monthly to address compliance with handling clients' funds and personal property and will continue to meet

on a monthly basis to monitor improvement and compliance with all business practices.
For escheatment of funds Valley Finance has been following Office of the State Comptroller guidelines for unclaimed funds. If the client leaves the program without withdrawing their funds, Valley Finance staff makes every effort to contact them and send the check to their residence. If the Valley Finance is not successful in locating the client, after three years, a check will be tendered to the State Treasurer's office."

Weaknesses in Administration of General Fund Trustee Funds

Background:

The department operates general fund trustee funds at each of its operating locations for general client support, enrichment activities, patient worker programs, loans to clients, and other uses. Trustee fund disbursements are made through checks, or as cash through the use of a petty cash system. Staff at each operating location are responsible for establishing and following adequate internal control policies to ensure the safeguarding of activity funds.

Criteria:

Check Disbursements
Per the State Trustee Account Manual, section C4, disbursement procedures require that, when making expenditures from the trustee account, payments should be substantiated by a vendor's invoice and purchase order/requisition. In addition, prior approval of the State Comptroller – Administrative Services Division must be obtained for any single expenditure from the trustee account in excess of $1,000 or any combination of expenditures in excess of $1,000 for any single project within a 12-month period.

Petty Cash Disbursements
Good business practice dictates that staff should document and retain adequate support for disbursements, including proof of receipts substantiated by client signatures.

Condition:

Check Disbursements
We reviewed 48 disbursements, totaling $52,880, from 5 separate operating locations and noted the following:

- In 17 instances, totaling $18,706, the department could not locate required requisition forms or they were not approved

- In 12 instances, totaling $33,558, prior approval was not obtained from the State Comptroller – Administrative Services Division for single expenditures exceeding $1,000

- In 7 instances, totaling $3,547, the department lacked supporting documentation for the expenditure

In addition, we noted the purchase of 289 gift cards, valued at $3780 in which the department could not document who the recipients were.

Petty Cash Disbursements
A review of 58 petty cash disbursements at one location (totaling $1,695) disclosed 5 instances (totaling $414) in which no confirmation of client receipt of funds was on file for grant disbursements.

Client Loans
A review of 38 outstanding client loans at one location (totaling $18,473) disclosed that 22 loans (totaling $8,040) had no activity since at least 2014, the earliest records available. It does not appear that the department has made any effort to check for and write off uncollectible loans since at least 2014. In addition, a review of current loans disclosed that the department could not provide documentation confirming client receipt of loans and agency approval for 2 of the 5 loans tested, and it disbursed one loan 25 days prior to agency approval.

Internal Controls
Our review of trustee funds at 5 different locations disclosed a number of internal control concerns, including: provided procedures that did not relate to actual practices, employees with check-writing responsibilities that lack the authority to question related disbursements, inadequate segregation of duties, lack of petty cash counts, insufficient controls over patient worker timesheets, and limited and informal policies related to the purchase and distribution of client gift cards.

Effect: Inadequate policies and procedures, and the failure to follow established policies and procedures increase the risk of misappropriation and theft. In addition, the department is not in compliance with Office of the State Comptroller requirements regarding the administration of trustee funds.

Cause: While the needs of trustee fund functions are similar department-wide, procedures are developed independently by each physical location and fund. The individual locations do not appear to have adequate resources available to develop, maintain, and ensure compliance with internal control processes related to client accounts.

In addition, there appears to be a lack of oversight of those charged with establishing sound internal controls over client funds, with no mechanisms in place to ensure compliance with established control policies. Staffing shortages and management turnover also contributed to these conditions.

Prior Audit Finding: Components of this finding have been previously reported in the last 2 audit reports covering the fiscal years ended June 30, 2011 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should develop standardized, agency-wide procedures to ensure adequate controls over trustee funds. (See Recommendation 11.)

Agency Response: "CMHC: The CMHC will review its procedures to ensure adequate controls over trustee funds including mechanisms for ensuring compliance with established controls.

RVS: Regarding check disbursements, since fiscal year 2016-2017, Valley Finance requires all requests for disbursement of funds to be accompanied by the approved purchase requisition form. RVS verifies requests do not exceed $1,000 per occurrence.

Regarding Petty Cash, RVS developed a procedure manual related to the Activity Funds in RVS Program. The procedure manual includes specific instructions on how to request and document petty cash expenditures including obtaining staff and client signatures when applicable.

To address weakness of internal control, RVS updated all policies related to trustee funds and reeducated staff with current policies and procedures.

CVH: Regarding check disbursements, since fiscal year 2016-2017, Valley Finance requires all requests for disbursement of funds to be accompanied by the approved purchase requisition form. Grants to clients in excess of $1,000 per occurrence have been disallowed."

Weaknesses in Purchasing Card (P-Card) Processing

Background: The purchasing card (P-Card) is a form of commercial credit card utilized by state agencies to pay for goods and services, and is authorized by Section 4-98(c) of the General Statutes. Since the 2011-2012 fiscal year, Office of the State Comptroller Memorandum 2011-11 made the purchasing card program the required payment method for purchases under $1,000, unless the vendor's limitations or other state policies make a different payment necessary.

Criteria: Per State of Connecticut Purchasing Card Cardholder Work Rules, cardholders must complete monthly purchase logs and maintain

adequate transaction documentation (e.g., packing slips, vendor receipts, and preapproved order or requisition forms). Cardholders and their supervisors are required to promptly verify and sign monthly purchase logs to acknowledge the accuracy of charges.

The DMHAS Purchasing Card Procedure Manual requires that monthly spending limits not exceed $15,000 for any individual card.

Condition:

Connecticut Valley Hospital
We reviewed one month of purchasing card activity for 15 Connecticut Valley Hospital cardholders, consisting of 129 purchases totaling $95,712. Our review disclosed the following:

- Purchase requisitions were missing for 12 purchases, and approvals were incomplete in an additional 78 instances. One requisition was completed subsequent to the purchase.
- In 4 instances, $5,391 in transactions appeared to be split to circumvent transaction limits.
- Documentation of receipt of goods was missing for 29 purchases, totaling $23,346.
- Monthly reconciliation sheets were not approved in 2 instances, and approved 4 months late in one instance.
- We noted one $2,500 payment, but the documentation only supported $1,747 in expenditures.
- In 7 instances, purchasing card monthly limits of $20,000 to $40,000 exceeded the $15,000 limit set by DMHAS policy.

Southwest Connecticut Mental Health System
We reviewed one month of purchasing card activity for 5 cardholders at Southwest Connecticut Mental Health System consisting of 95 purchases totaling $37,044. Our review disclosed the following:

- Purchase requisitions were missing for 2 purchases and were approved subsequent to the purchase in 15 instances
- Documentation of receipt of goods or services was missing for 69 transactions totaling $32,783
- No receipts were on file to support 8 purchases totaling $3,509
- We noted 2 transactions, totaling $230, in which no supporting documentation was available

Connecticut Mental Health Center
We reviewed one month of purchasing card activity for 4 cardholders at Connecticut Mental Health Center consisting of 31 transactions totaling $13,798. Our review disclosed the following:

- Purchase requisitions were incomplete in 17 instances, and were approved subsequent to the purchase in 9 instances
- Documentation of receipt of goods or services was missing for 20 transactions totaling $6,801
- In 2 instances, purchasing card monthly limits of $25,000 and $35,000 exceeded the $15,000 limit set by DMHAS policy

Effect: Noncompliance with established purchasing card policies and procedures increases the risk of loss by creating opportunities for employees to make fraudulent purchases that go undetected.

Cause: These conditions were caused by a lack of management oversight at the noted locations and a lack of a centralized monitoring mechanism to ensure compliance with established procedures.

Prior Audit Finding: Components of this finding have been previously reported in the last 2 audit reports covering the fiscal years ended June 30, 2011 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over purchasing cards to ensure that cardholders adhere to the state's cardholder policy. (See Recommendation 12.)

Agency Response: "SWCMHS: The Purchasing Card policy has been updated to strengthen and simplify the process. We anticipate centralizing all P-Card purchasing processes in fiscal year 2019-2020, and activating 2 or 3 cards for emergency purposes. The cards are reconciled by our staff accountant and approved by the CFO monthly.

CMHC: The Connecticut Mental Health Center ensures that routine purchase requisitions are complete, approved and that the appropriate documentation for the receipt of goods is submitted. However, the Connecticut Mental Health Center is a facility that operates 24 hours year round, and certain purchases will fall outside normal business office hours. Purchases made outside normal business hours that are an emergency in nature will not have an approved requisition prior to the purchase. In those instances, the Connecticut Mental Health Center will note on the requisition that the purchase was an emergency.

CVH: With respect to missing purchase requisitions forms, CVH staff have been following DMHAS General Policies for use of the CT Credit Card. Currently, a request for a purchase form is completed by the requesting party and submitted for approval to the Fiscal Director or designee. All requisitions are completed before the purchase. No transactions are allowed to be split in order to circumvent transaction limits. Documentation of receipt of goods or a packing slip is attached to the purchase requisition form. Since about March 2017, all P Cards are reconciled monthly through the State's accounting system."

Information Technology

Background: As part of a federal Health Information Privacy Protection Act (HIPPA) security risk assessment, the department contracted with an independent consultant to objectively review current internal controls. Areas tested included security over DMHAS networks and physical IT environment, policies and procedures surrounding HIPPA, and other related best practices.

Criteria: DMHAS management is responsible for implementing and maintaining effective internal controls over processing transactions, whether the processing is performed at the department or outsourced to a service organization.

Maintenance of sound internal controls over information technology requires timely mitigation or remediation of identified threats and vulnerabilities.

When the department has to rely on controls of a service organization's system, Statement on Auditing Standards AU-C section 402 states that the agreement between the user entity and the service organization would provide for whether the service organization will compile a report on its controls affecting the user entity's information system. The SOC 2 report is intended to meet the needs of user organizations that require assurance about the controls at a service organization that affect the security, availability, and processing integrity of the systems the service organization uses to process user data and the confidentiality and privacy of the information processed by these systems.

Condition: The July 2016 HIPPA Risk Analysis Report identified 20 items of varying risk for corrective action. In over two years, DMHAS has made little progress towards risk mitigation. Since the report's issuance, the department has successfully resolved only three of the original twenty findings, and made progress toward resolution on another four.

In the administration of the Behavioral Health Recovery Program, DMHAS is a user entity of the service organization, Advanced Behavioral Health (ABH) Inc. The ABH contract requires it to interact frequently with the DMHAS information system to upload or download client service data. The services provided by ABH appear to require a Service Organization Control (SOC) report on its management's description of its system and the suitability of the design of controls. Currently, standard contract language requires ABH to ensure compliance with HIPPA requirements and protect the confidentiality of client information. However, there is no requirement for ABH to perform a periodic risk assessment or report on its controls affecting the DMHAS information system.

Effect: The DMHAS information technology environment remains vulnerable, especially in HIPPA-related areas. The study's outstanding risks and data exchanged with data systems without security reviews leave the department and its data at increased risk.

Cause: Funding and staff shortages have hindered the HIPPA Risk Analysis Report remediation efforts. A lack of appropriate contract terms and necessary funding prevented ABH from obtaining a SOC report.

Prior Audit Finding: The SOC report component of this finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should promptly address weaknesses in information technology controls. The department should ensure that contracts require service organizations to obtain a Service Organization Control (SOC) report when appropriate. (See Recommendation 13.)

Agency Response: "Regarding the Risk Analysis Report the DMHAS hired a Security Expert who reviewed its content and noted that now only 5 of the 20 items are considered high risk. Of the remaining 5 considered high risk 4 are related to security protocols that are under the auspices of another state agency.

For the Service Organization Control (SOC) Report, the Department will determine the funding needed and if within allowable appropriations will request the contractor to undertake this review."

Overtime and On-Call Documentation and Practices

Background: DMHAS spent $51,154,908 for overtime in the 2014-2015 fiscal year, and $50,592,042 in the 2015-2016 fiscal year. Connecticut Valley Hospital's share of DMHAS overtime expenditures totaled $34,499,245 (67%) in fiscal year 2014-2015, and $32,637,733 (65%) in fiscal year 2015-2016.

Criteria:

Excessive Work Days
Sound business practice calls for policies and procedures to monitor employee consecutive work hours to prevent adverse effects on the quality of patient care and employee safety. The 1199 bargaining unit agreement permits physicians and psychiatrists to perform on-site, on-call shifts, but limits them to two 16-hour shift assignments or one 16-hour shift assignment plus two 12-hour shift assignments in any 7-day period. All on-call hours in excess of these limits must be approved by management.

Documentation of Overtime
Section 8 of article 18 of the NP-2 bargaining unit agreement requires that voluntary overtime be distributed equally among qualified volunteers with similar skills and duties. The department must retain documentation of overtime assignments in accordance with the State Records Retention Schedule.

Sign-in Procedure
Sound business practice requires the agency to have clear and consistent procedures to facilitate verification of employee attendance and overtime hours. Those certifying employee attendance should have first-hand knowledge of the employee's attendance unless adequate alternative procedures are in place, such as a sign-in procedure.

Overtime Cost Tracking
The department incurs significant overtime costs, particularly at Connecticut Valley Hospital. Good business practice dictates that overtime costs should be adequately tracked and monitored to control costs.

Condition:

Excessive Work Days
We judgmentally selected 18 employees from units paying the highest amounts of overtime for review, noting excessive work days for 17 of the employees, who worked between 12 and 137 consecutive days. As a result of the consecutive work days, we performed an analysis of annual earnings for the 18 employees, noting that 13 earned 2 to 3 times their base salaries in overtime during at least one of the two fiscal years reviewed.

Our review also revealed that 2 of the employees reviewed within the housekeeping unit had only one unpaid day during fiscal year 2014-2015 and 3 or less unpaid days during fiscal year 2015-2016. We noted patterns in the housekeeping and maintenance departments indicating that employees would take leave time on their regularly scheduled work days, while subsequently working significant overtime on nights and weekends.

A review of on-site and off-site on-call payments disclosed that 8 out of 10 employees reviewed worked multiple 20-plus hour shifts during the pay periods reviewed, up to 6 days out of a 14-day period. In one instance, an employee worked for 3 consecutive days. While managerial approvals were on file for shifts exceeding contractual limits, the shifts worked appeared excessive, with 9 of the 10 employees earning in excess of $100,000 in each fiscal year in on-call payments.

Documentation of Overtime
DMHAS did not have documentation available supporting equal rotation of overtime opportunities for employees reviewed under the NP-2 Bargaining Unit. Our review of 2,013 overtime hours earned by 14 NP-2 employees also disclosed that overtime documentation was insufficient for 1,276 hours of overtime earned, with 580 of those hours having no corresponding overtime documentation available for review. We could not verify advance requests and/or request approval dates for 664 hours, and the remaining 33 hours lacked supervisory approvals on overtime request forms. In one instance, we noted that a sign-in sheet obtained from two different sources appeared to have been altered.

Sign-in Procedure
We noted that employees working in the Whiting Forensic Division, Connecticut Valley Hospital housekeeping, and Connecticut Valley Hospital maintenance departments were not required to sign in to verify attendance. Swipe card procedures in place at the Whiting Forensic Division did not provide adequate documentation of when employees reported to work or the duration of their shift. Due to the nature of operations, supervisors approving timesheets in the housekeeping and maintenance departments are in many cases unable to provide first-hand knowledge of the employee's attendance.

Overtime Cost Tracking
Employees are assigned to various patient and other units to track costs associated with each unit. All payroll costs for employees are associated with their assigned unit, whether or not they performed work on that unit. As a result, the department is unable to monitor actual overtime costs by each unit at CVH.

Effect:

Excessive Work Days
Employees working excessive amounts of overtime and on-site on-call shifts may increase risk of injury to patients and employees, and may be more costly than hiring additional employees.

Documentation of Overtime and Sign-in Procedure
Missing and incomplete overtime documentation reduces assurance that overtime paid was actually worked. Routinely processing overtime payments without proper documentation, and the lack of an appropriate employee attendance verification system creates opportunities for the department to erroneously pay overtime.

Overtime Cost Tracking
The department is unable to adequately monitor overtime costs at each unit. Given the significant overtime costs at CVH, this data would appear critical to making informed business decisions regarding staffing levels and the use of overtime.

Cause: Inadequate controls and lack of supervisory oversight appear to have contributed to the conditions.

Prior Audit Finding: Components of this finding have been previously reported in the last 2 audit reports covering the fiscal years ended June 30, 2011 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should establish policies and procedures for adequately recording time worked by employees. The department should improve its monitoring of excessive work hours and overtime costs. (See Recommendation 14.)

Agency Response: "Excessive Work Days: Connecticut Valley Hospital has significantly reduced overtime and implemented procedures to adequately monitor overtime expenditures. As noted in this report, in 2014-2015 fiscal years, the facility overtime totaled $34,499,245 and in 2015-2016, overtime was $32,637,733. Based on current projections the Department projects to end fiscal year 2019 with overtime of approximately $23,000,000.

Documentation of Overtime: an on call schedule was developed and is distributed to all plant operations management on a monthly basis. All supervisors and staff review the schedule and supervisors become aware of the potential overtime, due to after-hours emergencies, ahead of time.

Sign in Procedure: Staff is called based on their specialty and availability. The Maintenance Department Paging Logs are used to

verify attendance. In regards to the sufficient verification of overtime hours worked by NP2 members, this will be addressed by the implementation of a new time keeping system to be implemented this calendar year.

Overtime Cost Tracking: Management continually tracks and analyzes overtime and works closely with senior staff on strategies to further reduce overtime expenses. CVH implemented a multidisciplinary work group to track overtime. The group consists of staff from Human Resources and various members of senior management who analyze overtime expenditures for each department and job discipline."

Payroll Matters

Criteria:

Compensatory Time
The Department of Administrative Services (DAS) Management Personnel Policy 06-02 authorizes the earning of compensatory hours only when employees exempt from collective bargaining perform significant extra work time, and the hours are preapproved by the agency head or designee. In addition, agency policy requires that supervisors maintain documentation of compensatory time earned for auditing purposes.

Leave in Lieu of Accrual
The Leave in Lieu of Accrual (LILA) time reporting code is meant to be used temporarily until monthly leave accruals or compensatory leave hours are posted to an employee's leave time balance. State agencies are required to review monthly usage of LILA time reporting codes and adjust these hours to the appropriate leave accrual balances. Failure to change the LILA code in a timely manner could result in employees using more leave time than they are entitled to.

The DMHAS Self Service Payroll Auditing Schedule requires that LILA reports be run every pay period to ensure proper usage of the time reporting code.

Holiday Coding on Non-Holidays
When employees have available holiday compensatory hours, time off on a regular work day should be charged with the attendance code Holiday Compensatory Time Used (HCU) instead of attendance code HOL, which is designated for a paid state holiday. The DMHAS Self-Service Payroll Audit Schedule requires that Time Reporting Code (TRC) Reports of HOL be run each pay period and reviewed prior to the close of the payroll cycle to ensure correct use of HOL and HCU.

Condition:

Compensatory Time
We reviewed a total of 227 compensatory hours earned by 15 selected employees in one pay period. Our review disclosed that 8 managerial employees earned 106 compensatory hours without required prior written approval. Our review also disclosed that there were no records to support 35.5 hours of compensatory time earned by 2 employees.

Leave in Lieu of Accrual
As of December 31, 2016, there were 9 employees with positive LILA balances totaling 72 hours, which should have been redistributed to the appropriate leave accrual balances once the leave time became available. Our review also showed that one employee used the LILA code for 21 hours during the month of August 2016. However, the department had not adjusted the employee's leave balances in March 2017, approximately 6 months later.

Holiday Coding on Non-Holidays
Our review of the state holiday attendance code use on non-holidays during fiscal years 2014-2015 and 2015-2016 disclosed that at least 44 employees erroneously coded 522 hours to the paid state holiday attendance code when the employee's leave balances should have been charged. A further review of the 10 employees with the highest occurrences of using the state holiday attendance code on non-holidays determined that the department did not subsequently correct any of the 10 cases reviewed.

Effect:

Compensatory Time
Allowing exempt employees to earn compensatory hours without prior managerial approval could result in unnecessary increases of personal services expenditures. Without supporting documentation, there is decreased assurance that accrued compensatory time was actually earned.

Leave in Lieu of Accrual
Unadjusted LILA balances allow employees to take more paid leave hours than they have earned.

Holiday Coding on Non-Holidays
The lack of adjustments for the 10 employees reviewed disclosed that their leave balances were not properly reduced, resulting in unauthorized payments of $10,499.

Cause:

These conditions appear to have been caused by inadequate controls, failure to follow established controls, and lack of supervisory oversight.

Prior Audit Finding: Components of this finding have been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should strengthen controls related to compensatory time and the use of proper time reporting codes. (See Recommendation 15.)

Agency Response: "Compensatory Time: Effective January 01, 2016 DMHAS implemented an internal process where the Director of Payroll runs a report every 3rd or 4th payroll cycle that identifies all agency employees who earned compensatory time. A random sample is then selected and a request is forwarded to facility HR and management to provide a copy of the preapproved request to earn compensatory time which is maintained electronically by the Payroll Director.

Leave in Lieu of Accrual: Effective December 20, 2016 DMHAS implemented a new policy titled "Time Keeping for DMHAS Employees." This policy outlines various payroll related audit reports that are required to be run during the payroll cycle, of which both Holiday and LILA are included. This agency continues to correct all identified deficiencies in these two areas.

Holiday Coding on Non-Holidays: Effective December 20, 2016 DMHAS implemented a new policy titled Time Keeping for DMHAS Employees. This policy outlines various payroll related audit reports that are required to be run during the payroll cycle, of which both Holiday and LILA are included. This agency continues to correct all identified deficiencies in these two areas.

Personnel Matters

Criteria: **Paid Administrative Leave**

Section 5-240-5a of the state personnel regulations permits state agencies to place employees on paid administrative leave for up to 15 days to investigate alleged serious misconduct, and up to 30 days in cases involving pending criminal charges. In cases with pending criminal charges, an additional 30 days of paid administrative leave may be granted with the approval of the Commissioner of Administrative Services. Further extensions are permitted for employees in certain bargaining units with the approval of the Office of Labor Relations.

Workers' Compensation

The Department of Administrative Services' Workers' Compensation Program provides state agencies and employees with the information

and tools necessary for the uniform administration of the program. The program prescribes that a workers' compensation claim reporting packet be completed to document the facts of a reported claim. The Department of Administrative Services Workers' Compensation Manual also provides state agencies with details on how to enter workers' compensation claims into Core-CT. All applicable codes should be entered in accordance with the manual's instructions.

Medical Leave Time Reporting
Employee documented medical leave time should be charged to the appropriate time reporting code and the employee's corresponding accrued leave balance.

Termination Procedures
Sound business practice suggests that state agencies have procedures in place to ensure employees return all state property upon separation from state service.

Condition:

Paid Administrative Leave
DMHAS placed employees on paid administrative leave for a total of 6,197 hours in the 2014-2015 fiscal year, and 4,961 hours in the 2015-2016 fiscal year. A review of 10 instances of employees placed on paid administrative leave (totaling 4,356 hours at a cost of $181,462) disclosed that in 6 instances, DMHAS kept employees on paid leave for 15 days to 4 months beyond their contractual limits. DMHAS paid $56,587 for 1,844 hours of unauthorized paid leave time for the 6 employees. In addition, we noted that one employee remained on paid leave for 11 days after the department determined the employee should be placed on unpaid leave. At the time of our review, the department had recovered $800 of the related $1,444 overpayment.

Workers' Compensation
Our review noted inaccurate or missing information in Core-CT, including time reporting codes for the beginning and end dates of workers' compensation for 5 of the 10 claims reviewed. As a result, in some cases, we were unable to verify the accuracy of claims processing, including payments made by the state and third-party administrator. We also noted 6 instances in which required claim processing forms were missing.

In addition, we noted calculation errors in 2 claims, which, in one instance resulted in an underpayment to the employee of $3,186. We also noted that DMHAS paid one employee 2 hours of time-and-one-half overtime, totaling $94.26, while the employee was on workers' compensation leave.

Medical Leave Time Reporting
A review of 10 employees out on extended medical leave noted that in 3 instances medical documentation indicated employees should have charged an additional 1 to 3 days of sick time. In each case, the regular time reporting code was used.

Termination Procedures
Our review of the personnel records of 5 terminated employees noted 4 instances in which there was no documentation that employees returned all state property assigned to them.

Effect:

Paid Administrative Leave
The department incurred unapproved and potentially unnecessary costs for paid administrative leave.

Workers' Compensation
Failure to adhere to established procedures and documentation requirements increases risk of errors in calculation of workers' compensation rates and payments.

Medical Leave Time Reporting
Employee accrued leave balances were overstated when sick leave was not charged.

Termination Procedures
The lack of a standardized procedure to ensure the return of state property upon employee separation increases risk that state property is not returned.

Cause: Inadequate controls and lack of management oversight contributed to the noted conditions.

Prior Audit Finding: Components of this finding have been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should improve oversight of its personnel procedures and practices in areas of paid administrative leave, workers' compensation, medical leave time reporting, and termination procedures. (See Recommendation 16.)

Agency Response: "Paid Administrative Leave: A DMHAS process has been enhanced to include the DMHAS Labor Relations Division on the daily list of employees on a Leave of Absence. This report provides the necessary reminder that all contractual and/or statutory deadlines are approaching and a possible extension authorized by the Office of Labor Relations

may be necessary. DMHAS HR reallocated support staff to the DMHAS Office of Labor Relations effective 10/27/17 to ensure compliance.

Workers' Compensation: DMHAS reinstituted a past process where all timesheets that reflect Time Reporting Codes (TRC's) related to workers' compensation be properly labeled to correctly process claim data in CORE-CT. The agency authorized the DMHAS Information Technology Department to build a local database to monitor all workers' compensation claims reported. This database tracks receipt of individual WC forms and has a feature that negates any further processing until all required forms are received in the DMHAS WC Unit. This database was completed and brought online effective May 2017. Furthermore, Workers' Compensation Unit staff attended two training sessions presented by the Department of Administrative Services which included workers' compensation claim processing.

Medical Leave Time Reporting: Effective January 01, 2016 DMHAS has implemented an internal process where the Director of Payroll runs a payroll report every 3rd or 4th payroll cycle that identifies all agency employees who were out 5 or more consecutive scheduled work days which requires a further review to ensure proper documentation is on file and Time and Attendance records have been updated to reflect such absences.

Termination Procedures: The agency is working to develop a uniform process that will identify all state property issued to employees. Employees will be required to return property upon completion of employment."

Behavioral Health Recovery Program

Criteria: Section 3-63a of the General Statutes provides that property unclaimed by the owner for more than three years is presumed abandoned. Section 3-65a of the general statutes requires property holders to notify property owners within 180 days before presumption of abandonment is to take effect, and to escheat funds to the State Treasurer's Office within 90 days of the close of the calendar year in which property is presumed abandoned.

Condition: A review of the Behavioral Health Recovery Program (BHRP) as of June 30, 2016 disclosed that 19 checks, totaling $33,552, were outstanding for 10 to 13 years.

Effect: The department did not comply with Section 3-63a of the General Statutes. Failure to follow up on issues noted on bank reconciliations, such as outstanding checks, increases the risk of asset misappropriation.

Cause: We were unable to determine why the department has not taken corrective action regarding the outstanding checks.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should take appropriate action to escheat unclaimed funds of the Behavioral Health Recovery Program in accordance with Section 3-63a of the General Statutes. (See Recommendation 17.)

Agency Response: "DMHAS Budget staff worked with its bank and Administrative Service Organization (ASO) to identify the 17 outstanding checks totaling $33,552 in the department's ledger. DMHAS budget staff will work with the bank and ASO to correct this issue and ensure that the records for all three entities are corrected accordingly by fiscal year end."

Weaknesses in Administration of General Fund Petty Cash

Criteria: The State Accounting Manual provides guidance to state agencies regarding the establishment and administration of petty cash funds. Requirements for agency records include the maintenance of receipts to document all disbursements of funds. Requests for petty cash replenishment should be substantiated by a detailed accounting of the disbursements attributable to the requested replenishment amount.

Connecticut Valley Hospital (CVH) procedure requires that receipts for cash purchases be submitted to Valley Finance within 5 business days of cash advances, and purchase requisitions be completed and approved prior to the distribution of funds.

Agency procedures and good business practice require timesheets for patient work programs to be signed and dated by both the patient and supervisor attesting to the accuracy of the timesheet entries.

Condition: Our review of 2 General Fund petty cash replenishments at Connecticut Valley Hospital, which included 124 disbursements totaling $6,631, disclosed 37 instances in which support for petty cash advances were returned to Valley Finance 2-12 days late. Our review also disclosed 8 instances in which $180 in petty cash reimbursements were not

supported by purchase requisitions, and 2 instances in which $41 in petty cash disbursements with no supporting documentation were on file.

Our review of 20 patient timesheets disclosed that 4 were not properly dated by the program supervisors and/or patients. One timesheet included payment from the previous pay period, indicating the timesheet was submitted late. We found two timesheets that included pre-typed approval signatures, and 4 instances in which patients signed timesheets before the end of the pay period.

Petty cash replenishments at the Southwest Connecticut Mental Health System were not substantiated by related disbursement transactions. Instead, replenishments were requested for the difference between the typical cash kept on hand and the current cash on hand without reconciling to documented expenditures. The fund had an authorized balance of $1,000 at April 30, 2016.

Effect: DMHAS did not comply with internal or State Comptroller procedures, which help to ensure the safe handling of petty cash funds. Requesting reimbursement of petty cash funds without reconciling to approved and documented expenditures significantly increases risk that fraudulent or unauthorized expenses could go undetected.

Cause: A lack of managerial oversight contributed to the noted conditions.

Prior Audit Finding: Components of this finding have been previously reported in the last 4 audit reports covering the fiscal years ended June 30, 2007 through 2014.

Recommendation: The Department of Mental Health and Addiction Services should improve controls over petty cash funds and ensure compliance with internal and State Comptroller procedures. (See Recommendation 18.)

Agency Response: "CVH: Due to frequency of staff turnover, hospital management recognized the need for ongoing training and education of staff on properly handling transactions related to patient accounts. As a result a Task Force was created to establish parameters for training staff on the handling of client funds and personal property.

In reference to the client timesheets, since this finding, Valley Finance created a process that enables them to process client timesheets timely and accurately. Currently, Valley Finance receives timesheets along with the payroll summary about one week prior to payroll. If a timesheet has a discrepancy, Valley Finance staff works with the Vocational

Program staff to make necessary corrections prior to the end of the pay period.

SWCMHS: We are reviewing the policy and procedures for closing the accounts and expect to do so by the end of fiscal year 2018-2019."

RECOMMENDATIONS

Our prior audit report on the Department of Mental Health and Addiction Services contained 10 recommendations. One has been implemented or otherwise resolved and 9 have been repeated or restated with modifications during the current audit. The following is a summary of the action taken on the prior recommendations.

Status of Prior Audit Recommendations

- The Department of Mental Health and Addiction Services should establish formal policies and procedures for self-service payroll and monitor physicians' on-site on-call hours, compensatory hours, and the usage of the Leave-In-Lieu of Accrual reporting code. **While the department has implemented new timekeeping policies related to self-service payroll, we continued to note concerns regarding on-site on-call hours, compensatory hours, and the usage of the Leave-In-Lieu of Accrual reporting code. The recommendation is being repeated in modified form. (See Recommendations 14 and 15.)**

- The Department of Mental Health and Addiction Services should improve oversight of its personnel procedures and practices. **While the current audit noted improvements related to employee evaluations and medical certificates, we continued to note concerns regarding personnel records, workers' compensation, overtime, and paid administrative leave. The recommendation is being repeated in modified form. (See Recommendations 14 and 16.)**

- The Department of Mental Health and Addiction Services should improve controls over personal services agreements and housing assistance contracts. **The current review continued to note concerns regarding the processing of contractual agreements and payments. (See Recommendation 2.)**

- The Department of Mental Health and Addiction Services should comply with procurement standards for purchase of service contracts established by the Office of Policy and Management and ensure that providers are in compliance with state ethics laws requiring annual updates of various affidavits. **The current review continued to note concerns related to the administration of purchase of service contracts, compliance with state ethics laws requiring annual updates of various affidavits, and manual adjustments to expenditures. As a result, the recommendation is being repeated in modified form. (See Recommendation 2.)**

- The Department of Mental Health and Addiction Services should fully monitor the usage and reporting of the Young Adult Services Client Support Fund to ensure that funds are used for intended purposes. **The current review continued to note weaknesses regarding administration of the Young Adult Services Client Support Fund program. As a result, the recommendation is being repeated in modified form. (See Recommendation 4.)**

- The Department of Mental Health and Addiction Services should comply with established policies and procedures regarding software inventory and cellular phones, and should consider requiring a service organization control report from its behavioral health recovery program (BHRP) service organization. **While the current review noted improvements related to software inventory reporting, we note that the department has not taken steps to require a service organization control report from its BHRP service organization. As a result, the recommendation is being repeated in modified form. (See Recommendation 13.)**

- The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that purchasing cardholders adhere to the state's cardholder work rules. **The current review continued to note concerns related to administration of the purchasing card program, and the recommendation is being repeated in modified form. (See Recommendation 12.)**

- The Department of Mental Health and Addiction Services should improve monitoring of the staffing contract with Yale University and execute its annual contract renewal in a timely manner. **The current review noted improvements in monitoring and timely execution of the staffing contract with Yale University, and the recommendation is not being repeated.**

- The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts. **The current review continued to note a number of weaknesses related to the administration of trustee accounts, including activity and client funds. As a result, the recommendation will be repeated in modified form. (See Recommendations 7 and 11.)**

- The Connecticut Valley Hospital should strive to reduce spending on fast food, candy, and soda, and instead maximize the use of its in-house food preparation services and improve controls over petty cash funds. **The current review noted reductions in purchases of fast food, candy, etc. However, we continued to note concerns related to the administration of petty cash funds, including the patient worker program. As a result, this recommendation is being repeated in modified form. (See Recommendation 18.)**

Current Audit Recommendations

1. **The Department of Mental Health and Addiction Services should promptly follow up with providers when concerns are raised and exercise its contractual rights to withhold payments when necessary.**

   Comment:

   We noted that DMHAS identified a nonprofit provider that potentially owed over $300,000 in funds to the state. The department continued to make payments to the contractor, totaling $1,966,957, during the 19-month period.

2. **The Department of Mental Health and Addiction Services should strengthen internal controls over the processing of contracts. Those controls should ensure that the department follows all contracting statutes, regulations, and policies.**

   Comment:

   DMHAS processed 80 amendments related to 20 sampled contracts for the period under review. We noted 81 errors in contract amendment processing, including inconsistencies in amounts carried from one amendment to the next, mathematical errors, inconsistencies between the amendment language and funding schedules, and funding changes inconsistent with the amendment language.

3. **The Department of Mental Health and Addiction Services should strengthen internal controls over its monitoring of private providers. Monitoring could include the use of data, reports, and site visits.**

   Comment:

   The department was unable to provide documentation of fiscal monitoring of private nonprofit providers during the audited period. Our review of programmatic monitoring noted a fragmented system with few documented procedures or mechanisms to identify, track, and ensure resolution of provider-related concerns.

4. **The Department of Mental Health and Addiction Services Young Adult Services unit should strengthen internal controls over the Client Support Fund program.**

   Comment:

   A review of Client Support Funds noted that 2 of the 3 tested locations had not developed contractually required policies and procedures defining the funding request and approval process. Our review also disclosed missing documentation, such as client budgets and supporting documentation for expenditures, including receipts and invoices. In addition,

we noted approximately $18,000 in questionable Young Adult Services (YAS) program expenditures that appear inconsistent with DMHAS Guidelines.

5. **The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that contracts adequately represent services provided by contractors.**

   Comment:

   DMHAS developed a scope of services that includes a number of services related to the Young Adult Services client population, referred to as the YAS Mixed Model. DMHAS includes this generic scope of services language in each contract without distinguishing which specific services each contractor would provide.

6. **The Department of Mental Health and Addiction Services should promptly notify affected clients of potential losses, escheat abandoned funds to the State Treasurer, and ensure that contractors fulfill agreed-upon requirements and return unexpended funds.**

   Comment:

   Clients affected by a theft of funds dating back to 2012 have not been notified of potential losses. The department contracted with a private nonprofit provider to manage client funds at the DMHAS facility after the discovery of the theft. Requirements of that contract remain unfulfilled, including correction of many of the weaknesses that contributed to the theft, and determination of client account balances. The contractor's financial reports for fiscal year 2014-2015 indicated total expenditures of $217,026, and Core-CT records showed payments of $284,296, signifying $69,883 in unexpended funds. The department could not document the review or disposition of the $69,883.

7. **The Department of Mental Health and Addiction Services should develop standardized, agency-wide procedures to ensure adequate controls over client funds.**

   Comment:

   In addition to other concerns, we noted missing documentation in 18% of the client fund disbursement transactions tested. While the needs of client fund functions are similar department-wide, procedures are developed independently by each physical location and fund. Individual locations do not appear to have adequate resources available to develop, maintain, and ensure compliance with client account internal control processes.

8. **The Department of Mental Health and Addiction Services should strengthen internal controls to ensure compliance with Social Security Administration requirements and revise internal policies to ensure the safeguarding of client funds.**

   Comment:

   River Valley Services intentionally failed to notify the SSA of a client's change in residence to maintain the client's eligibility for SSA benefits. We also noted concerns regarding segregation of duties and practices, such as writing checks to state employees to cash.

9. **The Department of Mental Health and Addiction Services should establish policies for the monitoring of private providers contracted to perform fiscal functions, and establish formal procedures for providers to report concerns.**

   Comment:

   Our review disclosed segregation of duties concerns at a contracted entity performing client fund fiscal functions. We also noted that contracted entities lack any official means to report concerns with submitted payment requests.

10. **The Department of Mental Health and Addiction Services should implement procedures to ensure that inactive client accounts are promptly closed. The department should escheat excess funds to the State Treasurer as required.**

    Comment:

    Reviews of client funds at Connecticut Valley Hospital and Connecticut Mental Health Center disclosed that the agencies are not identifying inactive client accounts or promptly escheating funds to the State Treasurer.

11. **The Department of Mental Health and Addiction Services should develop standardized, agency-wide procedures to ensure adequate controls over trustee funds.**

    Comment:

    Our testing indicated a combination of inadequate policies and procedures as well as established policies and procedures that were not followed. While the needs of trustee fund functions are similar agency wide, each facility develops its own procedures. Individual facilities do not appear to have adequate resources to develop, maintain, and ensure compliance with trustee fund internal control processes.

12. **The Department of Mental Health and Addiction Services should strengthen internal controls over purchasing cards to ensure that cardholders adhere to the state's cardholder policy.**

    Comment:

    Our review noted instances of missing documentation, including purchase requisitions, receipts for purchased goods, and certifications of receipt of goods.

13. **The Department of Mental Health and Addiction Services should promptly address weaknesses in information technology controls. The department should ensure that contracts require service organizations to obtain a Service Organization Control (SOC) report when appropriate.**

    Comment:

    The July 2016 HIPPA Risk Analysis Report identified 20 items of varying risk for corrective action. In over two years, DMHAS has made little progress towards risk mitigation. Since the report's issuance, the department has successfully resolved only three of the original twenty findings, and made progress toward resolution on another four.

14. **The Department of Mental Health and Addiction Services should establish policies and procedures for adequate recording of time worked by employees. The department should improve its monitoring of excessive work hours and overtime costs.**

    Comment:

    Our review noted that the department is unable to adequately track overtime costs by department at Connecticut Valley Hospital, which accounts for over 60% of total overtime costs. We also noted weaknesses related to documentation of overtime, and concerns regarding employees working consecutive days.

15. **The Department of Mental Health and Addiction Services should strengthen controls related to compensatory time and the use of proper time reporting codes.**

    Comment:

    We noted weaknesses related to compensatory time, the leave in lieu of accrual time reporting code, and use of the state holiday time reporting code that could allow employees to receive paid time off without charging leave accruals.

16. **The Department of Mental Health and Addiction Services should improve oversight of its personnel procedures and practices in areas of paid administrative leave, workers' compensation, medical leave time reporting, and termination procedures.**

    Comment:

    Our review noted employees on paid administrative leave for 15 days to 4 months beyond approved deadlines. We also noted weaknesses in the processing of workers' compensation and medical leave time reporting.

17. **The Department of Mental Health and Addiction Services should take appropriate action to escheat unclaimed funds of the Behavioral Health Recovery Program in accordance with Section 3-63a of the General Statutes.**

    Comment:

    A review of the Behavioral Health Recovery Program (BHRP) as of June 30, 2016 disclosed that 19 checks, totaling $33,552, were outstanding for 10 to 13 years.

18. **The Department of Mental Health and Addiction Services should improve controls over petty cash funds and ensure compliance with internal and State Comptroller procedures.**

    Comment:

    Our review noted instances of missing documentation and weaknesses in the administration of a patient worker program.

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CONCLUSION

In conclusion, we 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

Douglas Stratoudakis
Principal Auditor

Approved:

John C. Geragosian
State Auditor

Robert J. Kane
State Auditor