

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF PUBLIC HEALTH
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005*

AUDITORS OF PUBLIC ACCOUNTS
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**AUDITORS' REPORT
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We have examined the financial records of the Department of Public Health for the fiscal years ended June 30, 2004 and 2005. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification which follow.

Financial statements pertaining to the operations and activities of the Department of Public Health are presented on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing the Department's compliance with certain provisions of laws, regulations, contracts and grants, and evaluating the Department's internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Department of Public Health 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.

During most of the fiscal years under review, the Agency was organized into four Bureaus (Administrative and Support Services, Health Care Systems, Community Health, and Regulatory Services), four Offices (Emergency Medical Services, Public Health Hearing, Local Health Administration, and Planning, Communications, and Workforce Development), and the Public Health Laboratory. During April 2005, the Department adopted an incident command organizational structure. The goal of the reorganization is to ensure that division management is prepared to coordinate their efforts in the event of a disaster. The key divisions are Regulatory Services, Health Care Systems, Laboratory, Operations, Administration, Planning, Public Health Initiatives, and Local Health Administration.

The Commissioner of Public Health is responsible for the overall operation and administration of the Department, as well as administering State health laws and the State Public

Health Code. Under the provisions of Section 19a-14 of the General Statutes, the Department is also responsible for all administrative functions relating to various Boards and Commissions and licensing 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 exhibits illegal, incompetent, or negligent conduct.

Joxel Garcia, M.D. served as Commissioner of Public Health until his resignation in July 2003. Robert Galvin, M.D. was appointed Commissioner in December 2003 and served throughout the remainder of the audited period. Norma D. Gyle served as Deputy Commissioner throughout the audited period and served as Acting Commissioner from July to December 2003.

Office of Health Care Access:

The Office of Health Care Access (OHCA) is a separately appropriated State agency placed under the Department of Public Health for administrative purposes only. Beginning with the fiscal year ended June 30, 1999, the Office of Health Care Access has been reported on under separate cover.

Significant Legislative Changes:

Section 1 of Public Act 03-80, effective October 1, 2003, amended Section 19a-127k of the General Statutes by imposing a \$50 penalty on managed care organizations and hospitals that fail to report to the Commissioner biennially on their community benefits programs. The Act also reduced the frequency with which the Department is required to review and compile these reports from annually to biennially.

Sections 1 through 3 of Public Act 03-87, effective October 1, 2003, amended Sections 20-437 through 20-439 of the General Statutes by requiring the Department to collect annual fees from individuals and organizations that it certifies to perform services relating to asbestos abatement. Each asbestos abatement worker must pay \$25 annually, while the fee for site supervisors is \$50. Organizations that provide asbestos abatement training pay fees of \$500 for an initial training program and \$250 for a refresher-training program.

Section 1 of Public Act 03-159, effective July 1, 2003, required in part, that the Department report on trends in drug overdose death rates and make suggestions for improvements in data collection by January 1, 2004.

Sections 1 through 12 of Public Act 03-236, effective July 9, 2003, strengthens the Governor's, the Department's, and local health director's powers to respond to public health emergencies. The Act also requires the Department to develop a public health emergency plan. The portion of this Act relating to the Department is codified in Sections 19a-131 to 19a-131k of the General Statutes.

Section 4 of Public Act 03-03 of the June Special Session of the 2003 General Assembly, effective August 20, 2003, established a Newborn Screening account. This is a nonlapsing account that is funded annually with \$345,000 of Newborn Screening lab fees. This section was codified as Section 19a-55a of the General Statutes. Section 5 of the same Act amended Section

19a-55 of the General Statutes by expanding the number of tests administered to newborns and by increasing the testing fee from \$18 to \$28.

Public Act 04-221 made a broad range of changes to various sections in Titles 19a and 20 of the General Statutes. Most notably:

- Sections 1 through 7, 9, 10, and 12 of the Act, amended Sections 20-12b, 20-70, 20-70a, 20-74d, 20-74bb, 20-94, 20-97, 20-101, and 20-206e of the General Statutes, respectively, by establishing and clarifying the requirements for 90 and 120-day temporary permits. The permits allow individuals practicing in nine different fields to begin working upon graduating from a training program until either the results of licensing exams are reported or a specific number of days have passed. Sections 1, 2, 4 through 7, 9, 10, and 12 of the Act are effective October 1, 2004 while Section 3 is effective April 11, 2006.
- Sections 7, 9, 13, 16, 19, and 38 of the Act amended Sections 20-94, 20-97, 20-236, 20-254, 20-195n, and 19a-179 of the General Statutes, respectively, by providing for licensure by endorsement when the applicant is already licensed by another State and meets certain requirements. Sections 7, 9, 13, 16, and 19 of the Act are effective October 1, 2004 while Section 38 is effective June 8, 2004.
- Sections 21 and 34 of the Act, effective October 1, 2004, amended Sections 20-12d and 20-87a of the General Statutes by allowing physician assistants and certain advance practice registered nurses to obtain professional samples of certain medications for distribution to patients.
- Section 30 of the Act, effective June 8, 2004, amends Section 20-11b of the General Statutes by exempting doctors who meet certain conditions from carrying malpractice insurance when they work without compensation in free clinics.

RÉSUMÉ OF OPERATIONS:

General Fund:

Public Act 04-2 of the May Special Session of the 2004 General Assembly authorized the establishment of a special revenue fund relative to grants and restricted accounts. During the 2003-2004 fiscal year, the State Comptroller established the “Grants and Restricted Accounts Fund” (12060) to account for certain Federal and other revenues that are restricted from general use and were previously accounted for in the General Funds as “Federal and Other Grants.” Thus, starting in the fiscal year ended June 30, 2004, Federal grants and other restricted funds that were formerly accounted for in the General Fund have been reclassified into these special revenue funds.

General Fund receipts of the Department totaled \$24,627,635 and \$25,860,166 for the 2003-2004 and 2004-2005 fiscal years, respectively. A comparative summary of General Fund receipts, as compared to the previous fiscal year, is presented below:

	<u>Fiscal Year</u>		
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Revenues:			
Licensure, registration, and inspection fees	\$ 19,230,050	\$ 20,044,585	\$ 19,911,941
Title XIX State Survey and Medicaid funds	3,077,049	2,595,451	3,459,624
Fees for laboratory services	973,094	652,853	1,128,716
Birth, marriage and death certificates	48,045	73,902	28,025
Fines, civil penalties, and court costs	885,094	871,219	962,141
Miscellaneous	32,659	60,065	18,389
Refunds of prior years expenditures	387,653	314,561	350,943
Total Revenues	24,633,644	24,612,636	25,859,779
Refunds of expenditures (applied to expenditures)	8,561,284	14,999	387
Restricted contributions - Appropriated	102,005,916		
Total Receipts	\$ 135,200,844	\$ 24,627,635	\$ 25,860,166

The five percent increase in receipts during the audited period is primarily attributable to a slight increase in Title XIX State Survey and Medicaid funds. In addition, an increase in the Newborn Screening lab fee from \$18 to \$28 during the 2004-2005 fiscal year contributed to the increase in Fees for laboratory services.

Beginning on July 1, 1998, budgetary responsibility for Title XIX State Survey and Medicaid funds was transferred to the Department of Public Health from the Department of Social Services. Such funds were appropriated to the Department for the survey and inspection of nursing facilities and intermediate care facilities. Expenditures were reported to the Department of Social Services, and matching Federal funds were drawn down and deposited as revenue of the Department of Public Health.

General Fund expenditures totaled \$61,180,883 for the 2003-2004 fiscal year, as compared to \$70,141,222 for the 2004-2005 fiscal year. A comparative summary of General Fund expenditures, as compared to the previous fiscal year, is presented below:

	<u>Fiscal Year</u>		
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Personal services	\$ 31,547,365	\$ 26,979,159	\$ 29,466,365
Contractual services	4,942,529	3,990,388	4,300,454
Commodities	8,944,809	8,707,038	8,988,829
Revenue refunds	-	711	-
Sundry charges	10,133,197	6,701,076	11,043,584
Grants-in-aid	17,376,548	14,807,021	16,322,213
Equipment	950	8,483	19,778
Building and improvements	-	-	-
Prior period adjustments	-	(12,993)	-
Total Budgeted Accounts	72,945,398	61,180,883	70,141,222
Restricted Accounts	100,775,989		
Total Expenditures	\$ 173,721,387	\$ 61,180,883	\$ 70,141,222

Personal services represented over 40 percent of total expenditures during the audited period. The decreases and subsequent increases in Contractual services, Sundry charges, and Grants-in-aid were mainly due to delays in executing agreements with contractors during the 2003-2004 fiscal year.

Special Revenue Fund - Federal and Other Restricted Account:

As previously explained, beginning with the 2003-2004 fiscal year, restricted accounts that had previously been reported in the General Fund are now being reported by the Comptroller in a newly established Special Revenue Fund. The Department's Federal and other restricted account receipts, as recorded by the State Comptroller, totaled \$85,444,820 and \$128,812,496 for the fiscal years ended June 30, 2004 and 2005, respectively. These receipts were primarily from the Federal Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA #10.557). Total Fund receipts increased in the 2004-2005 fiscal year mainly due to significant increases in the receipts from six Federal grant programs, the largest of which is an \$11,987,426 increase in HIV Care Formula Grant receipts (CFDA #93.917.) In addition, CDC - Investigations and Technical Assistance Grant receipts (CFDA #93.283) increased by \$8,137,880.

Expenditures of this Account, as recorded by the State Comptroller for the fiscal years ended June 30, 2004 and 2005, totaled \$99,462,992 and 129,287,145, respectively. A summary of these expenditures is presented below:

	<u>Fiscal Year</u>	
	<u>2003-2004</u>	<u>2004-2005</u>
Personal services	\$ 24,532,322	\$ 29,495,830
Contractual services	11,935,016	6,921,716
Commodities	26,320,205	35,739,095
Revenue refunds	(69,506)	171,977
Sundry charges	35,501,647	55,749,653
Grants-in-aid	222,775	145,354
Equipment	884,972	1,063,528
Building and improvements	-	(8)
Prior period adjustments	135,561	-
Total Expenditures	\$ 99,462,992	\$ 129,287,145

Sundry Charges increased during the 2004-2005 fiscal year mainly for grant expenditures. In addition, Commodities increased mainly due to food and beverage charges of the Special Supplemental Nutrition Program for the Women, Infants, and Children grant (WIC) (CFDA # 10.557).

Special Revenue Fund - Capital Equipment Fund:

Special Revenue Fund expenditures for equipment purchases totaled \$180,030 and \$665,181 during the fiscal years ended June 30, 2004 and 2005, respectively. These amounts were spent to purchase medical, lab, and data processing equipment.

Special Revenue Fund – Grants to Local Governments and Others Fund:

Special Revenue Fund expenditures for grants-in-aid to Department of Public Health nonprofit providers and community health agencies for facility improvements amounted to \$25,044 and \$47,113 for the fiscal years ended June 30, 2004 and 2005, respectively.

Capital Projects Fund – Capital Improvements and Other Purposes:

Capital Projects Fund expenditures were \$15,204 and \$380,736 during the fiscal years ended June 30, 2004 and 2005, respectively. The increase in expenditures during the 2004-2005 fiscal year was mainly for information technology costs associated with Federal Health Insurance Portability and Accountability Act (HIPAA) compliance.

PROGRAM EVALUATION:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected Agency operations. We reviewed the scope and propriety of the Department of Public Health's practice of including contributions to nonprofit organizations in its consent agreements with its licensed providers. We found that such contributions are not a common part of the Department's consent orders; however our concerns over the potential for conflicts of interest are summarized below.

The Department may assess fines and penalties against organizations if it finds significant exceptions during its inspections. In accordance with Section 4-177, subsection (c), of the General Statutes, the amounts of the fines and penalties are included in legal consent orders. Any money that the Department collects is deposited to the General Fund. We noted two consent orders that included contributions totaling \$25,500 to nonprofit organizations. It is uncertain whether these contributions are in lieu of General Fund fines or penalties. According to an informal opinion issued by an Assistant Attorney General, the Department does not have the explicit legal authority to include contributions in its consent orders. However, there is nothing to prohibit it from entering into such agreements if it neither collects the contribution nor directs how the money is spent.

We were told that the Children's Trust Fund, the Connecticut Head Start State Collaboration, and the Connecticut Public Health Foundation have each received contributions as a result of the Department's consent orders. We noted that the Department has leadership responsibilities for these organizations as follows:

- Children's Trust Fund – Section 17a-50, subsection (b), of the General Statutes states that the Commissioner is a council member.
- Connecticut Head Start State Collaboration – The organization's web site states, "Leadership is provided by a collaborative effort of the Departments of Public Health and Social Services...."
- Connecticut Public Health Foundation – The Foundation was created by Executive Order No. 33, issued by former Governor Rowland on March 24, 2004. The Executive Order requires the Commissioner of Public Health to appoint all of the Foundation's board members.

The Department's active role in directing these organizations suggests that it may also have the ability to direct the use of the contributions. This appears to be a conflict of interest. However, the former State Ethics Commission issued an informal opinion stating that the Code of Ethics does not prohibit the Department from entering into consent orders that require a contribution to an organization, even if an employee of the Department is a member of the organization's council. We are presenting the following recommendation due to the apparent conflict between the opinions of the Office of the Attorney General and the former State Ethic's Commission.

Terms of Consent Orders:

Criteria: Section 4-177, subsection (c), of the General Statutes, permits the Department of Public Health to enter into legal consent orders.

An informal opinion issued by the Office of the Attorney General indicates, in part, that the Department does not have the explicit legal authority to include contributions in its consent orders. However, it also states that there is nothing to prohibit the Department from entering into such agreements if it neither collects the contribution nor directs how the money is spent.

The former State Ethics Commission issued an informal opinion that the Code of Ethics does not prohibit the Department from entering into consent orders that require a contribution to an organization, even if an employee of the Department is a member of the organization's council.

Condition: A conflict appears to exist between the opinions issued by the Office of the Attorney General and the former State Ethics Commission. According to the Office of the Attorney General, the Department of Public Health may not direct how an organization spends funds that it receives as a result of the Department's consent orders. However, according to the former State Ethics Commission, the Department may direct the operations of such an organization, conceivably including the use of such contributions.

We were told that the Children's Trust Fund, the Connecticut Head Start State Collaboration, and the Connecticut Public Health Foundation have each received contributions as a result of the Department's consent orders. The Department of Public Health has leadership responsibilities for each of these organizations. The Department's active role in directing these organizations suggests that it may also have the ability to direct the use of the contributions.

Effect: The Department may be directing the use of contributions that are made as a result of its consent orders.

Cause: There is a conflict between the informal opinions issued by the Attorney General's Office and the former State Ethics Commission.

Recommendation: The Department should obtain clarification of the apparent conflict between the opinions of the Office of the Attorney General and the former State Ethic's Commission before continuing the practice of executing consent orders that include contributions to the Children's Trust Fund, Connecticut Head Start State Collaboration, and Connecticut Public Health Foundation. (See Recommendation 1.)

Agency Response: "We agree with the finding and will seek updated opinions from both the [Office of the Attorney General] OAG and the State Ethics Commission (sharing both prior opinions with each of those entities)."

CONDITION OF RECORDS

Our examination of the records of the Department of Public Health disclosed the following matters of concern:

Leave Accruals and Medical Certificates:

Criteria: State Personnel Regulations and several collective bargaining unit contracts establish the requirements for the accrual of paid leave and the submission of an acceptable medical certificate to substantiate the use of sick leave for a period of more than five consecutive working days.

Condition: Our review of the time and attendance records for 80 employees disclosed errors in the leave accruals of four employees. The following errors did not result in overpayments to the employees.

- Two employees received the incorrect accrual rates.
- A temporary worker who was not eligible for leave time received leave accruals.
- An employee was permitted to accrue time in excess of the maximum allowed.

In addition, medical certificates were not on file for ten of the 15 employees in our sample who used sick time in excess of five consecutive days.

Effect: Employees' accumulated leave balances were incorrect. The Department did not fully comply with the regulations.

Cause: Data entry errors were made. In addition, the Department knowingly allowed one employee to exceed the maximum accrual for three months until the employee used this time during a scheduled vacation. The Department did not obtain or retain medical certificates for all employees who used in excess of five consecutive sick-leave days.

Recommendation: The Department of Public Health should maintain accrued leave balances and medical certificates in compliance with State Personnel Regulations and applicable bargaining unit contracts. (See Recommendation 2.)

Agency Response: "We agree with the finding. During the audit period, the payroll unit experienced an unstable workforce level, which has resulted in a 100 percent turnover of the staff. Full and stable staffing in the payroll area should enable the agency to identify and address issues regarding leave accruals in a prompt fashion, so as to

comply with regulations and applicable bargaining unit contracts. Regarding medical certifications, the HR [Human Resources] Section now has two professional staff and one clerical staff whose assignments include monitoring leaves and ensuring proper medical documentation; changes in staff assignments and procedures should have a significant effect in bringing the agency into compliance.”

Monitoring of the Field Staff’s Use of Time:

Criteria: In order to provide assurance that field personnel are performing at anticipated levels and not abusing State time, there should be a process to document how those individuals utilize their time.

Condition: We reviewed a matter referred to our Office under the provisions of Section 4-61dd of the General Statutes (the Whistleblower Act.) The complaint alleged that an employee assigned primarily to a field unit of the Department was abusing State time. As a result of that review and a similar review made by our prior audit, we found that the Department has not established uniform policies and procedures to document employees’ use of time when working away from the regular work location. A few units with field staff have established their own policies and procedures, but they are inconsistent.

Effect: There is increased risk that misuse of State time may go undetected.

Cause: A uniform policy regarding documentation of employees’ use of time when working away from the regular location has not been established by the Department.

Recommendation: The Department of Public Health should consider implementing policies and procedures to improve accountability over the time spent by employees that are regularly assigned to the field. (See Recommendation 3.)

Agency Response: “We agree with the finding. STD [Sexually Transmitted Disease] field staff are located at the Hartford and New Haven Health Departments. There is a full time supervisor located at each of these locations. Currently, there is a monthly schedule completed with field, clinic and other assignments of each field staff person. This calendar is distributed to all STD staff. All field staff also have cell phones. The following procedures will be implemented for the STD Control Program field staff, effective August 1, 2007. All field staff will be required to complete weekly schedule forms that include clinic and field days. The agency’s Personnel

Administrator, Michael Carey, has been directed to draft procedures that are either generic enough to fit everyone or separate procedures for different groups.”

Late Financial Reporting:

Criteria: In order to prepare the Comprehensive Annual Financial Report (CAFR) and Schedule of Expenditures of Federal Awards (SEFA), the State Comptroller’s Office annually requires each State agency to submit Generally Accepted Accounting Principles (GAAP) reporting packages and the SEFA. During the State fiscal years ended June 30, 2004 and 2005, GAAP packages were due September 3, 2004 and September 2, 2005, respectively. The SEFA reporting packages were due annually on October 31.

Section 4-36 of the General Statutes requires that each State agency submit by October first a detailed inventory, as of June thirtieth, of all property owned by that agency.

Various Federal grant awards require periodic financial reports. In many instances these reports are a prerequisite for continued funding.

Condition: The Department of Public Health has had significant difficulty meeting its financial reporting deadlines.

- The GAAP package was filed one month and seven months late during the State fiscal years ended June 30, 2004 and 2005, respectively.
- The SEFA package was filed over one month and three months late for the fiscal years ended June 30, 2004 and 2005, respectively.
- The annual CO-59 Fixed Assets/Property Inventory Report for fiscal year 2004 was submitted 42 days late and the report for 2005 was submitted 125 days late.
- The Department was generally behind in filing Federal financial reports. In our sample of seven reports, six were filed between six and 250 days late.

Effect: Late submissions of reports to the State Comptroller can impede the Comptroller’s ability to produce accurate and timely statewide financial reports. Late Federal financial reporting can result in the withholding of Federal funds.

- Cause:* Reporting delays were mainly due to the implementation of Core-CT and account coding errors that required labor-intensive account analysis and adjustments for accurate reporting. A turnover in staff also contributed to the condition.
- Recommendation:* The Department of Public Health should ensure timely reporting by reducing the need for labor-intensive account analysis and adjustment through improved controls over recordkeeping. (See Recommendation 4.)
- Agency Response:* “The agency agrees with this finding. The reports were late due to staff turnover and reporting changes. The Department is making improvements to its information gathering and systems to move toward timely filing of reports.”

Licensing – Criminal History Checks:

- Background:* In accordance with Section 19a-14 of the General Statutes, the Department of Public Health licenses over 200,000 individuals who work in a variety of professions ranging from physicians and nurses to asbestos abatement contractors. According to the Federation of State Medical Boards there are a total of 27 states that have the authority to conduct criminal background checks for licensure of physicians. All of these states are allowed to obtain a State criminal background check. Nineteen also have the authority to obtain national criminal background checks.
- Criteria:* Section 19a-14, subsection (6)(B), of the General Statutes states that the Department of Public Health may deny the eligibility of an applicant for a permit or licensure if an applicant has been found guilty or convicted as a result of an act which constitutes a felony. In addition, Section 46a-80 of the General Statutes allows the Department to deny an application if the applicant is not suitable for the specific occupation, trade, vocation, profession or business based on the nature of the crime, its relationship to the job, the degree of rehabilitation, and the amount of time elapsed since the conviction or release.
- Section 19a-80, subsection (c), of the General Statutes requires individuals that provide care to a child in a daycare to submit to State and national criminal history checks.
- Condition:* The Department of Public Health’s license application forms require individuals to certify that they have not been found guilty or convicted of felonies. In accordance with the Statutes, only those individuals employed by daycares are required to submit to criminal background checks. For the remaining applicants, the

Department relies solely on the assertions contained in the applications. Generally, an applicant's eligibility is not independently verified through State and/or national criminal background checks that provide a more reliable and independent source of the information.

Effect: By not obtaining information regarding an applicant's criminal background from an independent source, assurances that licensed individuals meet Connecticut's eligibility requirements are diminished.

Cause: The Department does not independently verify most applicants' criminal backgrounds.

Recommendation: The Department of Public Health should consider obtaining independent verification of applicants' criminal backgrounds to improve assurances that licensees have not been found guilty or convicted of felonies that are relevant to the license in accordance with Section 19a-14 and 46a-80 of the General Statutes. (See Recommendation 5.)

Agency Response: "We agree with the finding; however, both the Department and the Legislature have explored expansion of the criminal history checks, as the finding suggests, to include some or all of the professions licensed by the Department. Though conceptually, independent verification of an applicant's criminal history is desirable, the cost to implement a program for more than 200,000 licensees is cost prohibitive. For such a history check to be meaningful, the national background check must be completed, at a current cost of \$24 per person. A State background check alone is of minimal use, as it only notes convictions in Connecticut. In a small State such as ours, where many employees live in bordering States, a State check alone, though less costly at \$5 – \$10 for fingerprinting per person, is essentially ineffective in protecting the public. In addition, the Department would need to greatly expand its staff in order to process national background checks for 200,000 licenses. Currently the Department utilizes approximately 2.4 FTEs to process an average of 37,000 background checks to the Department of Children and Families registry annually. Ideally, for maximum public protection, background checks on all licensees should be updated annually."

Improvements to Cash Management Controls:

Criteria: The Federal Cash Management Improvement Act Agreement between the State and the U.S. Treasury provides for reimbursement to the State of its disbursements relating to the

Special Supplemental Nutrition Program for Women, Infants, and Children grant (WIC) (CFDA # 10.557) on the same day as requested.

Condition: We noted that the Department did not seek reimbursement of a net total of \$2,162,352 from the Federal government for the WIC grant during the 2004-2005 State fiscal year. This is net of overdrawn amounts totaling \$655,037. The Department was not aware of the amount due to the State until we brought it to their attention.

Effect: The State did not have use of the funds in a timely manner.

Cause: This condition is the result of clerical errors that were not detected because policies and procedures do not require supervisors to periodically monitor compliance with Federal Cash Management requirements.

Recommendation: The Department of Public Health should ensure that the State is fully reimbursed for transactions covered by the Federal Cash Management Improvement Act by improving its policies and procedures to prevent and detect errors. (See Recommendation 6.)

Agency Response: “We agree with the finding. The Cash Management Unit implemented the following measures for cash drawdown:

- Develop a tracking worksheet to monitor and reconcile the Cash Draw Downs.
- Reconcile all Cash Draws on a quarterly basis.
- Reconcile all Cash Draws to the monthly electronic funds activity report from the Office of the Treasurer on a monthly basis.
- Improve on internal communication and correspondence by notifying the Accountant responsible for the drawdown on rebates directly from the vendor.”

Controls over Accounts Receivable:

Criteria: In order to provide assurances that receivable balances and receipts are properly recorded and reported, there should be an adequate segregation of duties over the assessment, recording, and collection of amounts due. In addition, timely reconciliation of subsidiary records to control accounts should be performed on a regular basis.

The statewide accounting system, Core-CT, provides Agencies with an automated system for managing accounts receivable.

Condition: During the State fiscal year ended June 30, 2005, the Department did not record accounts receivable when it determined that it had overpaid contractors. We noted that the balance of such receivables at June 30, 2004, was \$102,989.

Receipts generated by various units at the Department of Public Health totaled approximately \$21.6 and \$22.0 million during the fiscal years ended June 30, 2004 and 2005, respectively. Each unit is independently responsible for assessing, recording, and collecting the amounts due. We noted the following concerns:

- The Business Office has taken limited responsibility for accounts receivable. They have only been depositing funds, recording the receipt in Core-CT, and combining each unit's report of accounts receivable for the year-end GAAP closing package. In most cases, the various operating units periodically transmitted receivable data to the Business Office, but there was no evidence that the information was reviewed.
- Customized accounts receivable systems are used to manage the Department's larger sources of revenue. We noted that for the licensing system, the propriety of manual adjustments to accounts receivable were not monitored by an appropriate level of staff through monthly reviews of system generated "Audit History Reports."
- The State of Connecticut's Core-CT system is not being used to manage a variety of smaller sources of revenue such as civil penalties. As a result, the amounts due for such accounts receivable are not recorded in Core-CT until the receipt is deposited.
- With the exception of the laboratory, periodic trial balances were not maintained.

Effect: The absence of centralized controls increases the risk that errors will go undetected.

Cause: A lack of administrative control contributed to this condition.

Recommendation: The Department of Public Health should improve controls over its various accounts receivable. The Business Office should take a more active role. When appropriate, Core-CT should be used to manage accounts receivable. (See Recommendation 7.)

Agency Response: "We agree with this finding. The various operating units are now transmitting the necessary data through monthly subsidiary accounts receivable spreadsheets to the Accounts

Payable/Receivable section. The section has developed a master accounts receivable spreadsheet to capture all monthly subsidiary accounts receivable spreadsheets. However, because of the loss of employees through the early retirement program and layoffs and then the additional workload as the result of Core-CT, the monthly review and reconciliation of the information had to be suspended. Unless additional staff can be assigned to Accounts Payable/Receivable section or Core-CT responsibilities are streamlined, the Department is unable to resume this activity.”

Outdated Laboratory Fee Schedule:

Criteria: Section 19a-26 of the General Statutes, as amended by Public Act 99-125, requires that the Department establish a schedule of laboratory fees based upon nationally recognized standards and performance measures for analytic work effort for such services.

Condition: The Department of Public Health’s laboratory charges fees for its services to government and nonprofit organizations. Laboratory revenues totaled \$652,853 and \$1,128,716 during the fiscal years ended June 30, 2004 and 2005, respectively. The current fee schedule has not been updated based on the 1999 legislation and is over ten years old. Our prior two audit reports recommended that the Department amend its laboratory fee schedule to conform to the revised law.

Effect: The Department has not complied with the statutory fee provisions of Section 19a-26 of the General Statutes. As a general rule, the costs related to testing have increased. However we were told that in some cases, advances in technology have reduced the costs of some tests. By not reflecting these changes in costs in the fee schedule, the Department may be either over or undercharging for laboratory services.

Cause: A lack of administrative oversight contributed to this condition.

Recommendation: The Department of Public Health should establish an appropriate laboratory fee schedule. If they cannot comply with Section 19a-26 of the General Statutes then legislative revisions should be sought. (See Recommendation 8.)

Agency Response: “We agree with the finding. The DPH Laboratory will make every effort to have our fee schedule reflect the current cost of testing. Clinical testing fees will be established upon the current Medicare/Medicaid Reimbursement Manual. The DPH Laboratory will make every effort to have the environmental testing fees reflect the current cost of testing.”

Revenue Accountability Reconciliations:

- Criteria:* The *State Accounting Manual*, issued by the Office of the State Comptroller requires the periodic preparation, where feasible, of accountability reports to “compare the moneys that were actually recorded with the moneys that should have been accounted for.”
- Condition:* The Department does not prepare accountability reports for its largest revenue source, licensing fees that totaled \$17,579,995 and \$17,324,911 during the fiscal years ended June 30, 2004 and 2005, respectively.
- Effect:* The lack of accountability reports reduces the assurance that the recorded amounts accurately represent the amounts that should have been collected. Properly prepared reports may detect revenue coding errors and fraud.
- Cause:* The Department did not reconcile the amount of licensing revenue recorded to changes in the number of licenses in the database.
- Recommendation:* The Department of Public Health should strengthen controls over licensing revenue by periodically preparing revenue accountability reports. (See Recommendation 9.)
- Agency Response:* “We agree with the finding. The Department had prepared revenue accountability reports in the past; however, due to insufficient staffing in both the Practitioner Licensing and Fiscal Units, it is not possible to re-implement such reports at this time. A manual process has been instituted as follows:
- The Remittance unit is now maintaining a daily log of all applications and payments received.
 - Each application processed must be accompanied by an attached remittance slip, which identifies the applicant’s name, amount paid and date of payment.
 - The actual date of payment is now entered into the licensing system rather than the date the application is processed.”

Late Deposits:

- Criteria:* Section 4-32 of the General Statutes requires that receipts in excess of \$500 be deposited and accounted for within twenty-four hours of the date received.
- Condition:* Our testing of the timeliness of deposits noted that 13 out of the 24 checks in our sample, totaling \$10,800 were deposited between

one and ten working days late. In addition, we could not verify the timing of the deposit for ten checks, totaling \$12,620 because insufficient supporting documentation was retained.

Effect: Late deposits increase the opportunity for loss or misappropriation of funds.

Cause: The various units at the Department forward their receipts to the business office for deposit. In some cases this results in at least a one-day delay.

Recommendation: The Department of Public Health should establish policies and procedures to ensure that receipts are deposited in accordance with Section 4-32 of the General Statutes. (See Recommendation 10.)

Agency Response: “We agree with this finding. The various units at the Department that administer civil penalties must forward their civil penalty receipts to the Business Office for deposit within 24 hours and utilize copies of the checks to create bills in Core-CT for reconciliation of the Accounts Receivable (Licensing, Legal Office, Day Care, Drinking Water, Sewer, and Asbestos).”

Grant and Human Service Contract Management:

Criteria: The Department utilizes human service contracts to document most of its grant awards. In accordance with Section 4-70b, subsection (c), of the General Statutes, the Secretary of the Office of Policy and Management (OPM) issued suggested guidelines to State agencies regarding the use of human service contracts that appear to be designed to ensure that State contracts are awarded in an atmosphere of open competition. Accordingly, they include provisions for the solicitation and review of competitive proposals. In order to provide integrity to the process, adequate documentation should be retained.

Based on an agreement with the Attorney General, the Department does not need to obtain the Attorney General’s approval of individual contracts as long as the document contains certain standard terms and conditions.

Section 4-98 of the General Statutes requires that a valid commitment must be in place prior to incurring an obligation. In addition, a record of all commitments should be maintained within the accounting system.

The Department has added language to the State’s standard invoice form that is intended to document each contractor’s assertion that the contractual requirements for payment have been met and that

the claim has not already been paid. Sound internal control dictates that such assertions should only be made by the contractor and presented to the State agency for payment upon completion of the related work.

Condition:

Our testing of grant and human service contracts noted the following concerns:

- Our review of the proposal evaluation process employed by the Department of Public Health noted three instances in which the scoring sheets that were prepared by individual review committee members were not retained. In addition, some of the available scoring sheets did not include the reviewer's identity or signature; some scoring sheets lacked both.
- Contracts for AIDS Health Care and Support Services that were executed during the 2003-2004 State fiscal year lacked some of the standard terms and conditions required by the Department's agreement with the Attorney General. This agreement expired on June 30, 2004; however, the Department continued to execute contracts without the Attorney General's approval. A new agreement went into effect on July 1, 2005.
- Twenty contracts, totaling \$3,343,171 appeared to have services provided prior to the execution of the applicable grant agreements.
- Contract files contained unpaid invoices that were signed by contractors at the same time that the contractual agreement was executed. The Department has been requiring contractors to sign the invoices in advance of providing services regardless of the fact that the contractors' signatures are intended to provide assurances that the invoices are valid and have not already been paid.

Effect:

The failure to retain documents supporting the process for evaluating proposals prevents independent parties from attempting to determine if the process was carried out properly and without undue influence.

Contracts that have not been approved by the Attorney General may lack terms and conditions that are necessary to protect the State's best interest.

Incurring an obligation prior to committing the appropriate funds violates Section 4-98 of the General Statutes and may reduce the effectiveness of established budgetary controls.

The risk that payments could be processed prematurely increases when contractors are required to approve payment request documents in advance of providing deliverables. In addition, it becomes more difficult to hold an official responsible to the attestation when it is knowingly signed before the required deliverable is completed.

Cause: A lack of administrative control is the general cause of these conditions. In addition, the Department regards individual proposal rating sheets as draft documents, and thus does not require them to be retained.

Recommendation: The Department of Public Health should improve controls over human service and personal service agreements. (See Recommendation 11.)

Agency Response: “We agree with the finding.

Our practice is to keep all individual scoring sheets from reviewers. However, we understood that the reviewers' identity was not necessary on the scoring sheets. As a remedy we are working with the records retention officer to review what to maintain after a competitive process is completed. Meanwhile, all scoring sheets from individual reviewers will be kept.

Contract waivers are provided by the Office of the Attorney General (OAG). The AIDS Health Care and Support Services contracts that were executed during the 2003-2004 State fiscal [year] were covered by an executed waiver agreement with the Office of the Attorney General that expired on June 30, 2004. For contracts executed between July 1, 2004 and June 30, 2005, the Department continued to utilize the previous waiver until a new contract waiver was executed on July 1, 2005. The Department has implemented quality assurance measures to ensure that contract waivers have been in place continuously since July 1, 2005. These measures include implementing an internal legal contract review process through the establishment of a position within the Contracts and Grants Management Section that is dedicated to the legal review of contracts as well as the establishment of a policy that states in the event the OAG waiver should ever lapse, the Department will forward all contracts to the OAG for review until a new waiver is executed.

The Department has promulgated new contract management policies and procedures through the implementation of an interdisciplinary workgroup that has established timeframes allowing for the timely execution of contractual agreements prior to the provision of services.

Contractual payments are based on a comprehensive system of checks and balances that include interdepartmental review and approval, such as program consent, verification of reports and deliverables, and budgetary reconciliation. Beginning in State fiscal year 2008, the Department will remove the attestation statement from the “Description of good and services completed” section of the Department’s Invoice Transmittal Form.”

Equipment Inventory and Reporting:

Criteria: Section 4-36 of the General Statutes requires each State agency to keep property inventory records in the manner prescribed by the State Comptroller.

The State of Connecticut’s Property Control Manual, issued by the State Comptroller, provides further guidance on controls for most facets of inventory management, including that equipment reports should be accurately prepared and filed in a timely manner. It also requires that when an item is used at a location other than that to which it was assigned, the responsible employee must sign the *Record of Equipment on Loan Form* or a similar form prepared by the agency. This form documents that the individual takes responsibility for theft or other cause and/or any damage to the equipment.

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

Condition: The ending balances on year-end property reports to the Comptroller were overstated by \$620,705 and \$523,045 for the fiscal years ended June 30, 2004 and 2005, respectively.

Capitalized equipment was either not recorded or recorded incorrectly. For the 2003-2004 and 2004-2005 fiscal years, six items costing \$48,557 were not recorded and two items costing \$86,961 were recorded at a cost of \$77,800.

In addition, no physical inventory loss reports were filed with the Comptroller and the Auditors of Public Accounts for items totaling \$36,531. The lost items include 12 laptop computers costing \$30,018. As of June 30, 2005, there are 336 laptops on the inventory listing costing \$651,063. The Department did not have an established procedure to document the long-term assignment of laptop computers to employees through signed statements indicating that the employee is responsible for the assigned items.

- Effect:* The Department does not have an accurate listing of its equipment inventory.
- Losses cannot be investigated unless loss reports are properly filed. By failing to properly document the loan of laptop computers the risk of loss and the likelihood that such losses will go undetected for a longer period of time increases.
- Cause:* A lack of administrative control contributed to this condition.
- Recommendation:* The Department of Public Health should improve controls and recordkeeping over equipment inventories toward the goal of producing accurate reports. The loaning of equipment should be properly documented. In addition, losses should be reported in accordance with Section 4-33a of the General Statutes. (See Recommendation 12.)
- Agency Response:* “We agree with the finding. The Department has instituted a loan form for all IT equipment issued from the IT Help Desk. The agency has a significant number of locations to visit during the annual physical inventory and also a large number of field staff with laptop computers assigned. In the past we did not consider the laptop loss if we missed recording on one inventory. We will change this process and if not physically seen on each annual inventory, a loss report will be filed.”

EDP Disaster Recovery Planning:

- Criteria:* Sound business practices include provisions that organizations have in place current disaster recovery plans to enable critical operations to resume activity within a reasonable time after a disaster.
- Condition:* Our prior two audits noted that the Department of Public Health did not have a current comprehensive disaster recovery plan in place. The Department has identified its mission-critical applications, hardware, and personnel needs and the necessary recovery periods for the various systems have been prioritized. However, the Department has not documented how the necessary resources will be obtained.
- Effect:* The lack of a complete disaster recovery plan increases the vulnerability of the Department in the event of a disaster.
- Cause:* The Department has placed reliance on the Department of Information Technology (DOIT) for the provision of the necessary resources. Our prior audits noted that the timeliness of DOIT’s actions should be evaluated before relying solely on DOIT. To

date, DOIT has only established statewide disaster recovery policies for the retention of backup data.

Recommendation: The Department of Public Health, in consultation with the Department of Information Technology, should determine the specific action that needs to be taken by the Department of Public Health to develop a more comprehensive EDP disaster recovery plan. (See Recommendation 13.)

Agency Response: “We agree with the finding. DPH along with DOIT developed a Business Continuity Plan (BCP) in 2006. Additionally, we have added backup redundancy support for the DPH Lab shared drive data at our 410 Capitol Avenue site for additional security. Also, our backup software has been upgraded to the latest version of ArcServ, version 11.5. In addition, the DPH will request funding for disaster solution in the budget option process.”

User Access to Information Systems:

Criteria: The Department of Public Health’s policies and procedures include terminating employees’ information system access upon separation from the Department.

Condition: In our sample of ten former employees, we noted that an individual was logged onto the system using one of the former employee’s accounts. The account provided read and write access to many files.

Effect: The effectiveness of information system access controls is compromised and confidential data may not be adequately protected from unauthorized use or modification.

Cause: The Department did not terminate the former employee’s user access in a timely manner.

Recommendation: The Department should maintain security over its information systems by promptly terminating employees’ system access upon separation from employment. (See Recommendation 14.)

Agency Response: “We agree with the finding. DPH has initiated a procedure whereby IT receives notification from Human Resources when an employee separates from the Department. The deletion process encompasses email, server, and application access.”

Boards, Councils, and Commissions:

Criteria: In accordance with Sections 19a-4k, 19a-7g, 19a-14, and 19a-178a of the General Statutes, the Department of Public Health is responsible for most administrative functions of 18 regulatory and advisory Boards, Councils, and Commissions. The following requirements apply to their members:

- a) Section 4-9a, subsection (c), of the General Statutes provides that the term of each member of each Board and Commission within the executive branch shall be coterminous with the term of the Governor or until a successor is chosen whichever is later.
- b) Section 19a-8 of the General Statutes indicates that public members shall constitute not less than one-third of the members of each of the 15 Boards and Commissions identified within Section 19a-14, subsection (b), of the General Statutes.
- c) Title 20 of the General Statutes requires that members of each of the 15 Boards and Commissions identified within Section 19a-14, subsection (b), of the General Statutes are deemed to have resigned after missing three consecutive meetings or fifty percent of all calendar year meetings.
- d) Sections 20-25, 20-103a, 20-208, 20-8a, 20-88, 20-128a, 20-67, 20-51, 20-186, and 20-196 of the General Statutes limit the members of ten of the Boards and Commissions to two full consecutive terms.

The frequency of meetings is established by Sections 19a-4k and 19a-7g of the General Statutes that require the Advisory Commission on Multicultural Health and the Childhood Immunization Advisory Council meet quarterly and twice annually, respectively.

Condition: Our examination of the composition of the 18 Boards, Councils, and Commissions noted that requirements relating to membership and the frequency of meetings were not met.

Membership

- a) Six of the Boards did not meet the requirement that one-third of their membership be comprised of public members.
- b) A total of four members of four Boards were not deemed to have resigned when they either failed to attend three consecutive meetings or fifty percent of the meetings in a calendar year.

- c) Six Boards had between one and three vacancies because successors were not appointed.
- d) All ten Boards with term limitations had a total of 36 members serve beyond their statutory term limits. Some of these appointments dated back to 1988.

Frequency of Meetings

- a) The Advisory Commission on Multicultural Health only met twice during the fiscal years ended June 30, 2004 and 2005.
- b) The Childhood Immunization Advisory Council only met once during the fiscal years ended June 30, 2004 and 2005.

Effect:

Boards that do not have a full complement of participating members may not benefit from the intended representation of various public and private sector groups. Inordinate lengths of time since the expiration of the members' terms appear to suggest that the members have been "reappointed" without regard to the term limits of the original appointments. Boards may not be able to satisfy their mission if they do not meet as frequently as the Statute requires.

Due to the resulting vacancies, six Boards did not meet the requirement that one-third of their members consist of public members.

Cause:

The Department periodically notifies the Governor's Office of vacancies; however the Governor's Office has not replaced members in a timely manner.

A lack of administrative oversight may have contributed to there being fewer meetings held than are required by Statute.

Recommendation:

The Department of Public Health should improve administrative controls to ensure compliance with the various requirements over Board, Council, and Commission term limits, attendance, member composition, and the frequency of meetings. The Department should also continue to notify the Governor's Office of all vacancies. (See Recommendation 15.)

Agency Response:

"We agree with the finding. The Department has an administrative process in place related to resignations from professional boards. When received, notices of resignations from these boards are provided to the Governor's Office. However, appointments are not under the jurisdiction of the Department. The process for councils and commissions is different as they are not administratively under our control.

The Immunization Program is working with DPH Government Relation's staff regarding renewal of appointments with the Governor's Office for the replacement of committee member vacancies. The Connecticut Immunization Advisory Committee will meet twice annually as required by Section 19a-7g of the Connecticut General Statutes.

During the period reviewed the Commission on Multicultural Health met only twice. The Statutory requirement is for the Commission to meet quarterly. The chairperson who is referred to as the Commissioner calls the meetings of the Commission. On several occasions meetings were scheduled and subsequently cancelled due to various reasons. The Department of Public Health's Office of Multicultural Health provides support to the Commission and assists with the meeting administrative tasks and agenda items. Early this calendar year the appointed Commissioner of the Commission relocated out-of-state. A new Commissioner will need to be appointed."

Internal Control Self-assessments:

- Criteria:* The State Comptroller's Accountability Directive Number 1 requires that each State agency perform an internal control self-assessment annually, by June 30.
- Condition:* The Department did not complete an internal control self-assessment as directed by Accountability Directive Number 1 for the fiscal years ended June 30, 2004 and 2005.
- Effect:* There is an increased risk that control weaknesses could go undetected. The Department did not comply with Accountability Directive Number 1.
- Cause:* A lack of administrative oversight contributed to this condition.
- Recommendation:* The Department should perform an internal control self-assessment as required by the State Comptroller's Accountability Directive Number 1. (See Recommendation 16.)
- Agency Response:* "We agree with this finding. The Department felt that with the advent of Core-CT this was no longer applicable. It has been brought to our attention that this is still a requirement and we will be submitting the report in the future."

RECOMMENDATIONS

Our prior auditors' report on the Department contained nine recommendations, eight of which are being repeated.

Status of Prior Audit Recommendations:

- The Department of Public Health, in consultation with the Department of Information Technology, should determine the specific action that needs to be taken by the Department to develop a more comprehensive EDP disaster recovery plan. This recommendation is being repeated. (See Recommendation 13.)
- The Department should improve controls and recordkeeping over equipment inventories, toward the goal of producing accurate and timely inventory reports and properly documenting the loaning of equipment. This recommendation is being repeated. (See Recommendations 4 and 12.)
- The Department should re-evaluate its current laboratory fee schedule using criteria established by Section 19a-26 of the General Statutes. This recommendation is being repeated. (See Recommendation 8.)
- The Department of Public Health should continue to actively consult with the Governor's Office when the need for the replacement of Board members exists. Procedures should be considered to identify in advance those members whose terms are ending so that replacements can be sought in a timely fashion. In addition, controls should be enhanced to ensure the consistent availability of public records of the Multicultural Health Advisory Commission and the Childhood Immunization Advisory Council. This recommendation is being repeated, in part. (See Recommendation 15.)
- The Department of Public Health should improve internal controls over its various receivables by centralizing the recording of all amounts due and periodically reconciling receivable balances to accounting activity. This recommendation is being repeated. (See Recommendation 7.)
- The Department of Public Health should strengthen controls over licensing revenue by the periodic preparation of revenue accountability reports. This recommendation is being repeated. (See Recommendation 9.)
- The Department of Public Health should improve procurement practices to provide for the adequate documentation of purchases and adherence to mandated contract provisions. Our current audit did not note any similar exceptions. This recommendation is not being repeated.
- The Department of Public Health should improve the monitoring of the process used to establish human service and personal service agreements to insure that all administrative requirements are adhered to and the evaluation process is documented. This recommendation is being repeated. (See Recommendation 11.)

- The Department of Public Health should consider procedures to improve the accountability of time spent by employees that are regularly assigned to the field, as well as improving documentation of medical certificates and advance approval of compensatory time. We did not note any exceptions regarding compensatory time. The remainder of this recommendation is being repeated. (See Recommendations 2 and 3.)

Current Audit Recommendations:

- 1. The Department should obtain clarification of the apparent conflict between the opinions of the Office of the Attorney General and the former State Ethic's Commission before continuing the practice of executing consent orders that include contributions to the Children's Trust Fund, Connecticut Head Start State Collaboration, and Connecticut Public Health Foundation.**

Comments:

An opinion issued by the Office of the Attorney General states that the Department may not direct how an organization uses the funds it receives as a result of the Department's consent orders. Meanwhile, an opinion of the former State Ethic's Commission states that the Department may direct the operations of those same organizations and in effect the use of those funds.

- 2. The Department of Public Health should maintain accrued leave balances and medical certificates in compliance with State Personnel Regulations and applicable bargaining unit contracts.**

Comments:

The leave accruals of four employees were overstated. Medical certificates were not on file for ten employees who used sick time in excess of five consecutive days.

- 3. The Department of Public Health should consider implementing policies and procedures to improve accountability over the time spent by employees that are regularly assigned to the field.**

Comments:

The Auditors of Public Accounts have received two whistleblower complaints regarding possible abuses by employees that are regularly assigned to the field. We were unable to sufficiently verify the complaints because the Department of Public Health lacks uniform policies and procedures for monitoring such employees.

- 4. The Department of Public Health should ensure timely reporting by reducing the need for labor-intensive account analysis and adjustments through improved controls over recordkeeping.**

Comments:

The Department has been unable to file many of its State and Federal reports in a timely manner. This is due mainly to the implementation of Core-CT and the extensive account analysis and adjustments that are necessary to correct coding errors.

- 5. The Department of Public Health should consider obtaining independent verification of applicants' criminal backgrounds to improve assurances that licensees have not been found guilty or convicted of felonies that are relevant to the license in accordance with Section 19a-14 and 46a-80 of the General Statutes.**

Comments:

In most cases, the Department does not independently verify whether an applicant for a license or registration has been found guilty or convicted of felonies that are relevant to a pending application.

- 6. The Department of Public Health should ensure that the State is fully reimbursed for transactions covered by the Federal Cash Management Improvement Act by improving its policies and procedures to prevent and detect errors.**

Comments:

The Department did not sufficiently monitor cost reimbursements from the Federal Special Supplemental Nutrition Program for Women, Infants, and Children grant (WIC) (CFDA # 10.557). Therefore, cost reimbursements totaling \$2,162,352 were not sought by the Department during the fiscal year ended June 30, 2005.

- 7. The Department of Public Health should improve controls over its various accounts receivable. The Business Office should take a more active role and when appropriate, Core-CT should be used to manage accounts receivable.**

Comments:

Accounts receivable are recorded and collected by various units at the Department. The Business Office has not implemented sufficient controls for central oversight of those accounts receivable.

- 8. The Department of Public Health should establish an appropriate laboratory fee schedule. If they cannot comply with Section 19a-26 of the General Statutes then legislative revisions should be sought.**

Comments:

The laboratory's fee schedule is over ten years old and does not comply with the 1999 amendments to Section 19a-26 of the General Statutes.

- 9. The Department of Public Health should strengthen controls over licensing revenue by periodically preparing revenue accountability reports.**

Comments:

The Department does not prepare revenue accountability reports that may detect fraud and account coding errors for its largest sources of revenue.

- 10. The Department of Public Health should establish policies and procedures to ensure that receipts are deposited in accordance with Section 4-32 of the General Statutes.**

Comments:

Thirteen of the 24 checks in our sample were deposited between one and ten working days late and an additional ten checks lacked sufficient supporting documentation.

- 11. The Department of Public Health should improve controls over human service and personal service agreements.**

Comments:

Four concerns regarding contract management were noted. 1) The contractor selection process was not adequately documented in all cases. 2) Standard terms and conditions were omitted from some of the contracts. 3) Contractors provided services prior to executing agreements. 4) Contract files contained unpaid invoices that were signed before the contractor provided the services necessary for payment.

- 12. The Department of Public Health should improve controls and recordkeeping over equipment inventories toward the goal of producing accurate reports. The loaning of equipment should be properly documented. In addition, losses should be reported in accordance with Section 4-33a of the General Statutes.**

Comments:

Numerous equipment recording and reporting errors were noted. In addition, loss reports were not prepared for items that were not found during the Department's annual inventory. The Department's controls over loaned equipment do not include obtaining a signed statement that the employee is responsible for the assigned item.

- 13. The Department of Public Health, in consultation with the Department of Information Technology, should determine the specific action that needs to be taken by the Department of Public Health to develop a more comprehensive EDP disaster recovery plan.**

Comments:

The Department has identified its critical applications, but plans are not in place detailing how the necessary resources will be obtained.

- 14. The Department should maintain security over its information systems by promptly terminating employees' system access upon separation from employment.**

Comments:

We noted that an individual was logged onto the system using a former employee's account.

- 15. The Department of Public Health should improve administrative controls to ensure compliance with the various requirements over Board, Council, and Commission term limits, attendance, member composition, and the frequency of meetings. It should also continue to notify the Governor's Office of all vacancies.**

Comments:

The Department did not comply with requirements over Board, Council, and Commission term limits, attendance, member composition, and the frequency of meetings. In addition, vacancies were not filled in a timely manner.

- 16. The Department should perform an internal control self-assessment as required by the State Comptroller's Accountability Directive Number 1.**

Comments:

The Department did not complete annual internal control self-assessments as directed by the State Comptroller's Accountability Directive Number 1.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Public Health for the fiscal years ended June 30, 2004 and 2005. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Public Health for the fiscal years ended June 30, 2004 and 2005 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Public Health is the responsibility of the Department of Public Health's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 2004 and 2005, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of the Department of Public Health is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over

its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Public Health's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts and grants. We believe the following findings represent reportable conditions: the improvements needed to cash management controls and the lack of revenue accountability reports for licensing revenue.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we do not believe that the reportable conditions described above are material or significant weaknesses.

We also noted other matters involving internal control over the Agency's financial operations and over compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

CONCLUSION

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

Ramona Weingart
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts