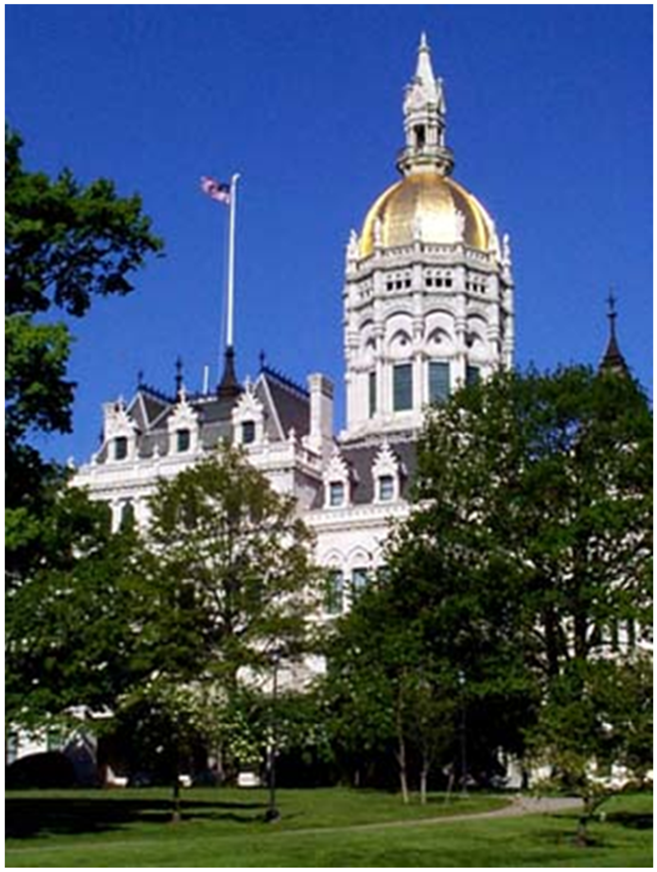
STATE OF CONNECTICUT



AUDITORS' REPORT
DEPARTMENT OF SOCIAL SERVICES
FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 AND 2011

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

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

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December 8, 2014

AUDITORS' REPORT
DEPARTMENT OF SOCIAL SERVICES
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011

We have examined the financial records of the Department of Social Services for the fiscal years ended June 30, 2010 and 2011. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

Financial statement presentation and auditing are done on a Statewide Single Audit basis to include all state agencies. This audit has been limited to assessing the Department of Social Services' compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the department's internal control policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD

The Department of Social Services (DSS) operates under the provisions of Title 17b of the General Statutes.

The mission of DSS is to serve families and individuals who need assistance in maintaining or achieving their full potential for self-direction, self-reliance and independent living. In fulfilling this mission, DSS was designated as the state agency for the administration of the following programs:

- Medicaid – pursuant to Title XIX of the Social Security Act, provides payments for medical assistance to low-income persons who are aged 65 or over, blind, disabled, or members of families with dependent children or qualified pregnant women or children.

- Temporary Assistance for Needy Families (TANF) – pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, provides time-limited assistance to needy families with children so that the children can be cared for in their own homes or in the homes of relatives; ends dependence of needy parents on government benefits by promoting job preparation, work, and marriage; prevents and reduces out-of-wedlock pregnancies, including establishing prevention and reduction goals; and encourages the formation and maintenance of two-parent families.

- Temporary Family Assistance (TFA) – pursuant to Section 17b-112 of the General Statutes, DSS shall administer a TFA program under which cash assistance shall be provided to eligible families in accordance with the TANF program. As provided under Section 17b-112, the Commissioner of Social Services operates portions of the state's TFA program as a solely state-funded program, separate from the federal TANF, if the commissioner determines that doing so will enable the state to avoid fiscal penalties under the TANF program.

- Child Care and Development Block Grant – pursuant to the Child Care and Development Block Grant Act of 1990, provides services for day care, day care training, parenting skills and counseling. This program funds a portion of the state's Child Care Subsidy program established under Section 17b-749 of the General Statutes.

- Connecticut Energy Assistance Program – pursuant to the Low Income Home Energy Assistance Act of 1981, provides supplemental assistance consisting of payments for fuel and utility bills to needy persons.

- Programs for the elderly – pursuant to the Older Americans Act, provide social and nutritional services for the elderly.

- Programs for vocational rehabilitation services – pursuant to Title I of the Rehabilitation Act of 1973, provide a wide range of individualized services that are designed to increase the availability of, and access to, training and job placement opportunities for eligible persons with disabilities.

- Children's Health Insurance Program – pursuant to Title XXI of the Social Security Act, provides health insurance for children who are not eligible for Medicaid. This program funds a portion of the state's HUSKY Plan, Part B program established under Section 17b-292 of the General Statutes.

- Supplemental Nutrition Assistance Program (SNAP) – pursuant to the Food and Nutrition Act of 2008, helps low-income households buy the food they need for good health.

- Social Security Disability Insurance – pursuant to Title II of the Social Security Act, provides disability benefits to individuals meeting Social Security Administration work history and/or medical requirements and provides referral to vocational rehabilitation services.

- Child Support Enforcement – pursuant to Title IV-D of the Social Security Act, enforces support obligations owed by non-custodial parents, locates absent parents, establishes paternity, and obtains child and spousal support. Child support services are available to all children deprived of parental support regardless of income.

- Social Services Block Grant – pursuant to Title XX of the Social Security Act, provides prevention, intervention and treatment services to individuals and families.

- Section 8 Housing Choice Vouchers – pursuant to the Housing Act of 1937, provides rental assistance to help very low-income families afford decent, safe, and sanitary rental housing.

- State Supplement – pursuant to Section 17b-104 of the General Statutes, provides supplemental cash assistance to elderly, blind or disabled individuals. This program provides additional cash assistance to clients of the Supplemental Security Income program pursuant to Title XVI of the Social Security Act.

- Connecticut Homecare Program for Elders – pursuant to Section 17b-342 of the General Statutes and Title XIX of the Social Security Act, provides an array of home care services and helps eligible Connecticut residents continue living at home instead of prematurely going to a nursing facility.

- Connecticut Pharmaceutical Assistance Contract to the Elderly and Disabled (ConnPACE) – pursuant to Sections 17b-490 through 17b-519 of the General Statutes, helps eligible senior citizens and people with disabilities afford the cost of most prescription medicines.

- State-Administered General Assistance (SAGA) – pursuant to Sections 17b-190 through 17b-219 of the General Statutes, provides cash and medical assistance to eligible individuals who are unable to work for medical or other specified reasons, and to families that are not eligible for other department programs.

- Housing/Homeless Services – pursuant to Sections 17b-800 through 17b-849 of the General Statutes, makes grants to develop and maintain programs for homeless individuals, including programs for emergency shelter services, transitional housing services, onsite social services for available permanent housing, and for the prevention of homelessness.

- Connecticut Medicare Assignment Program (ConnMAP) – pursuant to Sections 17b-550 through 17b-554 of the General Statutes, ensures that beneficiaries of ConnMAP and ConnPACE programs who receive Medicare-covered services will be charged no more than the rate determined to be reasonable and necessary by Medicare.

- Medicare Part D Supplemental Needs Fund – pursuant to Section 17b-265e of the General Statutes, provides assistance to Medicare Part D beneficiaries who are enrolled in the ConnPACE program or who have coverage for Medicare Part D drugs and are eligible for Medicaid, and whose medical needs require that they obtain non-formulary prescription drugs.

- Charter Oak Health Plan – pursuant to Section 17b-311 of the General Statutes, provides access to health insurance coverage for state adults who have been uninsured for at least six months and who are ineligible for other publicly funded health insurance plans.

Michael P. Starkowski was appointed commissioner on February 1, 2007, and although he retired from state service on July 1, 2009, he continued as a temporary worker in that capacity until April 5, 2011. Roderick L. Bremby was appointed commissioner on April 4, 2011 and served in that capacity throughout the remainder of the audited period.

Council on Medicaid Care Management Oversight

The Council on Medicaid Care Management Oversight was established, in accordance with Section 17b-28 of the General Statutes, to advise the Commissioner of Social Services on the planning and implementation of a system of Medicaid care management and to monitor such planning and implementation on matters including, but not limited to, eligibility standards, benefits, access and quality assurance.

Council to Monitor Implementation of the Temporary Family Assistance Program and the Employment Services Program

The council was established, in accordance with Section 17b-29 of the General Statutes, to monitor the implementation of the Temporary Family Assistance program and the Employment Services program.

Commission on Aging

The Commission on Aging was established, in accordance with Section 17b-420 of the General Statutes, to advocate on behalf of elderly persons on issues and programs of concern to the elderly including, but not limited to, health care, nutrition, housing, employment, transportation, legal assistance, and economic security. The commission is within the legislative branch.

Independent Living Council

In accordance with Section 17b-615 of the General Statutes, the Governor appointed a statewide Independent Living Council as required by Title VII of the Rehabilitation Act of 1973. The council shall meet regularly with the Director of the Bureau of Rehabilitation Services and perform the following duties: (1) issue an annual report by January 1st, with recommendations regarding independent living services and centers, to the Governor and the chairpersons of the joint standing committee of the General Assembly having cognizance of matters relating to human services, and (2) consult with, advise, and make recommendations to DSS concerning independent living and related policy, management and budgetary issues.

Child Day Care Council

The Child Day Care Council was established, in accordance with Section 17b-748 of the General Statutes, to recommend to the Commissioner of Public Health regulations which shall effectuate the purposes of this section and Sections 17b-733, 19a-77, 19a-79, 19a-80, 19a-82 to 19a-87, inclusive, and 19a-87b to 19a-87e, inclusive, including regulations relating to licensing, operation, program and professional qualifications of the staff of child day care centers, group day care homes and family day care homes and shall make recommendations to the Commissioner of Public Health on the administration of said sections. The council shall also make recommendations to DSS as the lead agency for day care on grants management and the planning and development of child day care services. The council shall serve as an advisory committee to DSS in the development of the State Child Care Plan required pursuant to the Child Care Development and Improvement Act of 1990 and shall conduct biennial public hearings on such state plan. In addition, the council shall provide guidelines for drop-in supplementary child care operations. The council shall be within DSS for administrative purposes only.

RÉSUMÉ OF OPERATIONS

Introduction

The operations of DSS for the fiscal years ended June 30, 2010 and 2011, which were accounted for in the General Fund, Special Revenue Funds, Capital Projects Funds, and Fiduciary Funds, are discussed below.

Receipts and expenditures or disbursements during the audited period, as well as the preceding fiscal year, are summarized below:

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
General Fund			
Total Receipts	$3,511,460,344	$3,672,400,110	$3,828,737,254
Total Expenditures	$5,041,515,368	$5,012,333,407	$5,387,535,094
Special Revenue Funds			
Grants and Restricted Accounts Fund			
Total Receipts	$ 442,667,110	$ 508,772,391	$ 595,418,406
Total Expenditures	$ 463,430,586	$ 507,700,484	$ 596,623,390
Grants to Local Governments and Others Fund			
Total Receipts	$ 0	$ 0	$ 0
Total Expenditures	$ 6,742,922	$ 1,341,052	$ 2,813,476
Other Special Revenue Funds			
Total Receipts	$ 0	$ 0	$ 0
Total Expenditures	$ 889,554	$ 814,226	$ 487,733
Capital Projects Funds			
Community Conservation and Development Fund			
Total Receipts	$ 0	$ 0	$ 0
Total Expenditures	$ 3,699,111	$ 3,925,784	$ 1,180,400
Capital Improvements and Other Purposes Fund			
Total Receipts	$ 0	$ 0	$ 0
Total Expenditures	$ 19,742	$ 804	$ 0

Fiduciary Funds

Social Services Support Fund			
Total Receipts	$ 39,021,326	$ 53,394,972	$ 55,860,128
Total Disbursements	$ 38,014,391	$ 54,150,266	$ 55,758,930
Funds Awaiting Distribution			
Total Receipts and Transfers	$ 69,736,870	$ 23,735,529	$ 66,217,292
Total Refunds and Net Transfers	$ 71,409,290	$ 24,132,184	$ 66,179,154

General Fund – Receipts

General Fund receipts during the audited period, as well as the preceding fiscal year, are summarized below:

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Federal Contributions:			
Medical Assistance (See Note 1)	$2,576,925,883	$2,642,416,349	$2,790,656,314
ARRA-Increased Medicaid FMAP	403,287,875	536,140,039	481,240,846
Dependent Children (See Note 2)	290,245,485	292,094,713	292,617,606
Federal Administration (See Note 3)	140,342,385	88,516,851	138,947,440
Child Support Enforcement	26,717,619	25,486,271	33,789,741
Children's Health Insurance Program	31,918,984	24,980,087	32,029,621
ARRA-Child Support Enforcement	0	12,363,882	1,179,294
TANF ARRA Basic Assistance	0	2,621,316	8,653,855
Total Federal Contributions	3,469,438,231	3,624,619,508	3,779,114,717
State Receipts:			
Recoveries	39,390,290	44,388,889	46,720,046
Miscellaneous Receipts	2,631,823	3,391,713	2,902,491
Total State Receipts	42,022,113	47,780,602	49,622,537
Total Receipts	$3,511,460,344	$3,672,400,110	$3,828,737,254

Notes to above schedule:

Note 1 These receipts represent reimbursement of Medicaid costs other than administration costs (Note 3).

Note 2 These receipts represent reimbursement of expenditures incurred on behalf of administering and providing benefits under the Temporary Assistance for Needy Families program and the Child Care Development programs.

Note 3 These receipts represent reimbursement of administrative costs incurred on behalf of administering Medicaid, the Supplemental Nutrition Assistance Program, and the Children's Health Insurance Program.

Total revenue and receipts increased by $160,939,766 and $156,337,144 during the fiscal years ended June 30, 2010 and 2011, respectively. The increase in fiscal year 2009-2010 was mainly attributable to an increase in the federal Medicaid financial participation rate as a result of the American Recovery and Reinvestment Act of 2009. The increase in fiscal year 2010-2011 was mainly attributable to an increase in total expenditures incurred under the Medicaid program as a result of expanding of benefits, effective during April 2010, to include the new Medicaid for Low-Income Adults (MLIA) program, a population previously state-funded under the SAGA program. It should be noted that there is a delay between when the funds are expended and when federal reimbursement is received.

General Fund – Expenditures

General Fund expenditures during the audited period, as well as the preceding fiscal year, are summarized below:

	Fiscal Year 2008-2009	**Fiscal Year 2009-2010**	**Fiscal Year 2010-2011**
Budgeted Accounts:			
Personal Services	$ 115,820,982	$ 100,382,991	$ 106,100,980
Contractual Services	112,553,944	115,519,277	114,932,875
Commodities	878,280	720,602	469,332
State Grants	4,812,262,162	4,795,635,217	5,166,028,717
Capital Outlay – Equipment	0	75,320	3,190
Total Expenditures	$5,041,515,368	$5,012,333,407	$5,387,535,094

Total expenditures decreased by $29,181,961 and increased by $375,201,687 during the fiscal years ended June 30, 2010 and 2011, respectively, which resulted primarily from fluctuations in state grants. The state grants are presented in the following analysis by the type of special appropriation for which they were expended.

	Fiscal Year 2008-2009	**Fiscal Year 2009-2010**	**Fiscal Year 2010-2011**
Medicaid	$3,838,255,953	$3,840,395,593	$4,451,268,632
Disproportionate Share	191,210,000	189,210,000	189,210,000
Temporary Assistance for Families	112,605,456	119,103,489	117,216,523
Child Care Services	93,118,727	93,562,762	98,516,236
HUSKY B Program	34,819,846	34,872,987	35,732,516
General Assistance	200,362,128	194,754,580	(3,145,848)
Aid to the Disabled	58,941,606	60,406,628	61,168,548
Old Age Assistance	35,554,872	35,263,210	35,523,455
Child Day Care	15,881,098	15,350,228	15,881,098
Housing – Homeless	41,204,623	41,805,154	47,173,053
ConnPACE	31,464,032	25,101,554	5,976,484
Connecticut Home Care Program	69,105,615	67,251,099	47,402,482
CT Children's Medical Center	11,020,000	11,020,000	11,020,000

Medicare Part D Supplemental Needs	25,264,058	5,008,380	0
Charter Oak Health Plan	0	25,250,604	13,345,295
Other	53,454,148	37,278,949	39,740,243
Total State Aid Grants	$4,812,262,162	$4,795,635,217	$5,166,028,717

Notes to above schedule:

A portion of the expenditures made under Medicaid, Disproportionate Share, Temporary Assistance for Needy Families, Child Care Services, and HUSKY B is claimed for reimbursement under various federal programs.

The expenditure amounts made under Medicaid, Temporary Assistance for Needy Families, Child Care Services, and HUSKY B do not include any payroll or other administrative costs allocated to the programs. In addition, expenditures incurred by other state agencies that are also claimed for federal reimbursement under the Medicaid and Temporary Assistance for Needy Families programs are not included in the above amounts.

The reasons for the major changes in expenditures for the above programs during the fiscal year ended June 30, 2010, are presented as follows:

- Medicare Part D Supplemental Needs expenditures decreased by $20,255,679 due to the suspension of the program as of December 31, 2009. Public Act 11-44, effective July 1, 2011, eliminated this program entirely.

- The Charter Oak Health Plan was initially funded in fiscal year 2008-2009 with the state's tobacco settlement funds, however, beginning in fiscal year 2009-2010, DSS supported the plan though the General Fund.

- The remaining fluctuations were primarily the result of changes due to increases and decreases in client participation. There were no significant changes in the programs that caused these increases or decreases to occur.

The reasons for the major changes in expenditures for the above programs during the fiscal year ended June 30, 2011, are presented as follows:

- Medicaid program expenditures increased by $610,873,039 due to increases in provider rates as well as client participation, which can be attributed primarily to benefit extensions, effective April 2010, to clients under the new Medicaid for Low-Income Adults (MLIA) program, a population previously state-funded under the SAGA program, and thereby causing the decrease of $197,900,428 in General Assistance expenditures.

- Connecticut Home Care Program expenditures decreased by $19,848,618. The decrease can be attributed to a decrease in client participation due to increased client cost-sharing requirements.

- ConnPACE program expenditures decreased by $19,125,069. The decrease can be attributed to the transition of clients to coverage under the federal Medicare Part D program as a result of changes to the eligibility standards for that program.

- Charter Oak Health Plan expenditures decreased by $11,905,309. The decrease can be attributed to a decrease in client enrollment due to decreases in premium assistance to clients.

- The remaining fluctuations were the result of changes due to increases and decreases in client participation. There were no significant changes in the programs that caused these increases or decreases to occur.

Special Revenue Funds – Receipts

Special Revenue Fund receipts during the audited period, as well as the preceding fiscal year, are summarized below:

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Federal Contributions:			
Federal Aid, Restricted	$418,239,298	$483,021,827	$545,959,901
Transfers from Other State Agencies	17,361,592	19,764,227	20,413,840
TANF ARRA	0	0	20,722,584
Miscellaneous	0	1,434,590	1,146,393
Total Federal Contributions	435,600,890	504,220,644	588,242,718
State Receipts:			
Restricted Contributions	5,735,158	4,536,119	6,534,511
Transfers from Other State Agencies	1,327,461	586	2,000
Miscellaneous	3,601	15,042	639,177
Total State Receipts	7,066,220	4,551,747	7,175,688
Total Receipts	$442,667,110	$508,772,391	$595,418,406

Total revenues and receipts increased $66,105,281 and $86,646,015 during the fiscal years ended June 30, 2010 and 2011, respectively. The fluctuations were primarily attributed to increases and decreases in expenditures as explained below.

Special Revenue Funds – Expenditures

Special Revenue Fund expenditures during the audited period, as well as the preceding fiscal year, are summarized below:

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Expenditure Accounts:			
Personal Services	$ 30,283,866	$ 32,085,960	$ 34,232,426
Contractual Services	19,175,049	17,199,477	21,805,896
Commodities	172,216	96,840	189,018

Revenue Refunds	570,061	(43,059)	610,439
Sundry Charges	22,900	16,000	5,000
Equipment	925,760	585,582	173,522
Overhead	6,260,099	5,627,586	7,495,150
State Grants	16,521,570	4,619,802	5,605,351
Federal Aid Grants	397,131,540	449,667,574	529,807,797
Total Expenditures	$471,063,061	$509,855,762	$599,924,599

Total expenditures increased $38,792,701 and $90,068,837 during the fiscal years ended June 30, 2010 and 2011. The increase in fiscal year 2009-2010 was primarily attributed to increases in expenditures related to Medicare premiums paid under the Medicaid program and the federal Low-Income Home Energy Assistance program. The increase in fiscal year 2010-2011 was primarily attributed to increases in expenditures related to Medicare premiums paid under the Medicaid program and to ARRA funds received under the federal TANF and Weatherization Assistance for Low-Income Persons programs.

Capital Projects Funds

Community Conservation and Development Fund grants-in-aid expenditures, which were made under various bond acts passed by the legislature, totaled $3,925,784 and $1,180,400 for the fiscal years ended June 30, 2010 and 2011, respectively. During the fiscal year ended June 30, 2009, DSS expended $3,699,111 from this fund. These grants-in-aid expenditures were primarily for the renovation and expansion of neighborhood facilities used as senior centers, day care facilities, emergency shelters, etc. In addition, DSS expended $804 during the audited period from the Capital Improvement and Other Purpose Fund. During the fiscal year ended June 30, 2009, DSS expended $19,742 from this fund. This fund was established to provide funds for DSS to establish procedures to be in compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Fiduciary Funds

Social Services Support Fund

The Social Services Support Fund, an agency fund, is used as a clearing account for payments received from persons in other states obligated to support children who were beneficiaries of public assistance in Connecticut. In addition, amounts recovered from the Internal Revenue Service's interception of tax refunds and withholding of state income tax refunds for delinquent support payers are also deposited in this fund. These receipts are deposited into the fund pending computation of amounts due to other states and amounts refunded to child support obligors after deducting the delinquent child support, which is then transferred to the General Fund. The disbursements primarily consisted of transfers to the state General Fund for the recovery of public assistance.

According to the records of the State Comptroller, the fund's resources at June 30, 2010 and 2011 totaled $292,265 and $393,463, respectively.

Funds Awaiting Distribution

DSS primarily used the Funds Awaiting Distribution fund for the distribution of child support receipts as provided by the federal Child Support Enforcement program (Title IV-D). The Federal Deficit Reduction Act of 1984 mandates that actual child support collected by the state for an active TANF case, up to a maximum of $50 per month, be redirected to the TANF family. Deposits are made to the General Fund revenue account entitled Recovery of Public Assistance. Transfers are then made monthly from the General Fund to the Funds Awaiting Distribution fund for anticipated funding requirements. A payment list, in the amount of the transfer, is then drawn from the Funds Awaiting Distribution fund for deposit in the DSS Benefit Assistance checking account. Payments are then made to TANF families from this account. DSS also used this fund to account for SNAP collections and DSS client overpayment collections recovered by the Department of Administrative Services Financial Services Center.

According to the records of the State Comptroller, the fund’s resources at June 30, 2010 and 2011 totaled $228,807 and $266,945, respectively.

Other Funds and Accounts

Burial Reserve Fund

Section 17-114 of the General Statutes, as it was formerly in effect, provided for the assignment of up to $600 in personal property, including insurance policies, to the state’s Burial Reserve Fund by individuals who thereby became eligible for public assistance. Public Act 86-290, effective July 1986, repealed the aforementioned Section 17-114 of the General Statutes, but did not address the disposition of existing burial reserve accounts. A formal opinion requested by DSS was received from the Attorney General on November 25, 1996, relative to the appropriate disposition of existing burial reserve assets. In his opinion, the Attorney General states that, in the case of a deceased individual who was assigned assets, DSS is required to release up to $600 of the assigned funds for the direct payment by DSS of any outstanding unpaid funeral or burial expenses. After making this payment, or if there are no outstanding unpaid funeral or burial expenses to be paid, DSS should retain the balance of the assigned assets and any earnings that may have accrued thereon as reimbursement for prior grants of public assistance to the deceased individual. DSS completed the disposition of cash assigned to the Commissioner of DSS in October 1997. However, as of June 30, 2012, DSS still has on hand 251 life insurance policies that have been assigned to the commissioner valued at $351,199.

Initial Supplemental Security Income Benefits Account

Federal law provides that the Social Security Administration may, upon written authorization by an individual, reimburse states that have furnished interim assistance to recipients between the month the recipient files a claim for Supplemental Security Income benefits and the month in which benefits are paid. This provision has allowed the individual to receive prompt general assistance. For this consideration, the individual authorizes the state to receive the individual’s initial and any retroactive Supplemental Security Income payments. From the Supplemental

Security Income received, the state retains the amount of general assistance provided to the individual and remits the balance of the Supplemental Security Income to the individual.

The cash balances at June 30, 2010 and 2011 were $340,599 and $159,311, respectively.

Conservator Account

In accordance with Section 45a-651 of the General Statutes, the Commissioner of DSS could be appointed, by a probate court, as conservator of the estate of certain persons with limited resources. The commissioner may delegate any power, duty or function arising from the appointment as conservator of either the estate or the person, to an employee of DSS.

DSS maintained a single checking account for the conservator program with computerized subsidiary records for each client's funds. In addition to cash balances of $60,074 and $12,519 at June 30, 2010 and 2011, respectively, the Conservator Account had investments in the State of Connecticut's Short-Term Investment Fund of $90,283 and $65,979 on those respective dates.

CONDITION OF RECORDS

Our review of the records of the Department of Social Services revealed several areas requiring improvement. Separate captions have been included for major areas of discussion.

Prompt Deposit of Receipts

Criteria: Section 4-32 of the General Statutes requires that any state agency receiving money or revenue for the state amounting to more than $500 shall deposit such receipts in depositories designated by the State Treasurer within 24 hours of receipt. Total daily receipts of less than $500 may be held until the total receipts to date amount to $500, but not for a period of more than seven calendar days. The Treasurer is authorized to make exceptions upon written application from DSS stating that compliance would be impracticable and giving the reasons therefore.

The State Treasurer granted DSS a two business-day waiver for checks totaling $1,000 or more and a four-day business waiver for checks totaling less than $1,000 that were originally received at the DSS field offices.

Condition: Each of the 12 DSS field offices prepares a log of receipts. We selected a sample of 15 receipts from five of the 12 offices. During our testing, we noted that nine checks totaling $50,155 were not deposited within the timeframes required by the waiver obtained by the State Treasurer. We found that these checks were on hand between one and 16 days in excess of the allowed time.

Effect: The lack of prompt deposits increases the opportunity for the loss or misappropriation of funds.

Cause: The procedures for handling cash receipts at the DSS field offices prevent DSS from depositing the receipts in a timely manner. Specifically, the DSS field offices send receipts to the DSS Central Office for depositing, which delays the deposit of receipts to a depository designated by the State Treasurer beyond the allowed time.

Recommendation: The Department of Social Services should develop procedures to ensure that receipts are deposited in accordance with the waiver obtained from the State Treasurer. (See Recommendation 1.)

Agency Response: "The department agrees with this finding. Periodically, the Division of Financial Management and Analysis issues a memo to Regional Office directors and staff indicating that all deposits must be forwarded to the DSS Central Office in a timely manner in order to meet the deposit deadlines. In addition, the memo requests that the Regional Offices review their procedures concerning receipts and make them available to the Division of Financial Services and the Division of Quality Assurance. We will issue a follow-up memo to the Regional Offices and request they make all deposits in accordance with department procedures and State Treasurer's regulations. We are also reviewing our internal procedures to process deposits more timely and will review opportunities to enhance the Regional interface with our process."

Accounts Receivable – Aged Receivables

Criteria: Past-due accounts receivable should be periodically reviewed to determine their collectability. Receivables judged by management to be uncollectible should be written off.

Condition: Our review of the DSS receivable records continued to disclose numerous delinquent accounts receivable as of June 30, 2011.

Medical receivables with no collection activity recorded in over one year totaled $20,695,156 and were originally established as much as 31 years earlier.

Drug rebate receivables greater than one year old totaled $1,762,887 and were originally established up to 10 years earlier.

Effect: Untimely collection efforts increase the risk that receivables will not be collected and unnecessary staff resources are being used to account for receivables that are not collectible.

Cause: There were insufficient internal controls over receivables. However, DSS has made efforts during the audited period to actively pursue resolution by either collecting or writing off the old receivables.

Recommendation: The Department of Social Services should continue its efforts to resolve the old receivable accounts. (See Recommendation 2.)

Agency Response: "The department agrees with this finding. As noted, many of the outstanding receivables identified by the auditors are very dated. Improvements have been made to limit the aging of receivables so that collections are much more timely. In SFY 2013, accounts receivable balances were reduced by close to $6 million, or approximately 14%. The Division of Financial Services will continue our focus on receivables to assure further reductions are achieved in SFY 2014."

Payroll and Personnel

Criteria:

1. Timesheets – Proper internal control requires that time and attendance records be signed by the employee and the employee's supervisor upon completion of the corresponding pay period. Additionally, timesheets should not be signed and approved until all recorded hours are actually worked and verified.

   The Connecticut State Library's records retention schedule indicates that employee timesheets must be retained for a period of three years, or until audited, whichever is later.

2. Medical Certificates – Section 5-247-11 of the State Regulations provides that an acceptable medical certificate, which must be on the form prescribed by the Commissioner of the Department of Administrative Services and signed by a licensed physician or other practitioner whose method of healing is recognized by the state, will be required of an employee by the appointing authority to substantiate a request for any absence consisting of more than five consecutive working days.

3. Overtime – Section 5-245 of the General Statutes provides that any state employee who performs work authorized by the appointing authority for a period in addition to the hours of the employee's regular, established work week shall receive overtime pay.

   Article 17, Section 3b of the Engineering, Scientific and Technical (P-4) Bargaining Unit Contract stipulates that members paid above Salary Group 24 are generally considered exempt from earning overtime pay. Payment at straight time may be granted to such otherwise exempt employees, however, in certain instances with approval of the Secretary of the Office of Policy and Management (OPM).

4. Leave Requests – DSS requires employees to submit a Time Off Request Form (W-643A) whenever leave time is sought. The form requires supervisory approval for all leave time granted and further states that the approved form must be attached to the employee's timesheet.

Condition:

1. Timesheets – Our review of 100 timesheets disclosed the following:

   - 13 timesheets were signed and/or approved prior to the end of the pay period.
   - One timesheet was not approved by a supervisor.
   - Four timesheets could not be located.

2. Medical Certificates – DSS did not have medical certificates for five out of the ten employees reviewed who were on sick leave for more than five consecutive working days.

3. Overtime – OPM approved a special request by DSS to permit certain P-4 employees above Salary Group 24 to earn overtime from the period of May 1, 2009 through September 30, 2009. Our testing of overtime pay for those 21 P-4 employees for whom DSS received special approval disclosed that five employees continued to earn overtime pay subsequent to the expiration of such approval.

4. Leave Requests – Our review disclosed eight instances out of 20 tested in which an approved Form W-643A was not on file as required.

Effect:

1. Timesheets – Missing or improperly authorized timesheets result in a decreased assurance that the services DSS has compensated its employees for have actually been received.

2. Medical Certificates – DSS does not have documentation to support medical absences in excess of five consecutive working days as required by State Regulation 5-247-11.

3. Overtime – Improper overtime payments totaling over $31,000 were made to employees.

4. Leave Requests – The lack of proper supervisory approval of absences increases the risk that the employee may not have sufficient leave time available and be placed on unauthorized leave status, and that DSS may not have staffing coverage to handle workloads.

Cause: DSS did not have effective internal procedures in place to enforce applicable requirements and to prevent these errors from occurring.

Recommendation: The Department of Social Services should process personnel information in accordance with state laws and regulations under the State Personnel Act and should ensure compliance with other applicable requirements, including state records retention, bargaining unit contracts and its own internal administrative requirements. (See Recommendation 3.)

Agency Response: "The department agrees with this finding. DSS has recently gone through a change in HR Administration. Many operational changes have been implemented with more to be introduced in the beginning of the year.

We are aware and agree with the findings stated above. Payroll assumed responsibility for time & labor for all DSS Central Office employees in February 2012. We have spoken with unit supervisors who are responsible to sign off on timesheets and approve time off requests about the importance of authorizing, signing and submitting these items and suggested remedies that might assist them.

The HR professional had been working with OPM to get the letter of continuance approved. There is currently an approval on file and we are in the process of updating the letter to OPM for the next annual approval.

We began centralizing many HR functions, such as, Labor Relations, CORE Unit, FMLA and Workers Compensation Unit. Centralizing these areas with a specialized HR representative will create consistency within the agency and ensure the agency is compliant with all state regulations while improving and maintaining structure and processes.

Additionally, HR recently received approval to hire a HR Specialist and a HR Assistant. The additional HR resources will strengthen HR operations."

Closed Cases – Improper Payments

Background: DSS contracts with two vendors to administer non-emergency medical transportation for some recipients on the State of Connecticut Supplemental Benefits Program and Medicaid. The vendors receive a monthly capitated rate for each client regardless of whether the client is provided actual transportation. Under the State Supplemental Benefits Program, clients also receive monthly cash assistance.

DSS provided us with a monthly report of cases closed due to the death of recipients. We sampled clients listed on the June 2011 report to determine whether payments made after the death of the recipients were appropriate. Out of 939 names listed on the report, 19 were clients of the State Supplemental Benefits Program.

Criteria: Section 1565.05 of the DSS Uniform Policy Manual sets forth the ending date of assistance due to non-financial factors, including the death of a client. The manual provides that, when eligibility has been determined to no longer exist, the last day for which the assistance unit is entitled to the benefits of the program is the last day of the month in which a non-financial eligibility factor causes ineligibility, provided that eligibility existed on the first of the month. This includes the death of a recipient.

Condition: Our review of benefit payment histories of recipients listed on the Closed Cases by Death of a Recipient report for June 2011 disclosed the following:

1. For 11 out of the 19 State Supplemental Benefits Program recipients tested, we noted that monthly benefit payments totaling $7,684 were issued after their deaths. In all 11 instances, receivables were not created so that the established procedures could be used to recoup the overpayments. There were excess payments made for one month in 10 cases and for two months in one case.

2. For 10 out of 19 State Supplemental Benefits Program recipients tested, we noted that transportation payments totaling $537 were paid on behalf of recipients for services in the months following their deaths. DSS has not attempted to recover these overpayments. The number of improper monthly transportation payments consisted of excessive payments of eight months in one case, seven months in one case, two months in one case, and one month in 7 cases. The process for making capitated transportation payments under Medicaid is the same as the process under the State Supplemental Benefits Program. However, it should be noted that a capitated rate would only be paid on behalf of some of the Medicaid clients listed on the June 2011 report.

Effect: Improper payments totaling $8,221 were made, for which DSS made no attempt to recover.

Cause: For the improper monthly benefit payments, procedures were not followed to establish receivables in the DSS computer system for these overpayments. For the improper transportation payments, DSS has not yet developed a process to recoup transportation payments that are made after the death of a recipient.

Recommendation: The Department of Social Services should improve its procedures relative to cases closed due to death to ensure the discontinuance of benefit and transportation payments or the recovery of those payments issued after death. (See Recommendation 4.)

Agency Response: "The department agrees with this finding. We issued the following reminder to staff on November 29, 2013:

The State Auditors recently conducted a review of our State Supplement and Medicaid programs. Their review found that in several cases, payments were made on behalf of clients who had died.

Please be sure to immediately discontinue assistance when you are notified that a client has died. Also, as part of the closed case review, Resources should review for payments made after the client's death and seek recovery of any inappropriate payments.

Thank you for your attention to this matter."

Financial Reporting

Background: In conjunction with our audits of the state's Comprehensive Annual Financial Reports (CAFR) for the fiscal years ended June 30, 2010 and 2011, we reviewed the DSS Generally Accepted Accounting Principles (GAAP) Reporting Packages and the Schedule of Expenditures of Federal Awards (SEFA) submitted to the State Comptroller.

Criteria: The submission of complete and accurate GAAP and federal financial expenditure information is instrumental in producing a fairly stated CAFR and SEFA. Reports should be complete, accurate and in compliance with the State Comptroller's requirements as set forth in the State Accounting Manual and other instructions.

Condition: Our review of the DSS GAAP Reporting Package and the SEFA for the fiscal years ended June 30, 2010 and 2011, disclosed various financial exceptions that would have had a significant impact to the amounts reported by the State Comptroller.

Effect: These conditions, if not corrected, would have caused inaccurate or incomplete information to be reported on the state's CAFR and SEFA.

Cause: Failure to follow the instructions of the State Comptroller and clerical errors were the causes of these conditions.

Recommendation: The Department of Social Services should prepare the Generally Accepted Accounting Principles Reporting Package and the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements. (See Recommendation 5.)

Agency Response: "We concur with the audit findings in regard to changes in our GAAP and SEFA filings. The Division of Financial Services will pursue efforts to enhance the accuracy of these reports."

Monitoring of Sub-recipients

Background: In the Statewide Single Audit for the fiscal years ended June 30, 2010 and 2011, we noted that DSS had control deficiencies related to monitoring sub-recipients who were provided with federal funds. These sub-recipients were also provided funds from state programs. The control deficiencies related to state funds are being reported below. In addition, we performed testing of sub-recipients who expended funds who were not part of the population of sub-recipients tested in conjunction with the Statewide Single Audit. DSS provided approximately $20,500,000 in total state grants to sub-recipients during the fiscal years under review. By contract, grantees are required to maintain financial records and to report on their operations. Our review of the monitoring efforts made by DSS disclosed certain deficiencies.

Criteria: Section 7-396a of the General Statutes requires state grants to be audited.

Adequate internal control includes monitoring sub-recipients to ensure that expenditures and activities are in accordance with state laws and regulations. Independent audit reports of grantees that are received do not provide a sufficient monitoring tool.

Condition: In conjunction with the Statewide Single Audit for the fiscal years ended June 30, 2010 and 2011, we tested 25 contracts each year under which grantees received funds from DSS. Our review disclosed that for the fiscal year ended June 30, 2010, financial audit reports were not on hand for three of the contracts tested and desk reviews were not performed for four audit reports that were on hand. We noted that some financial status, programmatic and statistical, or monitoring reports, required by the contracts, were not on file or were not submitted to DSS within the time allotted by the provisions of the contracts for 16 and 14 sub-recipients for the fiscal years ended June 30, 2010 and 2011, respectively.

In conjunction with this departmental audit, we tested 10 sub-recipients who received state grants to determine whether adequate monitoring was performed. These ten sub-recipients were selected from a population of sub-recipients that was not part of the Statewide Single Audit. The contracts between DSS and grantees require that the performance of the grantee, and any applicable subcontractors, shall be reviewed and evaluated at least annually by DSS staff. These reviews and evaluations may be performed by examination of documents and reports, and site visits to funded facilities and program sites administered by the grantee, or by a combination of both. Our review disclosed that some but not all the monitoring requirements provided under the contracts were performed for six of the ten sub-recipients tested.

Effect: Without adequate monitoring of the DSS grantees, errors and noncompliance could occur and not be detected in a timely manner.

Cause: DSS has not made the effective monitoring and audit of its grant awards a priority.

Recommendation: The Department of Social Services should establish adequate procedures to obtain and review audit reports and conduct ongoing monitoring of its grantees. (See Recommendation 6.)

Agency Response: "The department agrees. The department's Audit Division has developed procedures to obtain audits. The procedures include maintaining a log of all grantees based on grant payments made through Core-CT. The Office of Policy and Management website is reviewed to see if the audit reports are available. For audit reports that are not on the website, the providers are contacted to provide a hardcopy. The log includes the review of the report performed by the staff.

The department has undergone a restructuring of its program division. The department will review its processes and will increase its efforts to ensure that the programs are properly monitored."

State-Administered General Assistance – Client Eligibility

Criteria: Section 17b-191 of the General Statutes provides that no individual shall be eligible for cash assistance under the State-Administered General Assistance program if the individual is eligible for cash assistance under any other state or federal cash assistance program.

Section 17b-194 of the General Statutes provides that, when making determinations concerning disabilities or impairments that are expected to last a period of six months or longer, such determinations are based on the recommendations made by a medical review team. DSS has contracted with a vendor for the purpose of determining the disability and/or unemployability status of individuals requesting SAGA cash benefits by reviewing medical packets.

Cooperation requirements under Section 8080.35 of the DSS Uniform Policy Manual provide that applicants for, and recipients of, SAGA cash assistance must apply for, or cooperate in applying for, potential benefits from any source including Social Security Insurance, and other cash programs administered by DSS.

Condition: We reviewed case files for 25 transactions totaling $7,577 made under the SAGA program. These transactions were selected from SAGA payments totaling $95,288,786 made during the fiscal years ended June 30, 2010 and 2011. Our review disclosed the following exceptions:

- In five instances, the proper documentation to determine eligibility status was not on file at the time of the benefit payment.
- In ten instances, the client information included in the DSS Eligibility Management System (EMS) file or hard copy case supported that the clients did not apply for benefits from other sources prior to being deemed eligible for the SAGA program as required. Of these ten clients, five subsequently applied for benefits from other sources.

- In one instance, a client was denied potential benefits from other sources for failure or refusal to submit to a consultative exam.
- In two instances, the SAGA client was also eligible for cash assistance under the Supplemental Security Income program.
- In three instances, DSS was unable to locate the client case files.

Effect: The controls within the SAGA program do not provide reasonable assurance that the clients are eligible for the program.

Cause: Existing controls are inadequate for ensuring that all information necessary to verify client eligibility is obtained and reviewed by caseworkers.

Recommendation: The Department of Social Services should verify and document that applicants have met the requirements of State-Administered General Assistance. (See Recommendation 7.)

Agency Response: "The department agrees with this finding. The department will prepare and send out an email to regional staff to remind all worker levels of the inconsistencies noted during the audit. We will send an email to the training department to emphasize the errors noted in their curricula for refresher training and training to new employees."

Lack of Effective Internal Audit and Risk Management Functions

Background: The Department of Social Services' (DSS) Office of Quality Assurance (OQA) ensures the fiscal and programmatic integrity of programs administered by DSS. The OQA subdivisions perform various reviews and monitoring functions including quality control reviews of client eligibility, audits of DSS funded health care providers, investigations of client and employee fraud, and the pursuit of available client assets and overpayments of assistance. The internal audit function is a component of one of the OQA subdivisions.

During the late 1990s, DSS had an internal audit unit of ten. Since then, there has been a gradual depletion in the staffing of the unit. Throughout the audited period, the internal audit unit has consisted of only one auditor.

Criteria: Internal audit is a control that functions by examining and evaluating the adequacy of current controls throughout the organization. An adequately designed internal audit function can independently measure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with laws and regulations.

Risk management identifies, analyzes, and responds to those risks that could potentially impact the organization's ability to realize its objectives. Internal auditing professional standards provide for the internal audit function to monitor and evaluate the effectiveness of an organization's risk management.

By providing unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, auditors help organizations achieve accountability and integrity, and improve operations.

Condition: The DSS Internal Audit Unit does not adequately monitor the efficiency of operations, reliability of financial reporting and effectiveness of risk management:

- In the 2011 fiscal year, DSS expended approximately 6 billion dollars. A majority of the expenditures, approximately 5.5 billion dollars, was processed through the department's checking account. The Internal Audit Unit does not monitor the use of the checking account. The checking account is used to process the majority of the DSS federal and state program payments made to clients and providers.

- The Internal Audit Unit does not audit DSS administrative functions. Areas such as rate setting, contract administration, monitoring of sub-recipients and accounts receivable are not monitored by the DSS internal auditor. These functions have a direct relationship to the expenditures made by DSS.

- DSS conducts federally mandated reviews of the Supplemental Nutrition Assistance Program and Medicaid Eligibility Quality Control Reviews. These mandated reviews do not capture a broad scope of the department's overall operations. DSS administers numerous other programs in which the client's eligibility for program services is determined through functions such as application screening and eligibility re-determinations. Because of the heavy reliance on regional office personnel, the eligibility function is considered a high risk area. Other than the federally mandated reviews, the Internal Audit Unit does not conduct any programmatic audits of the controls concerning the eligibility of clients enrolled in DSS programs.

Effect: Without an adequately designed internal audit function, it is unlikely that DSS has the ability to identify improper, inefficient, illegal, fraudulent or abusive acts that have already taken place, as well as the existence of internal control weaknesses that could allow such acts to occur without detection.

Cause: The Internal Audit Unit only has one employee. This employee mainly compiles the Medicaid Eligibility Quality Control dollar values to determine the Title XIX Quality Control Error Rate, which is a federally required review. In addition to the Medicaid Eligibility Quality Control reviews, the Internal Audit Unit conducts reviews of the safeguarding of Internal Revenue Service information and accessibility of confidential information on the DSS Eligibility Management System.

Recommendation: The Department of Social Services should implement a more balanced internal audit function to provide for improved risk assessments by identifying trends and bringing attention to emerging challenges. (See Recommendation 8.)

Agency Response: "The department disagrees with the finding. The department has an adequate auditing and monitoring function. As indicated in the Auditors' condition, the department's Quality Control Unit conducts an audit of a statistically valid sample of Medicaid and SNAP customers for compliance with eligibility requirements. The Medicaid assistance unit base represents approximately 95 percent of all the department's customers. A majority of the customers who receive assistance from other programs also receive assistance under the Medicaid program. Therefore, the review of Medicaid customers has an indirect impact on the eligibility of other programs for the sampled individuals. For example, any corrections that need to be made to the income information of a sample Medicaid customer would also affect the eligibility of the individual on the temporary financial assistance program. This unit also performs reviews on the child care program every three years. Based on these reviews, discussions are held with the program management concerning trends and potential improvements.

The department's Audit Division performs audits of medical providers. The medical payments represent the majority of the $5.5M processed through the checking account. These audits ensure compliance with department policy and regulations and are being utilized as internal audits because the results noted would generate policy changes or policy clarifications (i.e. bulletins).

A new audit function that began in late calendar year 2013 reviews the Community Action Agencies, which receive a majority of our grant funding, is also an internal audit function that will make recommendations and improvements that will ensure funds are properly administered. The potential recommendations would also address improvements related to DSS policies as well as the grantee policies.

There is no requirement to have a "designated internal audit function" specifically identified in the organization chart. The cost of having a designated internal audit would not outweigh the benefit. Further, it would not be cost effective to establish an entire unit to perform internal audits since the majority of the funds expended by DSS is being reviewed as noted above. Any additional staff that we are able to hire would and should be performing medical audits since this would have a direct cost benefit to the state. Also, it should be noted that senior management is aware that it can request an internal review of any department process at any time or request assistance from the Audit Division that would improve procedures and controls."

Auditors' Concluding Comments: Although the department's response outlines some of its audit-related functions, the department acknowledges the lack of an independent unit that directly performs the services otherwise provided by an effective internal audit unit. Although there is no specific requirement to have a designated internal audit function, the Auditors of Public Accounts (APA) maintains that the internal audit function is an essential element of a properly designed internal control structure within an organization with the size and complexity of DSS.

Paid Leave of Absence

Criteria: Section 5-240-5a(f) of the Connecticut State Regulations states that an appointing authority may place an employee on a leave of absence with pay for up to fifteen (15) days to permit investigation of alleged serious misconduct which could constitute just cause for dismissal under Regulations Section 5-240-1a(c). Section 5-240-1a (c) provides the definition for just cause and lists examples of conduct that would be considered just cause for suspending, demoting, or dismissing an employee. Such leave shall only be utilized if the employee's presence at work could be harmful to the public, the welfare, health or safety of patients, inmates or state employees or state property. Following a decision to place the employee on such leave, the appointing authority shall provide written notice to the employee stating the reasons for the leave, effective date of the leave and the duration of the leave, which shall not exceed fifteen (15) days.

The Social and Human Services (P-2), Engineering, Scientific and Technical (P-4), and Administrative Clerical (NP-3) Bargaining Unit Contracts extend the allowed administrative leave with pay to a period of up to 60 days.

Condition: Our review disclosed that 10 employees were placed on paid administrative leave under Section 5-240-5a(f) of the State Regulations between the period of July 1, 2009 through May 1, 2013, and remained on leave for a period in excess of the number of days allowed by state regulations and applicable bargaining unit contracts. The salary paid to these 10 employees and related incurred fringe benefits totaled $136,501 and $59,852, respectively. The total hours that were paid while these employees were on administrative leave beyond the allowed time per state regulations and bargaining unit contracts were 4,153 hours.

Effect: DSS incurred costs for salaries and fringe benefits totaling $196,353 for ten employees who were on administrative leave beyond what is allowed under state regulations and bargaining unit contracts.

Cause: The DSS Director of Human Resources has stated that it is not always possible to complete an investigation within the timeframes permitted; therefore, there is no choice but to extend the paid leave.

Recommendation: The Department of Social Services should comply with requirements concerning employees placed on paid leave as provided under Section 5-240-5a(f) of the Connecticut State Regulations and bargaining unit contracts. (See Recommendation 9.)

Agency Response: "The agency agrees with this finding. The agency has recently gone through a change in HR Administration as well as a HR restructure, effective July 8, 2013.

The new HR administration continues to review and improve policy and procedures to ensure compliance with all State Regulations.

Specifically, in reference to Section 5-240-5a (f) of the State Regulations, HR has centralized labor relations functions which will allow direct supervision and enforcement of the administrative leave process.

The agency is also in the process of requesting additional HR resources; this will strengthen process improvement, improve efficiency and reduce and or eliminate overall infractions.

In the interim, HR has recently hired a temporary worker retiree whose entire job assignment is conducting investigations and working one on one with the Manager of Labor Relations."

Monitoring Grants-in-Aid Payments

Background: DSS made grants-in-aid expenditures under various bond acts passed by the legislature totaling $5,456,836 and $3,993,876, during the fiscal years ended June 30, 2010 and 2011, respectively. These grants-in-aid expenditures were primarily for the renovation and expansion of neighborhood facilities used as senior centers, day care facilities, emergency shelters, etc.

Criteria: Grants-in-aid contracts for the capital development of neighborhood facilities require the contractor to provide DSS with

- Project status reports on a quarterly basis. Such reports shall include current and cumulative fiscal reports detailing expenditures by approved budget line item for the most recent calendar year.

- Annual reports on or before July 1st of each calendar year for 10 years following the date of project completion to ensure that the premises continues to be used for the purposes intended and approved by the State Bond Commission.

Condition: Our review of 17 neighborhood facilities' grant files revealed that the required quarterly and/or annual reports were not on hand for three of the projects. In addition, five quarterly financial reports were submitted up to 20 months late.

Additionally, DSS did not enforce the requirement that makes grantees of closed projects responsible for submitting annual reports. Instead, DSS contacted the grantees through email and informally obtained written assurance that the premises continued to be used for the intended purposes. We verified the current use of ten properties that were completed within the last ten years. We concluded that the properties continued to be used for their intended purpose with no exception.

Effect: Controls are weakened in that DSS is not aware of the status of various projects funded by these grants-in-aid.

Cause: Adequate procedures are not in place to ensure that required reports are filed with DSS.

Recommendation: The Department of Social Services should develop and follow procedures to ensure that reports are received from the grantees for various grants-in-aid as required by the contracts. (See Recommendation 10.)

Agency Response: "The department has undergone a restructuring of its program division. The department will review its processes and will increase its efforts to ensure that the programs are properly monitored."

Cellular Phones

Background: All telecommunication service expenditures for every state agency, including cellular phones and Blackberries, are processed in Core-CT by the Department of Information Technology (DOIT), now the DAS Bureau of Enterprise Systems and Technology (BEST). DOIT receives the electronic bill from the cellular service provider on a monthly basis for all state cellular devices. DOIT uploads the electronic bill into a Telephone Billing System (TBS) that sorts the phone numbers from the provider's bill by state agency and creates the electronic summary and detail to support the charges. DOIT is also responsible for negotiating the service contracts and establishing the Telecommunication Equipment Policy that is used statewide by all agencies.

Criteria: On February 15, 2009, the Governor directed all Executive Branch agencies to conduct expedited reviews of existing cellular phone and Blackberry assignments and to cancel all unnecessary cellular phone and wireless services within 30 business days.

According to the DOIT Telecommunication Equipment Policy:

- Cellular devices shall be issued to individuals who are specifically authorized by the agency head to use the telecommunication equipment, which may not be loaned to other individuals.

- Telecommunications equipment shall be used solely for official state business. Telecommunications equipment shall not be used for personal or private purposes.

- Each agency is responsible for determining whether the acquisition and use of cellular equipment and services is appropriate for its employees. If so, each agency is responsible for having each employee authorized to use such equipment sign a statement that the employee understands the acceptable use policy and for receipt of such equipment.

- It is the responsibility of the individual and the agency to verify the accuracy of the bill and confirm appropriate usage.

- State employees may use only directory assistance services for which there is no charge. Any calls to directory assistance for which a charge is generated will be considered unacceptable personal usage.

- Documentation to support the business purpose of all use of telecommunication equipment shall include copies of

Telecommunication Equipment Individual Usage reports and user logs.

Condition: DSS did not conduct an expedited review of existing cellular phone and Blackberry assignments to identify those not truly essential for the employee to carry out work duties. In a test of 20 cellular phones and Blackberries that were included on the April 2011 billing invoice, ten cellular numbers were used less than 10 minutes over the course of the March, April and May 2011 billing months combined. The actual monthly service charges paid for these ten phones for this three-month billing period totaled $45.

From our test of 20 cellular phones and Blackberries that were included on the April 2011 billing invoice, one cellular phone was identified as a spare and not specifically assigned to any one individual incurred activity. DSS did not maintain a user log to track the person(s) responsible for the activity incurred by this spare phone. Additionally, in five instances, employee cellular phone assignments differed between the billing invoice and the agency cellular phone log.

DSS allows its employees the opportunity to identify and reimburse personal calls made from their agency cellular phone. For the April 2011 billing month, one employee identified on the Individual Usage Report 19 calls totaling $3.70 as personal in nature. These calls were reimbursed by the employee and deposited into the appropriate account prior to our review.

DSS does not have adequate controls to verify the accuracy of bills, review phone activity and usage, inquire of employees about questionable or excessive phone usage, and ensure that employees sign and return the Monthly Individual Usage Reports attesting that the charges were made by them and necessary in the performance of their duties. In our sample of cellular phones and Blackberries included on the April 2011 billing invoice, out of 10 employees that had made phone calls, one cellular phone user and five Blackberry users did not sign and return the Individual Usage Report.

Effect: DSS did not comply with the Governor's directive and the statewide policy regarding telecommunication equipment.

Cause: Inadequate controls exist over cellular phone assignments and employee usage.

Recommendation: The Department of Social Services should review existing cellular phone and Blackberry assignments to ensure that those issued are truly essential for employees to carry out their work responsibilities. Controls should be established for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to sign and return the Monthly Individual Usage Report. (See Recommendation 11.)

Agency Response: "The department's current policy is to issue Blackberries for email connection (including after-hours and on-call weekends), with cell service, to individuals only if authorized by the commissioner. However, the department is reviewing existing cellular phone and Blackberry assignments. The department does want to point out that the critical use of the Blackberries are for emails, meetings and real-time communications. Blackberries enable managers 'on the road' and in offsite meetings to stay in touch with their staff and assignments, stay current with commissioner's directives, increase productivity all-around, and make sure DSS is current in communication technology – both internally and in emailing outside partners, agencies, etc. This investment in business efficiency and operational readiness contrasts with, for example, recent years when our Social Services Office Managers (who manage 12 DSS field offices) couldn't be contacted if they weren't physically in their offices because they did not have Blackberries. The Blackberries allow the managers the ability to use their time more effectively and efficiently, as well as provide guidance to staff in a more timely manner.

The five cell phone identified in the condition are accurately reflected in the DSS data base with the proper "owner" of record. The invoice from BEST has the incorrect "owner" listed, and we are working with BEST to identify.

The department will reevaluate its current procedures for reviewing cell phone usage and strengthen procedures as necessary to ensure that phone usage is only for state business."

Supplemental Security Income – Excess Interim Assistance

Background: Federal law provides that the Social Security Administration (SSA) may, upon written authorization by an individual, reimburse states that have furnished interim assistance between the month the recipient files a claim for Supplemental Security Income benefits and the month in which benefits are paid. This provision allows the individual to receive prompt general assistance. For this consideration, the individual authorizes the state to receive their initial and any retroactive SSI payment.

Title 20 Code of Federal Regulations Section 416.1910 provides that, if the SSA repays an amount greater than the amount of interim assistance to the state, the state is required to:

- Pay the excess amount to the client no later than ten working days from the date the state receives repayment from SSA, or
- Refund the excess amount to SSA in the event it cannot pay the client (for example, if the client dies or the state cannot locate the client).

DSS reimburses the State-Administered General Assistance program the applicable amount that should have been paid by SSI. The balance of the SSI amount would be paid to the client.

Criteria: A governmental entity is accountable to the public for the resources provided to administer government programs and services. The resources provided should be applied efficiently, economically and effectively.

Condition: The balance of SSI funds not distributed by DSS as of June 30, 2011, was $159,311. Based on our review of the list of individual SSI checks that totaled this balance, there was approximately $139,186 being held by DSS with transaction dates of May 11, 2011, or earlier. DSS should have determined the proper distribution of these checks or should have returned the funds to SSA if the location of the client could not be determined.

Effect: The SAGA program might not be properly reimbursed for assistance provided on behalf of SSA, clients are owed assistance, or funds should be returned to the SSA.

Cause: DSS personnel are not following established procedures regarding the disposition of SSI checks.

Recommendation: The Department of Social Services should determine the proper disposition of Supplemental Security Income it received as a result of providing interim assistance to recipients between the month the recipient files a claim for Supplemental Security Income benefits and the month in which benefits are paid. (See Recommendation 12.)

Agency Response: "The Division of Financial Services concurs with this finding and will be taking proper action to disposition these funds over the next few months."

Unreconciled Bank Account

Background: Title 42 United States Code Section 654 requires the state IV-D agency to establish and operate a State Disbursement Unit (SDU) for the collection and disbursement of payments under child support orders. DSS is the designated IV-D agency and has contracted to establish the SDU responsible for the comprehensive collection, payment processing and disbursement of child support payments. In order to support the collection and disbursement of these payments, several state bank accounts were set up to act as clearing accounts in addition to a Child Support Master Operating Account, which is the main bank account that is reconciled by DSS.

Criteria: Proper internal controls over bank accounts include procedures that include monthly bank account reconciliations.

Condition: During our review of the child support checking accounts, we identified one account that is used by the Support Enforcement Services (SES) division of the Judicial Department. SES field offices throughout the state collect and deposit money from non-custodial parents. The bank automatically transfers the previous day's deposits into the Child Support Master Operating Account. Due to the one day delay in transferring this money, there is a daily balance that must be reconciled by DSS. As of June 30, 2011, we noted a discrepancy of $1,205 between the ending balance in the bank and the total of the actual June 28th and June 29th SES deposits that would be transferred the next day.

DSS was unable to produce a bank reconciliation for this account and was unable to explain the reason for the difference.

Effect: Monies held by the state to settle child support obligations may not be properly applied and disbursed.

Cause: DSS maintains that this bank account is a clearing account and is reconciled as part of the Child Support Master Operating Account.

Recommendation: The Department of Social Services should establish procedures to ensure that all bank accounts are reconciled on a timely basis and that any reconciling differences are explained. (See Recommendation 13.)

Agency Response: "The Division of Financial Services concurs with this finding and will be taking proper action to reconcile this account over the next few months."

Connecticut Home Care Program – Federal Revenue Maximization

Background: The Connecticut Home Care Program for Elders, pursuant to Section 17b-342 of the General Statutes and Title XIX of the Social Security Act, is designed to enable eligible older persons at risk of institutionalization to receive the support services they need to remain living in their home. The program is organized under a three-tiered structure through which individuals can receive home care services in amounts corresponding to their financial eligibility and functional dependence. Two categories are funded primarily with state funds while costs in the third category are eligible for reimbursement under the Medicaid Home and Community-Based Services waiver.

The Medicaid Home and Community-Based Services waiver is authorized under Section 1915(c) of the Social Security Act. Waiver services complement and/or supplement the services that are available to participants through the Medicaid State Plan and other federal, state and local public programs, as well as the supports that families and communities provide. Costs for this category are equally distributed between federal and state funds.

Criteria: Section 17b-342(a) of the General Statutes provides that the Commissioner of Social Services shall investigate the possibility of receiving federal funds for the Connecticut Home Care Program for Elders and shall apply for any necessary federal waivers.

Condition: DSS made payments under the state-funded Home Care Program totaling $106,628,844, during the fiscal years ended June 30, 2010 and 2011. A test of 25 transactions totaling $2,277 was conducted to determine whether clients met the eligibility requirements of the state-funded Home Care Program and to determine whether clients would have been eligible under the Medicaid Home and Community-Based Services waiver, which is partially federally funded. Our review disclosed that costs for one client in our test totaling $33 were eligible but not claimed under the Medicaid Home and Community-Based Services waiver. Further reviews of the total costs for the client during the audited period disclosed that a total of $16,667 was eligible but not claimed under the waiver during the audited period.

Effect: DSS failed to maximize the amount of federal revenue received under the Medicaid Home and Community-Based Services waiver, resulting in DSS failing to claim $17 in federal reimbursement.

Cause: DSS incorrectly categorized the client under the state-funded Home Care Program rather than under the Medicaid Home and Community-Based Services waiver.

Recommendation: The Department of Social Services should ensure that all costs of the Connecticut Home Care Program for Elders eligible under the Medicaid Home and Community-Based Services waiver are claimed for federal reimbursement. (See Recommendation 14.)

Agency Response: "The department agrees with this finding. As this case was identified to us, we researched the record and found that the paper record has the correct payment source but a data entry error was made when it was entered into the eligibility system. This has been corrected retroactively so that we can appropriately claim the costs."

Security Deposit Guarantee Program – Outstanding Checks

Background: The Security Deposit Guarantee Program is administered by DSS to assist persons who have a documented need of housing and are unable to afford the required security deposit. DSS may provide security deposit guarantees in lieu of a cash security deposit on a rental dwelling unit. There is a signed agreement with the landlord that DSS will guarantee payment of the agreed-upon security deposit, in whole or in part, if a vacating tenant causes any damage requiring repair or owes back rent. DSS maintains a manual checking account and manual check ledger to process payments to the landlord.

Criteria: Good internal controls require that outstanding checks be reviewed and acted upon timely to ensure the state's accounting records maintain the correct balance.

The State Accounting Manual provides that, for checks outstanding over six months, a reverse entry should be made in the checking account, and the funds accounted for under unclaimed funds for a period of three years. When all attempts to return the funds are exhausted, the funds are deemed unclaimed property. At the completion of three years, the funds must be escheated to the Office of the State Treasurer.

Condition: Our review of the Security Deposit Guarantee Program checking account bank reconciliation for May 30, 2011, disclosed nine outstanding checks totaling over $8,200, which dated back to 2007. DSS has not determined the status of these checks and they remained outstanding as of the bank reconciliation for May 30, 2013. In addition, the bank reconciliation for May 30, 2013, included five additional outstanding checks totaling over $6,300, which were issued during calendar years 2011 and 2012.

Effect: Without proper follow-up of outstanding checks, monies held by the state to settle landlord claims may not be properly applied and disbursed.

Cause: DSS does not have procedures in place to review outstanding checks for the Security Deposit Guarantee Program.

Recommendation: The Department of Social Services should establish procedures to review all outstanding checks and determine their proper disposition in accordance with the State Accounting Manual. (See Recommendation 15.)

Agency Response: “The Division of Financial Services concurs with this finding and will be taking action to disposition these outstanding checks in the next month.”

Adherence to Statutory Loss Reporting Requirements

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

Condition: During the course of our audit, we learned of three separate instances of DSS employees who allegedly engaged in unauthorized behavior that allowed each of the employees to improperly obtain funds from the State of Connecticut for personal gain. DSS learned of these incidences between November 2010 and March 2011 and conducted internal investigations, which disclosed the improper issuance of State-Administered General Assistance and/or Supplemental Nutrition Assistance Program benefits totaling over $75,000. These matters were not properly reported by DSS as required by law.

We reported this matter to the Governor in accordance with Section 2-90 of the General Statutes on August 29, 2013.

Effect: DSS did not comply with Section 4-33a of the General Statutes.

Cause: DSS properly referred each matter to the Office of the Chief State’s Attorney; however, due to management oversight, it failed to report them to the Auditors of Public Accounts and the State Comptroller, as required.

Recommendation: The Department of Social Services should promptly notify the Auditors of Public Accounts and the State Comptroller of all misuse of state resources in accordance with Section 4-33a of the General Statutes. (See Recommendation 16.)

Agency Response: “The department partially agrees. The department did verbally notify the Auditors of Public Accounts of employee receiving client EBT cards directly and was drawing against the card. The notification occurred in the spring of 2011 and also in April 2013 during the Auditor’s annual inquiry concerning fraud risk as required under AICPA auditing standards. The department’s review of the Auditors’ workpapers dated in March 2011 that were approved by its management confirmed that the Auditors were notified of the fraud. The department does point out that the Auditors only became aware of the three fraud cases as a result of the department’s aforementioned verbal notification.

However, as a result of this finding, the department has put measures in place to ensure that *written notification* will incur in the event of future incidents. The notification will also include the State Comptroller.

The department does take the strongest possible action in pursuing any fraud cases that have been identified. In the instances noted in the audit, the department terminated the three employees and forwarded the fraud cases to the Chief State's Attorney Office for prosecution. The department assisted in the investigation for prosecution as needed. The department could not have taken any other action in pursuing these three employees."

Auditors' Concluding Comments: Verbal notification by an agency during the auditor's inquiries does not constitute proper notification of losses to the Auditors of Public Accounts and the State Comptroller in accordance with the context of state law. Furthermore, it should be noted that the verbal information provided in 2011 was very general in terms of the knowledge of an occurrence of such fraudulent activity and the specifics of all three cases were not provided until 2013, over two years after the fraudulent activities had occurred.

Service Organization Controls Report (SOC 1)

Background: A Service Organization Controls Report (SOC 1) is a report on controls at a service organization that are relevant to user entities' internal control over financial reporting.

The interChange Medicaid Management Information System (MMIS) is used to process medical claims for providers of medical care and services furnished to clients under the Medicaid program and state-funded medical programs. DSS contracted with a service organization, HP Enterprise Services, LLC (HP), for support and operations of the interChange MMIS.

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

Condition: DSS failed to ensure that HP had a SOC 1 performed on the interChange MMIS.

Cause: DSS did not require HP to obtain a SOC 1 for services applicable to the interChange MMIS.

Effect: If DSS does not obtain SOC 1 reports on its key processes, it may be unaware of changes in the controls at the service organization that could cause transactions to be processed incorrectly. This could affect the amounts and disclosures in the financial statements.

In addition, failure to obtain a SOC 1 report for the interChange MMIS prevents the user organization from assessing the design and operating effectiveness of IT general and complementary user control considerations in place at the service and user organizations.

Recommendation: The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes obtain an appropriate Service Organization Controls Report (SOC 1) on at least a yearly basis. Management should review the opinion of the service auditor to determine the effectiveness of controls in place at the service organization and to determine whether complimentary user control considerations are in place and operating effectively. (See Recommendation 17.)

Agency Response: "The department disagrees. There is no requirement for DSS to obtain a SSAE16 audit of service organizations. Obviously, as a department we need to rely on the controls of the systems of other companies; but there is no requirement to have a SOC 1 report. It would not be cost effective to have these audits performed. Our current reviews of claims processed through MMIS provide us with some reasonable assurance of controls over financial reporting. Further, there are number of other reviews and analysis being performed on the MMIS throughout the department's Division of Health Services.

As outlined in an article from the Journal of Accountancy, a SSAE 16 report is primarily an auditor-to-auditor communication, designed to provide user auditors with detailed information about controls at a service organization that affect the information provided to user entities. All service auditors' reports include a detailed description of the service organization's system, and a type 2 report includes a detailed description of tests of controls performed by the service auditor and the results of those tests. The user auditor reads this detailed information to determine how the service organization's system generates information and how the service organization interacts with the user entity's financial reporting system, including how the information gets incorporated into the user entity's financial statements.

The Auditors of Public Accounts are the user auditor and any audits of services organizations, including the state's MMIS vendor, that need to be performed as part of their audit of the state's financial statements should be funded by the State Auditors. The department does not have the funds to support such an audit considering that the department has a number of internal reviews and testing that is performed on the MMIS and believes the costs outweigh the benefits that would be received."

Auditors' Concluding Comments:

Statement on Auditing Standards AU-C Section 402 states that the agreement between the user entity and the service organization would provide for whether the service organization will compile a report on its controls, whether the user auditor has access to the records of the user entity maintained by the service organization, and whether the communications between the user auditor and the service auditor are conducted through the user entity and the service organization.

The Auditors of Public Accounts maintains that DSS as the user entity should ensure that the SOC 1 Report is obtained in order to understand the controls over the transactions processed through the system supported by the service organization. At a minimum, DSS should consult with its service organization on this matter and consider it as a stipulation in any future agreements.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- DSS should develop procedures to ensure that receipts are deposited in accordance with the waiver obtained from the State Treasurer, including the possibility of depositing to the Funds Awaiting Distribution fund any monies received for which the disposition cannot be determined immediately. – Our current audit continued to disclose that receipts were not being deposited in a timely manner. This recommendation is being repeated. (See Recommendation 1.)

- DSS should continue its efforts to resolve old receivable accounts. – Our current audit continued to disclose deficiencies related to its receivables. This recommendation is being repeated. (See Recommendation 2.)

- DSS should process personnel information in accordance with state laws and regulations included under the State Personnel Act. – Our current audit continued to disclose deficiencies related to obtaining medical certificates, and no further deficiencies related to employees telecommuting to work were noted. However, other deficiencies related to timesheets, overtime payments and internal leave requests were disclosed. This recommendation is being restated. (See Recommendation 3.)

- DSS should improve its procedures relative to cases closed due to death to ensure the discontinuance of benefit and transportation payments or the recovery of those payments issued after death. – Our current audit continued to disclose payments made after the death of clients and no attempt to recover the overpayments. This recommendation is being repeated. (See Recommendation 4.)

- DSS should improve controls over its equipment inventory. – Our current audit disclosed no reportable matters related to equipment inventory. This recommendation has been resolved.

- DSS should process expenditures in accordance with state laws and regulations and the State Accounting Manual. – Our current audit did not disclose expenditures that were not processed in accordance with state requirements. This recommendation has been resolved.

- DSS should prepare the Generally Accepted Accounting Principles Reporting Package and the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements. – Our current audit continued to disclose reporting errors on GAAP Reporting Packages and Schedule of Expenditures of Federal Awards prepared by DSS. This recommendation is being repeated. (See Recommendation 5.)

- DSS should establish adequate procedures to obtain and review audit reports and to conduct ongoing monitoring of its grantees. – Our current audit continued to disclose that audit reports were not received or reviewed and that ongoing monitoring was not performed. This recommendation is being repeated. (See Recommendation 6.)

- DSS should verify and document that applicants have met the requirements of State-Administered General Assistance. – Our current audit continued to disclose deficiencies related to the State-Administered General Assistance program. This recommendation is being repeated. (See Recommendation 7.)

- DSS should implement a more balanced internal audit function. This implementation would increase management's view as to what is really happening inside DSS and help management look forward by identifying trends and bringing attention to emerging challenges. – Our current audit continued to disclose that the internal audit function is not being properly implemented. This recommendation is being repeated. (See Recommendation 8.)

- DSS should comply with requirements concerning employees placed on paid leave as provided under Sections 5-240-5a(f), 5-240-5a(h), and 5-240-5a(i) of the Connecticut State Regulations. This includes sending to the Department of Administrative Services a copy of the notice given to the employee. – Our current audit continued to disclose that DSS failed to comply with state regulations concerning employees on paid leave. This recommendation is being restated. (See Recommendation 9.)

- DSS should implement procedures to ensure that the Central Office is notified of a client's death in a timely manner in order to initiate the collection of life insurance proceeds. – Our current audit noted no instances in which DSS was not initiating the collection of life insurance proceeds in a timely manner. This recommendation has been resolved.

- DSS should ensure that the administrative vendor either collects all required monthly premiums under the HUSKY and Charter Oak Health Plan programs in a timely manner or stop the capitated monthly payment. – Our current audit noted that DSS discontinued the capitated monthly payment. This recommendation has been resolved.

- The monthly premium rates for the HUSKY Band 3 and Charter Oak Health Plan Band 5 programs should be sufficient so that the programs are unsubsidized with state benefits as required under Connecticut General Statutes. Otherwise, DSS should determine whether the state plan of the federal Children's Health Insurance Program should be amended so that some of the costs incurred under HUSKY B Band 3 could be claimed for federal reimbursement. – Our current audit noted that, due to the termination of the Charter Oak Plan and a decline in enrollment in the Husky B Band 3 program with the arrival of a similar plan at a lower cost, this issue becomes irrelevant. This recommendation has been resolved.

- DSS should develop and follow procedures to ensure that reports are received from the grantees for various grants-in-aid as required by the contracts. – Our current audit continued to reveal that reports were not on hand in all cases and DSS did not enforce the requirement that grantees of closed projects submit annual reports to DSS. This recommendation is being repeated. (See Recommendation 10.)

- DSS should review existing cellular phone and Blackberry assignments to ensure that only those truly essential for the employee to carry out work responsibilities are issued. Controls should be established for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to sign and return the Monthly Individual Usage Report. – Our current audit continued to note deficiencies related to cellular phone charges and assignments. This recommendation is being repeated. (See Recommendation 11.)

- DSS should establish procedures to monitor the performance of the vendor administering the Charter Oak Health Plan program. DSS should also consider utilizing its Income and Eligibility Verification System, which provides for matches of income information involving the Department of Labor wage information, Social Security wage and earning files, and Internal Revenue Services unearned income files, to determine client eligibility. – Our current audit noted no further exceptions pertaining to Charter Oak Health Plan client eligibility. This recommendation has been resolved.

- DSS should follow the policies and procedures in the State Accounting Manual regarding the opening of state bank accounts. – Our current audit noted that the previously unauthorized bank accounts were subsequently approved. This recommendation has been resolved.

- DSS should determine the proper disposition of Supplemental Security Income it received as a result of providing interim assistance to recipients between the month the recipient files a claim for Supplemental Security Income benefits and the month in which benefits are paid. – The current audit revealed the continued improper disposition of SSI checks. This recommendation is being repeated. (See Recommendation 12.)

- DSS should generate a report documenting who is entitled to funds maintained in the child support checking account. – Our current audit noted that there are sufficient detailed reports that support the funds maintained in the child support checking account. This recommendation has been resolved.

- DSS should establish procedures to ensure that all bank accounts are reconciled on a timely basis and that any reconciling differences are explained. – The current audit disclosed that unknown discrepancies exist between bank and book information. This recommendation is being repeated. (See Recommendation 13.)

Current Audit Recommendations:

1. **The Department of Social Services should develop procedures to ensure that receipts are deposited in accordance with the waiver obtained from the State Treasurer.**

   Comment:

   Our review revealed that checks were on hand between one and sixteen days in excess of the allowed time in violation of Section 4-32 of the General Statutes.

2. **The Department of Social Services should continue its efforts to resolve old receivable accounts.**

   Comment:

   Our review of DSS receivable records disclosed numerous accounts receivable as of June 30, 2011, that dated back several years and for which no recent collection activity had been recorded.

3. **The Department of Social Services should process personnel information in accordance with state laws and regulations under the State Personnel Act and should ensure compliance with other applicable requirements, including state records retention, bargaining unit contracts and its own internal administrative requirements.**

   Comment:

   Our review disclosed noncompliance with laws and regulations concerning the proper authorization and retention of timesheets, the obtaining of required medical certificates, the improper payment of overtime, and the approval of employee leave time.

4. **The Department of Social Services should improve its procedures relative to cases closed due to death to ensure the discontinuance of benefit and transportation payments or the recovery of those payments issued after death.**

   Comment:

   Our review disclosed benefit payments that were issued and cashed after the death of recipients. We also noted transportation payments that were paid on behalf of recipients for services in the month following the recipients' death. Furthermore, we noted instances in which DSS did not attempt to recoup these overpayments.

5. **The Department of Social Services should prepare the Generally Accepted Accounting Principles Reporting Package and the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements.**

   Comment:

   DSS did not report complete and accurate information on the GAAP Reporting Packages and the Schedule of Expenditures of Federal Awards submitted to the State Comptroller.

6. **The Department of Social Services should establish adequate procedures to obtain and review audit reports and conduct ongoing monitoring of its grantees.**

   Comment:

   DSS did not adequately monitor its sub-recipients to ensure that funds provided were expended for their intended purpose. We noted that audit reports were not on file for all the sub-recipients tested; desk reviews were not performed for all audit reports that were on hand; and financial status, programmatic and statistical, or monitoring reports, required by the contracts, were not on file or were not submitted to DSS within the time allotted by the provisions of the contracts.

7. **The Department of Social Services should verify and document that applicants have met the requirements of State-Administered General Assistance.**

   Comment:

   DSS did not require some clients to pursue benefits from other applicable federal programs prior to being determined eligible for the SAGA program. In addition, DSS did not have documentation in all cases that supports a client's eligibility status.

8. **The Department of Social Services should implement a more balanced internal audit function to provide for improved risk assessments by identifying trends and bringing attention to emerging challenges.**

   Comment:

   The DSS Internal Audit Unit does not adequately monitor the efficiency of operations, the reliability of financial reporting and effectiveness of risk management.

9. **The Department of Social Services should comply with requirements concerning employees placed on paid leave as provided under Section 5-240-5a(f) of the Connecticut State Regulations and bargaining unit contracts.**

   Comment:

   Our review disclosed that employees were placed on paid administrative leave in excess of the days allowed by state regulations and bargaining unit contracts.

10. **The Department of Social Services should develop and follow procedures to ensure that reports are received from the grantees for various grants-in-aid as required by the contracts.**

    Comment:

    Our review of neighborhood facilities' grant files revealed that the required quarterly and/or annual reports were not on hand or submitted in a timely manner in all cases. Additionally, DSS did not adequately enforce the requirement that makes grantees of closed projects responsible for submitting annual reports to DSS.

11. **The Department of Social Services should review existing cellular phone and Blackberry assignments to ensure that those issued are truly essential for employees to carry out their work responsibilities. Controls should be established for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to sign and return the Monthly Individual Usage Report.**

    Comment:

    Our review disclosed a number of deficiencies related to cellular charges. DSS did not review cellular assignments in accordance with the Governor's directive.

12. **The Department of Social Services should determine the proper disposition of Supplemental Security Income it received as a result of providing interim assistance to recipients between the month the recipient files a claim for Supplemental Security Income benefits and the month in which benefits are paid.**

    Comment:

    The balance of Social Security Income funds that were not distributed by DSS as of June 30, 2011, was $159,311, of which DSS has held approximately $139,186 with transactions dates of May 11, 2011, or earlier.

13. **The Department of Social Services should establish procedures to ensure that all bank accounts are reconciled on a timely basis and that any reconciling differences are explained.**

    Comment:

    DSS does not perform bank reconciliations for one of the checking accounts used to administer the Child Support Enforcement program. Our review disclosed an unknown discrepancy of $1,205 between bank and book information.

14. **The Department of Social Services should ensure that all costs of the Connecticut Home Care Program for Elders eligible under the Medicaid Home and Community-Based Services waiver are claimed for federal reimbursement.**

    Comment:

    DSS failed to maximize the amount of federal revenue received under the Medicaid Home and Community-Based Services waiver.

15. **The Department of Social Services should establish procedures to review all outstanding checks and determine their proper disposition in accordance with the State Accounting Manual.**

    Comment:

    Our review of the Security Deposit Guarantee Program checking account bank reconciliations disclosed a number of checks outstanding in excess of six months for which DSS did not determine their proper disposition in accordance with the State Accounting Manual.

16. **The Department of Social Services should promptly notify the Auditors of Public Accounts and the State Comptroller of all misuse of state resources in accordance with Section 4-33a of the General Statutes.**

    Comment:

    DSS did not properly report, in accordance with Section 4-33a of the General Statutes, three separate instances in which DSS employees allegedly improperly obtained state assistance funds totaling over $75,000 for personal gain.

17. **The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes obtain**

an appropriate Service Organization Controls Report (SOC 1) on at least a yearly basis. Management should review the opinion of the service auditor to determine the effectiveness of controls in place at the service organization and to determine whether complimentary user control considerations are in place and operating effectively.

Comment:

DSS failed to ensure that the service organization contracted with for support and operations of the interChange MMIS has a SOC 1 Report for applicable services.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Social Services for the fiscal years ended June 30, 2010 and 2011. This audit was primarily limited to performing tests of the department's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the department's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the department are complied with, (2) the financial transactions of the department are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the department are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Social Services for the fiscal years ended June 30, 2010 and 2011, 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 Social Services complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

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

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as described in the accompanying Condition of Records and Recommendations sections of this report, we identified deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, unauthorized, illegal, or irregular transactions, or breakdowns in the safekeeping of any assets or resource. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the department's financial operations will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be a material weakness: Recommendation 2 – identifying and collecting receivables and Recommendation 16 – failure to properly report losses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 1 – timely deposit of receipts; Recommendation 2 – identifying and collecting receivables; Recommendation 3 – improper overtime payments; Recommendation 4 – making improper payments; Recommendation 6 – ongoing monitoring of grantees; Recommendation 7 – documenting client eligibility of the State-Administered General Assistance program; Recommendation 8 – implementing a more balanced internal audit function; Recommendation 10 – monitoring of grants-in-aid payments; Recommendation 15 – outstanding checks; Recommendation 16 – failure to properly report losses; and Recommendation 17 – failure to obtain a SOC 1 Report.

Compliance and Other Matters:

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

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

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

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

CONCLUSION

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

Vincent Filippa
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts