

STATE OF CONNECTICUT



**AUDITORS' REPORT
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012**

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

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June 4, 2015

AUDITORS' REPORT DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012

We have made an examination of the financial records of the Department of Mental Health and Addiction Services for the fiscal years ended June 30, 2011 and 2012. This report on our examination consists of the Comments, Condition of Records, Recommendations and Certification which follow.

The financial statement presentation and auditing of the books and accounts of the state are done on a statewide Single Audit Basis to include all agencies including the Department of Mental Health and Addiction Services. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating its internal control policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD

The Department of Mental Health and Addiction Services (DMHAS) operates under Title 17a, Chapters 319i and 319j and Sections 17a-450 through 17a-715 of the General Statutes. DMHAS' mission is to improve the quality of life for the people of Connecticut by providing an integrated network of comprehensive, effective and efficient mental health and addiction services that foster self-sufficiency, dignity and respect. While providing services for Connecticut residents with special needs, DMHAS is mandated to serve adults (18 years and over) with mental health and/or substance abuse disorders who lack the financial means to obtain those services on their own.

During the audited period, the commissioner of DMHAS managed the department's operations through four divisions: Administration, Clinical Support Services, Community Services, and Research.

The Community Services Division (CSD) is responsible for integrating mental health and addiction services and ensuring quality service delivery. Under CSD, the state is divided into five regions containing 23 catchment areas for the purpose of administering mental health services. Each catchment area is assigned to a local mental health authority (LMHA), with some local mental health authorities assigned more than one catchment area. As of June 30, 2012, there were 15 local mental health authorities in effect; eight were state-operated and seven were private non-profit organizations. The eight state-operated LMHAs listed below provide mental health services as well as manage and fund a network of non-profit agencies in their geographic regions.

- Region 1 - *Southwest Connecticut Mental Health System* (Bridgeport) includes the F.S. DuBois Center and the Greater Bridgeport Community Mental Health Center - serves lower Fairfield County.
- Region 2 - *Connecticut Mental Health Center* - serves the New Haven area and includes *River Valley Services*, which serves Middlesex County.
- Region 3 - *Southeastern Mental Health Authority* - serves New London County.
- Region 4 - *Capitol Region Mental Health Center* - serves the Hartford area.
- Region 5 - Western Connecticut Mental Health Network (Waterbury) umbrella unit - oversees (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 seven local mental health authorities operated by private, non-profit organizations are funded through grants from DMHAS. They maintain community-based network systems for mental health and addiction services in areas not covered by state-operated facilities.

DMHAS also operates the following four treatment facilities, which provide inpatient psychiatric and substance abuse treatment services:

- Connecticut Valley Hospital (CVH) in Middletown
- Connecticut Mental Health Center (CMHC) in New Haven
- Greater Bridgeport Community Mental Health Center (GBCMHC) in Bridgeport
- Capitol Region Mental Health Center (CRMHC) in Hartford

Patricia A. Rehmer was appointed commissioner of DMHAS on October 23, 2009 and continued to serve as commissioner throughout the audited period and until March of 2015. Miriam E. Delphin-Rittmon was appointed commissioner in April of 2015. Under the provisions of Sections 17a-456 and 17a-457 of the General Statutes, a Board of Mental Health and Addiction Services assists the commissioner by reviewing and advising on DMHAS programs, policies, and plans.

RÉSUMÉ OF OPERATIONS**General Fund**

A comparison of General Fund revenues and receipts for the fiscal years under review and the preceding year follows:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Rental of Cottages or Residences	\$ 106,199	\$ 79,565	\$ 85,374
Refunds of Prior Years'			
Expenditures	74,507	447,497	18,541,958
All Other Revenue	<u>18,234</u>	<u>36,251</u>	<u>30,296</u>
Total General Fund Revenues and Receipts	<u>\$ 198,940</u>	<u>\$ 563,313</u>	<u>\$18,657,628</u>

During the audited period, General Fund receipts consisted primarily of fees for the rental of cottages or residences to employees and refunds of prior years' expenditures. The large revenue increase in fiscal year 2011-2012 was attributed to the refund of Medicaid reimbursement for services provided by DMHAS state-operated facilities under the intergovernmental claims transfer agreement with the Department of Social Services.

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

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Personal Services	\$283,683,000	\$275,841,497	\$288,354,488
Contractual Services	42,915,214	75,138,260	48,412,145
Yale University – CMHC Staffing	15,449,680	13,814,985	18,834,449
Commodities	13,322,069	11,964,552	12,877,163
General Assistance Managed Care	81,968,250	151,952,203	163,729,021
Workers' Compensation	12,128,927	10,448,408	11,255,045
Sundry	426,432	467,607	535,181
State-aid Grants	196,967,096	204,961,526	226,475,868
Equipment and Buildings	<u>62,995</u>	<u>122,113</u>	<u>275,831</u>
Total	646,923,663	744,711,151	770,749,191
Medicaid Disproportionate Share – Budgeted Costs	<u>(77,640,000)</u>	<u>(87,337,487)</u>	<u>(77,639,940)</u>
Total Budgeted Accounts	<u>\$569,283,663</u>	<u>\$657,373,664</u>	<u>\$693,109,251</u>

General Fund budgeted expenditures, prior to Medicaid disproportionate share hospital adjustments, totaled \$744,711,151 and \$770,749,191 for the fiscal years ended June 30, 2011 and 2012, respectively. Disproportionate share payment adjustments 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 hospitals for services provided to uninsured low income persons who were not eligible for either Medicaid or Medicare coverage of inpatient psychiatric hospital services. DMHAS received payments of \$115,632,487 and \$105,934,940 in each of the respective audited years from the Department of Social Services, which were subsequently included in billings to the federal government. The disproportionate share adjustment deposits of \$87,337,487 and \$77,639,940 for the respective audited years were applied as reductions to DMHAS General Fund budgeted expenditures and \$28,295,000 was credited directly to the State Comptroller accounts for fringe benefit cost recovery on each of these reimbursements.

During the audited period, the majority of General Fund budgeted expenditures were for personal services, state-aid grants primarily used to fund a community-based network of services, and general assistance medical payments. In fiscal year 2010-2011, the department experienced a decrease in personal services expenditures of \$7,841,503 due to statewide budgetary cutbacks, which included three furlough days, savings from a retirement incentive program offered in the 2008-2009 fiscal year, and a wage freeze. In fiscal year 2011-2012, an increase in personal services expenditures of \$12,512,991 reflected wages and salaries of 27 pay periods, one more than the customary 26 pay periods as in fiscal year 2010-2011. Full-time positions funded by budgeted accounts were 2,889 and 2,875 as of June 30, 2011 and 2012, respectively.

During the audited period, the General Assistance Managed Care Program was expanded to serve a new population of low income adults (LIA). As a result, the program expenditures grew \$81,760,771, or 99.7 percent, to serve 70,697 and 77,798 eligible clients during the respective audited years. This represented an increase of 32,759, or 72.7 percent, of clients being served as compared to 45,039 clients in fiscal year 2009-2010. The increases in state-aid grants were explained by caseload growth and the transfer of funds to the Department of Social Services for group home rate reimbursements and to pay claims under the Medicaid Rehabilitation Option Program for group homes.

Special Revenue Fund – Federal and Other Restricted Accounts

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

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Federal	\$49,127,108	\$53,363,120	\$48,012,439
Other than Federal	<u>19,310,512</u>	<u>18,110,473</u>	<u>19,016,711</u>
Total Receipts	<u>\$68,437,620</u>	<u>\$71,473,593</u>	<u>\$67,029,150</u>

A summary of Federal and Other Restricted Accounts expenditures for the fiscal years ended June 30, 2011 and 2012 follows:

	<u>2010-2011</u>			<u>2011-2012</u>		
	<u>Federal</u>	<u>Other</u>	<u>Total</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
Personal Services	\$623,077	\$1,101,920	\$1,724,997	\$663,644	\$208,938	\$872,582
Contractual Services	18,526,727	1,668,255	20,194,982	18,263,433	2,476,199	20,739,632
Commodities	7,968	65,401	73,369	70,786	42,970	113,756
Sundry	45,021	20,000	65,021	1,999	21,350	23,349
Grants	28,812,622	17,232,491	46,045,113	29,226,029	18,202,388	47,428,417
Equipment	53,467	26,609	80,076	764	209,494	210,258
Total	<u>\$48,068,882</u>	<u>\$20,114,676</u>	<u>\$68,183,558</u>	<u>\$48,226,655</u>	<u>\$21,161,339</u>	<u>\$69,387,994</u>

In comparison to fiscal year 2009-2010 expenditures of \$70,736,112, the expenditures of Federal and Other Restricted Accounts remained stable during the audited period. While some federal grants ended during the audited period, the department received new grants, such as the Mental Health Transformation Grant and additional funding for residential treatment services.

Special Revenue Funds - Other Expenditures

Special revenue fund expenditures, excluding Federal and Other Restricted Accounts, totaled \$1,568,284 and \$2,242,121 for the 2010-2011 and 2011-2012 fiscal years, respectively. This includes expenditures totaling \$397,587 and \$9,868 for DMHAS renovation projects, and \$25,100 and \$1,448,278 for grants to the department's private providers for the acquisition and improvement of facilities during the respective audited years. The department also purchased equipment through the Capital Equipment Purchase Fund totaling \$1,145,597 and \$783,975 during the respective audited years.

Per Capita Costs

Under the provisions of Section 17b-223 of the General Statutes, the State Comptroller is required to determine annually the per capita costs for the care of all persons housed in state humane institutions. The costs for the in-residence population during the fiscal years under review were as follows:

	Per Capita Costs- In-Residence		Per Capita Costs- In-Residence	
	2010-2011		2011-2012	
	Daily	Annual	Daily	Annual
Connecticut Valley Hospital	\$1,360	\$496,400	\$1,287	\$469,755
Connecticut Mental Health Center	1,530	558,450	1,981	723,065
Cedarcrest Hospital	1,590	580,350	Closed	
Southwest Connecticut Mental Health System	1,525	556,625	1,359	496,035

Effective July 1, 2010, DMHAS voluntarily terminated participation in the Medicare Program for Cedarcrest Hospital. Blue Hills Hospital, which was the substance abuse division of Cedarcrest Hospital, became a division of Connecticut Valley Hospital.

CONDITION OF RECORDS

Our examination of the records of the department disclosed the following matters of concern requiring disclosure and agency attention.

Violation of Reporting Requirement

Criteria: Section 4-33a of the General Statutes requires state agencies to promptly notify the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, irregular or unsafe handling of state funds or breakdowns in the safekeeping of other state resources.

The State Property Control Manual prescribes the form for loss reporting. A Report of Loss or Damage to Real and Personal Property (CO-853) should be used to report all losses or damages to real and personal property other than vehicles pertaining to theft, vandalism, criminal or malicious damage, lost or misplaced funds, missing property (cause unknown) or weather-related damage.

Condition: The department did not report two instances of unauthorized and unsafe handling of state resources to the Auditors of Public Accounts and State Comptroller as required under Section 4-33a of the General Statutes. An employee was investigated and subsequently arrested for the theft of scrap materials from a DMHAS-administered construction project in August 2012. A Form CO-853 for the loss of the scrap, valued at \$766, was not filed by the department until September 2013, approximately 16 months after the incident was reported to DMHAS in May 2012.

Additionally, the department did not report the suspension of three other employees, including an audit liaison, who were located at the Connecticut Valley Hospital (CVH). In mid-September 2013, an internal investigation concluded that these employees violated DMHAS Work Rule 20, which states, "Employees shall not falsify any client records, work reports, employee records, or other official documents."

Effect: The department was not in compliance with Section 4-33a of the General Statutes.

Cause: Due to the department's complex activities and large operations, there was insufficient coordination, effort, and establishment of procedures to comply with prompt reporting requirements.

Recommendation: The Department of Mental Health and Addiction Services should comply with Section 4-33a of the General Statutes, which requires prompt notification to the Auditors of Public Accounts and the State Comptroller when there is a breakdown in the safekeeping of state resources. (See Recommendation 1.)

Agency Response: “With regards to the employee who stole the scrap material, CVH was not aware of this alleged theft until the police investigation was completed, and was not aware that a loss report was required to be filed post agency police investigation. CVH is now aware of this and will comply with the loss report filing requirements should a similar situation like this arise in the future.

With regards to the three suspended employees, the department will notify your office of any situation where alleged employee malfeasance has occurred.”

Lack of Written Procedures for Self-Service Payroll

Background: In January 2011, the department began converting its employee time and attendance reporting to Core-CT self-service. All DMHAS facilities, with the exception of Connecticut Valley Hospital (CVH), were fully converted to self-service time and attendance as of October 2012. Beginning in September 2013, CVH employees, with the exception of the nursing division, were converted to the self-service module in Core-CT. Self-service employees enter their information into the automated timesheet which must be approved by their supervisor or alternate prior to the pay cycle deadline.

Criteria: Proper internal control dictates that formal policies and procedures should be established and disseminated to provide guidance for employees to enter their time correctly into Core-CT and for supervisors to understand their review responsibilities and approval deadlines. It is also important to consider revising the existing procedures so that supervisors have clear and consistent guidance on the manner that electronic payroll records and leave forms should be retained.

Condition: Our review of 50 payroll and personnel records disclosed that policies and procedures for processing timesheets and maintaining payroll records and leave forms have not been revised to reflect the implementation of self-service payroll. We noted the following areas in which errors and inconsistencies were not detected and resolved in a timely manner.

- 1) Incorrect Time Reporting Codes – Due to the large amount of available time reporting codes (TRCs), employees could use incorrect TRCs to account for payable and non-payable time. Certain paid and unpaid leaves of absence and workers' compensation required special attention by supervisors or payroll staff.
- 2) Incorrect Shift and Weekend Differential Payments – Core-CT defaulted to the employee's regularly scheduled shift when the actual shifts were not entered.
- 3) Incorrect Overtime Location and Budget Reference – Supervisors were not trained to review the accuracy of overtime combination codes when overtime was earned outside of an employee's regular work location.
- 4) Timely Submission and Approval of Timesheets – Timesheets for six employees showed that they worked until the end of the pay period; however, they submitted their timesheets two to three days before the end of the pay period. Four supervisors did not approve their staff timesheets in a timely manner despite multiple reminders from the payroll office.
- 5) Retention of Leave Request, Overtime and Compensatory Authorization Forms – Each facility was responsible for the maintenance of either electronic or paper copies of payroll documentation; however, it was left up to each facility to determine the method of retention. Many facilities were unable to provide these forms upon our request.

Effect: Without clear and up-to-date payroll procedures, the department cannot effectively instruct its employees and supervisors on how to enter their time into Core-CT and review attendance correctly prior to approval.

Cause: Prior to the conversion of a facility to self-service, DMHAS employees and supervisors were provided with training and received a copy of the slide show presentation explaining how to enter and approve time. However, due to other work priorities, no formal procedures or extra training was developed to guide employees and supervisors through attendance and payroll issues that required additional attention.

Recommendation: The Department of Mental Health and Addiction Services should establish formal policies and procedures for self-service payroll, which includes time and attendance data entry, the approval process and records retention. (See Recommendation 2.)

Agency Response: “Procedures for self-service payroll including time and attendance data entry, approval process, and record retention have been developed and updated.”

Payroll and Personnel Matters

- Criteria:*
- 1) Evaluations – According to Section 5-237-1 of the state personnel regulations, an annual evaluation is to be filed for each employee at least three months prior to the employee’s annual increase date.
 - 2) Medical Certificates – According to Section 5-247-11 of the state personnel regulations, a medical certificate is required to be submitted to substantiate a period of sick leave consisting of more than five consecutive working days.
 - 3) Overtime -
 - a) *Sign-In Procedure* – Sound business practice requires the agency to have clear and consistent procedures so that all employee attendance and overtime hours can be verified.
 - b) *Documentation of Overtime Distribution* – Article 13 of the 1199 Bargaining Unit agreement provides basic procedures for distributing and scheduling voluntary and mandatory overtime shifts among eligible employees, and permits the parties to establish an agreement to improve the assignment of voluntary and mandatory overtime to fit the needs of individual facilities. Documentation of overtime assignments and rotations should be retained in accordance with the State Records Retention Schedule.
 - c) *Consecutive Work Hours* – Sound business practice calls for policies and procedures to monitor employees’ consecutive work hours to prevent adverse effects on the quality of care for patients and employee safety.
 - d) *Physician’s On-site On-call Hours* – Article 9 of the 1199 Bargaining Unit agreement limits a physician’s on-site on-call hours to two 16-hour shift assignments or one 16-hour shift assignment plus two 12-hour shift assignments in any seven-day period without the approval of management.
 - 4) Usage of Paid Holiday Hours – For employees with available holiday compensatory hours, time off on a regular work day should be charged with attendance code HCU (Holiday Compensatory Time

Used) instead of attendance code HOL which is designated for a paid state holiday.

5) Paid Administrative Leave – Section 5-240-5a of the state personnel regulations governs employee dismissal and paid administrative leave to permit an administrative investigation. The paid administrative leave period is limited to 15 days for an investigation under subsection 5-240-5a (f) and 30 days for an investigation under subsection 5-240-5a (h). The state agency is required to immediately report to the commissioner of the Department of Administrative Services when an employee is placed on administrative leave and to obtain approval when additional paid leave days are needed for investigations under these subsections of the state personnel regulations.

Condition:

1) Evaluations – We noted that annual service evaluations were missing for 13 out of 50 employees tested. Of these 13 employees, one, four, and eight evaluations were missing for fiscal years 2009-2010, 2010-2011 and 2011-2012, respectively.

2) Medical Certificates – In our review of compliance with medical certificate requirements, we noted that seven out of 12 employees tested did not have the necessary medical documentation on file at the time of our review.

3) Overtime – We reviewed the overtime hours of ten employees at Connecticut Valley Hospital and noted the following conditions:

a) *Missing Sign-in Signatures* – A total of 23 overtime shifts were not supported by an employee signature on a shift sign-in sheet. Of these 23 shifts, 20 were for two employees in the General Psychiatry Division, and the remaining three shifts were for one employee within the Addiction Services Division. We also noted that supervisors are not required to sign-in for shifts worked in the General Psychiatry Division, and employees at Whiting Forensic were not required to sign in for shifts.

b) *Missing Documentation of Overtime Opportunity Rotation* – In several instances, the three divisions tested could not provide documentation of overtime pre-book calendars, mandatory lists, and rotation lists. Most often, we could not verify how overtime hours were rotated or mandated for the supervisors.

c) *High Consecutive Work Hours and Days* – Seven out of ten employees tested worked on many occasions between 16.25 and 19.75 hours per day in fiscal year 2011-2012. These seven

employees also worked between eight to 50 days consecutively without taking a day off. One of these seven employees was counseled for violating the department's work rules on sleeping or inattentiveness. Another employee was counseled for behavior that could endanger the safety and welfare of persons or property.

d) *Excessive On-site On-call Hours* – In fiscal year 2011-2012, a psychiatrist worked more than the permitted number of on-site on-call shifts in 16 out of 27 pay periods. In those 16 pay periods, there were 20 instances in which the contractual limits were exceeded by 16 to 40 hours per instance, totaling 560 hours and amounting to \$44,800. There were no written approvals by management for the hours exceeding the bargaining contract limits.

4) *Holiday Payment Errors* – During our review of 50 regular payroll transactions, we found an employee charging a day off to holiday paid leave (HOL) instead of the available balance of holiday compensatory time used (HCU) hours. We extended our review and determined that as many as 1,558.5 hours were erroneously coded to paid state holiday (HOL) when holiday compensatory leave balance (HCU) should have been used.

5) *Paid Administrative Leave without Proper Notification and Authorization* – We reviewed 11 employees on paid administrative leave and found no evidence that the commissioner of the Department of Administrative Services was notified of their placement on paid administrative leave. In addition, there was no evidence that the department obtained approvals from the commissioner of the Department of Administrative Services prior to extending the paid administrative leave period beyond the statutory limits. The number of paid administrative leave days for the eleven employees exceeded the statutory limits from four to 202 calendar days.

Effect:

1) *Evaluations* – The department was not in compliance with state personnel regulations governing annual evaluations. In addition, the lack of current evaluations heightened the risk that employees will improperly receive annual increases.

2) *Medical Certificates* – Inadequate enforcement of medical certificate requirements could result in the abuse of sick leave and could contribute to the possible need for overtime hours.

3) *Overtime* – Without the sign-in signatures and documentation of overtime rotation, there is less assurance that overtime hours were

actually worked and distributed in accordance with the bargaining contract agreements.

4) Holiday Payment Errors – Employee holiday compensatory leave balances were overstated when supervisors approved timesheets without verifying proper attendance codes.

5) Paid Administrative Leave – When employees remained on paid administrative leave longer than the limits imposed under the state personnel regulations, the department incurred additional salary expenses without proper authorization from the commissioner of the Department of Administrative Services.

Cause: While focusing on payroll and personnel with higher priorities, the department was lacking in its coordination efforts of certain personnel-related tasks. The complexity of the department's payroll and workforce processes also contributed to the errors and missing documentation.

Recommendation: The Department of Mental Health and Addiction Services should improve oversight of its payroll and personnel procedures and practices. (See Recommendation 3.)

Agency Response: "Procedures are being implemented to track the completion of annual evaluations and the presence of medical certificates. In addition, audits of payroll and personnel procedures will increase to ensure the proper coding for Holiday Comp Time Used.

The DMHAS Labor Relations Office will track and document all administrative leave actions to ensure they are not in violation of applicable state personnel regulations."

Personal Service Agreements

Criteria: 1) Section 4-213 of the General Statutes requires that no state agency may hire a personal service contractor without executing a personal service agreement with that contractor.

2) Section 20-187a of the General Statutes requires that no persons shall practice psychology unless they have obtained a license as provided in Section 20-188 of the General Statutes. The practice of psychology is defined as the rendering of professional services under any title or description of services incorporating the words psychologist, psychological or psychology, to the public or to any

public or private organization for a fee or other remuneration.

Additionally, Section 34-223 of the General Statutes requires a foreign limited liability company to register with the Secretary of the State before transacting business in Connecticut.

Condition: Our review disclosed the following:

- 1) Three out of thirteen contracts were signed by the parties after the contract start dates. The delays ranged from 19 days to two months.
- 2) An out-of-state psychologist did not possess the required professional license to practice psychology in Connecticut. The employing out-of-state company also did not register with the Secretary of the State prior to transacting business in Connecticut. Payments to this provider amounted to \$960,546 for services provided from August 2004 to April 2014.

Effect:

- 1) The department violated the purchasing regulations by not executing agreements before the contractual start dates.
- 2) For almost ten years, the department purchased psychological evaluation services from a psychologist who did not hold a valid professional license to practice psychology in Connecticut in violation of Sections 20-187a and 20-188 of the General Statutes. Also, the employing foreign limited liability company was not registered with the Secretary of the State in violation of Section 34-223 of the General Statutes.

Cause: The delays in contract execution and the lack of a provider's professional license were an oversight during the procurement process.

Recommendation: The Department of Mental Health and Addiction Services should improve controls over personal service agreements. (See Recommendation 4.)

Agency Response: "DMHAS has implemented an internal goal of contract execution by 15 days prior to the contract start date. A new electronic data system is being developed with the department's Information Systems Division to reduce the length of time for contract execution which will prevent late start dates.

DMHAS checks the Department of Public Health's license database by specialty for current license status. DMHAS has implemented a Secretary of the State database check for all potential contractors who are based out of state and are a limited liability company."

Contracted Temporary Psychiatrist Services

- Criteria:*
- 1) Section V of the state contract for temporary medical staffing (12PSX0157) stipulates that the recipient state entity shall not request services for longer than six months in duration per fiscal year for any single position. Overtime is discouraged, but can be used at the discretion of the requesting state entity. The department has established the practice that no contracted psychiatrist overtime should be approved for payment without the prior approval of the department's medical director.
 - 2) Sound business practice requires that hours worked be verified before approving invoice payments.
- Condition:*
- 1) Following its response to the prior audit report, the department has implemented several initiatives to recruit psychiatrists. Nevertheless, these efforts have not yielded successful hiring. In fiscal year 2013, the department hired nine psychiatrists, but, at the same time, lost nine psychiatrists in various permanent and per diem positions. Six out of 16 temporary psychiatrists worked for the department from six months to almost one year. Three psychiatrists charged overtime hours for a total cost of \$33,177.
 - 2) One psychiatrist worked 23.5 hours for another state agency while billing DMHAS for the same hours. While the overpayment totaling \$4,961 was recovered as a result of our review, the error disclosed that contractor timesheets could not be traced to the actual service hours.
- Effect:*
- 1) By relying on temporary contracted psychiatrists for longer than six months, the department violated state contract terms and did not meet its goal of having a sufficient permanent psychiatric workforce.
 - 2) The department paid for service hours that were not actually provided by the contractor.
- Cause:*
- 1) The department continued to experience difficulties in recruiting and retaining psychiatrists.
 - 2) There was insufficient supporting documentation, such as attendance sign-in sheets, for supervising physicians to verify that the contracted psychiatrist was actually working on the days in question.
- Recommendation:*
- The Department of Mental Health and Addiction Services should increase its recruiting efforts to reduce its reliance on temporary psychiatrists and should implement verification procedures to ensure

that invoice hours can be traced to actual service hours worked. (See Recommendation 5.)

Agency Response: “In response to the on-going recruitment issues involving psychiatrists and other medical professionals, DMHAS has established and filled the position of a Professional Clinical Recruiter. To date the efforts achieved by this employee has been to recruit seven psychiatrists, an inpatient medical director, two primary care physicians and a Director of Nursing.

In addition, Medical Directors at state facilities using contracted medical staffing have been directed to develop procedures to ensure that contracted staff are present and providing services ordered by the facility and agree to billings submitted by the contract service provider.”

Purchasing Cards

Criteria: According to the State of Connecticut Purchasing Card Cardholder Work Rules, cardholders are responsible for the monthly completion of the purchase logs and for maintaining adequate transaction documentation such as packing slips, vendor receipts and pre-approved order forms. Both the cardholders and their supervisors are required to timely verify and sign the monthly purchase logs to acknowledge the accuracy of the charges. The cardholder workrules also prohibit state agencies from using purchasing cards (P-Card) to circumvent the use of state contracts for goods and products that are procured by the Department of Administrative Services.

Condition: 1) Southwest Connecticut Mental Health System – Seven of 11 tested P-Card statements were not supported by vendor receipts, totaling \$4,532. The remaining purchase logs and receipts were submitted 40 to 109 days after the end of the billing period. The cardholders did not sign the logs to acknowledge the charges, nor did they obtain prior approval from their supervisors. We also noted that all P-Card expenditures were coded to the Premises Repair/Maintenance Supplies account instead of coding the expenditures to the appropriate account. We observed that the Southwest Connecticut Mental Health System neglected its responsibility to submit proper accounting codes to the department’s centralized fiscal bureau for its P-Card expenditures during the audited period.

2) Connecticut Valley Hospital – The department could not provide supporting documentation for two out of ten statements tested, totaling \$1,224. We noted that the department was charged a late fee of \$450

when it failed to renew its annual membership for the nursing continuing education providership program in a timely manner. Of the 54 purchases included in our review, 42 purchase requisitions did not have fiscal pre-approval signatures and 26 purchases did not have evidence of signatures for goods received or services rendered.

3) Western Connecticut Mental Health Network – We reviewed 16 statements and found that, in three instances, the department did not use available state contractors for miscellaneous medical supplies. These purchases amounted to \$1,319. Two purchases did not have the necessary supervisory prior approvals until several days after the actual purchases were made.

Effect: Non-compliance with P-Card work rules increases the risk of loss and weakens the department’s ability to detect erroneous charges in a timely manner.

Cause: The absence of effective supervision was clearly indicated in the noted errors.

Recommendation: The Department of Mental Health and Addiction Services should ensure that purchasing cardholders adhere to the state’s Cardholder Work Rules. (See Recommendation 6.)

Agency Response: “Southwest Connecticut Mental Health System: Procedures have been implemented to ensure P-Card receipts and authorizations are timely remitted, purchase logs and statements are timely reviewed and signed, and credit card statements are signed. P-Card expenditures are now coded to the appropriate expenditure account.

Connecticut Valley Hospital: The Connecticut Nurses’ Association (CNA) is an important vendor to CVH. Maintaining a providership relationship with the CNA to grant continuing education credits to nurses is valuable to our nurses. It also demonstrates that DMHAS is providing and supporting professional learning and development of the CVH workforce. CVH was unaware of the CNA procedures related to the late renewal fees. Currently, CVH Fiscal Services and Office of Staff Development will ensure that late renewal fees will no longer occur.

Western Connecticut Mental Health Network: WCMHN has been enforcing the policy that requires staff using P-Cards to utilize vendors on state contracts if they are available. Network policy requires staff using P-Cards to submit a completed purchase requisition form and obtain prior approval from the Fiscal Director or back-up prior to using the card. This approval allows the staff to obtain assistance with the DAS vendor database search. This process can be challenging for

those not familiar with the DAS commodity classes. Furthermore, the facility will remind employees that supervisory approval must be obtained prior to purchasing.”

Monitoring of Cell Phones

Criteria: Section 3-117 (c) of the General Statutes states that the commissioner of Administrative Services shall charge the appropriation of any state agency, without certification by such agency, for expenses incurred by such agency for basic telephone service. However, the agency shall certify to the commissioner of Administrative Services that such services were provided to such agency not later than thirty days following notification of such charge.

DAS Bureau of Enterprise Systems and Technology (BEST) procedures require agencies to verify monthly billing statements by returning the signed certification sheet and any exceptions within 30 days.

Condition:

- 1) Southwest Connecticut Mental Health System – The system issued 88 cell phones during the audited period. We reviewed two months of billing and found that 33 and 22 statements in May and June 2012, respectively, were not reviewed within 30 days. In addition, the reviewed statements were missing required information such as review date, user’s signature and/or supervisory signature.
- 2) Connecticut Mental Health Center – All 53 statements in May and 53 statements in June 2012 were not reviewed within 30 days.
- 3) Connecticut Valley Hospital – We reviewed 25 statements for the billing month of June 2012 and found that ten cell phones were not being utilized on a regular basis. The department paid \$2,207 for these phones for 11 to 24 months during the audited period.
- 4) Southeastern Mental Health Authority – We reviewed 340 statements and noted that 33 were missing and 147 were not signed and submitted within 30 days. The delays ranged from 6 to 144 days. Sixty-five statements were missing required information such as review date, user’s signature and/or supervisory signature. In one instance, the employee’s signature was dated 16 days after her effective retirement date. Additionally, all 157 bills for September 2010 were missing and not on file for review. We also noted that two cell phones were lost and not reported to the Auditors of Public Accounts and State Comptroller on form CO-853 as required.

5) Capitol Region Mental Health Center – The authority did not timely deactivate the cell phones of three employees who were on a leave of absence from nine to 15 months, and of five employees who had left the department until one to 14 months after their departure. The lack of prompt deactivation of unused cell phones cost the department approximately \$700.

Effect: The department was not in compliance with state procedures and statutory requirements concerning telecommunication services. Weaknesses in verifying cell phone billings increased the risk that waste and losses could occur without being detected in a timely manner.

Cause: The department was not following the state's monitoring procedures.

Recommendation: The Department of Mental Health and Addiction Services should comply with state telecommunication procedures for monitoring and verifying cell phone charges. (See Recommendation 7.)

Agency Response: “Southwest Connecticut Mental Health System: Cell phone bills are now reviewed prior to distribution to the cell phone holders by the facilities fiscal department, and any cell phone bills over \$100 are immediately reviewed by the fiscal department. Procedures have been implemented to ensure cell phone bills are timely reviewed and appropriate signatures obtained in accordance with state procedures and statutory requirements.

Connecticut Mental Health Center: Beginning in November 2012, CMHC reviewed and upgraded compliance with cell phone requirements. The requirement for timely compliance was communicated to all users and follow-up procedures were strengthened. A Fiscal Clerk now sends and tracks cell phone invoices on a timely basis.

Connecticut Valley Hospital: CVH Fiscal Service is reviewing all cell phone usage and posting its activities in an Excel worksheet. Any cell phone that does not have activity during a two-month period will prompt a review. After the review, the cell phone holder should clearly demonstrate if there is a work related need before service is cancelled and equipment withdrawn.

Southeastern Mental Health Authority: The cell phone monitoring process has been reassigned due to the retirement of a fiscal staff member. SMHA has instituted new sign off sheets for the invoice review, a revised log, and a follow up process to insure that all invoices are signed and returned to fiscal services within the 30 day

limit. SMHA has maintained a 100 percent return rate for the past eight months.

Capitol Region Mental Health Center: The CRMHC approved a revised policy and procedure on February 7, 2014, which states that cell phones will be de-activated for any staff expected to be out on leave for 30 days or more.”

Grants and Purchase of Service Contracts

Criteria:

- 1) All Purchase of Service (POS) contracts contain a maximum contract value payable to the provider. A contract amendment must be executed to increase the maximum contract value. According to the procurement standards established by the Office of Policy and Management (OPM), all POS contract amendments with a total value of \$50,000 or greater require approval from the Secretary of the Office of Policy and Management.
- 2) Connecticut General Statutes Sections 4-250 and 4-252(c) require that gift and campaign contribution affidavits be updated annually for all state contracts valued at \$50,000 or more.
- 3) Section 4-89 of the General Statutes states that no officer, department, board, commission, institution or other agency of the state shall, after the close of any fiscal year, incur, or vote or order or approve the incurring of, any obligation or expenditure under any appropriation made by the General Assembly for any fiscal year that had expired at the time the obligation for such expenditure was incurred. Section 3-117 of the General Statutes states, in part, that the agency shall certify that such articles or services have been received or performed or, if not yet received or performed, are covered by contracts properly drawn and executed. Payments should only be made for services included in the contract language.

Condition:

- 1) We reviewed 16 POS contracts that provided services for multiple years. Thirteen of these contracts had fully expended their maximum funding by the end of fiscal year 2009-2010 without appropriate contract amendments to provide funding for the 2010-2011 fiscal year. The department continued to make payments totaling \$6,099,946 in the first quarter of fiscal year 2010-2011, while contract amendments to increase the funding were not approved until three to eight months later. In addition, our review showed a housing assistance contract with a total value of \$2,689,000 was increased by \$500,000 on June 20, 2012 without the approval of the Office of Policy and Management.

2) The department did not obtain the annual updates of gift and campaign contribution affidavits for any of the 16 contracts in our sample.

3) We reviewed housing assistance payments to a contractor and found that in fiscal year 2011-2012, the department advanced a payment of \$3,005,838 for 18 months of anticipated client rental assistance. Our review disclosed that the department used existing human service contracts as the purchasing authority for payments related to the Housing Assistance Fund Program (HAF); however, the HAF was not included in the contract language. Bank balances that were self-reported by the providers were not reviewed by the contract monitor. We also noted that the bank statement balances did not agree with the amounts reported on the monthly reports submitted by the HAF providers reviewed.

Effect:

1) The department expended state funds without timely execution of contract amendments. The department did not obtain OPM approval authority for contract amendments exceeding \$50,000.

2) The department was not in compliance with state laws requiring annual updates of gift and campaign contribution affidavits.

3) The department violated Section 4-89 of the General Statutes requiring unspent funds appropriated for expenditures relating to a specific fiscal year to be lapsed at year end. The lack of proper monitoring of reported bank balances could increase the risk of loss and undetected errors.

Cause:

1) Due to budget constraints and uncertainties in the first half of fiscal year 2010-2011, the department received its appropriations on a month-to-month basis, and therefore, was reluctant to approve the contract amendments.

2) There was inadequate oversight regarding the providers' annual gift and campaign contribution affidavits.

3) The department paid for services anticipated to be incurred in the next fiscal year from fiscal year 2011-2012 unexpended funds. There was an oversight allowing payments to be made using contract funds that were authorized for other services. Monitoring of Housing Assistance Fund Program provider bank balances was not adequate.

Recommendation:

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 laws requiring annual updates of gift and campaign contribution affidavits. (See Recommendation 8.)

Agency Response: “Office of the Commissioner: Beginning in SFY 2012, DMHAS changed the structure of its Purchase of Service (POS) contracts to correct this condition. Contracts starting as of July 1, 2011, contain a maximum contract amount that reflects total funding over the full term of the contract. Additionally, subsequent contract amendments adjust the maximum contract amount for both the current fiscal year as well the future years covered by the contract.

With respect to the finding of a contract amendment done without OPM approval, beginning SFY 2013, DMHAS changed its internal procedures to assure that an OPM on-line request is submitted and subsequent approval is obtained for any proposed contract amendments with a value of \$50,000 or greater.

Beginning in SFY 2012, the Department of Administrative Services’ BIZNET website portal made it possible for contractors to upload required contract-related affidavits, including the gift and campaign affidavit. As a result, state agencies have the ability to look up the required documents, thus eliminating the need for paper copies and multiple submissions from contractors. DMHAS has instituted a system of checking for updated documents on the DAS website. DMHAS will review its procedure for documenting compliance with document requirements.

With respect to the Housing Assistance finding (noted in Condition and Cause #3), Section 71 of Public Act 14-217, signed by the Governor on June 13, 2014 (with the same effective date), now authorizes the department to make expenditures of funds at the end of each fiscal year to be used by housing providers in subsequent fiscal years. The department considers this issue to be resolved.”

Young Adult Services Client Support Funds

Background: The Young Adult Services (YAS) Division has funding available to promote successful client transition into later stages of adulthood and community living. Regional client support funds are managed by their local mental health authority and a contracted fiduciary. The funds may be used as follows: 1) Fixed overhead program costs, 2) discretionary group activity costs and 3) individual client’s living costs. Each client accepted into a regional YAS program can apply for

Client Support Funds (CSF) and the calculated individual amount per client is based on need assessments performed by the local mental health authority.

Criteria:

- 1) In order to establish and ensure a full understanding between the department and a contractor, a contract and its associated documents must be well written and sufficient in detail.
- 2) In accordance with cost standards established by the Office of Policy and Management, costs must be adequately documented in order to be considered allowable. The agency is also required to monitor contractors to ensure that appropriate records are kept and that the financial interests of the state are protected.
- 3) Sound business practice requires that the department regularly monitor budgetary performance of General Fund accounts to ensure that program spending remains within the established program budget.

Condition:

- 1) The department used human service contracts as the purchasing authority and mechanism for creating purchase orders for payments related to the YAS client support funds. However, the YAS fiduciary fund program requirements are not included in the contract language.
- 2) Upon discussion with management, we concluded that the department was not sufficiently monitoring Client Support Fund Account operations, such as reported bank balances and client budgetary accounts of requisitions and expenditures that are maintained by contractors.
- 3) Southwest Connecticut Mental Health System's actual expenditures for the Greater Bridgeport Support Program exceeded its CSF budget of \$351,790 by \$52,826, or 15 percent, in fiscal year 2011-2012. Among the significant account variances were food/events, which was \$42,218, or 492 percent, over budget and personal funds, which was \$20,042, or 63 percent, over budget.

Effect:

- 1) When contract language does not include the relevant program requirements, uncertainties regarding the departmental and regional policies governing YAS client support funds may exist and could result in the misstatement of state funds.
- 2) The department, which has fiduciary responsibility over funds held by contractors, did not sufficiently monitor the balance of funds.
- 3) The Southwest Connecticut Mental Health System exceeded its authorized CSF budget for fiscal year 2012.

- Cause:*
- 1) The missing reference of program requirements appeared to be an oversight.
 - 2) Management oversight contributed to inadequate monitoring procedures intended to ensure the accuracy of fiduciary reporting.
 - 3) Budgetary control over programmatic spending for client services appears to have been insufficiently monitored during the period under review.
- Recommendation:* The Department of Mental Health and Addiction Services should consider adding the Young Adult Services Fiduciary Fund program description and requirements to its purchase of service contracts and should improve its monitoring of budgeted expenditures and bank balances for Client Support Funds. (See Recommendation 9.)
- Agency Response:* “Office of the Commissioner: During FYE 2014, DMHAS amended all contracts that include Young Adult Services Fiduciary Fund programs to add specific language related to the program description and requirements.
- Southwest Connecticut Mental Health System: The facility established a purchase of service contract in FY 15 with the YAS contractor which further outlines reporting requirements. Budgeted expenditures are reported and monitored monthly by DMHAS staff and the contractor.”

Connecticut Mental Health Center - Staffing Contract

- Background:* The Yale Staffing Contract defines a joint venture between DMHAS and Yale University for the administration and provision of services through the Connecticut Mental Health Center in New Haven. The contract expenditures were \$15,307,675 and \$15,474,196 for the fiscal years ended June 30, 2011 and 2012, respectively. The contracts funded between 205 and 272 full and part-time positions and provided clinical, research, and training services at the center.
- Criteria:*
- 1) Sound business practice dictates that contractual provisions clearly define contractor reporting and invoicing requirements to ensure accurate billing of services and timely finalization of responsibilities.
 - 2) Yale Staffing Contract Section I.D.1 specifies that final billing for the contract year will be based on actual expenditures. Sound business practice requires timely and accurate reporting of transactions for

timely finalization of responsibilities between the agency and the contractor.

3) Section 4-213 of the General Statutes requires that contracts be executed prior to the initiation of services.

Condition:

1) Yale University reported final invoices for the contract years ended June 30, 2011 and 2012 with carry-forward balances of \$37,325 and \$59,254, respectively. These balances were retained by the contractor and not applied against actual incurred expenses until the final billing of the following contract years. For the contract year ended June 30, 2011, the carry-forward of \$37,325 was not applied until the final invoice for the 2012 contract year on December 12, 2012. This balance included \$713 from the 2009 contract year for a credit in the 2010 contract year, which was overlooked by both the contractor and DMHAS.

2) Final invoices, which are supposed to be based on actual expenditures, included the June preliminary invoices, thereby contributing to the carry-forward. As of May 2014, department records indicated an outstanding balance of \$87,325, which had been paid for and applied against the expenditures of fiscal years 2011-2012 and 2012-2013.

3) During the audited period, the staffing contracts with Yale University were executed three months after their commencement dates.

Effect:

1) Carryforward balances were not returned to DMHAS at the earliest opportunity, leaving contract accounting open until the carryforwards were applied a year and a half later.

2) The department's accounting of the status of carryforward amounts for the fiscal year 2010-2011 and 2011-2012 contracts was inaccurate.

3) Late contract approvals led to delays in staffing decisions as well as management of service capacity and cash flow.

Cause:

1) The contract did not explicitly address the procedure for processing determined carryforward balances in the final invoice process.

2) The practice of billing the June estimate to available contract budgets contributed to the inaccurate calculation of the final billing and carryforward balances.

3) Delays in contract execution were attributed to the complexity of the contracted services and compliance requirements.

Recommendation: The Department of Mental Health and Addiction Services should consider additional contractual terms to clearly define reporting and carryforward requirements for the staffing contract with Yale University and execute its annual contract renewal in a timely manner. (See Recommendation 10.)

Agency Response: “Office of the Commissioner: The department will request Yale University to return any unexpended funds from a prior fiscal year. The funds will be returned to the general fund against the year that they were paid. Furthermore, the department will continue to work with Yale University towards executing the Yale Staffing contract in a timely manner.”

Management of Trustee Accounts

Criteria: The records retention schedule issued by the Connecticut State Library’s Office of the Public Records Administrator requires state agencies to retain fiscal records for at least three years or until audited, whichever is later.

According to the State Comptroller’s Manual for Trustee Accounts, purchases should be made available on state contracts and at the best prices obtainable. Expenditures should be for the benefit or welfare of clients. Gifts, services, or donations to private citizens are not allowed and considered unauthorized expenditures. All receipts greater than \$500 will be deposited within 24 hours unless otherwise authorized by the State Treasurer. Trustee accounts established and administered under the provisions of Sections 4-52 through 4-57a of the General Statutes, are included in the exemption from sales and use taxes in Connecticut under Section 12-412 (1) (a) of the General Statutes. The Trustee Accounts Manual also requires the agency to timely perform monthly bank reconciliations so that outstanding checks can be reviewed on a monthly basis and excess cash can be transferred to the state’s Short Term Investment Fund (STIF). The state agency must report unclaimed funds to the Office of the State Treasurer Unclaimed Property Division when the funds have remained unclaimed for three years after the check issuance date.

Departmental policy requires that cash advances be accounted for within 30 days of issuance.

Condition: Our review of trustee accounts maintained at various DMHAS facilities disclosed the following conditions.

1) Southwest Connecticut Mental Health System:

- a) *Activity Funds* – Our review of the Greater Bridgeport Mental Health Center disclosed that ten out of 24 monthly bank reconciliations were prepared between 30 days to ten months after the bank statement cutoff date. Neither the financial statements nor the journal ledgers for fiscal years 2010-2011 and 2011-2012 were available for review. Our test of 20 disbursements revealed that support documentation for 19 were not readily available for review.
- b) *Client Funds* – Our review of the Greater Bridgeport Mental Health Center disclosed that ten monthly bank reconciliations were performed 30 days to 10 months after the cut-off date and six bank statements and reconciliations could not be located for review. There were 205 checks outstanding in excess of six months, totaling \$41,477. The oldest check was dated July 1, 2007. The largest outstanding item was an unsupported journal entry for \$27,561 dated June 30, 2008 that continues to be an unresolved issue. Our test of 27 disbursements revealed that 21 showed deficiencies such as missing budget/consent forms, vendor invoices and other support documentation.

Our review at the F.S. Dubois Center disclosed that 16 out of 24 monthly bank reconciliations reviewed were not performed in a timely manner, the oldest having been reconciled six months from the closing date of the bank statement. Our test of 20 disbursements revealed that 12 lacked vendor invoices or other documentation to support the budget/consent form.

On June 26, 2012, DMHAS reported a loss of \$1,010 concerning the Money Management Program to the Auditors of Public Accounts, State Comptroller, and other appropriate officials in accordance with Section 4-33a of the General Statutes and followed up by conducting a review of the program beginning on September 27, 2012. DMHAS internal auditors concluded the review on July 1, 2014, and reported embezzlement by a former state employee disclosing losses totaling \$63,700. This affected over 225 client accounts for SWCMHS that consisted of losses of \$33,700 from Bridgeport and \$30,000 from F.S. Dubois. Included in the \$63,700 total loss was an amount of \$32,890 that our office had investigated and discovered earlier as a result of a whistleblower complaint.

The Office of State Ethics also conducted a review of this case and found that the former employee had violated the Code of Ethics. This review resulted in an executed Stipulation and Consent Order dated on August 21, 2014 and a fine to the former employee in the amount of \$4,750.

2) Connecticut Valley Hospital:

- a) *Activity Funds* – A test of 43 cash replenishment vouchers disclosed that accountability for 24 advances totaling \$4,313 were submitted between one and 56 days late. Twenty-six vouchers reviewed included payments for sales tax. Sixteen out of 24 monthly bank reconciliations were not performed in a timely manner.
- b) *Client Funds* – Fifteen out of twenty-four bank reconciliations were completed 10 days to 10 months late. A test of 186 disbursements disclosed that 42 did not include documentation to support the patient's acknowledgement of fund receipts.

3) Southeastern Mental Health Authority: Our review of the Activity Fund revealed various exceptions in 37 out of 48 transactions. These exceptions included lack of proper authorization of transactions, multiple payments of sales tax, and delayed accountability of advance payments for more than three months. There was also an instance in which the activity fund was used to pay for an outing for friends and relatives of clients.

4) Western Connecticut Mental Health Network:

- a) *Activity Funds* – We reviewed 15 deposits and found that three checks totaling \$1,996 were deposited nine to 16 days late. Our review of 25 disbursement transactions disclosed that state contracts were not used for four purchases totaling \$1,753. Three purchases of 24 gift cards from a department store did not include documentation to support that the gift cards were used for the welfare of the clients. Ten disbursements did not have supporting documentation of supervisory approval or the clients' receipt acknowledgement. Bank signature cards of all five trustee accounts consisting of four checking and one STIF account were not available for review. We could not determine whether the bank was promptly notified when a check signer left. According to records provided to the prior auditors, four employees who had trustee check signing and STIF electronic

transfer authorizations retired or transferred to different units. The Waterbury checking account had approximately \$10,000 of excess cash that was not needed for daily operations and should have been transferred to STIF. The June 30, 2012 bank reconciliation showed that nine checks totaling \$426 were outstanding for over six months, including one for \$47 that had been outstanding since September 2005. The ledger reports for client loans showed 22 loans totaling \$5,350 and 16 loans totaling \$2,888 for the Waterbury and Torrington regions, respectively, in which balances were not paid for over three years.

b) *Client Funds* – Two out of 15 tested accounts included money management practices that are not recommended by sound money management controls. The first account included two deposits of cash, for which the funding sources were not documented. The second account included deposits of checks made payable to the client but endorsed and cashed by the site coordinator.

5) *River Valley Services*: Our review of the Activity Fund revealed that three bank reconciliations appeared to be back dated or altered by staff to misrepresent their timeliness.

Effect: Not complying with records retention and trustee account procedures increases the risk of undetected fraudulent activities, losses, and mismanagement of trustee accounts.

Cause: The multiple violations of delinquent bank reconciliations reflected a lack of supervisory commitment to ensure timely execution of a critical internal control function.

The missing records at the Southwest Connecticut Mental Health System were attributable to a lack of management oversight of the records retention procedures. Furthermore, during a whistleblower investigation conducted by our office, we discovered and were able to save some trust fund records that were inexplicably placed in a locked trash bin designated for shredding. We also noted that the facility's business office had no process for backup of critical QuickBooks accounting records.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts. (See Recommendation 11.)

Agency Response: “Southwest Connecticut Mental Health System: Bank Reconciliations - Procedures have been implemented to ensure Client and Activity Fund bank reconciliations for all of Southwest Connecticut Mental Health accounts are timely prepared and reviewed by appropriate facility fiscal personnel.

Client Money Management Program Losses - On January 1, 2013, SWCMHS retained the services of a vendor to actively manage the patient fund accounts. Monthly reports noting deposit and disbursement transactions along with monthly bank reconciliations are sent to the SWCMHS business office for review and approval. In addition, a vendor employee is stationed in the SWCMHS business office to process client requests for fund distributions.

On October 1, 2012, the employee was terminated from state service. The employee grieved the dismissal and, as a result, a stipulated agreement was entered into between the state and the employee in which (1) the employee resigned from state service and (2) the employee agreed not to seek or accept employment with the state in the future.

In addition, this matter was referred to the Chief State’s Attorney’s Office, the Attorney General’s Office, and the Office of the Inspector General of the US Social Security Administration for additional review and follow up.

Connecticut Valley Hospital: Valley Finance revised their work process to include the proactive requisition of timely submittal of the advanced cash receipts. The process occurs each Monday. A Valley Finance supervisor e-mails all Unit Heads to inform them of the outstanding receipts. Advance monies requested by Programs are not disbursed until the previous receipts are submitted. The process has been effective which has resulted in a significant reduction of outstanding receipts.

Southeastern Mental Health Authority: The CFO has assumed management of the Trustee Account (the former Activity Fund). New checks and deposit tickets were ordered and received with the new name, a revised request form has been instituted at SMHA (requiring a few less signatures), and a follow up process has been instituted regarding the return of receipts/unspent funds to Fiscal Services within 5 business days. An all staff email was issued with the new form and new instructions.

Western Connecticut Mental Health Network: We will reinforce with staff that vendors under state contract, where available, are required

for all purchases including those from trustee accounts. Gift card use shall be limited, proper documentation will be required to support that cards are used for client welfare only. Supervisory approval and client receipt acknowledgement will be required in all cases.

All deposits of the money management accounts shall include documenting the funding sources. Staff will be reminded that checks must be endorsed by the payee only.

Bank signature cards - At least semi-annually, a list of authorized signers for trustee accounts, which will be maintained in the WCMHN fiscal office, will be reviewed by facility management. Check signers will be independent of check preparation subject to staffing limitations. In addition, the bank will be notified promptly, in writing, when signers either leave agency employment or change position responsibilities.

Excess cash - A determination will be made for the cash needs for the trustee account. Any funds not needed will be transferred to the Short Term Investment Fund.

Outstanding checks - The nine outstanding checks totaling \$426 were voided and reissued. The outstanding check from 2005 in the amount of \$47 was voided.

Outstanding loans - For the 22 loans originating at Waterbury, 20 continue to carry original balances payable to the Department, and two have been partially repaid. For the 16 loans originating at Torrington, two were paid in full, two were partially repaid, and 12 continue to carry original balances payable to the Department. The WCMHN is continuing its efforts to collect the original balances due from these accounts.

River Valley Services: All fiscal office personnel were mandated to take 'in-service-training' which explained that altering official state documents is prohibited and a violation of agency policy. The person in question was placed on two two-day suspensions without pay."

Petty Cash Funds

Criteria:

The State Accounting Manual provides guidance to state agencies regarding the establishment and administration of petty cash funds. Petty cash funds are intended to facilitate departmental or agency purchases of small, but necessary operating items, not to exceed \$50, except for emergencies or specific exceptions granted by the State Comptroller based upon the need of the agency. Written procedures and process charts must be maintained. If, at any time, it is determined

that the amount of the petty cash fund is excessive, deposit of the excess funds must be made.

For proper internal reporting, the petty cash custodian is required to submit a monthly status report on the activities of the fund to the department's business manager.

Condition:

1) Southwest Connecticut Mental Health System – All 24 monthly bank reconciliations during the audited period were insufficient in multiple respects, including reconciliations not being performed in a timely manner in numerous instances of as much as six months; absence of signatures and dates of the preparer or reviewer; and, in four instances, absence of reconciliation sign-off sheets. Original supporting documents were submitted to the centralized fiscal service bureau for petty cash fund reimbursement while copies were retained in the Bridgeport office without being marked for cancellation to prevent subsequent reuse for reimbursement. We also noted deficiencies in bookkeeping practices. Most significantly, neither the manual petty cash journal nor the main QuickBooks journal report included relevant account coding by transaction. Since many transactions were identical in amount but were distributed to different codes, absence of appropriate coding on the source document and journal level impaired the accounting trail. Approximately 20 percent of the tested disbursements did not have evidence of recipient signatures. In addition, the petty cash box was not maintained and replenished to a fixed imprest balance. We believe that the authorized balance of \$3,000 was excessive to local need, and facilitated the delayed reporting of petty cash transactions. The required annual petty cash report was filed for fiscal year 2011; however, the report was not filed for fiscal years 2012 and 2013 due to management being unaware of this requirement.

2) Connecticut Valley Hospital – Bank reconciliations for 14 of 24 months were completed one to ten months late. Our review determined that a seemingly excessive amount of fast food and grocery purchases were made in relation to patient-related activities when less costly meals were offered on-site. Food-related expenditures totaled \$26,266, or 47 percent, of total petty cash vouchers in fiscal year 2010-2011, and \$25,394, or 54 percent, of petty cash vouchers in fiscal year 2011-2012. Supporting documentation did not adequately identify whether food was purchased for clients or employees caring for the clients. Our review of 20 patient timesheets disclosed that seven timesheets lacked proper supervisory approvals, and eight lacked patient signatures. In six instances, hours reported on patient timesheets did not agree with the Timesheet Summary Report and

resulted in five minor overpayments totaling \$45 and one underpayment for \$2.

3) River Valley Services – It appeared that several bank reconciliation dates were altered to misrepresent the timeliness of their completion. Additionally, in five instances, the dates of preparation were days when the preparer was out on holiday or accrued leave.

4) Western Connecticut Mental Health Network – We noted four disbursements for food and refreshments during the annual employee appreciation party or employee’s resignation or retirement from the department. We observed that the majority of petty cash fund disbursements posted to the ledger was for purchases of food and beverages. Some purchases were clearly for clients while others seemed to be for agency employees.

Effect: Altered fiscal records reflected negatively on the integrity of fiscal management. Accounting deficiencies at the Southwest Connecticut Mental Health System increased the risk of undetected losses and other misuse of state funds. The lack of written policies governing the use of petty cash funds increases the likelihood of this misuse.

Cause: Supervisory oversight of petty cash activities appeared inadequate.

The department did not have a written policy to address the use of the General Fund petty cash for state employee activities.

Recommendation: The Department of Mental Health and Addiction Services should increase supervisory review of petty cash operations and establish written guidance on the acceptable use of petty cash funds for patient and state employee activities. (See Recommendation 12.)

Agency Response: “Southwest Connecticut Mental Health System: Procedures have been implemented to ensure Petty Cash bank reconciliations for Southwest Mental Health are timely prepared and reviewed by appropriate facility fiscal personnel. Additionally, copies of receipts maintained in the business office are now voided. The facility will review and implement a mechanism to appropriately code the source documents. The petty cash box is now counted on a weekly basis to an imprest balance. The facility will reduce the imprest petty cash balance to \$1,000. The facility recently introduced the requirement for personal expenditures previously paid from petty cash to instead be reimbursed through Form CO-17.

Connecticut Valley Hospital: Prior to the audit and the issuance of the report, Valley Finance implemented actions to reduce the amount of

funds spent on food during patient activities. These actions included: revision of Patient Accounts procedures to include reduction of food funds, meeting with Program Supervisors/Division Leadership and the reduction of Program budgets.

All Program activity requesting funds are reviewed and approved by a Valley Finance Supervisor before disbursements are made. Food requisitions that are included in these patient activities are reviewed for propriety.

River Valley Services: The Petty Cash account has been frozen since the beginning of 2013 and no activity has taken place in this account subsequently. Fiscal Services has initiated the cancellation process of the RVS Petty Cash account with the Office of the Comptroller. Furthermore, CVH Fiscal Services is taking the necessary steps to assure this situation is not repeated. Meetings will be conducted and discussion will take place with Fiscal Staff about the audit report findings noted particularly the alteration and change of state records.

Western Connecticut Mental Health Network: We will review and revise where necessary facility policies regarding the use of petty cash funds and will seek guidance regarding the use of General Fund petty cash for state employee activities.”

RECOMMENDATIONS

Our prior report on the Department of Mental Health and Addiction Services contained eight recommendations. Of the recommendations, two have been implemented or otherwise resolved and six are being repeated in modified form. As a result of our current examination, we have included six new recommendations.

Status of Prior Audit Recommendations:

- *The Department of Mental Health and Addiction Services should take action to review and recover amounts due from employees for using excessive furlough leave time.* The department has complied with this recommendation by recovering overpayments from 85 of 90 affected employees. The department was considering other collection efforts from the remaining five employees who had left state employment. As a result, this recommendation is not being repeated.
- *The Department of Mental Health and Addiction Services should improve controls over personal service agreements to avoid making excessive overpayments to nonprofit organizations at fiscal year end.* Our current review continued to note deficiencies in the management of personal service agreements; therefore, this recommendation is being repeated in a modified form. (See Recommendation 8.)
- *The Department of Mental Health and Addiction Services should review its use of temporary medical services.* We noted that some recruiting efforts were made; however, deficiencies concerning this matter still exist. As a result, this recommendation is being repeated in a modified form. (See Recommendation 5.)
- *The Department of Mental Health and Addiction Services should comply with state telecommunication procedures for verifying cell phone charges.* This recommendation is being repeated in a modified form. (See Recommendation 7.)
- *The Department of Mental Health and Addiction Services should improve controls over agency administered projects to ensure compliance with state procedures.* This recommendation has been resolved.
- *The Department of Mental Health and Addiction Services should review its fiduciary fund operations at each of its locations and address the lack of segregation of duties and any other weaknesses in the internal control procedures.* Our current review showed that the department has implemented some internal control procedures to compensate for the lack of complete segregation of duties over the management of trustee accounts. However, several internal control deficiencies still exist over trustee accounts. Therefore, this recommendation will be repeated in a modified form. (See Recommendation 11.)

- *The Department of Mental Health and Addiction Services should improve accountability over program advances made from Connecticut Valley Hospital's Activity Fund. Our current review of the trustee accounts noted similar and other conditions that warrant management's attention. As a result, this recommendation will be repeated in a modified form. (See Recommendation 11.)*
- *The Department of Mental Health and Addiction Services should improve records retention over fiscal records to ensure they are properly maintained in accordance with state procedures. Our current review noted other instances of missing records. As a result, this recommendation is being repeated and consolidated with the recommendation of trustee account management. (See Recommendation 11.)*

Current Audit Recommendations:

- 1. The Department of Mental Health and Addiction Services should comply with Section 4-33a of the General Statutes, which requires prompt notification to the Auditors of Public Accounts and the State Comptroller when there is a breakdown in the safekeeping of state resources.**

Comments:

The department did not report fraudulent activities or unsafe handling of state resources to appropriate officials in a prompt manner as required by statute.

- 2. The Department of Mental Health and Addiction Services should establish formal policies and procedures for self-service payroll, which includes time and attendance data entry, the approval process, and records retention.**

Comments:

The department has not officially revised its payroll procedures since the implementation of self-service attendance in Core-CT.

- 3. The Department of Mental Health and Addiction Services should improve oversight of its payroll and personnel procedures and practices.**

Comments:

We found several instances of missing annual evaluations, lack of attendance verification, extended paid administrative leave without proper notification, and payment errors.

- 4. The Department of Mental Health and Addiction Services should improve controls over personal service agreements.**

Comments:

We found several instances of late contract executions and an out-of-state psychologist did not possess a required professional license.

- 5. The Department of Mental Health and Addiction Services should increase its recruiting efforts to reduce its reliance on temporary psychiatrists and should implement verification procedures to ensure that invoice hours can be traced to actual service hours worked.**

Comments:

The department has not sufficiently reduced its reliance on using temporary contractual psychiatrists to meet its medical staffing needs since our previous audit.

- 6. The Department of Mental Health and Addiction Services should ensure that purchasing cardholders adhere to the state's Cardholder Work Rules.**

Comments:

A review of purchasing card operations disclosed that prior approvals were lacking, documentation was missing, and codings for expenditures were incorrect.

- 7. The Department of Mental Health and Addiction Services should comply with state telecommunication procedures for monitoring and verifying cell phone charges.**

Comments:

A review of cell phone operations noted that state procedures were not being followed for verifying monthly cell phone bills.

- 8. 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 laws requiring annual updates of gift and campaign contribution affidavits.**

Comments:

Our review showed several late contract amendments, a lack of sufficient contract detail and approvals, and missing current gift and campaign contribution affidavits.

- 9. The Department of Mental Health and Addiction Services should consider adding the Young Adult Services Fiduciary Fund program description and requirements to its purchase of service contracts and should improve its monitoring of budgeted expenditures and bank balances for Client Support Funds.**

Comments:

Our review disclosed a lack of sufficient contract detail for the Young Adult Services Program and inadequate monitoring of client fund balances.

- 10. The Department of Mental Health and Addiction Services should consider additional contractual terms to clearly define reporting and carryforward requirements for the staffing contract with Yale University and execute its annual contract renewal in a timely manner.**

Comments:

Carryforward balances were not applied until 18 months after the final year-end billing. Final invoices included estimated items and the department's record of carryforward balances was not always accurate.

- 11. The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts.**

Comments:

We noted numerous instances in which bank reconciliations were not prepared in a timely manner. We also noted that various records for the Southwest Connecticut Mental Health System could not be located.

- 12. The Department of Mental Health and Addiction Services should increase supervisory review of petty cash operations and establish written guidance on the acceptable use of petty cash funds for patient and state employee activities.**

Comments:

We noted that bank reconciliations were not prepared timely, patient timesheets lacked patient signatures and supervisory approvals, and disbursements were made for employee activities.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Mental Health and Addiction Services for the fiscal years ended June 30, 2011 and 2012. This audit was primarily limited to performing tests of the department's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the department's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the department are complied with, (2) the financial transactions of the department are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the department are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Mental Health and Addiction Services for the fiscal years ended June 30, 2011 and 2012, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Mental Health and Addiction Services complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

Management of the Department of Mental Health and Addiction Services is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants. In planning and performing our audit, we considered the Department of Mental Health and Addiction Services' internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the department's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Department of Mental Health and Addiction Services' internal control over those control objectives.

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

Health and Addiction Services' financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, or compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Department of Mental Health and Addiction Services' financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 2 – Lack of formal policies and procedures for self-service attendance in Core-CT, Recommendation 8 – Management of Grants and Contracts, Recommendation 11 – Management of Trustee Accounts, and Recommendation 12 – Petty Cash Funds. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Department of Mental Health and Addiction Services complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the department's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters, which we reported to agency management in the accompanying Condition of Records and Recommendations sections of this report.

The Department of Mental Health and Addiction Services' response to the findings identified in our audit is described in the accompanying Condition of Records section of this report. We did not audit the Department of Mental Health and Addiction Services' response and, accordingly, we express no opinion on it.

This report is intended for the information and use of department management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by officials and staff of the Department of Mental Health and Addiction Services during the examination.



William T. Zinn
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts