STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF PUBLIC HEALTH
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013

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

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January 7, 2016

AUDITORS' REPORT
DEPARTMENT OF PUBLIC HEALTH
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 and 2013

We have audited certain operations of the Department of Public Health (DPH) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013.

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.

3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management 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 legal provisions, and (3) need for improvement in management practices and procedures that we deemed to be reportable.

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

COMMENTS

FOREWORD

DPH operates primarily under the provisions of Title 19a, Chapters 368a through 368l, 368r, 368v, 368x, and Title 20, Chapters 369 through 388, 393a, 395, 398, 399, 400a and 400c of the General Statutes.

DPH states in its statutory responsibility statement, that it "is the center of a comprehensive network of public health services, and is a partner to local health departments for which it provides coordination and a link to federal initiatives, training and certification, technical assistance and consultation, and specialty services such as risk assessment that are not available at the local level." DPH provides health information to the state government and local communities that is "used to monitor the health status of Connecticut's residents, set health priorities and evaluate the effectiveness of health initiatives." "The agency is a regulator focused on positive health outcomes and assuring quality and safety while also minimizing the administrative burden on the personnel, facilities and programs regulated." According to its Healthcare Quality and Safety Branch Statement, DPH "regulates access to health care professions and provides regulatory oversight of health care facilities and services."

The commissioner of the Department of Public Health is responsible for the overall operation and administration of the department, as well as administering the state's health laws and public health code. Under the provisions of Section 19a-14 of the General Statutes, DPH is also responsible for all administrative functions relating to various boards and commissions and licensing of the regulated professions. The duties of the various boards and commissions consist of assisting the department in setting standards for the various professions, examining applicants for licensure, and taking disciplinary action against any license holder who has been found to engage in illegal, incompetent, or negligent conduct.

Jewel Mullen, M.D. was appointed commissioner in February 2011 and served as commissioner throughout the audited period.

Public Act 09-3, effective October 2009, established the Office of Health Care Access (OHCA), as a division within DPH. Prior to October 2009, OHCA operated within DPH for administrative purposes only. OHCA was audited under separate cover for the fiscal years ended June 30, 2010 and 2011 and is incorporated within the DPH audit for the fiscal years ended June 30, 2012 and 2013.

Significant Legislative Changes

Public Act 13-279, effective October 1, 2013, required all state agencies taking certain regulatory actions under the Uniform Administrative Procedure Act to cite the legal authority for the action. The agencies must do this when rendering final decisions for taking actions against a license under that act. In either case, an agency must identify the statutes or its regulations supporting the decision or authorizing the action.

Public Act 13-297, effective October 1, 2013, made it a form of risk of injury to a child for a person to intentionally and unreasonably interfere with or prevent a person who is required to report suspected child abuse and neglect (a mandated reporter) from carrying out this obligation. The act also made it a crime for mandated reporters to fail to report suspected child abuse or neglect to the Department of Children and Families.

Public Act 14-39, effective July 1, 2014, created the Office of Early Childhood and designated it as the lead agency for the early care and education of young children. The act transferred from DPH to the Office of Early Childhood, day care licensing, inspection, regulation, investigation, and license revocation. These responsibilities relate to child day care centers, group day care homes, and family day care homes.

RÉSUMÉ OF OPERATIONS

General Fund Receipts

General Fund receipts of DPH totaled $40,164,281 and $41,785,752 for the 2012 and 2013 fiscal years, respectively. A comparative summary of General Fund receipts, as compared to the previous fiscal year, is presented below:

	Fiscal Year Ended June 30,		
	2011	**2012**	**2013**
Revenues and Receipts:			
Licensure, Registration and Inspection Fees	$32,346,966	$32,582,049	$33,572,744
Title XIX State Survey and Medicaid Funds	3,867,504	2,997,587	3,668,594
Expenses Recovered, Hospitals	3,083,546	2,770,542	2,598,177
Fees for Laboratory Services	1,488,799	816,238	905,083
Birth, Marriage and Death Certificates	230,055	253,788	266,411
Fines, Civil Penalties, and Court Costs	299,143	429,312	383,500
Miscellaneous	(74,533)	(109,836)	(119,744)
Refunds of Expenditures	510,061	424,601	510,987
Total General Fund Receipts	$41,751,541	$40,164,281	$41,785,752

Hospitals, nursing facilities, and intermediate care facilities for individuals with intellectual disabilities (ICF/IID) that serve Medicaid patients must meet prescribed health and safety standards. A Medicaid agency may not execute a provider agreement with a facility or make Medicaid payments to a facility unless the state survey agency has certified that the facility meets the prescribed standards. The Department of Public Health performs these surveys and receives the Title XIX State Survey and Medicaid Funds for this purpose.

General Fund expenditures totaled $80,906,634 and $94,078,778 for the 2012 and 2013 fiscal years, respectively. A comparative summary of General Fund expenditures, as compared to the previous fiscal year, is presented below:

	Fiscal Year Ended June 30,		
	2011	**2012**	**2013**
General Fund Expenditures:			
Salaries and Wages	$ 34,765,854	$ 34,889,430	$ 34,770,048
State Aid and Other Grants	33,708,051	31,475,817	32,971,139
Purchased Commodities	10,424,164	10,256,182	20,110,998
Premises and Property Expense	15,936	128,583	2,168,746
Professional Services	1,610,216	1,637,416	1,279,149
Other Services	922,380	782,303	1,035,275
Information Technology	528,008	662,447	581,494
Rental and Maintenance – Equipment	385,208	514,011	507,816
Other Miscellaneous Expenditures	518,725	560,445	654,113
Total General Fund Expenditures	$82,878,542	$80,906,634	$94,078,778

State Aid and Other Grants and Salaries and Wages represent over 72 percent of total expenditures during the audited period. A significant portion of Purchased Commodities expenditure accounts were for the purchase of drugs and pharmaceuticals for the immunization services provided by the department. Immunization service expenditures increased from $8,646,493 in fiscal year 2012 to $18,112,461 in fiscal year 2013. This large increase resulted from a legislative change that greatly expanded the department's role and authority in the purchase and distribution of vaccines. Public Act 12-1, effective January 1, 2013, required health care providers to obtain vaccines for children from the Department of Public Health and changed the types of insurers who pay the fee to fund the program. Prior to January 1, 2013, health care providers were permitted to purchase their own vaccines and bill the insurers directly.

Federal and Other Restricted Accounts

DPH's Federal and Other Restricted Fund receipts, as recorded by the State Comptroller, totaled $156,701,705 and $136,466,078 for the fiscal years ended June 30, 2012 and 2013, respectively. The largest federal programs comprising these receipts were the federal Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Ryan White Program. The two programs averaged receipts of approximately $42,500,000 and $14,800,000 over the two fiscal years under review, respectively.

The overall decrease in revenues between fiscal years 2012 and 2013 was caused by a number of new and existing state and federal programs with funding increases and decreases. Some of the larger variances were as follows: A stem cell research grant for $10,000,000 was received in fiscal year 2012 but not in fiscal year 2013; Ryan White Title 2 Rebates declined by $6,056,636 in fiscal year 2013; Affordable Care Act - Maternal, Infant and Early Childhood grant funds in the amount of $4,620,571 were received for the first time in fiscal year 2013; Special Supplemental Food WIC funds decreased by $4,492,892 between the fiscal years under review; Medicine Facilities Certification funds increased from fiscal year 2012 to 2013 by $4,625,481.

Expenditures from the Federal and Other Restricted Fund, as recorded by the State Comptroller for the fiscal years ended June 30, 2012 and 2013, totaled $159,444,279 and $164,595,899, respectively. A summary of these expenditures is presented below:

	Fiscal Year Ended June 30,		
	2011	**2012**	**2013**
Federal and Other Restricted:			
Grants and Grant Transfers	$ 76,724,178	$ 82,421,341	$ 75,713,978
Personnel Services and Employee Benefits	36,287,455	35,477,117	34,055,489
Purchased Commodities	28,602,207	25,576,154	40,532,361
Other Charges	6,394,755	6,193,162	4,921,421
Information Technology	4,718,552	3,904,499	3,436,182
Other Services	3,107,679	2,743,787	2,941,511
Professional, Scientific, & Technical Services	2,792,961	1,773,032	1,886,816
Other Miscellaneous Expenditures	1,923,438	1,355,187	1,108,141
Total Federal and Other Restricted	$160,551,225	$159,444,279	$164,595,899

Purchased Commodities was comprised mainly of food and beverage charges of the Special Supplemental Nutrition Program for the Women, Infants, and Children grant (WIC). For each of the three years presented above, through our audit work at the department related to the state's Comprehensive Annual Financial Reports, we found overstatements due to adjusting entry errors made by the department for WIC program food purchases. Purchased Commodities for fiscal year 2013 increased due to several adjusting entry errors made by the department. Actual food and beverage costs for WIC as measured by food instrument presentations to the WIC checking account by program vendors remained relatively constant over the three-year period presented above.

Capital Equipment Fund

Capital Equipment Fund expenditures totaled $717,042 and $434,910 during the fiscal years ended June 30, 2012 and 2013, respectively. Most of these amounts were used to purchase medical, laboratory, and data processing equipment.

Special Revenue Fund – Grants to Local Governments and Others

Grant expenditures to nonprofit providers and community health agencies for facility improvements amounted to $2,100,673 and $2,520,146 for the fiscal years ended June 30, 2012 and 2013, respectively. These grants are from the Small Town Economic Assistance Program (STEAP) fund to support economic development, community conservation and quality of life projects for localities. STEAP funds can only be used for capital projects and cannot be used for programmatic or recurring budget expenditures. As a result, fiscal year expenditures vary based upon approved, eligible projects.

Non-Capital Improvement & Other Projects Fund – Community Conservation and Development Fund

Non-Capital Improvement and Other Projects Fund expenditures were $0 and $1,846,372 during the fiscal years ended June 30, 2012 and 2013, respectively.

Capital Projects Fund – Capital Improvements and Other Purposes

Capital Projects Fund expenditures were $2,817,096 and $2,633,877 during the fiscal years ended June 30, 2012 and 2013, respectively.

Biomedical Research Trust Fund

Biomedical Research Trust Fund expenditures were $1,280,843 and $836,845 during the fiscal years ended June 30, 2012 and 2013, respectively.

Drinking Water Federal Loan

Drinking Water Federal Loan expenditures were $1,658,363 and $6,048,135 during the fiscal years ended June 30, 2012 and 2013, respectively.

PROGRAM EVALUATIONS

Emergency Medical Services

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected agency operations. In our prior audit, we reviewed the DPH Emergency Medical Services (EMS) data collection system created by Public Act 00-151. Our prior audit work resulted in two recommendations. We found that not all EMS providers had submitted their required activity reports and that the department did not use its enforcement powers for those EMS providers who failed to submit their required activity reports in a timely and complete manner. In addition, we reported that the department had not developed and, therefore, did not submit the appropriate quantifiable outcome measures for the state's emergency medical services system to the General Assembly as required by Section 19a-177 subsection (10) of the Connecticut General Statutes.

Our current review of Emergency Medical Services had two objectives. The first was to follow up on the two prior audit recommendations. Our second objective was to expand our review to cover other statutory program requirements associated with Emergency Medical Services at the Department of Public Health. The results of our current review are presented in the first two recommendations following this introduction.

Our decision to expand testing in this area was influenced and supported by the report, *A Reassessment of Emergency Medical Services*, for Connecticut performed by the National Highway Traffic Safety Administration (NHTSA) Technical Assistance Team. NHTSA employed a team of subject matter experts to visit Connecticut from July 30, 2013 through August 1, 2013, and perform a reassessment to measure Connecticut's progress since the last reassessment in 2000. The reassessment program is a tool for states to use in evaluating their statewide programs against established standards. The NHTSA review was a voluntary, proactive effort by the department to establish the overall status of the statewide EMS system in comparison to national standards.

The NHTSA report for Connecticut included a number of recommendations in the various component areas. As part of our review, we made inquiries regarding the progress the department has made in addressing the recommendations found in the NHTSA reassessment performed in 2013. The third recommendation presented below reports on the results of those inquires and lists some of the NHTSA recommendations that relate to our own recommendations or closely related matters.

Our decision to expand testing was also influenced by an explanatory note included in the 2013 EMS Provider Activity Report produced by the Department of Public Health and includes summary data on emergency services throughout the state. The explanatory note cautioned that the data submitted by each EMS provider may not be an accurate representation of actual service responses or response times in a specific community. This explanatory note was also included in the reports for calendar years 2012 and 2011.

EMS Data Collection Program

Criteria: Connecticut General Statutes Section 19a-177(8)(A) required that a data collection system be developed by October 1, 2001 that would follow a patient from entry into the EMS system to arrival at the emergency room.

Connecticut General Statutes Section 19a-177(8)(A) states that, "…The commissioner shall, on a quarterly basis, collect the following information from each licensed ambulance service or certified ambulance service that provides emergency medical services…The information required under this subdivision may be submitted in any written or electronic form selected by such licensed ambulance service, certified ambulance service…and approved by the commissioner...The commissioner may conduct an audit of any such licensed ambulance service, certified ambulance service…as the commissioner deems necessary in order to verify the accuracy of such reported information."

Connecticut General Statutes Section 19a-177(8)(D) requires that, in addition to licensed or certified ambulance services, "the commissioner shall collect the information required by subparagraph (A) of this subdivision, in the manner provided in said subparagraph, from each person or emergency medical service organization licensed or certified under section 19a-180 that provides emergency medical services."

An emergency medical service organization is defined under Connecticut General Statutes Section 19a-175(10) as, "any organization whether public, private or voluntary that offers transportation or treatment services to patients primarily under emergency conditions."

Section 19a-177-7 of the Regulations of Connecticut State Agencies requires that each licensed Connecticut acute care hospital submit to the trauma registry information to analyze and evaluate the quality of care of trauma patients. Trauma, is defined by Section 19a-177-1 of the Regulations of Connecticut State Agencies as "a wound or injury to the body caused by accident, violence, shock, or pressure, excluding poisoning, drug overdose, smoke inhalation, and drowning." Included in the trauma registry are all admitted trauma patients, all trauma patients who died, all trauma patients who are transferred, and all traumatic brain injury patients.

Condition: In our prior audit, we recommended that the Department of Public Health take the necessary steps to ensure that all licensed or certified ambulance providers submit their required activity reports. It also was recommended that the department make use of its enforcement powers for licensed or certified ambulance providers who fail to submit their required activity reports in a timely and complete manner.

The review of the status of the prior audit recommendation and the department's overall EMS data collection program found the following:

Licensed or Certified Ambulance Providers

The department could not provide an analysis that identified all noncompliant EMS providers. As a result, the department was not able to demonstrate that enforcement actions taken during the audited period were sufficient to ensure compliance with the data submission requirements.

In order to test the sufficiency of the department's enforcement actions, we obtained the EMS provider record of submissions and performed our own analysis. We noted that while the department collects 367 unique data points, such as alcohol or drug use indicators or barriers to patient care, only 26 unique data points are made available in the published 2013

EMS Provider Activity Report. Our review of the record of submissions to the department identified approximately 147 EMS providers who were routinely submitting the required data during the period from June 30, 2013 to May 27, 2014. This number of compliant EMS providers was relatively unchanged from the number reported in our prior audit report for calendar 2011. However, over the audited period, it appears that the total number of providers has increased from the 172 for calendar 2011 reported in our prior audit report to approximately 186 as reported in the Reassessment of Emergency Medical Services for Connecticut performed by NHTSA in August 2013. Based upon our analysis of the data available, it appears that approximately 39, or 21 percent of the EMS providers, did not comply with the data submission requirement, which is an increase from the number of noncompliant providers reported in our prior audit report.

On December 13, 2013, the department took enforcement action in the form of a letter of noncompliance to 16 EMS providers. This was the only action taken against noncompliant EMS providers since our prior audit. Of the 16 EMS providers, approximately, seven appeared to remain noncompliant during the period tested. The department provided us with no evidence that subsequent enforcement actions were taken against these or other noncompliant EMS providers.

Licensed or Certified Emergency Medical Service Organizations –

During the review of the EMS data collection program, we noted that the department did not collect the required data for approximately 116 first responders and 93 supplemental first responders.

While the department has collected a significant amount of data from the EMS providers, it does not appear that the collected data was subjected to review or quality control procedures.

- For instance, our analysis of the available data from the 2013 EMS Provider Activity Report identified emergency service providers that reported a total of one defibrillation attempt out of the approximate 809 cardiac 911 calls for calendar year 2013. In comparison, most emergency service providers in the state reported on average, approximately one attempted defibrillation for every three cardiac 911 calls for calendar year 2013.

- We also noted two emergency service providers with a total of approximately 18,500 service calls that reported no cardiac 911 calls. In comparison, the other emergency service providers in the state reported approximately one cardiac 911 call for every 153 emergency medical service 911 calls for calendar year 2013.

- The department did not respond to our request to review the conditions noted in our summary analysis of the reported data. Therefore, it is unknown whether these conditions represent a problem with data integrity or an ongoing problem with emergency service providers.

The department was unable to provide the auditors with the status of the data collection program for the Trauma Registry**.**

Effect: Without comprehensive, reliable data, the department is unable to research, develop, track, and report on appropriate quantifiable outcome measures for the state's emergency medical services system and report to the General Assembly on such matters.

Cause: The department's monitoring and enforcement procedures were not sufficient to ensure that all EMS providers and trauma facilities submitted their required data in a timely manner. While funding levels may have been sufficient during the initial development phase of the program, it is doubtful that the current funding level will be enough to address the conditions noted above.

Recommendation: The Department of Public Health should take the necessary steps to ensure that all EMS providers and trauma facilities submit their required data. Furthermore, the department should develop the monitoring tools necessary to track in real time the submissions of required data from the determined universe of providers.

Any such monitoring tool should include the capability of tracking the department's collection efforts for EMS providers and trauma facilities who fail to submit their data. For those EMS providers and trauma facilities, the department should make use of its enforcement powers to ensure compliance with state statutes and regulations. (See Recommendation 1.)

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding. The DPH has taken steps to ensure that all EMS providers and trauma facilities submit their required data. The main reason EMS providers did not submit data was because of technology problems. The reason for non-compliance is due to unforeseen complex technology problems that could not be easily rectified. The DPH has diligently worked with providers to help resolve the technology issues and as of June 2015 there are only two EMS agencies in non-compliance.

The DPH believes enforcement is not appropriate at this time since substantial progress has been made since the last audit finding and only two EMS agencies remain not in compliance.

The DPH is making efforts to monitor and track submission of required data. Data elements are collected by the DPH both for state requirements as well as submission to NEMSIS (National EMS Information System). The total number of data elements collected for NEMSIS submission far exceeds State requirements and there is presently no sorting capability for exclusively collecting the data to meet the State requirements.

The DPH is in the process of upgrading its trauma system software. The new system should enable the DPH to sort out the data elements so that the data elements required by the State can be easily extracted."

Annual Report to the General Assembly on Quantifiable Outcome Measures

Criteria: Section 19a-177(10) through (12) of the General Statutes states that the department will "Research, develop, track and report on appropriate quantifiable outcome measures for the state's emergency medical services system and submit to the joint standing committee of the General Assembly having cognizance of matters relating to public health, in accordance with the provisions of section 11-4a, on or before July 1, 2002, and annually thereafter, a report on the progress toward the development of such outcome measures and, after such outcome measures are developed, an analysis of emergency medical services system outcomes; Establish primary service areas and assign in writing a primary service area responder for each primary service area; Revoke primary services area assignments upon determination by the commissioner that it is in the best interests of patient care to do so..."

Condition: In our prior audit, we reported that the department had not developed and submitted the appropriate quantifiable outcome measures for the state's emergency medical services system to the General Assembly as required by Section 19a-177 subsection (10) of the Connecticut General Statutes. The results of our follow-up are as follows:

Research and Development of Outcome Measures

Since the inception of the data collection program, the department has not established outcome measures.

The 2013 EMS Provider Activity Report included key data on average 911 response times by town for each emergency medical provider. The department did not subject that data to further

analysis and evaluation against established outcome measures in order to assess the performance of individual emergency medical providers and the statewide emergency medical services system.

The auditors requested the performance standards from the department as well as the methodology for the evaluation of primary service area (PSA) assignments. The department did not provide the performance standards, nor did it provide the methodology used to establish or revoke PSA assignments.

Reporting

Subsequent to the completion of our fieldwork on EMS but before the issuance date of this report, the department submitted its first report on the appropriate quantifiable outcome measures to the General Assembly since the inception of the program in 2002.

Effect: The department expended approximately $5,339,727 over the life of the program but has not collected quality data from all providers and analyzed that data against established outcome measures in order to assess the performance of individual emergency medical providers and the statewide emergency medical services system.

The joint standing committee of the General Assembly having cognizance of matters relating to public health has not had all of the statutorily required information available for policy-making decisions.

Cause: The department did not allocate to the Office of Emergency Medical Services the necessary resources to analyze and interpret the collected data in the current format.

The department used some of the funding for the data collection program to support the salary and fringe benefits for a departmental employee who does not analyze and interpret the collected data.

Recommendation: The Department of Public Health should take the necessary steps to ensure the collection of quality data from providers and use the collected data to research, develop, track, and report on appropriate quantifiable outcome measures and submit an analysis of the emergency medical service system outcomes to the joint standing committee of the General Assembly having cognizance of matters relating to public health.

The department should evaluate the assignment of PSAs and the performance of emergency medical service providers against established outcome measures. (See Recommendation 2.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH, Office of Emergency Medical Services, has statutory authority for data collection and reporting of statewide EMS information. Public Act 00-151 required the development of a data collection system to document the pre-hospital experience of patients. An annual report to the Connecticut General Assembly was required starting in 2002.

DPH submitted statistical information in 2012 and 2013 to the Connecticut General Assembly that was presented in a format that showed basic and raw data. DPH submitted an improved and more comprehensive report on September 22, 2015 to the General Assembly for 2014 data. The 2014 report included data that was reviewed and carefully researched for reliability and integrity. The Data Manager position that was filled in March 2015 greatly assisted in collecting the data from DPH providers ensuring its reliability, and analyzing various fields. The report was well-received in the EMS community.

As stated, DPH faced numerous challenges with data collection from the outset of the Project. Improving the collection, reliability, and usefulness of the data remains an important goal, and with staffing now in place, DPH should be able to attain that goal.

NHTSA Technical Assistance Team Reassessment of Connecticut EMS

Background: The National Highway Traffic Safety Administration uses a technical assistance team approach and developed a reassessment program to assist states in measuring their progress since the original assessment. For Connecticut, the original assessment occurred in 2000. The technical assistance team visited Connecticut on July 30 through August 1, 2013, where over 30 presenters from the state provided in-depth briefings on EMS and trauma care. The NHTSA review was a voluntary, proactive effort by the department to establish the overall status of the statewide EMS system in comparison to national standards.

The Reassessment of Emergency Medical Services report issued by NHTSA is a comprehensive and in-depth report. Our review of the report focused on those areas that complement our own recommendations noted above. As a part of that review, we requested from the department any documented progress on the recommendations included in the report since the site visit by the technical assistance team.

Criteria: The reassessment program used ten component and preparedness standards that reflect the current emergency medical services philosophy. The standards were applied by a technical assistance team comprised of subject matter experts. The component standards cover the areas of: regulation and policy, resource management, human resources and

education, transportation, facilities communications, trauma systems, public information and education, medical direction, evaluation, and preparedness.

Condition: Our review of the Reassessment of Emergency Medical Services report from NHTSA found conditions and recommendations that were complementary to the two recommendations noted above.

Our follow-up on the NHTSA conditions and recommendations presented below found that they remain unchanged from the date of issuance in August 2013. The following represents a select and limited extract from the report:

"Regulation and Policy – The DPH should work with the Governor's Office and the Legislature to improve funding for the EMS system and EMS systems of care.

- The office is understaffed, and two key positions found in most state EMS Offices (Trauma Manager and Data Manager) are not present.

- Despite mandatory electronic patient care reporting and several genuine efforts to improve EMS data collection, current EMS system funding does not support quality assurance and quality improvement for patient care, nor does it provide for adequate systems of care within the EMS system (e.g. trauma, stroke, cardiac arrest), leading to inconsistencies in care across the state, to the detriment of overall patient care and quality of health for the people of Connecticut.

Resource Management – The DPH should expand and enhance the support of the EMS and trauma data collection systems to ensure that data is readily available to system policymakers, service agencies, and hospitals on an on-going and regular basis. These data are essential to patient care, resource management, and quality assurance.

- A key component of effective resource management is the ability of the regulatory agency and community to understand where resources are, how they are being used and measure the effectiveness of policies related to these resources. Although a statewide data collection system for both EMS and trauma exists, the ability of the lead agency and stakeholders to use these systems for evaluation purposes is greatly limited due to insufficient resources.

Transportation – The DPH should ensure that cost, quality and access to emergency care are standard criteria for the Primary Service Area (PSA) assignments and consistently incorporated into contractual language.

- Issues with the patient care data collection system greatly impact the capabilities of the state to assess the cost, quality, and access to emergency medical care statewide.

  This inability to utilize patient care data hampers the assessment process for a PSA, system performance improvement efforts, and further development of a comprehensive and coordinated statewide EMS system.

Facilities – The OEMS should develop a strategy to enforce the existing requirement that all acute care hospitals submit trauma patient data to the state trauma registry in order to begin system performance improvement activities.

- Although all acute care hospitals within the state are required to submit trauma patient care data to the state trauma registry, only 19 (of 21) acute care hospitals submit these data, the 13 trauma centers and 6 others. Two of these non-designated hospitals submit their data to the National Trauma Data Bank as well. There is at least one trauma center participating in the Trauma Quality Improvement Program (TQIP) of the American College of Surgeons.

Evaluation – The DPH should ensure that patient outcome data is available to all levels of the EMS system.

- Overall, the [DPH] lacks sufficient staffing to evaluate the quality of the data going into the system, provide the legislature with specific reports as required by law, and provide feedback about quality of care and patient outcome."

Effect: Issues with the patient care data collection system continue to negatively impact the capabilities of the state to assess the cost, quality, and access to emergency medical care statewide.

Cause: According to the NHTSA Technical Assistance Team, the current resources provided to the department for the data collection program are insufficient.

Recommendation: The Department of Public Health should take the corrective actions necessary to address the conditions and recommendations identified in the

NHTSA report, with an emphasis on the patient care data collection system. (See Recommendation 3.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH shares the auditors concern that the DPH has insufficient resources to provide a quality EMS electronic system and system of care. The EMS project underwent a change in leadership in 2012 and a new project director was hired.

In the short time of new leadership, positive changes have been made. Additional changes are expected in the upcoming fiscal years.

A listing of the NHTSA recommendations that were either completed or addressed are as follows:

- Hiring of EMS Data Manager/Epidemiologist – Completed
- DPH OEMS reviewed the current EMS provider certification/ licensure process to identify opportunities to reduce certification turn-around times and introduced efficiencies to reduce this wait time by a third – Completed
- Statewide Emergency Medical Services clinical guidelines will be implemented by January 2016 – Addressed
- DPH OEMS is moving forward with functional data report for annual data system. This report is scheduled to be released August 1 – Addressed
- DPH has developed and promulgates draft EMS regulations, which are currently moving through the official approval process – Addressed
- DPH OEMS is currently training personnel in GIS software to map the current PSAs by level of service - Addressed

The DPH continues to seek support in terms of staffing and technology resources but, due to State budget constraints, program enhancements are difficult to attain."

Contractor Evaluations

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected agency operations. The purpose of this performance evaluation is to consider the added value of contractor evaluations utilizing objective performance measures used in tandem with the subjective Office of Policy and Management (OPM) contractor evaluation form. Our testing was designed to determine whether the combined evaluations would result in more decision-useful information related to the value received from contractors. Objective performance measures compare contract outcome data against established standards in order to evaluate a service or product.

Subjective performance measures consider the experience of working with the contractor relative to the experience of working with all other contactors in order to evaluate a service or product.

In the Digest of Administrative Reports to the Governor for fiscal years 2012-2013, the department reported that it had prepared, issued, and managed over 700 contracts, grants, and low interest loans totaling approximately $200 million annually. Those contracts, grants, and loan fund services were intended to improve the Connecticut healthcare service infrastructure and provide otherwise unavailable health and support services to underserved residents of Connecticut.

In our prior audit, we included a performance evaluation on contract management. The prior audit work resulted in a number of recommendations, including one on contractor evaluations. In our prior audit, we found that the department was not preparing evaluations of contractor performance in accordance with OPM standards. OPM requires that contractor evaluations be completed within 60 days following completion of a contractor's work. Our follow-up on the contractor evaluation portion of the prior audit recommendation found that 55 percent of contractor evaluations were not being completed within the 60-day period as prescribed by OPM. Consequently, a recommendation is included in this performance evaluation on the timeliness of contractor evaluations. (See Recommendation 5)

However, that prior recommendation did not address whether the OPM standardized contractor evaluation form was sufficient as the sole rating instrument used by DPH to ensure that the state received the best value for its expenditures.

As noted above, the department has hundreds of contracts funded by hundreds of millions of dollars from various state and federal programs, each with their own laws and regulations. The OPM contractor evaluation form is a single page rating sheet with a subjectively applied scale ranging from unsatisfactory to excellent for eight attributes (i.e. quality of work, reliability, etc.). While the form may meet the needs of OPM, without the addition of objective performance measures, it is difficult to ascertain if the form is sufficient to determine whether contractor performance met the desired standards and the state received the maximum benefit from its expenditures.

This performance evaluation was designed to test the proposition that the development of performance measures for a standard set of similar contracts could result in decision useful data concerning contractor performance. For the purpose of this evaluation, we judgmentally selected WIC contracts as our standard set of similar contracts. These contracts were chosen because the contractors provide a uniform service and the department routinely monitors the quality of service by the contractors.

Objective Contractor Evaluation Process

Background: The Department of Public Health contracts with 18 local agencies and their sub-contractors to provide nutrition and health education, checks to purchase specific supplemental foods, and referral services to

categorically eligible individuals found to be at nutritional and/or medical risks. Each contractor operates a Special Supplemental Nutrition Program for Women, Infants and Children (WIC) for a population of low-income pregnant, breastfeeding, and postpartum women, infants, and children. In fiscal year 2013, the department expended approximately $10,430,000 on local agency payments from federal grant funds.

Criteria: The purpose of an agency using contractors is to provide services to program participants in order to improve the quality of their health and well-being.

Performance measures determine how well the contractors are doing in meeting that objective and whether the contractors are providing the best value.

Condition: We performed a review and analysis of the WIC expenditure and participant data associated with the local WIC agency contractors and subcontractors for fiscal year 2014. As a result, we found that the cost per participant incurred by the 18 local agencies and their subcontractors ranged from approximately $72 to approximately $137.

The cost per participant appears to be dependent on the amount of funding awarded to the contractors and subcontractors. It also appears that the funding awarded to the local agencies by the department is independent of the number of participants served by contractors and subcontractors.

Effect: Without a management process that objectively evaluates contractor performance, the department may be unknowingly subsidizing contractors with inefficient operations.

Cause: The department does not base contractor evaluations on objectively derived performance measures that provide decision-useful information concerning the value received from contractors.

The department does not have the analytical tools in place to determine whether the contractors have provided the best value for contracted services.

Recommendation: The Department of Public Health should develop and utilize a contractor evaluation process that includes objective performance measures that provide decision useful information concerning the value received from contractors. (See Recommendation 4.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The range of cost per participant is impacted by many factors; but staff salary and geographic location impacts the participant cost of the WIC programs

the most. Each municipality has a different cost structure based on its own employee fringe and benefit packages and these costs are not within the Department's purview to change.

The need to strategically locate WIC services across the state, as required by Federal mandates, limits the Department's ability to have greater control on per participant cost when deciding funding. Higher salaries are required in some areas to be competitive and attract qualified candidates in a wide range of urban to rural locations and facilities across the state.

Additionally, the DPH typically receives a low number of multiple bids per location after issuing its Request for Proposals (RFP) notice for WIC services which hinders competitive pricing. DPH plans to improve its ability to attract competitive bids per location."

Contractor Evaluations

Background: In our prior audit, we reviewed a sample of thirteen contracts with a combined contract value of approximately $57,000,000. Of the thirteen contracts reviewed, four were closed contracts that required a contractor evaluation and one could not be verified because the file was shredded. The department was not able to provide the evaluation forms for the five closed contracts, nor could it provide evidence that the forms had been submitted to OPM in accordance with procurement standards. We recommended that the department perform contractor evaluations to better assess the service (i.e. quality of work, reliability, cooperation), as required by the Office of Policy and Management. The department partially agreed with the recommendation and indicated in its response that contract evaluations would be performed commencing July 1, 2013.

In order to test whether the department implemented its planned corrective action, we requested completed contractor evaluation forms for contracts closed out between July 1, 2013 and November 6, 2014 (date field work was performed). What follows is our review of the contractor evaluation forms provided to us by the department for that period.

Criteria: According to the Office of Policy and Management procurement standards, an agency must prepare a written evaluation of a contractor's performance not later than 60 days after the contractor has completed the work. The agency must use the OPM personal service contractor evaluation form for this purpose. Evaluations of contractors focus on their performance with respect to service (quality of work, reliability, cooperation). Contractor evaluations are intended to provide evidence that the contractor met the conditions of the contract to the satisfaction of the department and the clients to whom the contractors provided service.

Contractor evaluations are particularly important when awarding and renewing non-competitive or sole source contracts.

Condition: The department provided the auditors with 94 evaluations in response to our request for all completed contractor evaluation forms for contracts closed out between July 1, 2013 and November 6, 2014. We compared the contract end dates to the contractor evaluation form completion dates with the following results:

- Fifty-five of 94 contractor evaluation forms (59 percent) were performed more than 60 days after the contract end date.
- Sixteen of 94 contractor evaluation forms (17 percent) were performed more than 12 months after the contract end date.
- Forty-eight of 94 contractor evaluation forms (51 percent) were performed on or after the auditor request date.

It was also noted that four of the 94 contractors received new contracts before an evaluation was completed for the closed-out contract. One of those contractors received an evaluation of less than satisfactory on its prior contract after receiving the new contract.

Effect: In the absence of contractor evaluations, the department may be renewing agreements with contractors who have under-performed or failed to perform.

Cause: The department's corrective action was not sufficient to ensure that contractor evaluations were performed in a timely manner.

Recommendation: The Department of Public Health should perform contractor evaluations on a timely basis to better assess the service (quality of work, reliability, cooperation), as required by the Office of Policy and Management. (See Recommendation 5.)

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding. Evaluations, as required by the Office of Policy and Management (OPM), are performed after services are rendered by the contractor. Contracts are usually initiated before the OPM evaluation forms are completed. In addition to the OPM Evaluation Form, the DPH utilizes many different sources to evaluate contractor performance. For example, providers submit program and financial data throughout the contract term and Program staff discuss and meet with providers regarding contract required service deliveries.

The Contract's staff communicates with DPH Program and Fiscal staff regularly and information is shared. A written interim evaluation based on these sources will be completed for each contract and be placed in the contract file completed by the Program section commencing January 1, 2016."

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

System-wide Accountability and Control

The following recommendation describes a condition that extends beyond a single operational area. The recommendation describes the need to identify operational and reporting risks on an ongoing basis and to take steps to mitigate those risks. The continual process of risk assessment and mitigation expands in importance as the department's operations grow in size and complexity.

Risk Management

Background: The Department of Public Health is the lead agency in the protection of the public's health, and in providing health information, policy and advocacy.

The agency is the center of a comprehensive network of public health services and is a partner to local health departments for which it provides advocacy, training and certification, technical assistance and consultation, and specialty services such as risk assessment that are not available at the local level.

In the Digest of Administrative Reports to the Governor for fiscal year 2012-2013, the department reported that it had 846 employees organized into a number of branches, sections, and offices. The department reported that it prepares, issues and manages over 700 contracts, grants and low interest loans totaling approximately $200 million annually that fund services intended to improve the Connecticut healthcare service infrastructure and provide otherwise unavailable health and support services to underserved residents of Connecticut.

As noted in a previous section of this audit report, the department had approximately $94 million in General Fund expenditures and approximately $136 million in Federal and Other Restricted expenditures for the fiscal year ended June 30, 2013.

Criteria: Risks must be managed through a system of controls. Effective risk management requires that risks be identified through an ongoing risk assessment process undertaken by staff skilled in such processes, that a plan is developed and implemented to mitigate identified risks, and that once implemented, the plan elements be monitored and reviewed to determine its level of success. Risk assessment includes management's assessment of the risks related to safeguarding the agency's assets and fraudulent reporting.

The information obtained through this process may then be incorporated into the risk assessment process to determine whether plan modifications are required.

Control activities are defined as the actions established through policies and procedures that help ensure management directives to mitigate risks to the achievement of objectives are carried out.

Ongoing monitoring activities are designed to assess the quality of internal control performance over time and to communicate that performance to decision makers along with recommendations for improvement.

Condition: The department does not have a dedicated and ongoing risk assessment and mitigation function, nor does it have formal monitoring procedures in place.

Many of the new and repeated recommendations found in this departmental report, in our Comprehensive Annual Financial Reports, and Statewide Single Audit reports describe internal control deficiencies that are significant or material and that, in the aggregate, diminish the ability of the department to achieve its objectives.

Avoidable direct and indirect costs associated with the conditions reported by the Auditors of Public Accounts in various audit reports and unknown costs that have yet to be identified exceed the cost of establishing a basic risk management process within the department.

Effect: The department is exposed to a higher risk that it will not achieve its operational objectives. Risks that could have been anticipated and avoided by periodic assessments may result in operational ineffectiveness, additional costs and liabilities, and exposure to fraud. Significant examples are as follows:

Recommendation 2: The department expended approximately $5,339,727 over the life of the program but has not collected quality data from all providers and analyzed that data against established outcome measures in order to assess the performance of individual emergency medical providers and the statewide emergency medical services system.

DPH 2014 Statewide Single Audit Report: Due to inadequate procedures over the application of rebate funds for the HIV Care Formula Grants, $13.9 million in federal program expenditures were determined to be unallowable by the Auditors of Public Accounts.

Recommendation 19: The department has not periodically evaluated and adjusted its Medicare and non-Medicare laboratory pricelists since at least 2011. Nor has it periodically reviewed customers to ensure that they remain eligible and properly assigned to the pricelists. As a result, customers may have been over/undercharged an indeterminate amount for their laboratory tests since the last time the pricelists were updated.

Recommendation 4: The department does not base contractor evaluations on objectively derived performance measures that provide decision makers useful information concerning the value received from contractors.

Cause: The department does not have a formal, dedicated risk assessment and mitigation process. The necessary and appropriate resources were not allocated by the state or the department to ensure that a risk assessment and mitigation process was performed during the audited period. Many of the recommendations found within our various reports are those that could have been prevented or detected by an internal risk assessment and mitigation process.

Recommendation: The Department of Public Health should develop or acquire a formal risk assessment and mitigation process with the objective of identifying and addressing risks that could impact its operational and reporting objectives. The risk assessment and mitigation process should be independent, formal, and ongoing. (See Recommendation 6.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH agrees that a risk management and mitigation function would prevent or detect significant and material operational deficiencies that would help the department achieve its objectives in a more expedient manner. The DPH submitted a budget option for this activity, however, due to current State budget constraints; the budget option has not been realized. The DPH is exploring other options to create a process utilizing its existing departmental resources."

Payroll and Human Resources

The Payroll and Human Resources Office provides comprehensive personnel management for the department, including labor relations with various bargaining units, managerial, and confidential employees. The recommendations in this section address conditions related to payroll and human resource functions.

Compensatory Time and Overtime

Criteria: The Department of Public Health Employee Handbook states that, "All overtime work or compensatory time, except in emergency situations, must receive prior management approval."

When emergency compensatory time and overtime are frequent and predictable over time, blanket preapprovals should be issued by management. Blanket preapprovals should be documented, exist for a fixed period of time, be reviewed by management prior to renewal, and establish accountability for the hours earned.

Prudent business practices suggest that controls over compensatory time and overtime should ensure that recorded hours are valid, properly authorized, and completely and accurately recorded.

Condition: For the audited period, we tested a sample of employees who earned compensatory time and another sample of employees who earned overtime.

For the testing of overtime hours, the ten sampled employees earned approximately 4,339 of the 10,229 hours of overtime earned for the entire department during the audited period. Our examination of the approval to earn overtime hours for a single pay period resulted in the following conditions:

- For six out of ten sampled employees, the department could not furnish an approval that existed prior to when the overtime hours were earned.

- For two out of ten sampled employees, the department stated a blanket approval existed for these employees. However, the department could not provide the blanket approval.

- For one sampled employee, management cited an approval to earn overtime from July 2010. The employee was approved for ten hours of overtime per pay period. For the sampled pay period, the employee earned 28 hours of overtime and approximately 992.5 hours of overtime for the fiscal years ending June 30, 2012 and 2013.

Our examination of compensatory time at the department consisted of a review of a sample of additions and deductions to compensatory time balances as well as testing, on a sample basis, for the presence of a manager's approval prior to the compensatory time being earned.

The sample of compensatory time earned included eleven employees that earned approximately 2,856 of the total approximate 14,938 hours of compensatory time earned by the entire department during the audited period. We identified the following conditions:

- The department was not able to furnish documented approval for six of the eleven employees in the sample prior to their earning compensatory time.

- Of these six employees, the department stated that two employees had a blanket approval to earn compensatory time under certain conditions. However, the department did not respond to the auditor request for support that the activities performed while earning compensatory time met the conditions of the blanket approval. In addition, the department could not provide the blanket approval.

Subsequent to the end of the audited period in January 2014, the department implemented a new policy and form related to compensatory time and overtime. However, these changes did not address blanket approvals at the department.

Effect: Employees at the department earned compensatory time and overtime hours without obtaining prior authorization.

Cause: The department did not use proper administrative oversight to ensure that overtime and compensatory time were preapproved and that sufficient documentation was retained in support of all approvals.

Recommendation: The Department of Public Health should take the necessary steps to ensure that overtime and compensatory time are properly pre-approved and that sufficient documentation is retained in support of those approvals. (See Recommendation 7.)

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding and recommendation. The DPH published and implemented Overtime and Compensatory Time Request and Authorization Protocols on January 28, 2014, which were revised on June 3, 2015. The DPH has taken this finding seriously. The new protocols were discussed and reviewed with DPH Branch and Section Chiefs and updates were made periodically.

Initial internal testing indicates the protocols are effective. The period covered by State Fiscal Years 2012 and 2013 audit presented here, pre-dates the implementation of these protocols.

Therefore, testing did not reflect corrective action the Agency took in early 2014 to address this specific issue. The Auditors of Public Accounts next review should indicate that corrections have been implemented.

The blanket approval policy is expected to be written by September 1, 2015."

Telecommuting Arrangements

Criteria: The Department of Administrative Services issued General Letter 32, which states, "All employees wishing to telecommute must qualify for participation." General Letter 32 also states, "The employing agency has the sole discretion to approve or deny telecommuting requests based upon its assessment of the individual's proposal in accordance with the guidelines set forth in this General Letter and the business needs of the agency."

At the Department of Public Health, employees, supervisors, and a human resources manager execute a telecommuting arrangement. The telecommuting arrangement details the work that will be completed and any agreed-upon oversight. Also, employees applying for permission to telecommute must have no supervisory or leadership responsibilities.

Condition: For the audited period, we identified 29 employees that were telecommuters, either through the listing maintained by human resources, or through the use of the telecommuting time reporting code in the state's accounting information system (Core-CT). These two systems did not contain the same authorized number of employees and had different telecommuting hours.

- The department listing of telecommuters maintained by human resources included 27 employees. However, two employees using the time reporting code for telecommuting in the state's accounting information system were not included in the department's listing of telecommuters. The department could not locate a file for these two employees.

- Core-CT had a count of 23 employees using the telecommuting time reporting code. However, six employees included in the listing maintained by human resources did not report any telecommuting hours using the required time reporting code in Core-CT.

We tested the department's records for fully executed telecommuting arrangements and found that, for the 29 known telecommuters, the

department did not have executed telecommuting arrangements for 14 telecommuters.

In addition, we tested a sample of six telecommuters, divided between employees with an executed telecommuting arrangement and employees without an executed telecommuting arrangement, with the following results:

- For three of the sampled telecommuters, the supervisors could not provide evidence that the agreed-upon oversight was performed, or that reasonable measures were taken to review the activities of the telecommuters. Two of the three telecommuters, without evidence of oversight, had executed telecommuting arrangements. The third telecommuter, without evidence of oversight, did not have an executed telecommuting arrangement.

- We also noted that two of the six employees had supervisory responsibilities that would disqualify them from telecommuting.

Effect: A number of department employees were allowed by their supervisors to telecommute without a fully executed telecommuting arrangement. For those employees, the department was not able to assess their work activities against the work proposed in such agreements.

It is unclear whether the department received any benefit from the telecommuting program, since evidence of the work activities for telecommuting employees was not provided or available.

Cause: The department did not have procedures in place to identify telecommuting employees as the department relied upon supervisors to enforce compliance with established telecommuting policies. The department also did not monitor executed telecommuting arrangements to ensure that employees and supervisors complied with the mutually agreed-upon oversight procedures.

Recommendation: The Department of Public Health should develop procedures sufficient to identify all telecommuting employees and ensure that all telecommuting employees have an executed telecommuting arrangement.

The department should also develop procedures to monitor telecommuting arrangements, such that employees and supervisors are accountable for the work produced and the documentation of agreed-upon oversight activities. (See Recommendation 8.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding and recommendation. The DPH intends to implement corrective measures by

December 1, 2015. Elements of the corrective measures are expected to include: a thorough review and update of all telecommuting agreements, termination of agreements for individuals with supervisory responsibilities, a policy/protocol statement distributed agency-wide, bi-weekly monitoring by payroll staff to ensure that only employees with approved plans are utilizing the telecommuting time and labor code, a documentation tool for supervisors/managers to substantiate work performed during an employee's telecommuting hours and reconciling the Core-CT system quarterly with the Human Resources documentation to ensure accurate records."

Physical and Electronic Asset Controls

The recommendations in this section address the controls over physical and electronic assets. Physical controls relate primarily to the safeguarding of assets. Mechanical and electronic controls safeguard assets and enhance the accuracy and reliability of the accounting records.

Asset Valuation, Existence, and Recording

Criteria: The State Property Control Manual provides the following guidance for valuing and recording assets:

- "When assets are purchased, record purchase price and, if applicable, any ancillary charges necessary to place the asset in its intended location and condition for use."

- "A person should be assigned responsibility for each asset as the custodian. This assignment facilitates physical inventory procedures and is useful in making inquiries regarding the asset's condition, status and location."

- In regards to equipment sent out on loan: "The department should maintain a logbook to hold the [loan] forms."

The State of Connecticut Core-CT Continuing Education Initiative produced a training guide entitled, *Asset Management for Asset Processors*. According to that guide, most assets purchased by the State of Connecticut (with the exception of assets purchased using a P-Card or acquired through donations, escheatment, and seizure) will be posted to the Core-CT asset management module from the procurement modules.

The proper way to bring assets into the asset management module is through the purchasing/procurement integration process. This integration process provides the ability to correlate all applicable requisitions, purchase orders, receipts, and vouchers.

Condition: We tested fifteen vouchers for capital asset purchases for fiscal years 2012 and 2013 and discovered the following:

- One voucher consisted of a portion of the cost 35 Cisco network switches. The cost was spread across three vouchers and purchase orders, totaling $841,804.22. After being brought to the department's attention, the department capitalized $556,395 of the assets but had not capitalized any of the associated service costs to install the switches.

- One voucher consisted of a portion of the cost of 13 Cisco network switches. The cost was spread across multiple vouchers with a total of $251,007.32 collected into a single purchase order. The switches have an expected useful life of five to eight years. The department had no plan to capitalize the switches.

- There were two instances in which ancillary costs were not properly allocated to the assets totaling $547.45. There were two instances in which costs totaling $4,593.55 should not have been allocated to assets because the costs were not necessary to make the item usable.

- Out of the 149 capital assets associated with the vouchers, 107 (72 percent) of the assets were added to Core-CT using the basic add function instead of the required procurement integration process. This contributed to errors in asset valuation and resulted in delays in the capitalization of assets.

Out of the 2,019 in use capital equipment listed in Core-CT, 416 (21 percent) of these assets did not have custodians recorded in Core-CT. Nineteen of the assets had a custodian that was retired, and two had a custodian that did not make sense for the asset's location and use.

We traced 40 assets from their information in Core-CT to their physical location and discovered the following:

- Two assets, totaling $11,503.63,were determined to be disposed of but were labeled as in use. One asset, totaling $1,119.00, was changed to disposed of after it was identified by the department subsequent to testing.

- Ten assets were not located at the location listed in Core-CT.

- Two assets, totaling $277,714.46, did not have tags or barcodes. The items' serial numbers were not listed in Core-CT. There was insufficient information in Core-CT to trace the asset to the

physical location other than determining that the department owned one or more of that type of asset. The department had other means to track the asset outside of Core-CT.

The Department of Public Health's location code for items loaned to outside organizations is neither inclusive of all items loaned out nor exclusive of items at other sites but not loaned out. There is no central location, physical or in Core-CT, that lists all loaned items. The department's records for loaned items are spread out through numerous programmatic areas.

The department has 152 assets in use recorded at nominal values such as $1.00, $5.00, or $0.10, but do not represent the actual cost of the asset.

Effect: The department is not in compliance with the State Property Control Manual. The value and amount of assets reported by the department is inaccurate. Certain necessary data fields (custodian, location and asset code) are missing or incorrect, making it more difficult to locate the assets.

Cause: The department is unaware that ancillary charges should be allocated to assets. The department also uses "basic add" found in Core-CT on a majority of its assets, which can cause assets to be reported late or at incorrect costs. The department has neglected to include all necessary data about assets.

Recommendation: The Department of Public Health should comply with the State Property Control Manual and include all necessary data for its assets. The department should identify the characteristics of all assets to ensure they are properly capitalized. The department should also record the disposal of items when it occurs. (See Recommendation 9.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH Fiscal Services Office will record the name of the manager who is responsible for an asset as the "Custodian" in the Core-CT system. Notifications will be sent to all DPH staff to complete Form CO-860 (Authorization to Transfer or Dispose of State Property) for any asset moved, relocated or reassigned. A reminder will be sent to all staff that Form CO-1079 (Record of Equipment on Loan) DPH version must be completed and submitted to Fiscal Services for all loaned equipment."

Asset Management Inventory Report Form CO-59

Criteria: The Asset Management Inventory Report Form CO-59 reports all property and equipment owned by state agencies. The State Property Control Manual provides guidance on completing form CO-59. Agencies preparing the report using the Asset Management System Module of Core-

CT must use specific queries to gather the applicable information. If the values recorded on form CO-59 do not reconcile with required Core-CT queries, the agency must provide a written explanation of the discrepancy in an attachment.

All agencies using the Core-CT inventory module will need to report their stores and supplies inventory and material goods, if applicable, including the Department of Public Health.

Condition: The department's 2012 and 2013 Asset Management Inventory Report Form CO-59 included additions to equipment based upon its own query to extract data from the asset management system module of Core-CT. As part of our audit procedures, we ran the specific query required by the State Property Control Manual for preparing the asset management report and found unexplained variances between the queries for 2012 and 2013 of $88,586 and $136,901, respectively.

The amount of reported ending inventory for stores and supplies for 2013 was overstated by $1,941 due to a calculation error in the supporting documentation. The reported additions for stores and supplies for 2013 of $854,697 varied from the department's supporting documentation by $6,000 without explanation. In addition, the reported deletions for stores and supplies were understated by $21,305.90 due to a calculation error in the supporting documentation for vaccines.

Effect: The department is not accurately reporting the value of its inventory and equipment on form CO-59 to the Office of the State Comptroller.

Cause: The department did not properly reconcile variances between the amounts reported on form CO-59 and the amounts reported in Core-CT. The department did not ensure the accuracy of the information reported on its supporting documentation.

Recommendation: The Department of Public Health should take the necessary steps to ensure the amounts reported on its Asset Management Inventory Report Form CO-59 are supported by and reconciled to the Core-CT queries specified in the State Property Control Manual. If the values recorded on form CO-59 do not reconcile with Core-CT, the agency should provide a written explanation of the discrepancy in an attachment.

The department should ensure the accuracy of its supporting documentation and verify that the calculations are correct. (See Recommendation 10.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH's Fiscal Office has worked with the Auditors and Comptroller's

Office to resolve the inconsistency issue for the FY14-15 audit review. As recommended by the Auditors, the DPH will ensure that the amounts reported in the Asset Management Inventory Report Form CO-59 are supported by and reconciled to the Core-CT system. Variances between the CO-59 and Core-CT will be reconciled and supporting documentation that addresses the difference will be kept on file.

The DPH agrees that the amount reported in the ending inventory for stores and supplies for 2013 was overstated by $1,941 due to a calculation error in the supporting documentation. Moving forward, the DPH will ensure that these types of calculation errors will be avoided by having a second supervisor review the calculations and work papers."

TB & STD Inventory Control

Background: At the end of Fiscal Year 2013, the Department of Public Health began utilizing the Core-CT inventory module to warehouse a stock of items used in the day-to-day operation of an agency. The controls in place during the audited period were significantly changed due to the adoption of the Core-CT inventory module. As a result, our testing focused on the controls in place after the department began using the module.

Criteria: The State of Connecticut Internal Control Guide includes a property control questionnaire that provides the following guidance on the proper segregation of duties for property control:

- Responsibilities between those individuals who put away supplies from those who remove them.
- Responsibilities between those who use the procurement function and those responsible for the project accounting and property records function.
- Responsibilities between those individuals who conduct physical inventories of all property and those who maintain property records.

The State Property Control Manual states that, "the perpetual inventory system should be maintained on a first-in first-out (FIFO) basis."

Condition: We reviewed the receipt of 31 purchase orders into the inventory management system and found the following:

- Twenty-one purchase orders from September 2013 to September 2014 were received and recorded by the same individual who was also responsible for custody of the inventory.

- Seven purchases of pharmaceuticals totaling $37,246 were not properly received into the Core-CT inventory module at the time they were added to the physical inventory. The pharmaceuticals were added to the system through adjustments to the Core-CT Inventory Module after physical inventory counts. As a result, there were ongoing timing differences between the physical inventory count and that reported in Core-CT.

Physical access to inventory was granted to individuals who were not responsible for the custody of the inventory. Case managers were allowed to box the pharmaceuticals for shipment to providers.

The TB and STD ending inventory for the fiscal year ended 2013 was not calculated on a FIFO basis.

The unit costs used to price out the TB and STD inventory for the fiscal year ended 2013 were from fiscal year 2012 purchases. Our recalculation of the TB and STD 2013 inventory based upon the actual, invoiced unit costs of items remaining in inventory at fiscal year-end found the following: STD pharmaceuticals were overstated by approximately $43,234.43 and TB pharmaceuticals were understated by approximately $7,073.10.

Effect: Inventory costs were not accurately valued in the accounting records. Assigning one employee the incompatible duties of recordkeeping and custody reduces the integrity of the controls over pharmaceutical inventory.

Cause: The department began using the Core-CT inventory module at the end of fiscal year 2013. Lack of familiarity with some of the technical and accounting aspects (i.e. FIFO, unit costing) of the module by those assigned to the inventory function for pharmaceuticals contributed to the conditions noted above.

Recommendation: The Department of Public Health should comply with the State Property Control Manual and Internal Control Guide regarding the segregation of custody and recordkeeping duties for pharmaceutical inventory. The department should ensure that all inventory items are properly received into the Core-CT Inventory Module and that the items are assigned their actual unit costs. The department should take the necessary steps to ensure that the ending inventory valuation is based on a first-in first-out (FIFO) methodology. (See Recommendation 11.)

Agency Response: “The Department of Public Health (DPH) agrees in part with this finding. The TB and STD Control Programs have instituted multiple changes in

inventory management to maintain control over inventory since the previous audit report. These changes have included regular assessments of current inventory, ordering smaller amounts of medications more frequently and more stringent record keeping of all medications sent to providers and those returned to DPH. The impact of these changes has been reflected in very good performance during monthly audits of inventory.

Limited staffing resources make it difficult to have multiple program staff responsible for only one aspect of inventory management including ordering, receiving, shipping and returns. TB case managers do have access to obtain medications when the primary staff person managing inventory is unavailable so as not to impact patient care. Usually, "first in first out" inventory is practiced unless there are individual patient or other circumstances that do not make this practical (for example, a medication that would expire during the patient's course of treatment will not be sent).

Because the Core-CT system tracks the inventory, the Core-CT system did not originally have a drug inventory module. There are limitations in Core-CT that make it difficult to address some of these findings. The unit costing piece of Core-CT is not real-time so reconciling the costs of the same medications that might have been bought at different prices is cumbersome; in addition, the costs in Core-CT often do not reflect 340B pricing.

Also, the adjustment module in Core-CT only has reason codes for decreases in product, not increases; other methods for adding product to inventory do not seem to work correctly at all times. The primary staff person for managing TB and STD will receive additional training in Core-CT."

Returns and Reconciliations of TB and STD Pharmaceuticals

Background: The Department of Public Health uses a specialized vendor to ship its expired or unwanted pharmaceuticals back to the appropriate manufacturer. The manufacturers process the returned pharmaceuticals and issue credits when applicable to the sole provider, who in turn forwards them to the department.

Criteria: Sound business practice requires that the department perform a physical count of expired and unwanted pharmaceuticals prior to turning them over to the returns vendor. The amount of returned pharmaceuticals reported by the returns vendor should be reconciled to the department's physical count. In addition, the credit memorandum issued by the DPH supplier should be reconciled to the report issued by the returns vendor of returnable and non-returnable pharmaceuticals.

The inventory management module allows for adjustments in inventory to be classified with reason codes for each transaction. The department established a policy requiring that "all adjustments will have a reason code appropriate for the error." The department uses these adjustments to track expired inventory for returns.

Condition: The agency did not reconcile its inventory records to the expired and unwanted pharmaceuticals received and reported by the returns vendor. The department did not reconcile the credit memorandum issued by the sole supplier to the report issued by the returns vendor of returnable and non-returnable pharmaceuticals or to the credit amount posted to the state accounting system. The agency accepted the report counts and the credit memo amounts at face value without substantiation or reconciliation.

Out of the 617 adjustments made since the institution of the inventory management system through January 30, 2015, 410 did not have a reason code attached to the transaction.

Effect: The quantity of pharmaceuticals released to the returns vendor was not verified by the department. Consequently, the department was forced to accept the expired pharmaceutical counts reported by the returns vendor. In the absence of reconciliations between the supplier credit memoranda and the returns vendor reports, it is uncertain whether the department received all applicable credits for the expired and returned pharmaceuticals.

Without the use of adjustment codes, the department may be unable to track all expirations of inventory and reconcile those expirations to the returns vendors reports.

Cause: The department does not perform reconciliations between its inventory records and the guaranteed returns report. The department was unable to complete reconciliations between the credit memos and the returns report. The missing reason codes for adjustments to the inventory management module appear to be an oversight, as the inventory system does not require their input to complete the entry.

Recommendation: The Department of Public Health should develop and apply the necessary policies and procedures to ensure that reconciliations are completed between its inventory records and returns vendor reports. Also, the department should develop and apply the necessary procedures to complete reconciliations of the credit memos to the returns vendor reports and to the credits posted to the state accounting system. The department should ensure that all adjustments to the inventory management module include reason codes as required by its procedures on accountability for pharmaceutical inventory. (See Recommendation 12.)

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding. At the present time, all medications returned to DPH and those expired on the shelf are entered in Core with the reason code "expired." A separate spreadsheet documenting this information and the provider it was returned from (if applicable) is also maintained outside of Core by the TB/STD Control Programs. Two to three times a year, a pick-up is scheduled with the vendor with the type and amount of medication documented by the DPH and verified in a manifest returned by the vendor that documents both the amount of drug as well as the costs of all drugs, regardless of their "refundable" status. However, when reimbursement is ultimately made to the DPH, a lump sum is received but is not itself itemized by drug.

The DPH was fortunate to locate a vendor that accepts expired drugs that provides a cash/credit. This vendor's system cannot itemize each drug to provide specific account information. The DPH believes this vendor provides a benefit to the State by providing a return on investment. The DPH plans to develop all necessary procedures for reconciliation and credit memo purposes by January 2016."

Software Inventory Management

Criteria: Chapter 7 of the State Property Control Manual establishes statewide software inventory control policies and procedures. The following is an excerpted list of agency responsibilities enumerated within the State Property Control Manual:

- The agency head, or designee, is responsible for overseeing agency compliance with federal copyright statutes and the software management policy.

- The agency head, or designee, shall maintain positive control of software, including compliance with the State Comptroller's software inventory procedures, and shall establish accounting procedures that document purchases of all software.

- A software inventory (or inventories) must be established by all agencies to track and control all of their software media, licenses or end user license agreements, certificates of authenticity (where applicable), documentation and related items. This library, or libraries, must be located in a secure area or maintained in a secure manner.

- The agency head, or designee, shall maintain records of all software installations, including secondary external installations

allowed by certain software license agreements and software licenses.

- A physical inventory of the software library, or libraries, will be undertaken by all agencies at the end of each fiscal year and compared to the annual software inventory report. This comparison will be retained by the agency for audit purposes.

The State Property Control Manual also contains procedures for a recommended self-audit.

Condition: We reviewed the activities related to the control of software inventory performed at the Department of Public Health during the audited period. This testing identified the following instances of noncompliance and weaknesses in the department's internal controls over software inventory management. Specifically, we identified the following:

- The department did not have accounting procedures that documented the purchase of all software.
    - In a sample test of ten software expenditures, we identified one instance of an expenditure incorrectly recorded in the accounting records as a purchase or lease of new software. The expenditure should have been recorded as an upgrade and renewal of a system license.
- The department did not maintain a central software inventory that tracked and controlled all of its software media, license or end user license agreements, certificates of authenticity, documentation and related items.
    - In a sample test of ten software inventory envelopes, we found two instances of envelopes missing basic documentation.
    - For one piece of sampled software, we identified a variance in the recorded cost of $288,618.
- The department did not maintain the software library in a secure manner.
    - The physical software inventory was kept in a lockable fireproof cabinet inside a lockable storage room. We observed the door to the storage room was open. We also observed that the lockable fireproof cabinet had both sets of keys in the locks and the cabinet was unlocked.

- The department did not maintain a record of all software installations.

    - The department recorded 97 additions to the software inventory listing during the audited period. Of these additions, 83 software additions did not have accompanying installation dates.

- The department did not perform an annual physical inventory of software or reconcile the physical inventory to the annual software inventory report.

- The department had $11,000 worth of software licenses that expired after one year. The department could not support the purchase of these software licenses with a reasonable and documented business need.

In an effort to complete an inventory of software, the department has purchased and installed the software program BMC Footprints. The purpose of this program is to identify all installed software on all computers connected to the department's network.

Effect: Software inventory was overstated by $18,480 for an expenditure that was improperly recorded as a purchase or lease of software. For another sampled software, the inventory was understated by approximately $288,618.

Without a complete inventory of purchased software, the department does not know what software it has a right to use, and therefore cannot determine whether the software installed on a particular computer is in compliance with licensing agreements and federal copyright laws. The use of BMC Footprints will not establish that the department has the right to use all of the identified software and will not identify software installed on computers external to the department's network.

Since the department did not perform the required annual physical inventory, it could not and did not reconcile purchased and installed software to the software physically present at the department.

Cause: The department has not enforced compliance with the policies and procedures requiring that the purchase, receipt, and installation of all software be recorded in a central software inventory.

Recommendation: The Department of Public Health should comply with the software inventory policies and procedures established by the Office of the State Comptroller by performing an annual physical inventory of the software

library and comparing it to the annual software inventory report. Furthermore, purchased software should be accurately recorded, inventoried with all required documentation, and physically secured. (See Recommendation 13.)

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding. The DPH IT recently purchased the BMC Inventory Manager Software package in an effort to efficiently manage the agency's software inventory. Although this software captures most of the required software, an excel spreadsheet is also being maintained with the combination of the BMC Inventory package, in order to comply with the state's Software Inventory Control Policy and Procedures. Furthermore, to ensure that all software in the department is properly installed, licensed and authorized, IT will perform periodic inventory and compare it to the annual software inventory report. Purchased software is recorded and inventoried with all the required documentation. The software is kept in a physical location which is locked."

Telecommunications Management

Criteria: The Department of Administrative Services (DAS), Bureau of Enterprise Systems and Technology (BEST), has established a telecommunication equipment policy outlining statewide policies and procedures. In support of this policy, DAS provides each state agency with a detailed monthly agency report and an individual usage report.

The Department of Public Health issues cell phones and air cards to individuals determined to have an appropriate business purpose. The telecommunication equipment policy states that it is the responsibility of the department and the individual to verify the accuracy of the bill and to confirm appropriate usage. The policy also states that individual equipment holders will be responsible for repayment of improper charges, as well as personally liable for misuses or abuse of equipment or services.

Condition: Our review of the policies and procedures at the Department of Public Health over the assignment and review of cell phones and air cards identified the following conditions:

- The department did not have procedures in place to review and certify the monthly DAS telecommunications bill for accuracy and to confirm the appropriateness of usage.

- On an agency-wide basis, department management does not routinely review the utilization of assigned cell phones and air cards to confirm their continued business need.

In the absence of policies and procedures that verify the accuracy of the telecommunications bill and confirm appropriate usage, we reviewed the department's assignment of equipment and identified the following conditions:

- The department was billed for approximately 16 cell phone lines in June 2013 that do not appear to be assigned to an employee and were not included in the latest listing of phone numbers.

- The department was also billed for approximately 32 air card accounts that do not appear to be assigned to a specific employee and may not currently be utilized.

- An additional 11 air card accounts appeared to have a variety of problems, such as duplicate assignment to employees, assignment to an employee currently employed by another agency, accounts appearing on the telecom bill that do not appear in the department's records, and air card accounts that are assigned to employees that do not appear on the telecom bill.

Effect: The department is not in compliance with the telecommunications equipment policy and may be paying for telecommunication services that are unnecessary, inaccurate, or for an employee's personal use.

Cause: The department does not have policies and procedures in place to review and certify the monthly telecommunications bill from DAS for accuracy and appropriate usage of assigned telecommunications equipment. The department also does not perform routine reviews of the utilization and assignment of telecommunications equipment.

Recommendation: The Department of Public Health should develop the necessary policies and procedures to verify and certify the accuracy of the monthly telecommunications bill and to confirm appropriate usage in accordance with the DAS BEST telecommunication equipment policy.

The department should also perform periodic reassessments of assigned telecommunications equipment such as air cards to ensure they are being fully utilized as intended. (See Recommendation 14.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. A revised Cellular Device policy and procedure was created and distributed to all staff on May 27, 2015. Upon receipt of a State issued cell phone, employees and supervisors sign a Cellular Device Receipt form and receive a copy of the BEST and DPH cell phone policy and procedures. An Excel worksheet is maintained by the DPH Fiscal Services Office that tracks cell phone monthly statement information, i.e., date sent to

employees and supervisors for review and signature, and date received back at Fiscal Services.

The DPH downloads the telecom bills from the DAS TBMS system when they become available from DAS.

Regarding cell phones/smart phones, copies of the individual bills are sent to all DPH employees who were issued a State cell phone. Employees are required to return the signed certification (signed by both the employee and the supervisor) within two weeks. For any non-work usage, the employee is to highlight that activity on the copy of the bill and submit a check to cover those costs. Moving forward, copies of the monthly bills for all wireless devices will be sent to users for certification by the employee and the supervisor. The DPH Fiscal Services Office reviews usage on a monthly basis and when non-use is noted, Section managers are contacted to discuss reasons for non-use and necessity of having a cell phone.

The DPH is reconciling its air card account. Billing inconsistencies with BEST/DOIT have been identified and are being addressed. The DPH expects a credit to the DPH account.

A new system of issuing air cards at the DPH is being developed and is expected to be implemented by September 1, 2015."

Network Access Controls

Criteria: According to the Department of Administrative Services, Bureau of Enterprise Systems and Technology, each state agency will develop its own network security policy that addresses system privileges, limits system access, establishes the process for granting system privileges and the process for revoking system privileges.

The Department of Public Health's information security policy states that access to and use of DPH information is controlled by the principle of least access, which means that each user is given access to the minimum necessary information to accomplish the job.

Individuals accessing the records and information systems at the department have a legal and ethical responsibility to protect the confidentiality of personal, medical, financial, and protected health information, and to limit the use of that information and those systems to the extent necessary for performance of their jobs.

The state HIPAA security policies state that access to IT resources shall be terminated when no longer necessary, or when determined by

management, including when the business relationship between the individual and the department is severed. A formal termination process shall be used and shall include documentation and verification.

As a corollary to the HIPPA security policies, prudent business practices would suggest that individuals who have not accessed the network for an extended period of time should have access to IT resources terminated.

Condition: In order to assess the department's network security procedures, we compared the number of active employees to the number of network user IDs. While the department employed approximately 750 individuals, we found more than 1,000 enabled and unexpired user IDs. As a result, we performed the following additional testing.

We tested access to the department network by reviewing the records concerning user IDs and last logon dates to ensure that the individuals accessing the system were either current employees or active consultants. Our extended review revealed the following conditions:

- In our review of network access, we compared the roster of active and on-leave employees from Core-CT to the list of enabled user names. We identified 102 enabled and unexpired user names that do not appear to be for active or on-leave employees in Core-CT or for current consultants.

- As a part of our review, we tested the last recorded logon date for user names. We identified 171 enabled and unexpired user names that were not used to log onto the network for over 30 days. The user names are broken down as follows: 14 users names last logged on between 31 and 90 days; 17 user names last logged on between 91 and 365 days; 82 user names that had not logged on in over 365 days. Of the remaining 58 user names, 2 had no logon data, and 56 user names had no last logon date.

- We examined a sample of 16 terminated employees drawn from Core-CT. We matched these employees against the user names provided by the department. We identified one user name that appears to have been used to log onto the network after the effective termination date of the employee.

- In related testing, the sample of 16 terminated employees was limited to the 12 terminated employees whose user IDs had an expiration date. We compared the effective date of termination for the employees with the expiration date of the employees' matching user names. From the sample of 12, we identified three user names with a significant gap between the effective date of termination and

the expiration date of the user name. The gaps ranged from 30 to 524 days.

- In reviewing user names as part of this testing, we identified approximately 134 user names that we labeled as System or Intern user names, as they could not be matched to a specific person.

Effect: The department's network security practices do not adequately limit system access in a timely manner when such access is determined to be no longer necessary, or when the business relationship between the individual and the department is severed.

The unmonitored use of nonspecific user IDs prevents the department from assigning legal and ethical responsibility to individual employees to protect sensitive information, and to limit the use of that information and those systems only to the performance of their jobs.

Cause: During the audited period, the department did not have the technology or procedures in place to identify and disable user IDs assigned to terminated employees, consultants, interns, and those user IDs that have been inactive for a significant period of time.

Recommendation: The Department of Public Health should develop the controls necessary to identify and disable user IDs assigned to terminated employees, consultants, interns, and those user IDs that have been inactive for a significant period of time. (See Recommendation 15.)

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding. The Information Technology Section purchased an Active Directory manager tool which helps to identify inactive user accounts. The federal requirement to disable an inactive account after 45 days cannot be automated at this time. Therefore, DPH IT will establish a manual process to perform scans for inactive accounts on a monthly basis. It is important to note that Consultants and Temporary user accounts are given an expiration date in Active Directory. After that expiration date has passed, the user can no longer log in, even though it is not registered as disabled on the network.

Additionally, an employee separation process will be effective by July 1, 2015, which will help to set the necessary controls in place to promptly revoke system privileges to terminated employees."

Data Classification

Criteria: The Chief Information Officer for the State of Connecticut established a Data Classification Policy effective March 30, 2010. The policy requires each executive branch agency to assign a classification to all data for which the agency has custodial responsibility.

Data classification is the act of placing data into categories. Data classification is necessary because these categories dictate the level of internal controls to protect that data against theft, compromise, and inappropriate use. Information security is best managed when the risk associated with each category of data is uniform and understood.

The role of formally classifying information is an integral function within the information security framework. Typically, this role is performed centrally as part of the risk management function or by information security groups.

The methodology for classifying data is specifically outlined in Appendix B of the Data Classification Policy. The policy requires that "Each Executive Branch Agency shall follow the Data Classification Methodology as developed and provided by DOIT."

Condition: Since the promulgation of the Data Classification Policy, the department has not classified data using the required methodology.

Effect: The department was not in compliance with the requirements of the Data Classification Policy. As a result, the established controls over data security may not have been adequately designed to properly limit access, theft, or inappropriate use of the data in the custody of the department.

Cause: The department was not aware of the Data Classification Policy as promulgated by the Chief Information Officer for the State of Connecticut, which became effective on March 30, 2010.

Recommendation: The Department of Public Health should comply with the Data Classification Policy and classify the department's data according to the methodology promulgated in the policy. (See Recommendation 16.)

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding. The DPH follows the Bureau of Enterprise Systems and Technology's (BEST) processes and templates for project management for new projects. Many of DPH IT projects fall under federal regulation and guidelines that require separate levels of data classification. For example there are NIST standards for the Tumor Registry program and standards for the CDC PHIN MS application and the ARRA-CIRTS project.

The DPH will work with BEST/DOIT to reconcile the differences between State and Federal requirements. State acceptance of the Federal classification system in lieu of State data classification requirements will be requested to be approved by BEST/DOIT. In this way there will be no need for the DPH to duplicate work. The DPH expects to resolve the classification system issue with BEST/DOIT by September 30, 2015."

Revenues, Expenditures and Accounts Receivables

The recommendations in this section address matters related to the department's revenues, expenditures and accounts receivables. The Fiscal Services Section administers budget planning and preparation, monitoring of state and federal grant expenditures, revenue accounting, accounts payable/receivable, and purchasing, including emphasis for procurement activities from small and minority-owned vendors.

Purchase Order Approvals Prior to Purchasing of Goods or Services

Criteria: Section 4-98(a) of the General Statutes states that no budgeted agency may incur any obligation except by the issuance of a purchase order and a commitment transmitted to the State Comptroller.

Proper internal controls related to purchasing require that commitment documents be properly authorized prior to receipt of goods or services.

Condition: Our departmental review of 30 expenditure transactions for fiscal years 2012 and 2013 disclosed 8 instances (or 27 percent) in which purchase orders were created after goods or services were received. In addition, during the same review, we noted 3 instances (or 10 percent) in which the purchase order approval occurred after goods or services were received.

Our review of 40 expenditure transactions for fiscal year 2014 disclosed 5 instances (or 13 percent) in which purchase orders were created after goods or services were received.

Effect: When expenditures are incurred prior to the commitment of funds, there is less assurance that agency funding will be available at the time of payment.

Cause: The department's internal controls were not sufficient to ensure that all purchase orders were completed prior to the purchase of goods and services.

Recommendation: The Department of Public Health should strengthen its internal controls to ensure that funds are committed prior to purchasing goods and services. (See Recommendation 17.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. An e-mail was sent from the Fiscal Business Office to DPH distribution regarding the implementation of the State Purchasing Procedures. The DPH will be involved and will meet with the Chief of Unit/Branches that violate the purchasing procedure of ordering goods and services without prior approval through the Core requisitioning system.

Other measures the Fiscal Office has taken to ensure compliance are:

The DPH Purchasing staff provided training to various units with the agency on proper purchasing practices, emphasizing that requisitions must be submitted prior to a service being rendered or goods being ordered and received.

If a requisition is submitted to Purchasing after a service is rendered or goods have been ordered and received: a reminder of proper purchasing procedures is sent to the unit and a meeting will be conducted with the unit/Branch Chief and when necessary, additional training will be provided to the Unit/Branch staff."

Regarding invoices received prior to a purchase order being issued, notification will be sent to vendors informing them not to provide goods or services prior to a PO being received. Notification will also let the vendor know that payment of the invoice will be delayed while the matter is investigated if a requesting unit orders goods without a purchase order number."

GAAP and SEFA Reporting

Background: The Generally Accepted Accounting Principles (GAAP) closing and reporting procedures refer to the process employed by agencies to gather financial information to make adjustments and additions to the state's statutory accounting records. The purpose of those adjustments and additions is to produce the state's Comprehensive Annual Financial Report (CAFR) on a basis consistent with GAAP.

The Schedule of Expenditures of Federal Awards (SEFA) report details the federal assistance, both cash and non-cash, expended by an entity for the fiscal year. This schedule is included in the Statewide Single Audit report for the State of Connecticut.

Criteria: The State Accounting Manual and other instructions to all state agencies require the submission of timely, complete, and accurate GAAP and SEFA information.

Federal program expenditures that are subject to a separate audit by an independent public accountant (IPA) in compliance with federal Office of Management and Budget (OMB) Circular A-133 are not included in the SEFA.

Condition: Our prior and current audits of the department have noted the following (over)/understatements in the department's GAAP closing packages and SEFAs:

GAAP Reporting Misstatements
Fiscal Year Ending June 30,

	2012	2013	2014
Receivables	$ 724,031	$ (125,300)	$ (42,080)
Grants Receivable	-	$ 109,196	-
Contractual Obligations	$(9,747,728)	$(5,795,978)	$(1,076,368)
Accounts Payable	-	-	$ (903,625)
Grants Payable	-	$ (183,981)	-

SEFA Reporting Misstatements
Fiscal Year Ending June 30,

	2012	2013	2014
Drinking Water	$(4,782,338)	$(5,477,628)	-
Immunizations	$ 2,288,808	$ 9,943,436	
Various Programs	-	-	$5,711,020

The amount reported in Fiscal Year 2014 for Contractual Obligations is the net amount of a sum of overstatements of $12,688,078 and understatements of $11,611,710.

The amounts reported for Drinking Water were audited by an IPA and should only be included as a note disclosure and not in the body of the SEFA.

The amounts reported for Immunizations were misstatements of the non-cash assistance provided to the program.

Effect: There is an increased risk of an undetected material misstatement of the state's financial statements.

Cause: The department uses a manual process to calculate some of the information for its GAAP forms. Manual systems are inherently subject to errors. Other errors were caused by a lack of understanding of the reporting requirements by the department.

Recommendation: The Department of Public Health should develop the necessary accounting and oversight procedures to ensure that the Generally Accepted Accounting Principles and Reporting Package and the Schedule of Expenditures of Federal Awards submissions are prepared in a timely, complete, and accurate manner and in accordance with the State Comptroller's instructions. (See Recommendation 18.)

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding. While the DPH completes its GAAP closeout reporting in a timely manner, the following actions will be taken to address the respective findings:

The DPH Fiscal Office has clarified the requirements of GAAP form 5 (Contractual Obligations) and is working on developing a new Core-CT query that will enable it generate and calculate the correct outstanding contractual obligations. The current Core-CT query used has limitations and does not provide all the necessary information needed to properly prepare the requirements of GAAP form 5.

A new procedure will be implemented to ensure that the proper dates are used in the Accounts Payable (AP) process for processing of WIC payments.

An additional verification process will be instituted to ensure that the Non-Cash Assistance amount reported for the Immunization Program is accurate. This process will require that the monthly and quarterly information submitted by Program to fiscal is compared and validated to support the amount reported in the annual SEFA submission."

Laboratory Test Fee Schedules and Reconciliations

Background: The Connecticut State Public Health Laboratory provides chemical, biochemical, microbiological, and environmental testing on specimens for disease detection, outbreak investigations, and surveillance. The laboratory is comprised of the following services:

Biological Science Services – provides testing for bacterial, viral, fungal, and parasitic agents of diseases; serves as a reference center for microbiological aspects of infectious diseases; screens for eight genetic diseases in newborns.

Environmental Chemistry and Microbiology Services – evaluates toxic inorganic/organic chemicals in the air, river and lake waters, wastewater, drinking water, fish and shellfish, landfills, industrial waste, spills, consumer products, dairy and food, and soils; a certified chemistry laboratory is maintained for drinking water.

The department established a number of price lists for the tests performed by the laboratory. The application of the price lists varied based upon the customer. The costs of some tests are covered by federal and state grants. Certain tests that are required by the state may also be partially or fully subsidized by the state (i.e. newborn screening). Customers are assigned to a price list based upon the department's evaluation of their eligibility to participate in the grants and/or subsidies.

Criteria: Section 19a-26 of the General Statutes gives the Department of Public Health the discretion to establish a schedule of lab fees for analytic work. The department has elected to establish and maintain a fee schedule using rates established by the Centers of Medicare and Medicaid Services (CMS), which CMS updates annually. The department also maintains non-Medicare based billing rates for customers or tests that it determines cannot be charged at the CMS established rates. Management should retain documentation on the methodology used for establishing and maintaining these rates.

The department uses a Laboratory Information Management System (LIMS) to manage the charges for laboratory test fees. Sound internal control procedures require reconciliation between the amounts collected and the amounts charged.

Condition: The department has been using the same Medicare rates for its laboratory tests on its price lists since 2011 for certain customers. Medicare rates are updated annually by CMS. The department has not periodically evaluated its customers to ensure they remain eligible and properly assigned to the price lists using those Medicare rates.

The department has not periodically evaluated and adjusted its non-Medicare laboratory price lists to reflect changing market conditions, nor has it periodically evaluated its customers to ensure that they remain eligible and properly assigned to the price lists using non-Medicare rates. We could not determine the last time such a process was performed.

The department does not have policies and procedures in place that describe the process and regulatory citations for assigning customers to particular price lists.

The department has not periodically reconciled LIM system sales and collection reports to the actual amount collected and deposited.

Effect: There is an increased risk that the department may have overcharged or undercharged their customers an indeterminate amount for laboratory tests since the last time the price lists were updated. There is an increased cost to the department to redevelop the policies and procedures necessary to

update its price lists and for the evaluation and assignment of customers to those price lists.

In the absence of a monthly reconciliation, there is an increased risk that revenues are incorrectly stated or accounts are not collected.

Cause: There were no written policies or procedures regarding the updating of pricelists and customer assignment procedures. Over time and with the turnover of key personnel, the department lost the institutional knowledge over such procedures.

The department's Gemini laboratory system was replaced by the Horizon system around 2011. The accounts were slowly migrated from Gemini to Horizon over time. This made it difficult to reconcile system-generated revenues to actual collections and deposits. The department has been working on matching the LIM systems and sales collection reports to the amounts collected and deposited.

Recommendation: The Department of Public Health should develop policies and procedures for laboratory fee schedules to ensure that Medicaid and non-Medicaid price lists are periodically updated and that customers are properly evaluated and assigned to those price lists. The department should conduct monthly reconciliations of the sales collection reports to the amounts collected and deposited for laboratory fees. (See Recommendation 19.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH is planning to revise the fee schedule by December 1, 2015. The revised fees are based on the January 2015 Medicare rate (when applicable) or the 2015 CPI (for tests where there is no Medicare rate). The fee schedule will be thereafter adjusted each year based on the January Medicare rate changes and the CPI adjustment. Pricelist determination will be part of adding a new customer."

Miscellaneous

The recommendations in this section address matters that could not be categorized with any of the preceding recommendations.

Health and Safety Inspections – Termination Procedures

Criteria: The regional office of the Centers for Medicare and Medicaid Services (CMS) make use of a schedule of termination procedures. The CMS schedule of termination procedures requires the survey agency to issue a warning letter and form CMS-2567 to providers with identified

deficiencies in conditions of participation or conditions for coverage by the tenth business day following the last day of the survey.

Condition: We reviewed the most recent surveys of 24 healthcare providers who received Medicaid payments during fiscal year 2014. For six of the tested providers, the Department of Public Health did not send warning letters and form CMS-2567 within the required ten-business day window. The delay ranged from 1 to 26 business days beyond the 10-day window.

Effect: Delays in the termination process may cause providers who should be terminated to operate longer than allowed under the Medicaid program and receive payments for which they are not eligible. It may also prevent the department or the regional office from meeting other deadlines outlined in the schedule of termination procedures.

Cause: The department asserted that it does not have sufficient personnel to ensure that all surveys are completed in accordance with the schedule of termination procedures for the applicable documentation and quality standards.

In some circumstances, the department may require additional documentation or interviews with the provider in order to complete its understanding of the deficiencies identified during the onsite inspection.

Recommendation: The Department of Public Health should allocate the necessary resources to ensure that surveys of providers and follow-up procedures comply with the required CMS schedule of termination procedures. (See Recommendation 20.)

Agency Response: "The Department of Public Health (DPH) agrees with this finding. On June 25, 2015 all Facility and Licensing and Investigations Section (FLIS) staff will be in-serviced on the revised Policy and Procedure regarding the timely processing of the statement of deficiencies, CMS Form 2567. The policy requires that should the supervisor who is processing the statement of deficiencies, CMS Form 2567, anticipate that there may be a delay, which exceeds the prescribed 10 days, such supervisor will notify the manager for additional guidance and support. An audit shall be done monthly of 10% of all certification surveys processed in such month to assess compliance with the required time frames, until such time that 100% compliance is identified for 12 consecutive months. "

RECOMMENDATIONS

Our prior auditors' report on the department contained 33 recommendations, 11 of which are being repeated.

Status of Prior Audit Recommendations:

- **The Department of Public Health should establish controls, in accordance with the State Property Control Manual, that reinforce the separation of duties between those responsible for the custody of pharmaceuticals and those who record the receipt, distribution, and return of pharmaceuticals.**

  All pharmaceuticals, whether received, distributed, or returned, should be accounted for in the department's inventory records. A record of all expired pharmaceuticals turned over to the returns vendor should be kept and reconciled to the quantity of pharmaceuticals that the returns vendor reports as received. In addition, the credit memoranda, issued by the supplier to DPH, should be reconciled to the returns vendor reports. Those reports detail the returnable and non-returnable pharmaceuticals.

  This recommendation will be repeated as Recommendation 12.

- **The Department of Public Health should establish policies and procedures to ensure that purchases of pharmaceuticals are based on the actual demand of health service providers. The purchases of pharmaceuticals should be made in such a way that prevents under ordering, as well as over ordering that results in excessive carrying costs and increased numbers of expirations. Also, the department should develop order points throughout the fiscal year for making its purchases of pharmaceuticals. Adjustments to pharmaceutical inventory should be analyzed, explained, reviewed and approved by management before they are recorded in the department's records.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should establish a perpetual inventory system for its pharmaceutical inventory in accordance with the requirements found in the State Property Control Manual.**

  This recommendation will be repeated in modified form as part of Recommendation 11.

- **The Department of Public Health should develop and use the tools necessary to properly evaluate contractor performance. Those tools may include but are not limited to the collection and review of clinic activity data and program site visits.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should take the necessary steps to ensure that all EMS providers submit their required activity reports. The department should make use of its enforcement powers for EMS providers who fail to submit their required activity reports in a timely and complete manner.**

  This recommendation will be repeated in modified form as part of Recommendation 1.

- **The Department of Public Health should take the necessary steps to ensure compliance with the statutory requirements for developing and reporting on emergency medical services system outcomes.**

  This recommendation will be repeated in modified form as part of Recommendation 2.

- **The Department of Public Health should perform a complete review of its existing contracting process with the objective of eliminating duplicative records and converting the various manual contract records into one integrated electronic system.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should develop a complaint management system and related procedures. The procedures should describe how the complaint management system will document the efforts of the department to respond fairly and efficiently to service provider complaints. The complaint management system should provide assurance to the public that service provider concerns about the public health infrastructure and health care to underserved residents are heard and resolved.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should perform contractor evaluations with respect to the service delivery (e.g., quality of work, reliability, cooperation), as required by the Office of Policy and Management. Furthermore, the department should work with its contractors to streamline the contracting process to ensure that contracts are executed prior to the commencement date of the contract.**

  This recommendation will be repeated in modified form as part of Recommendation 5.

- **The Department of Public Health should obtain and review each contractor's cost allocation plan for reasonableness and retain the review in their records. Furthermore, the department should ensure that contract deliverables in the form of expenditure reports include only those administrative and general costs that are consistent with the approved cost allocation plan.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should uniformly perform monitoring activities that include the receipt and review of contract deliverables, the measurement of outcomes, and the substantiation of achievements to ensure that adequate and appropriate health care services are provided to clients.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should examine the contractor's financial statements, records, and procedures to provide assurance that the contractor meets the requirements of the contract and that the financial and other interests of the state are protected.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should improve records retention of procurement documentation in order to ensure they are maintained in accordance with state policies.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should develop formal policies and procedures to prevent, detect, and resolve conflict of interest situations related to procurement and contract management. The policies and procedures should include guidelines to assist employees in identifying real or perceived conflicts of interest. Documentation should be retained as evidence that management assessed and addressed any conflict of interest disclosures.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should develop or acquire a formal risk assessment and mitigation process with the objective of identifying and addressing risks that could impact its operational and reporting objectives. The risk assessment and mitigation process should be independent, formal, and ongoing.**

  This recommendation will be repeated in modified form as part of Recommendation 6.

- **The Department of Public Health should strengthen its controls over compensatory time. Pre-approvals should be issued before any compensatory time is accrued.**

  This recommendation will be repeated in modified form as part of Recommendation 7.

- **The Department of Public Health should establish a process to periodically identify any employees working at other agencies and assess those employees for overlapping duties, conflicts in schedules, and conflicts of interest.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should strengthen its controls over medical certificate collection and review.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should implement recordkeeping and processing procedures to ensure that only vehicle rental costs allocable to a particular federal award are charged to that award.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should make use of the integrated features of Core-CT as the basis for reporting its equipment inventory in order to comply with the requirements of the State Property Control Manual.**

  This recommendation was repeated in modified form as part of Recommendation 9.

- **The Department of Public Health should strengthen its controls over Core-CT role assignments and be more active in its review of role assignments.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should perform an annual software inventory and maintain its software inventory records in a manner consistent with the requirements found in the State Property Control Manual.**

  This recommendation will be repeated in modified form as part of Recommendation 13.

- **The Department of Public Health should establish clearance procedures for employees separating from state service and apply those procedures to its separating employees. The procedures must ensure that all state assets are returned intact, data is secured, and computer system passwords and access cards have been deactivated immediately upon the termination of an employee.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should eliminate the current electronic signature process in use in the Drinking Water Section and develop policies and procedures that balance the need for expedient review against adequate internal controls to ensure payments are only made on allowable and reasonable costs and an adequate accountability for reviews performed is maintained.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should establish and monitor compliance with policies and procedures that ensure no payments are made against purchase orders at or exceeding $1 million dollars without first obtaining an OSC pre-audit approval.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should strengthen its internal controls to ensure that funds are committed prior to purchasing goods and services, and ensure compliance with state contracts.**

  This recommendation will be repeated in modified form as part of Recommendation 17.

- **The Department of Public Health should develop the necessary internal controls to ensure that sufficient documentation is retained for all receipts and that those receipts are deposited in accordance with Section 4-32 of the General Statutes and in accordance with the Office of the State Comptroller's directives.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should take steps to improve its collection efforts to reduce the high percentage of persistently delinquent accounts as a percentage of its average accounts receivable. Those efforts should include consideration of the use of interest penalties on overdue balances. Accounts that are determined to be inactive and uncollectible should be written off and removed from the accounts receivable records.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should ensure that all licensure renewal cards have been accurately completed, signed, and dated by the practitioner. In addition, the renewal cards should be retained for a minimum of three years, or until audited, whichever is later.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should prepare the Generally Accepted Accounting Principles Reporting Package in accordance with the State Comptroller's instructions. Also, the department should explore opportunities for automating its more manual GAAP calculations that contribute to the repetitive errors noted on its GAAP forms.**

  This recommendation was repeated as part of Recommendation 18.

- **The Department of Public Health should ensure that all travel voucher packages are complete and free from error prior to their authorization and approval for payments.**

  This recommendation will not be repeated in the current audit.

- **Since the Public Health Foundation has never complied with its audit report requirement under Section 4-37f of the General Statutes, the Department of Public Health should consider formally severing its relationship with the foundation.**

  This recommendation will not be repeated in the current audit.

- **The Department of Public Health should establish a uniform system for monitoring and enforcement that ensures all program employees working in child care in Connecticut have completed background checks. All background checks that reveal legal matters of concern, pending or otherwise, should be acted upon by the department in a full and timely manner and all provider responses should be evaluated and approved by management.**

  Our review found a continuation of the conditions that gave rise to this prior audit recommendation. However, the Child Day Care Unit transferred to the newly established State Office of Early Childhood (OEC) on July 1, 2014. Accordingly, any statutory and/or regulatory oversight related to, as well as the substantive management and processing of, child care background checks is no longer within the purview of the Department of Public Health for the purpose of constructing any corrective action plan. Therefore, this recommendation will not be repeated in the current audit.

Current Audit Recommendations:

1. **The Department of Public Health should take the necessary steps to ensure that all EMS providers and trauma facilities submit their required data. Furthermore, the department should develop the monitoring tools necessary to track in real time the submissions of required data from the determined universe of providers.**

   Any such monitoring tool should include the capability of tracking the department's collection efforts for EMS providers and trauma facilities who fail to submit their data. For those EMS providers and trauma facilities, the department should make use of its enforcement powers to ensure compliance with state statutes and regulations.

   Comments:

   Without comprehensive, reliable data, the department is unable to research, develop, track, and report on appropriate quantifiable outcome measures for the state's emergency medical services system and report to the General Assembly on such matters.

2. **The Department of Public Health should take the necessary steps to ensure the collection of quality data from providers and use the collected data to research, develop, track, and report on appropriate quantifiable outcome measures and submit an analysis of the emergency medical service system outcomes to the joint standing committee of the General Assembly having cognizance of matters relating to public health. The department should evaluate the assignment of PSAs and the performance of emergency medical service providers against established outcome measures.**

   Comments:

   The department expended approximately $5,339,727 over the life of the program but has not collected quality data from all providers and analyzed that data against established outcome measures in order to assess the performance of individual emergency medical providers and the statewide emergency medical services system.

3. **The Department of Public Health should take the corrective actions necessary to address the conditions and recommendations identified in the NHTSA report, with an emphasis on the patient care data collection system.**

   Comments:

   Issues with the patient care data collection system continue to negatively impact the capabilities of the state to assess the cost, quality and access to emergency medical care statewide.

4. **The Department of Public Health should develop and utilize a contractor evaluation process that includes objective performance measures to provide decision useful information concerning the value received from contractors.**

   Comments:

   The department does not base contractor evaluations on objectively derived performance measures that provide decision useful information concerning the value received from contractors.

5. **The Department of Public Health should perform contractor evaluations on a timely basis to better assess the service delivery (quality of work, reliability, cooperation), as required by the Office of Policy and Management.**

   Comments:

   The department's planned corrective action was not sufficient to ensure that contractor evaluations were performed in a timely manner.

6. **The Department of Public Health should develop or acquire a formal risk assessment and mitigation process with the objective of identifying and addressing risks that could impact its operational and reporting objectives. The risk assessment and mitigation process should be independent, formal, and ongoing.**

   Comments:

   The department is exposed to a higher risk that it will not achieve its operational objectives. Risks that could have been anticipated and avoided by periodic assessments may result in operational ineffectiveness, additional costs and liabilities, and exposure to fraud.

7. **The Department of Public Health should take the necessary steps to ensure that overtime and compensatory time are properly pre-approved and that sufficient documentation is retained in support of those approvals.**

   Comments:

   There was insufficient administrative oversight to ensure that overtime and compensatory time were preapproved and that documentation was retained in support of all approvals.

8. **The Department of Public Health should develop procedures sufficient to identify all telecommuting employees and ensure that all telecommuting employees have an executed telecommuting arrangement.**

   The department should also develop procedures to monitor telecommuting arrangements, such that employees and supervisors are accountable for the work produced and the documentation of agreed-upon oversight activities.

   Comments:

   The department did not have sufficient procedures in place to identify telecommuting employees. The department also did not monitor executed telecommuting arrangements to ensure that employees and supervisors complied with the mutually agreed-upon oversight procedures.

9. **The Department of Public Health should comply with the State Property Control Manual and should include all necessary data for its assets. The department should identify the characteristics of all assets to ensure they are properly capitalized. The department should also record the disposal of items when it occurs.**

Comments:

The value and amount of assets reported by the department is inaccurate. Certain necessary data fields (custodian, location and asset code) are missing or incorrect, making the assets more difficult to locate.

10. **The Department of Public Health should take the necessary steps to ensure the amounts reported on its Asset Management Inventory Report Form CO-59 are supported by and reconciled to the Core-CT queries specified in the State Property Control Manual. If the values recorded on form CO-59 do not reconcile with Core-CT, the agency should provide a written explanation of the discrepancy in an attachment. The department should ensure the accuracy of its supporting documentation and verify that the calculations are correct.**

Comments:

The department is not accurately reporting the value of its inventory and equipment on form CO-59 to the Office of the State Comptroller.

11. **The Department of Public Health should comply with the State Property Control Manual and Internal Control Guide regarding the segregation of custody and recordkeeping duties for pharmaceutical inventory. The department should ensure that all inventory items are properly received into the Core-CT Inventory Module and that the items are assigned their actual unit costs. The department should take the necessary steps to ensure that the ending inventory valuation is based on a first-in first-out (FIFO) methodology.**

Comments:

Inventory costs were not accurately valued in the accounting records. Assigning one employee the incompatible duties of recordkeeping and custody reduces the integrity of the controls over pharmaceutical inventory.

12. **The Department of Public Health should develop and apply the necessary policies and procedures to ensure that reconciliations are completed between its inventory records and returns vendor reports. Also, the department should develop and apply the necessary procedures to complete reconciliations of the credit memos to the returns vendor reports and to the credits posted to the state accounting system. The department should ensure that all adjustments to the inventory management module include reason codes as required by its procedures on accountability for pharmaceutical inventory.**

Comments:

The quantity of pharmaceuticals released to the returns vendor was not verified by the department. The department accepted the expired pharmaceutical counts reported by the returns vendor without reconciling the supplier credit memoranda against the returns vendor reports.

13. **The Department of Public Health should comply with the software inventory policies and procedures established by the Office of the State Comptroller by performing an annual physical inventory of the software library and comparing it to the annual software inventory report. Furthermore, purchased software should be accurately recorded, inventoried with all required documentation, and physically secured.**

Comments:

Since the department did not perform the required annual physical inventory, it could not and did not reconcile purchased and installed software to the software physically present at the department.

14. **The Department of Public Health should develop the necessary policies and procedures to verify and certify the accuracy of the monthly telecommunications bill and to confirm appropriate usage in accordance with the DAS BEST telecommunication equipment policy.**

The department should also perform periodic reassessments of assigned telecommunications equipment such as air cards to ensure they are being fully utilized as intended.

Comments:

The department does not have policies and procedures to review and certify the monthly telecommunications bill from DAS that verifies the accuracy and confirms the appropriate usage of assigned telecommunications equipment. The department also does not perform routine reviews of the utilization and assignment of telecommunications equipment.

15. **The Department of Public Health should develop the controls necessary to identify and disable user IDs assigned to terminated employees, consultants, interns, and those user IDs that have been inactive for a significant period of time.**

Comments:

The department's network security practices do not adequately limit system access in a timely manner when such access is determined to be no longer necessary, or when the business relationship between the individual and the department is severed.

16. The Department of Public Health should comply with the Data Classification Policy and classify the department's data according to the methodology promulgated in the policy.

Comments:

The established controls over data security may not be adequately designed to properly limit access, theft, or inappropriate use of the data in the custody of the department.

17. The Department of Public Health should strengthen its internal controls to ensure that funds are committed prior to purchasing goods and services.

Comments:

The department's internal controls were not sufficient to ensure that all purchase orders were completed prior the purchase of goods and services.

18. The Department of Public Health should develop the necessary accounting and oversight procedures to ensure that the Generally Accepted Accounting Principles and Reporting Package and the Schedule of Expenditures of Federal Awards submissions are prepared in a timely, complete, and accurate manner and in accordance with the State Comptroller's instructions.

Comments:

The department uses a manual process to calculate some of the information for its GAAP forms. Manual systems are inherently subject to errors. Other errors were caused by the department's lack of understanding of the reporting requirements.

19. The Department of Public Health should develop policies and procedures for laboratory fee schedules to ensure that Medicaid and non-Medicaid price lists are periodically updated and that customers are properly evaluated and assigned to those price lists. The department should conduct monthly reconciliations of the sales collection reports to the amounts collected and deposited for laboratory fees.

Comments:

There is an increased risk that the department may have overcharged or undercharged its customers an indeterminate amount for their laboratory tests since the last time the price lists were updated. There is an increased risk that revenues are incorrectly stated or accounts are not collected in the absence of a monthly reconciliation.

20. The Department of Public Health should allocate the necessary resources to ensure that surveys of providers and follow-up procedures comply with the required CMS schedule of termination procedures.

Comments:

Delays in the termination process may cause providers who should be terminated to operate longer than allowed under the Medicaid program and receive payments to which they are not eligible.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Public Health during the course of our examination.

Michael Adelson
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts