

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES
FISCAL YEARS ENDED JUNE 30, 2019 AND 2020*

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

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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 (DMHAS) for the fiscal years ended June 30, 2019 and 2020. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and a need for improvement in practices and procedures that warrant the attention of management. The significant findings and recommendations are presented below:

<p>Page 19</p>	<p>Our review of the 19 monitoring units' practices revealed that four units did not have written monitoring procedures in place. Our review of DMHAS monitoring of 20 programs administered by 20 providers revealed that the department did not promptly review 11 providers' single audit reports. In addition, the department did not ensure that six providers returned \$831,215 in unexpended funds. DMHAS should strengthen internal controls over its monitoring of private providers and ensure that each monitoring unit has formal, written procedures in place. (Recommendation 11)</p>
<p>Page 14</p>	<p>Our review of overtime earned by 20 employees revealed that overtime request forms were not on file, inaccurate, or not properly approved for 15 employees who earned a combined \$16,347 for 374.75 hours of overtime. One employee who earned \$1,742 for 35 hours of overtime was ineligible according to the bargaining unit contract. DMHAS should strengthen internal controls for overtime to ensure compliance with policies and collective bargaining agreements. (Recommendation 6)</p>
<p>Page 21</p>	<p>Our review of 40 client support fund disbursements revealed that 23 applications, 15 signed agreements, 11 client budgets, and 11 disbursement requests were missing or not properly approved. Furthermore, three rental payment disbursements lacked sufficient support and two group activities were missing attendance sheets. DMHAS should strengthen internal controls over Young Adult Services client support funds to ensure compliance with established policies and procedures. (Recommendation 12)</p>
<p>Page 23</p>	<p>Our review of 24 bank reconciliations revealed that the department did not promptly prepare 16 reconciliations. There was no evidence that DMHAS management reviewed and approved 16 bank reconciliations prepared by DMHAS staff, and four prepared by the contracted nonprofit entity. DMHAS and its contracted nonprofit entity did not properly identify, or timely address, reconciling items and accounting errors on 17 bank reconciliations. They also did not promptly void 29 checks, totaling \$1,737. DMHAS should strengthen internal controls over the bank reconciliation process. (Recommendation 13)</p>

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Our review of 30 trustee account disbursements revealed that DMHAS did not properly approve purchase orders and/or purchase requisitions for 12 disbursements. The department did not provide supporting documentation for 13 disbursements and did not obtain prior State Comptroller approval for two disbursements that exceeded \$1,000. DMHAS should strengthen internal controls over trustee accounts to ensure compliance with established policies and procedures. (Recommendation 14)

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Our review of 35 client fund disbursements revealed that the department's contracted provider did not properly approve budgets or requests for disbursements for seven expenditures. Additionally, the department did not document the clients' receipt of two disbursements, totaling \$27,200. DMHAS should strengthen internal controls over client fund disbursements and ensure that contracted providers comply with established policies and procedures. (Recommendation 16)

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Our review revealed that the Southwest Connecticut Mental Health System has maintained \$44,811 of inactive client funds in two bank accounts since at least 2013. The department presumes that the funds may belong to the U.S Social Security Administration. However, the department has not received guidance as to how to escheat the funds. As a result, the funds continue to remain inactive. DMHAS should make every effort to escheat unclaimed client funds to the appropriate parties. (Recommendation 17)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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June 8, 2022

AUDITORS' REPORT DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES FISCAL YEARS ENDED JUNE 30, 2019 and 2020

We have audited certain operations of the Department of Mental Health and Addiction Services in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2019 and 2020. 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. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

1. Deficiencies in internal controls;
2. Apparent noncompliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. A need for improvement in management practices and procedures that we deemed to be reportable.

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

COMMENTS

FOREWORD

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

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

Organizational Structure

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

The DMHAS Commissioner managed the agency's operations through its various divisions, which include:

Affirmative Action
Community Services

Legal Services
Managed Services

Evaluation/Quality Management and Improvement
Evidence-Based Practices
Fiscal
Forensic Services
Government Relations
Healthcare Finance
Human Resources
Information Systems

Multicultural Healthcare Equality
Office of Workforce Development
Office of the Commissioner
Prevention/Health Promotion
Recovery Community Affairs
State-Operated Facilities
Statewide Services
Young Adult Services

Governor Lamont’s Executive Order No. 2 directed the centralization of the statewide human resources and labor relations into the Department of Administrative Services and the Office of Policy and Management, respectively. Effective August 28, 2020, the functional areas within the DMHAS human resources unit, including labor relations, are operating within the new centralized structure.

DMHAS divided the state into five regions and 23 catchment areas to deliver mental health and substance abuse treatment services. DMHAS assigned each catchment area, which is a defined geographic area based on population, to a local mental health authority (LMHA). As of June 30, 2020, there were 13 LMHA, six state-operated and seven private non-profit organizations. The six state-operated LMHA provide mental health services as well as manage and fund a network of private nonprofit agencies in their respective geographic regions. The five regions are:

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

DMHAS provides grants to the seven private non-profit local mental health authorities, which maintain community-based network systems for mental health and addiction services in areas not covered by state-operated facilities.

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

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

Significant Legislation

There were no legislative changes with any significant impact on the operations of the Department of Mental Health and Addiction Services during the audited period.

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 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.

RÉSUMÉ OF OPERATIONS

DMHAS programs served 104,166 and 99,715 individuals during the 2018-2019 and 2019-2020 fiscal years, respectively. DMHAS primarily accounts for its operations in the General Fund and Other Restricted Accounts Fund.

General Fund

Receipts:

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

	Fiscal Year Ended June 30,		
	2018	2019	2020
Rental of Cottages or Residences	\$ 36,529	\$ 29,432	\$ 25,318
Refund of Prior Years' Expenditures	326,794	2,158,677	2,479,826
All Other	30,992	34,544	33,284
Total Receipts	\$ 394,315	\$ 2,222,653	\$ 2,538,428

DMHAS reviews single audit reports submitted by contracted providers and determines whether providers owe refunds to DMHAS. During the fiscal year ended June 30, 2019, DMHAS transferred this function from the Fiscal Services Division to the Internal Audit Division. The audit division has been able to review more single audit reports, resulting in a significant increase in refunds of prior years' expenditures.

Expenditures:

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:

	Fiscal Year Ended June 30,		
	2018	2019	2020
Personal Services and Employee Benefits	\$ 292,015,249	\$ 301,547,449	\$ 305,741,693
Workers' Compensation	13,832,161	13,784,678	15,183,955
Contractual Services	34,302,947	35,518,145	36,098,508
Client Services	251,337,567	250,990,040	256,837,155
Premises and Property Expenses	13,268,763	14,005,813	13,819,730
Information Technology	3,481,405	3,748,042	3,824,518
Purchased Commodities	12,883,499	13,389,507	13,302,042
Fixed Charges	48,016,247	50,277,543	50,717,379
All Other	5,018,016	5,040,611	4,624,469
Subtotal	\$ 674,155,854	\$ 688,301,828	\$ 700,149,449
Medicaid Disproportionate Share Payments	(79,818,547)	(79,818,547)	(79,818,547)
Total Expenditures	\$ 594,337,307	\$ 608,483,281	\$ 620,330,902

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

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

Federal and Other Restricted Accounts Fund

Receipts:

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

	Fiscal Year Ended June 30,		
	2018	2019	2020
Federal Aid	\$ 61,492,891	\$ 70,995,793	\$ 75,001,599
Non-Federal Aid	13,170,023	12,164,433	11,347,998
Grant Transfers	323,550	246,440	64,976
Investment Interest	2,703	3,798	2,842
Total Receipts	\$ 74,989,167	\$ 83,410,464	\$ 86,417,415

Federal and Other Restricted Accounts Fund receipts were primarily for federal grants. The Continuum of Care program, Substance Abuse Prevention and Treatment block grant, State Targeted Response to the Opioid Crisis grant, and the Community Mental Health Services block grant accounted for most federal grant receipts. DMHAS received \$119,636,901 in receipts for these grants during the audited period. Timing differences in the drawdowns of federal funds caused the fluctuations in federal grant receipts.

Expenditures:

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

	Fiscal Year Ended June 30,		
	2018	2019	2020
Personal Services and Employee Benefits	\$ 1,176,018	\$ 1,645,527	\$ 2,157,452
Contractual Services	1,773,821	1,617,301	3,093,789
Client Services	70,174,763	72,354,064	74,546,141
Premises and Property Expenses	8,044	4,637	641,680
Information Technology	128,553	137,569	383,256
Purchased Commodities	239,621	954,406	1,644,973
Fixed Charges	4,620,970	5,809,633	9,447,888
All Other	(84,624)	(24,420)	(180,112)
Total Expenditures	\$ 78,037,166	\$ 82,498,717	\$ 91,735,067

Federal and Other Restricted Accounts Fund expenditures were primarily for payments made to contractors providing various mental health and addiction services. The growth in expenditures for the 2019-2020 fiscal year was due primarily to increases in grant transfers to other state agencies for the Community Mental Health Services block grant and the CT Promotes Recovery from Opioid grant.

Special Revenue Funds

In addition to activities in the General Fund and Federal and Other Restricted Accounts Fund, the department was authorized to spend special revenue and capital project 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.

	Fiscal Year Ended June 30,		
	2018	2019	2020
Insurance Fund	\$ 408,924	\$ 412,377	\$ 412,377
Capital Equipment Purchase Fund	2,080,721	2,630,192	3,018,488
Bond Fund for Non-Profits' Capital Improvements	1,117,555	1,486,653	984,628
Housing Assistance	-	-	193,050
Community Conservation & Development	6,021,695	8,597,960	3,462,377
Bond Fund for Capital Improvements and Others	1,939,229	1,167,514	412,923
Total Expenditures	\$ 11,568,124	\$ 14,294,696	\$ 8,483,843

The decrease in special revenue expenditures for the 2019-2020 fiscal year was primarily due to a significant reduction in the Housing Assistance Community Conservation and Development Fund. The Urban Act Grant program within this fund provides funding to municipalities for economically distressed, public investment communities, or urban centers. These projects are awarded and operated at different times throughout the fiscal year, which contributed to the fluctuations.

Inpatient Per Capita Costs

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

	Fiscal Year Ended June 30,			
	2019		2020	
	Daily	Annual	Daily	Annual
Connecticut Valley Hospital	\$ 1,570	\$ 573,050	\$ 1,910	\$ 697,150
Connecticut Mental Health Center	2,253	822,345	2,638	962,870
Southwest Connecticut Mental Health System	1,497	546,405	1,891	690,215

The inpatient per capita rates increased for all three facilities from the 2018-2019 fiscal year to the 2019-2020 fiscal year. The rate increase at Connecticut Valley Hospital was mainly due to a significant reduction of inpatient days of service. In addition, a large positive roll-forward

adjustment was applied in the 2019-2020 per capita calculation as part of the methodology, which compares projected to actual costs. The rate increases at Connecticut Mental Health Center and Southwest Connecticut Mental Health System were mainly a result of additional state fringe benefit costs.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Mental Health and Addiction Services disclosed the following 18 recommendations, of which 16 have been repeated from the previous audit:

Routine Payroll Transactions

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

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

Condition: Our review of routine employee payroll transactions identified the following conditions:

1. Nine annual performance evaluations were not on file for seven employees.
2. Supervisors did not properly approve four timesheets accounting for \$13,446 in payroll expenditures.
3. Five employees incorrectly recorded 53 hours of holiday time on non-holidays. Upon our inquiry, DMHAS changed four of the employees' time reporting codes and adjusted leave accruals and is seeking a \$253 reimbursement from the other employee who left state service.

Context: DMHAS paid 3,629 employees \$304,184,851 during the fiscal year ended June 30, 2019, and 3,685 employees \$308,759,637 during the fiscal year ended June 30, 2020. We selected 35 employees with \$110,582 in payroll expenditures. We also reviewed 60 performance evaluations for these employees that were required during the audited period.

Effect: There is an increased risk for undetected timekeeping errors and improper payroll expenditures. Additionally, the lack of performance evaluations diminishes management's ability to measure employee performance and may result in employees receiving unmerited annual increases.

Cause: The conditions noted appear to be the result of management oversight.

Prior Audit Finding: Conditions 1 and 2 have not been previously reported. Condition 3 has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that management conducts annual employee evaluations, approves timesheets, and promptly corrects timekeeping errors. (See Recommendation 1.)

Agency Response: “The Department agrees with the conditions listed above. Condition 1 has been partially addressed in that two of the nine evaluations identified have been returned and completed. Condition 2 continues to be addressed with biweekly email reminders sent to the agency personnel. Condition 3 was corrected with the exception of one employee that resulted in an overpayment. A payroll officer has been assigned to recover this overpayment.”

Improper Approval of Compensatory Time

Criteria: DMHAS timekeeping policy requires supervisors to preapprove all extra hours worked by employees using a recognized approval method.

Article 13, Section 4 of the New England Health Care Employees Union (1199) bargaining unit contract prohibits employees engaged in direct client care from earning compensatory time. In lieu of compensatory time, these employees earn overtime.

Condition: Our review of compensatory time identified the following conditions:

1. Prior supervisory approval was not on file for 117 hours of compensatory time earned by 12 employees.
2. Four non-exempt employees inappropriately earned 18 hours of compensatory time.

Context: During the audited period, 376 employees earned 17,863 hours of compensatory time. We reviewed 168 hours of compensatory time earned by 20 employees.

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

Cause: The conditions noted appear to be the result of management oversight.

Prior Audit Finding: Condition 1 has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018. Condition 2 has not been previously reported.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that employees properly earn compensatory time. (See Recommendation 2.)

Agency Response: “As stated in the report of FY2017 & FY2018, the Department had put into place a monitoring mechanism effective January 01, 2016 to reflect the improvement of the process of approving compensatory time and possession of necessary documentation.

Effective August 2020 several changes were put into place regarding the reorganization of Human Resources. Payroll was removed from functioning within Human Resources Department and placed under the Fiscal Department. The Human Resource Department was transferred to the Department of Administrative Services.

This reorganization resulted in the Department not initially identifying a responsible party of gathering, reviewing and maintaining accountability of this function. A payroll officer will be assigned to assume responsibility of this function which will include ongoing training for agency personnel on the appropriate process to request and approve compensatory time.”

Lack of Separation Procedures

Criteria: DMHAS policy requires that, upon an employee’s separation, supervisors complete a checklist to verify that the employee returned all state property. Human Resources then completes a second checklist, documenting the specifics of the separation and verifies that the agency collected the property and disabled the employee’s access to information systems.

Condition: Separation checklists were missing for all ten employees reviewed. Eight of the employees were missing both checklists and two were missing one checklist.

Context: During the audited period, 701 employees separated from DMHAS. We reviewed ten separated employees.

Effect: The lack of forms increases risk that DMHAS is not collecting state property and disabling employee access to information systems upon separation.

Cause: There appears to be a lack of communication regarding the employee separation process.

Prior Audit Finding: This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that separation procedures are properly followed. (See Recommendation 3.)

Agency Response: “The DMHAS Separation process consists of one document titled “Supervisor’s Separation Checklist.” The checklist is sent to all supervisors upon an employee’s separation from DMHAS.

This document, once completed, is saved in a digital personnel file. Additionally, there is a bi-weekly facility activity report which is sent by the Human Resources Business partner to the DMHAS information technology staff. This Report notifies IT of all separations and the need for email/computer access disabling. The DMHAS Employment Separation Policy/Process will be reviewed and updated during the first quarter of 2022 and distributed to all responsible department personnel.”

Inadequate Workers’ Compensation Records

Criteria: The Department of Administrative Services (DAS) provides state agencies and employees with the information and tools necessary for the uniform administration of the workers’ compensation program. The DAS Workers’ Compensation Manual requires the completion of a workers’ compensation claim packet. The manual also provides instructions on how to enter claims into Core-CT and calculate employees’ first workers’ compensation payments.

Condition: Our review of workers’ compensation claims identified the following conditions:

1. Eight claims had missing or improperly completed workers’ compensation forms.
2. DMHAS did not accurately calculate the first workers’ compensation checks for three claims, resulting in a net underpayment of \$479.

Context: During the audited period, DMHAS employees filed 1,197 workers’ compensation claims. We reviewed 15 claims.

Effect: There is an increased risk for processing errors and inaccurate payments.

Cause: The identified conditions appear to be the result of management oversight.

Prior Audit Finding: This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that workers' compensation claims are accurate and adequately supported. (See Recommendation 4.)

Agency Response: "The administration of Worker's compensation was centralized commencing in August 2020 from the DMHAS to the Department of Administrative Services.

With centralization the objective is to document, process and administer the employee entitlements accurately and timely. The processes and administration of these entitlements will be reviewed and audited by the managers and administrators of these centralized programs to ensure compliance with all applicable laws and policies."

Inadequate Medical Leave Records

Criteria: Section 5-247-11 of the state personnel regulations and most collective bargaining unit agreements require employees to submit a medical certificate to substantiate more than five consecutive days of sick leave. The statewide Family and Medical Leave Policy sets forth procedures for requesting and approving leave under the Family and Medical Leave Act (FMLA). The policy outlines the required forms and submission deadlines.

Condition: Our review of medical leaves identified the following conditions:

1. Medical certificates and/or FMLA forms were missing for 16 employees on medical leave for 310 days.
2. DMHAS did not promptly complete required FMLA documentation for 11 employees on medical leave for 204 days. DMHAS completed the required forms between 22 and 110 days after receiving employee FMLA requests and other related information.

Context: During the audited period, 979 employees were on medical leave for more than five days for a total of 14,850 days. We reviewed 20 employees on medical leave for 368 days, with leaves ranging from 8 to 47 days.

Effect: There is an increased risk for unauthorized medical leaves, which could result in unnecessary costs to the state.

Cause: The conditions noted appear to be the result of management oversight.

Prior Audit Finding: This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it is administering medical leave in accordance with collective bargaining unit agreements and Family and Medical Leave Act guidelines. (See Recommendation 5.)

Agency Response: “The administration of medical leave of absence documentation and records was centralized commencing in August 2020 from the DMHAS to the Department of Administrative Services. With centralization the objective is to document, process and administer the medical leave requests/certificates accurately and timely. The processes and administration of these certificates will be reviewed and audited by the managers and administrators of these centralized programs to ensure compliance with all applicable policies and procedures.”

Weaknesses in the Administration of Overtime

Criteria: DMHAS timekeeping policy requires the authorization and advance approval of all overtime using a recognized approval method. Each overtime request should include the employees’ name, overtime location, number of hours requested, and the justification for extra hours worked. The department should maintain adequate documentation to support overtime.

Collective bargaining unit contracts specify employees who are exempt from earning overtime. Exempt employees are granted compensatory time rather than overtime pay for extra hours worked. The Secretary of the Office of Policy and Management (OPM) may approve the agency to pay straight overtime when granting compensatory time would create a hardship.

Condition: Our review of overtime identified the following conditions:

1. Overtime request forms were not on file, inaccurate, incomplete, or not properly approved for 374.75 hours of overtime worked by 15 employees, totaling \$16,347.
2. One employee who worked 35 hours of overtime, totaling \$1,742, was ineligible to receive overtime, according to the collective bargaining union contract.

Context: During the audited period, 2,750 employees earned \$108,348,651 in overtime. We selected 20 employees who earned \$21,635 in overtime.

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

- Cause:* The identified conditions appear to be the result of management oversight.
- Prior Audit Finding:* This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.
- Recommendation:* The Department of Mental Health and Addiction Services should strengthen internal controls for overtime to ensure compliance with policies and collective bargaining agreements. (See Recommendation 6.)
- Agency Response:* “The Department agrees with this finding. Supervisors and staff will be reeducated on the proper procedures for requesting overtime and obtaining all necessary and required information prior to working any overtime. The identified employee in Condition 2 was previously authorized to earn overtime in lieu of compensatory time and mistakenly removed from the most recent approved overtime list.”

Lack of Approval for Paid Administrative Leave

- Criteria:* Section 5-240-5a of the state personnel regulations permits state agencies to place employees on paid administrative leave for up to 30 days in cases involving pending criminal charges. An additional 30 days may be granted with the approval from the commissioner of the Department of Administrative Services (DAS).
- According to Article 33, Section 7 of the New England Health Care Employees Union (1199) bargaining unit contract, if an agency determines that extenuating circumstances exist to extend paid administrative leave beyond two months, the agency must obtain prior approval from the Office of Labor Relations (OLR).
- Condition:* Our review of paid administrative leave identified the following conditions:
1. DMHAS did not receive the DAS commissioner's approval to extend paid administrative leave beyond the permitted 30 days for a pending criminal case. The employee was on paid administrative leave for 91 days.
 2. DMHAS did not receive OLR approval to extend nine instances of paid administrative leave beyond the permitted two months. The employees were on paid administrative leave for 79 to 157 days.
- Context:* During the audited period, DMHAS placed 84 employees on paid administrative leave for a total of 3,126 days. We reviewed ten

employees on paid administrative leave for 990 days, with leaves ranging from 79 to 157 days.

Effect: There is an increased risk for the department to incur unnecessary paid administrative leave costs.

Cause: The noted conditions appear to be the result of management oversight as well as the nature and complexity of the investigations.

Prior Audit Finding: This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should comply with state personnel regulations and bargaining unit contracts when placing employees on paid administrative leave. (See Recommendation 7.)

Agency Response: “The DMHAS Labor Relations Department has implemented a weekly review of all investigations involving employees on Administrative Leave. If a paid administrative leave is projected to extend beyond permitted guidelines by statute or bargaining unit contract a request is made, in writing, to the appropriate authority requesting an extension determined by status of corresponding investigation. The Labor Relations Department maintains all correspondence related to such requests, including authorization, or denials, of requests.”

Inadequate Records to Support Working Test Periods

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

Article 8, Section 4 of the New England Health Care Employees Union (1199) bargaining unit contract permits state agencies to extend working test periods for a defined period with notice to the union.

Condition: Our review of extended working test periods identified the following conditions:

1. DMHAS did not document employee counseling and/or performance evaluations for three employees with performance deficiencies.
2. DMHAS did not notify the New England Health Care Employees Union (1199) that it would extend three members’ working test periods.

<i>Context:</i>	During the audited period, DMHAS extended the working test period for 64 employees. We reviewed ten employees with extended working test periods, eight of which had performance deficiencies.
<i>Effect:</i>	Extensions of working test periods may not be justified, and employee job performance may not improve.
<i>Cause:</i>	The noted conditions appear to be the result of management oversight.
<i>Prior Audit Finding:</i>	Condition 2 has not been previously reported. Condition 1 has been previously reported in the last audit report covering the fiscal years ended June 30, 2017 through 2018.
<i>Recommendation:</i>	The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it extends working test periods in accordance with the Department of Administrative Services' General Letter No. 31 and collective bargaining agreements. (See Recommendation 8.)
<i>Agency Response:</i>	"The Department agrees with this finding. Controls will be strengthened by addressing concerns related to the lack of completeness and consistency of documentation. These issues will be addressed by both supervisors and management of the Department."

Weaknesses in Purchasing Card Processing

<i>Criteria:</i>	DMHAS general purchasing card policy requires purchases to be preapproved and supported by all relevant documents. Employees receiving the goods or services must verify the order by signing the packing slip or receipt.
<i>Condition:</i>	Our review of purchasing card transactions identified the following conditions: <ol style="list-style-type: none">1. There was no evidence that DMHAS preapproved 25 transactions, totaling \$14,035.2. There was no evidence that employees received the goods or services for seven transactions, totaling \$1,444.
<i>Context:</i>	During the audited period, 87 cardholders made 19,277 purchases totaling \$6,330,493. We reviewed 46 purchases totaling \$28,404 made by 19 cardholders at Connecticut Valley Hospital, Connecticut Mental Health Center, Southwest Connecticut Mental Health System, and the Office of the Commissioner.

<i>Effect:</i>	There is an increased risk for erroneous, improper, and unauthorized purchases.
<i>Cause:</i>	The identified conditions appear to be the result of management oversight.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.
<i>Recommendation:</i>	The Department of Mental Health and Addiction Services should strengthen internal controls over purchasing cards to ensure compliance with established policies and procedures. (See Recommendation 9.)
<i>Agency Response:</i>	“DMHAS agrees with this finding. Currently, each facility has an established internal control processes for using P-Card’s to purchase goods and services. Going forward DMHAS will communicate quarterly with P-Card holders and facility CFO’s to remind them of the importance of following the current P-Card procedures that are in place.”

Weaknesses in the Processing of Contracts

<i>Criteria:</i>	<p>In accordance with the Office of Policy and Management (OPM), Procurement Standards for Personal Service Agreements and Purchase of Service Contracts, contractors must not begin work until a contract is fully executed.</p> <p>Sound business practice provides that contracts should adequately identify the specific services that contractors are to provide.</p>
<i>Condition:</i>	<p>Our review of contracts identified the following conditions:</p> <ol style="list-style-type: none">1. DMHAS signed 15 contracts, totaling \$9,986,916, between 14 and 366 days after the start of the contract period. For one of the contracts, DMHAS paid \$166,385 for services prior to contract execution.2. The contracts for the Young Adult Services (YAS) program do not adequately identify the services to be provided by contractors.
<i>Context:</i>	During the audited period, there were 728 contracts with expenditures totaling \$734,681,389. We tested 20 contracts with expenditures totaling \$21,630,671 and total values of \$40,809,958. We also reviewed the language for YAS contracts, for which expenditures totaled \$97,996,897.

- Effect:* There is an increased risk that the department may incur expenditures for unauthorized activities, and that contractors may not provide the intended services.
- Cause:* There appears to be a delay in the Office of the Attorney’s General’s approvals, and DMHAS had to delay its update of the YAS contract language due to the COVID-19 public health emergency.
- Prior Audit Finding:* Condition 1 has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018. Condition 2 has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2015 through 2018.
- Recommendation:* The Department of Mental Health and Addiction Services should comply with contracting laws and regulations and ensure that contracts are executed timely and adequately identify the scope of services. (See Recommendation 10.)
- Agency Response:* “The Department will continue to review its ongoing work with the Fiscal Division to assure timely execution of contracts for the Department. In addition, the Department will submit a revised scope of service language for the Young Adult Services program to the Office of the Attorney General for their review and approval for use in the contracts by June 30, 2022.”

Weaknesses in Provider Monitoring

- Background:* DMHAS contracts with a network of private nonprofit providers for a variety of mental health and addiction services. There are 19 DMHAS units responsible for program monitoring, which ensure that providers properly deliver services and meet established standards of care by meeting with providers, conducting site visits, reviewing program goals, and other methods. The Fiscal and Internal Audit divisions are responsible for fiscal monitoring. Through reviews of financial and audit reports, the divisions ensure that providers use funds properly and return unexpended funds.
- Criteria:* The department’s policy requires each unit responsible for program monitoring to formulate oversight and monitoring procedures and conduct reviews to ensure compliance with contractual terms and expectations, as well as state and federal requirements.
- Providers must submit annual financial audits within six months after the close of their fiscal years. Within six months of receiving the audit reports, the Internal Audit Division must review the reports and perform a reconciliation to determine whether providers have any unexpended funds. Providers must promptly return unexpended funds.

Condition: Our review of the 19 units' monitoring practices revealed that four units, responsible for monitoring 125 programs with \$67,220,147 in funding during the audited period, did not have written monitoring procedures in place:

1. Forensic Services
2. Recovery Community Affairs
3. Capitol Region Mental Health Center
4. Western Connecticut Mental Health Network

Our review of DMHAS' monitoring activities performed during the fiscal year ended June 30, 2020, for 20 programs administered by 20 providers, identified the following conditions:

1. DMHAS reviewed 11 providers' single audit reports approximately one week to one year late. The providers received \$5,640,535 in funding for the fiscal year ended June 30, 2020.
2. DMHAS did not ensure that six providers promptly returned \$831,215 in unexpended funds. At the time of our review, none of the providers had returned unexpended funds approximately nine to ten months after DMHAS notified them they were due.

Context: During the audited period, there were 972 programs administered by 180 providers. Funding for the programs totaled \$222,137,945 and \$281,251,483 for the fiscal years ended June 30, 2019 and 2020, respectively. We selected 20 programs administered by 20 providers, with \$8,538,843 in funding for the fiscal year ended June 30, 2020.

Effect: The lack of written monitoring procedures reduces the assurance that providers are delivering services in compliance with contractual terms and expectations and state and federal requirements.

The failure to promptly review audit reports increases the risk for the improper use of funds. There is also an increased risk that providers may not return unexpended funds.

Cause: These conditions appear to be the result of staffing shortages, the nature and structure of the department, and lack of management oversight.

Prior Audit Finding: This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over its monitoring of private providers and ensure that each monitoring unit has formal, written procedures in place. (See Recommendation 11.)

Agency Response: “Late review of audit reports and unreturned funds. The Department’s providers are required to file with the DMHAS an Annual Financial Report within 3 months of the close of the fiscal year. The reports were in an electronic format based on an Excel platform. During the FYE 2019 the Department began the conversion of these reports from Excel to an electronic platform utilizing CORE-CT. During the conversion process technical issues delayed the review of the 11 reports noted in the findings. With respect to the funds not returned, providers have the ability to appeal the results of any funds due which can, depending on facts and circumstances, delay the return of any unexpended funds.

Capitol Region Mental Health Center: CRMHC has developed a written policy and procedure to ensure the monitoring of contracts. The policy was accepted by the CRMHC Governing Body on during the first half of FYE 2022.

Forensic Services and Recovery Community Affairs: The aforementioned will strengthen internal controls over the monitoring of private providers and ensure that each monitoring unit has formal, written procedures in place.

WCMHN: The WCMHN has implemented a number of written procedures to strengthen controls for monitoring private providers which includes outcome measures, utilization issues, billed services data and budget status.”

Weaknesses in the Administration of Young Adult Services Client Support Funds

Background: The Young Adult Services unit offers client support funds based on clinical and financial needs to support the successful transition of youth to adulthood. DMHAS state-operated local mental health authorities (LMHA) contract with fiduciaries to administer client support funds.

Criteria: DMHAS procedures require clients to complete applications, sign agreements, and submit documentation regarding their income, assets, and savings. Based on this information, the department identifies appropriate supports and prepares client budgets. Expenses not included in the budget must be requested and approved in advance. Disbursements should be supported by adequate documentation, including receipts. Group activities must be supported by an attendance sheet that identifies all clients who participated.

Condition: Our review of client support funds disbursements identified the following conditions:

1. Applications were missing or not properly approved for 23 disbursements, totaling \$13,842.
2. Signed agreements were missing or not properly approved for 15 disbursements, totaling \$5,128.
3. Client budgets were missing or not properly approved for 11 disbursements, totaling \$6,000.
4. Disbursement requests were missing or not properly approved for 11 disbursements, totaling \$4,188.
5. Disbursements for three rental payments, totaling \$1,872, lacked sufficient supporting documentation.
6. Attendance sheets for client group activities were missing for two disbursements, totaling \$222.

Context: During the audited period, DMHAS contracted with six providers to administer YAS client support funds on behalf of the state-operated local mental health authorities. Client support funds expenditures totaled \$2,888,565 during the two-year period. We selected 40 disbursements, totaling \$24,094, processed on behalf of Southwest Connecticut Mental Health System, Capitol Region Mental Health Center, River Valley Services, and Southeastern Mental Health Authority.

Effect: There is an increased risk for the loss and misuse of Young Adult Services client support funds.

Cause: The identified conditions appear to be the result of management oversight.

Prior Audit Finding: This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over Young Adult Services client support funds to ensure compliance with established policies and procedures. (See Recommendation 12.)

Agency Response: “In order to prevent the recurrence of the aforementioned findings, YAS has requested and received OPM approval to provide fiduciary services

through a single agency to manage client support funds for all state-operated Young Adult Services programs. The agency that will assume this function has already demonstrated effective performance in this role with one state-operated YAS program and also already serves as the fiduciary agency for the majority of the DMHAS state-operated Adult Services programs. This agency has also demonstrated the ability to increase accountability and maximize efficiencies through the use of a specialized software technology. The transition to a single fiduciary entity will offer opportunities to consolidate and streamline existing roles, functions, and associated processes.

To further ensure consistent practices across programs, Young Adult Services is in the process of developing one standardized statewide YAS program policy and procedures to be applied across all state operated YAS programs. OOC YAS leadership/managers will also hold standing meetings with the single fiduciary agency and state-operated YAS program leadership, in addition to conducting internal audits utilizing the updated YAS CSF Audit tool to strengthen internal controls over Young Adult Services client support funds to ensure compliance with established policies and procedures.”

Bank Account Reconciliations

Background:

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

Criteria:

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

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

Condition:

Our review of bank reconciliations identified the following conditions:

1. DMHAS did not promptly prepare 16 bank reconciliations. The reconciliations were prepared between approximately 45 days to two years and four months after month-end.
2. There is no evidence that DMHAS management reviewed and approved 16 bank reconciliations prepared by DMHAS staff and four bank reconciliations prepared by the contracted nonprofit entity.
3. DMHAS and its contracted nonprofit entity did not properly identify, or timely address, reconciling items and accounting errors included on 17 bank reconciliations. Our review found 19 reconciling items, totaling \$1,910, that DMHAS and its contracted nonprofit entity reported on bank reconciliations between three months to five years and six months prior to their resolution. Our review also found three accounting errors, totaling \$1,768, that DMHAS and its contracted nonprofit entity either did not identify or promptly resolve.
4. DMHAS and its contracted nonprofit entity did not promptly void 29 checks, totaling \$1,737. The checks were outstanding for approximately eight months to over one year when voided. Additionally, DMHAS could not locate documentation to support the status of two checks, totaling \$25, that had been outstanding for more than seven months at the time of the bank reconciliations.

Context:

DMHAS maintained 30 bank accounts with balances totaling \$909,160, as of June 30, 2020. We reviewed 24 bank reconciliations for ten bank accounts, with balances totaling \$663,578, as of June 30, 2020. Connecticut Mental Health Center (CMHC), Connecticut Valley Hospital (CVH), Southwestern Connecticut Mental Health System (SWCMHS), and Western Connecticut Mental Health Network (WCMHN) administered the bank accounts reviewed. CMHC, SWCMHS, and WCMHN contracted with a nonprofit entity to manage three of these bank accounts.

Effect:

There is an increased risk for undetected errors and fraudulent activities, losses, and mismanagement of agency bank accounts.

Cause:

The identified conditions appear to be the result of limited staffing, turnover, and 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 over the bank reconciliation process. (See Recommendation 13.)

Agency Response: “CMHC agrees with the finding. CMHC will generate bank reconciliations in a timely manner. Going forward CMHC will review and void checks as needed on a monthly basis.

CVH/RVS agrees with this finding. Due to staff shortages and turnover during the COVID pandemic, some bank reconciliations were delayed. These reconciliations have been performed and currently all bank reconciliations now are completed in timely manner.

WCMHN agrees with this finding and will strengthen controls over the bank reconciliation process as mentioned in the recommendation noted above.

SWCMHS: There were 2 checks issued from the money management funds to a contracted vendor in March 2018. According to the guidelines, the contractor has to wait 3 years before the checks can be escheated to the State. Those 2 checks were escheated in April 2021. To strengthen internal controls fiscal office staff will continue to review the bank reconciliations to ensure checks that are outstanding for an extended period are identified and resolved in a timely manner.”

Weaknesses in the Administration of Trustee Accounts

Background: DMHAS maintains trustee accounts and activity funds at its facilities, which are used for general client support, enrichment activities, worker programs, loans, and other purposes.

Criteria: Section IV.C.4 of the Accounting Procedures Manual for Trustee Accounts requires state agencies to maintain purchase orders, vendor invoices, and receipts to substantiate trustee account payments. Agencies must obtain prior State Comptroller approval for any single expenditure exceeding \$1,000.

Condition: Our review of trustee accounts disbursements identified the following conditions:

1. DMHAS did not properly approve purchase orders and/or requisitions for 12 disbursements, totaling \$6,455.
2. DMHAS did not provide supporting documentation for 13 disbursements, totaling \$11,353.

3. DMHAS did not obtain prior State Comptroller approval for two disbursements in excess of \$1,000, totaling \$3,558.

Context: During the audited period, DMHAS maintained 11 trustee accounts with account balances totaling \$215,443 and \$307,550 for the fiscal years ended June 30, 2019 and 2020, respectively. We reviewed 30 disbursements, totaling \$20,323, made from five trustee accounts maintained by Connecticut Valley Hospital, River Valley Services, and Western Connecticut Mental Health Network.

Effect: There is an increased risk of loss and misuse of trustee funds.

Cause: The identified conditions appear to be the result of management oversight.

Prior Audit Finding: This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts to ensure compliance with established policies and procedures. (See Recommendation 14.)

Agency Response: “CMHC agrees with the finding. CMHC will review with staff the process in creating a cash disbursement voucher. Going forward, staff will ensure that proper documentation is approved before the cash disbursement voucher is generated.

CVH/RVS – We agree with this finding. Proper approval couldn’t be located for couple of charges as the staff who processed these purchases were no longer with DMHAS. One retired and one resigned. The current staff were instructed to follow proper purchasing procedures.

WCMHN- These conditions were due to the period of COVID. There was very limited staff to approve purchases. The non-approval of a \$1,000 purchase for rent was due to an emergency housing situation for a client. The lease agreement was also an oversight due to an emergency situation and staff teleworking at the time. Going forward all check requests with supporting documentation for a check \$1,000 or over will be reviewed by the fiscal department for accuracy before payment is made.”

Weaknesses in the Administration of Client Loans

Background: The Southwest Connecticut Mental Health System may use trustee funds for loans and grants to clients for expenses related to food, lodging, travel, clothing, and personal hygiene supplies.

<i>Criteria:</i>	Sound business practice provides that agencies should make every effort to collect loan repayments. Section 3-7 of the General Statutes requires agencies to obtain agency head approval for uncollectible claims of \$1,000 or less and Secretary of the Office of Policy and Management approval for claims greater than \$1,000.
<i>Condition:</i>	<p>Our review of client loans made from the SWCMHS trustee account identified the following conditions:</p> <ol style="list-style-type: none">1. There was no evidence that SWCMHS attempted to collect seven loans, totaling \$3,791, after they were delinquent for more than six months.2. SWCMHS did not obtain agency head approval to write off two loans, totaling \$640. Further inquiry revealed that SWCMHS did not obtain agency head approval for 53 uncollectible loans, totaling \$20,280, and OPM approval for five uncollectible loans, totaling \$8,252.
<i>Context:</i>	During the audited period, SWCMHS issued 28 client loans from its trustee account, totaling \$13,564. We selected ten client loans, totaling \$6,766.
<i>Effect:</i>	There is an increased risk that the Southwest Connecticut Mental Health System will not collect or properly write off client loans.
<i>Cause:</i>	The identified conditions appear to be the result of management oversight.
<i>Prior Audit Finding:</i>	Condition 1 has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2015 through June 30, 2018. Condition 2 has not been previously reported.
<i>Recommendation:</i>	The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it properly manages client loans and obtains the required approvals for the write-off of uncollectible loans. (See Recommendation 15.)
<i>Agency Response:</i>	“To strengthen the process and internal controls, the following actions have been taken: 1) clients' loans are being reviewed once per month for outstanding balances and payments, 2) those accounts with overdue payments are contacted once per month. 3) Accounts that are uncollectible are being reviewed for write-offs, and then submitted to the facility CEO for approval. Accounts that are in excess of \$1,000 will be submitted to the State Treasurer’s Office for approval as well.”

Weaknesses in the Administration of Client Fund Disbursements

Background: DMHAS may voluntarily or involuntarily enroll clients who are unable to manage their own finances in a money management program. DMHAS administers the funds for clients at Connecticut Valley Hospital and has contracted with Advanced Behavioral Health, Inc. (ABH) to administer the funds for clients at River Valley Services, Western Connecticut Mental Health Network, Connecticut Mental Health Center, and Southwest Connecticut Mental Health System. The Social Security Administration may appoint DMHAS or ABH as representative payee for clients receiving Social Security benefits.

Criteria: Advanced Behavioral Health's client money management policies require the preparation and approval of monthly client budgets. Additional requests for disbursements must follow the same approval and claim processing procedures.

Connecticut Valley Hospital patient account procedures require clients to authorize disbursements and acknowledge receipt of cash or checks.

Condition: Our review of client fund disbursements identified the following conditions:

1. Advanced Behavioral Health did not properly approve budgets for two disbursements, totaling \$1,757.
2. Advanced Behavioral Health did not properly approve requests for five disbursements, totaling \$6,246.
3. Connecticut Valley Hospital did not document the clients' receipt of two disbursements, totaling \$27,200.

Context: During the audited period, DMHAS maintained 11 client fund accounts with balances totaling \$413,341 and \$516,857, as of June 30, 2019 and 2020, respectively. We reviewed 35 disbursements, totaling \$49,034, from five client fund accounts maintained by Connecticut Valley Hospital, River Valley Services, Western Connecticut Mental Health Network, and Connecticut Mental Health Center.

Effect: There is an increased risk of loss and misuse of client funds.

Cause: The identified conditions appear to be the result of outdated policies and procedures that do not reflect current practices.

Prior Audit Finding: This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over client fund disbursements and ensure that the contracted provider complies with established policies and procedures. (See Recommendation 16.)

Agency Response: “CVH: Efforts will be made to strengthen internal controls over client fund disbursements in accordance with established policies and procedures. This will include notifying the CFO, Division Directors and CEO if required documentation is not returned timely.

ABH: ABH will provide further adherence to policies for client budgets. Additional education and training will be provided to new ABH staff members.”

Inactive Client Funds

Background: In 2013, DMHAS contracted with a private nonprofit entity to provide client money management services for Southwest Connecticut Mental Health System. At that time, SWCMHS opened a new account and transferred active client balances to the account. SWCMHS left inactive client balances in their original accounts.

Criteria: Section IV of the State Comptroller’s Accounting Procedures Manual for Trustee Accounts provide that, when an individual has left a facility and has remaining client funds, agencies must make every effort to return the funds to the rightful owner.

Condition: Since 2013, the Southwest Connecticut Mental Health System has maintained \$44,811 of client funds in two inactive SWCMHS bank accounts. SWCMHS presumes that the funds may belong to the U.S. Social Security Administration. However, SWCMHS has not received any guidance as to how to escheat the funds; therefore, the funds continue to remain inactive in the accounts.

Effect: SWCMHS has not returned \$44,811 in unclaimed funds to the appropriate parties.

Cause: SWCMHS has not yet received guidance from the appropriate parties regarding the escheatment process.

Prior Audit Finding: This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2015 through 2018.

Recommendation: The Department of Mental Health and Addiction Services should make every effort to escheat unclaimed client funds to the appropriate parties. (See Recommendation 17.)

Agency Response: “SWCMHS was referred to a local bank branch manager to escheat the funds. Several attempts, both via mail and email, to escheat the funds to U.S. Social Security Administration but were not successful. We plan to reach out to the bank’s regional office for additional solutions.”

Medicaid – Targeted Case Management Rates

Background: The Department of Social Services (DSS) is designated as the single state agency to administer the Medicaid program in accordance with Title 42 Code of Federal Regulations (CFR) Part 431. Connecticut administered certain aspects of the Medicaid program through a number of agencies, including the Department of Mental Health and Addiction Services.

DMHAS provides targeted case management services to persons with chronic mental illness (TCM-CMI). DSS claims TCM-CMI costs for federal reimbursement under the Medicaid program.

Criteria: Title 42 CFR Part 447 Section 201 provides that the State Plan must describe the policy and methods to be used in setting payment rates for each type of service included in the state’s Medicaid program.

State Plan Attachment 4.19-B establishes the methods and standards for establishing TCM-CMI rates. Rates are established based on certified cost reports that DMHAS submits to DSS no later than ten months following the close of the state fiscal year. During the state fiscal year, TCM-CMI claims are based on interim rates. Once cost reports are available, final rates are calculated and the interim rate is adjusted in aggregate. If certified costs exceed interim rates, DSS will submit claims to the Centers for Medicare and Medicaid Services for the underpayment. This reconciliation must occur within 24 months of the end of the rate year.

Condition: DMHAS submitted the 2017 TCM-CMI certified cost report to DSS in May 2020, which was beyond the 24-month reconciliation period. DMHAS should have submitted the report to DSS by April 2019.

Context: We reviewed TCM-CMI rate adjustments that occurred, or were expected to occur, within the fiscal year ended June 30, 2020.

Effect: The state was unable to claim \$890,186 in certified TCM-CMI costs that exceeded the interim rate. The state lost \$445,093 in Medicaid reimbursements.

Cause: Low staffing levels hindered DMHAS from completing its certified cost report. DSS accommodated DMHAS with several deadline extensions.

However, DMHAS could not meet the final deadline prior to the 24-month reconciliation period.

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 it promptly completes reconciliations and cost settlements of interim rates to ensure the state receives all federal funding. (See Recommendation 18.)

Agency Response: “The Department agrees with the finding for TCM FY17 Cost report late submission.

The Department has implemented several changes to address the issues of rate timeliness and accuracy including development of detailed procedures to document the rate setting methodology, extensive staff training on the rate setting process, and the addition of a senior manager and fiscal supervisor for oversight and quality assurance.

Subsequent TCM-CMI certified cost reports for FY18, FY19 and FY20 were submitted on time and within the reconciliation period to DSS.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Department of Mental Health and Addiction Services contained 23 recommendations. Six have been implemented or otherwise resolved and 17 have been repeated or restated with modifications during the current audit.

- The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that compensatory time is properly approved and documented. **This recommendation is being repeated. (See Recommendation 2.)**
- The Department of Mental Health and Addiction Services should establish procedures to ensure the employee separation process is completed and adequately documented. **This recommendation is being repeated. (See Recommendation 3.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls to ensure workers' compensation claims are supported and accurately recorded. **This recommendation is being repeated. (See Recommendation 4.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls to ensure medical leave is administered in accordance with collective bargaining agreements and Family and Medical Leave Act guidelines. **This recommendation is being repeated. (See Recommendation 5.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls to ensure holiday time is accurately recorded. **This recommendation is being repeated in modified form. (See Recommendation 1.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls for overtime to ensure compliance with policies and procedures. The department should adequately track and monitor overtime. **This recommendation is being repeated in modified form. (See Recommendation 6.)**
- The Department of Mental Health and Addiction Services should ensure that the LILA time reporting code is adjusted in accordance with Core-CT Job Aid procedures. **This recommendation has been resolved.**
- The Department of Mental Health and Addiction Services should comply with state personnel regulations and bargaining unit contracts when placing employees on paid administrative leave. **This recommendation is being repeated. (See Recommendation 7.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that working test periods are extended in accordance with the

Department of Administrative Services' General Letter No. 31. **This recommendation is being repeated. (See Recommendation 8.)**

- The Department of Mental Health and Addiction Services should strengthen internal controls over purchasing cards to ensure compliance with established policies and procedures. **This recommendation is being repeated (See Recommendation 9.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls over contract processing to ensure compliance with purchasing laws and regulations. **This recommendation is being repeated (See Recommendation 10.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls over its monitoring of private providers. The department should ensure that it has formal procedures in place and document its monitoring efforts. **This recommendation is being repeated. (See Recommendation 11.)**
- The Department of Mental Health and Addiction Services should ensure that contracts adequately document the services to be provided by contractors. **This recommendation is being repeated (See Recommendation 10.)**
- The Department of Mental Health and Addiction Services should require service organizations responsible for significant financial applications and processes to provide appropriate Service Organization Controls reports. **This recommendation has been resolved.**
- The Department of Mental Health and Addiction Services and other responsible agencies should promptly mitigate and remediate information system threats and vulnerabilities identified in the July 2016 consultant's report. **This recommendation has been resolved.**
- The Department of Mental Health and Addiction Services should strengthen internal controls over petty cash funds to ensure compliance with policies and procedures. **This recommendation has been resolved.**
- The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts to ensure compliance with established policies and procedures. **This recommendation is being repeated. (See Recommendation 14.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that client loans are properly administered. **This recommendation is being repeated (See Recommendation 15.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls over client funds to ensure compliance with established policies and procedures. **This recommendation is being repeated (See Recommendation 16.)**

- The Department of Mental Health and Addiction Services should make every effort to return unspent client funds to the rightful owners and escheat unclaimed funds to the Office of the State Treasurer. **This recommendation is being repeated in modified form. (See Recommendation 17.)**
- The Department of Mental Health and Addiction Services should strengthen internal controls over Young Adult Services client support funds to ensure compliance with established policies and procedures. **This recommendation is being repeated. (See Recommendation 12.)**
- The Department of Mental Health and Addiction Services should institute procedures to ensure that local mental health authorities promptly notify all appropriate parties of location changes. **This recommendation has been resolved.**
- The Department of Mental Health and Addiction Services should create a system to document timekeeper overtime requests, approvals, and equalization efforts. **This recommendation has been resolved.**

Current Audit Recommendations:

- 1. The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that management conducts annual employee evaluations, approves timesheets, and promptly corrects timekeeping errors.**

Comment:

Our review of payroll and personnel transactions for 35 employees revealed that nine performance evaluations were not on file, four timesheets were not properly approved, and five employees charged 53 hours to holiday time on non-holidays.

- 2. The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that employees properly earn compensatory time.**

Comment:

Our review of 20 employees' compensatory time revealed that prior supervisor approval was not on file for 12 employees who earned 117.75 hours of compensatory time. Additionally, four non-exempt employees inappropriately earned 18 hours of compensatory time.

- 3. The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that separation procedures are properly followed.**

Comment:

Separation checklists were missing for all ten employees reviewed. Eight of the employees were missing both checklists and two were missing one checklist.

- 4. The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that workers' compensation claims are accurate and adequately supported.**

Comment:

Our review of 15 workers' compensation claims revealed that eight claims had missing or incomplete forms. DMHAS did not accurately calculate the first workers' compensation checks for three claims, resulting in a net underpayment of \$479.

- 5. The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it is administering medical leave in accordance with collective bargaining unit agreements and Family and Medical Leave Act guidelines.**

Comment:

Our review of 20 instances of medical leave revealed that 16 were missing required forms. The department did not promptly complete required Family and Medical Leave documentation for 11 employees.

- 6. The Department of Mental Health and Addiction Services should strengthen internal controls for overtime to ensure compliance with policies and collective bargaining agreements.**

Comment:

Our review of overtime earned by 20 employees revealed that overtime request forms were not on file, inaccurate, or not properly approved for 15 employees who earned \$16,347 for 374.75 hours of overtime. One employee who earned \$1,742 for 35 hours of overtime was ineligible, according to the bargaining unit contract.

- 7. The Department of Mental Health and Addiction Services should comply with state personnel regulations and bargaining unit contracts when placing employees on paid administrative leave.**

Comment:

Our review of ten employees on paid administrative leave revealed that the department did not obtain Department of Administrative Services approval to extend one paid administrative leave for an additional 30 days and did not obtain Office of Labor Relations approval to extend the leave beyond the permitted two months for nine employees.

- 8. The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it extends working test periods in accordance with the Department of Administrative Services' General Letter No. 31 and collective bargaining agreements.**

Comment:

Our review of ten extended working test periods revealed that the department did not document employee counseling and/or performance evaluations for three employees with performance deficiencies. In addition, the department did not notify the New England Health Care Employees Union (1199) that the agency would be extending three members' working test periods.

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

Comment:

Our review of 46 purchasing card transactions revealed that there was no evidence that the department preapproved 25 transactions, totaling \$14,035, or that employees received the goods or services for seven transactions.

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

Comment:

Our review of 20 contracts revealed that the department signed 15 contracts between 14 and 366 days after the start of the contract period. For one contract, the department paid \$166,385 for services prior to execution. Our review also noted that Young Adult Services (YAS) program contracts did not adequately identify the contractor's scope of services.

- 11. The Department of Mental Health and Addiction Services should strengthen internal controls over its monitoring of private providers and ensure that each monitoring unit has formal, written procedures in place.**

Comment:

Our review of the 19 monitoring units' practices revealed that four units did not have written monitoring procedures in place. Our review of DMHAS' monitoring of 20 programs administered by 20 providers revealed that the department did not promptly review 11 providers' single audit reports. In addition, the department did not ensure that six providers returned \$831,215 in unexpended funds.

- 12. The Department of Mental Health and Addiction Services should strengthen internal controls over Young Adult Services client support funds to ensure compliance with established policies and procedures.**

Comment:

Our review of 40 client support fund disbursements revealed that 23 applications, 15 signed agreements, 11 client budgets and 11 disbursement requests were missing or not properly approved. Furthermore, three rental payment disbursements lacked sufficient support and two group activities were missing attendance sheets.

13. The Department of Mental Health and Addiction Services should strengthen internal controls over the bank reconciliation process.

Comment:

Our review of 24 bank reconciliations revealed that the department did not promptly prepare 16 reconciliations. There was no evidence that DMHAS management reviewed and approved 16 bank reconciliations prepared by DMHAS staff, and four prepared by the contracted nonprofit entity. DMHAS and its contracted nonprofit entity did not properly identify, or timely address, reconciling items and accounting errors on 17 bank reconciliations. They also did not promptly void 29 checks, totaling \$1,737.

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

Comment:

Our review of 30 trustee account disbursements revealed that DMHAS did not properly approve purchase orders and/or purchase requisitions for 12 disbursements. The department did not provide supporting documentation for 13 disbursements and did not obtain prior State Comptroller approval for two disbursements that exceeded \$1,000.

15. The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it properly manages client loans and obtains the required approvals for the write-off of uncollectible loans.

Comment:

Our review of ten client loans revealed that there was no evidence that the department attempted to collect seven loans after more than six months of delinquency, and it did not obtain agency head approval to write off two loans. Additional inquiry revealed that the department did not obtain agency head approval to write off 53 loans or Office of Policy and Management approval for five loans that were greater than \$1,000.

16. The Department of Mental Health and Addiction Services should strengthen internal controls over client fund disbursements and ensure that contracted providers comply with established policies and procedures.

Comment:

Our review of 35 client fund disbursements revealed that the department's contracted provider did not properly approve budgets or requests for disbursements for seven expenditures. Additionally, the department did not document the clients' receipt of two disbursements, totaling \$27,200.

17. The Department of Mental Health and Addiction Services should make every effort to escheat unclaimed client funds to the appropriate parties.

Comment:

Our review revealed that the Southwest Connecticut Mental Health System maintained \$44,811 of inactive client funds in two bank accounts since at least 2013. The department presumes that the funds may belong to the U.S Social Security Administration. However, the department has not received guidance as to how to escheat the funds; therefore, the funds continue to remain inactive.

18. The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that it promptly completes reconciliations and cost settlements of interim rates to ensure the state receives all federal funding.

Comment:

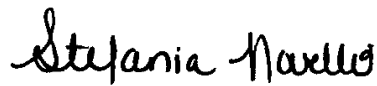
The department submitted the 2017 Targeted Case Management – Chronic Mental Illness (TCM-CMI) certified cost report to the Department of Social services in May 2020, which was beyond the 24-month reconciliation period. As a result, the state lost \$445,093 in Medicaid reimbursements.

ACKNOWLEDGMENTS

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

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

Romina Andrade
Nancy Niedzwiecki
Stefania Novello
Ryan Wenzel
Audrey Wood

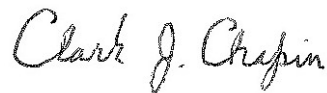


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