

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF SOCIAL SERVICES
FISCAL YEARS ENDED JUNE 30, 2014 AND 2015*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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April 29, 2020

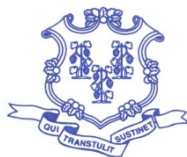
EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Department of Social Services (DSS). The objectives of this review were to evaluate the department's internal controls; compliance with policies and procedures, as well as certain legal provisions; and management practices and operations for the fiscal years ended June 30, 2014 and 2015.

The key findings and recommendations are presented below:

Page 16	The Department of Social Services did not submit written comments received in response to notices of intent with the Acquired Brain Injury waiver applications to the General Assembly and the federal government. The Department of Social Services should ensure that waiver applications are complete and retain written comments. (Recommendation 1)
Page 17	The Department of Social Services did not report the mismanagement of \$4.4 million, breaches of data, or theft of assets. Per Section 4-33a of the General Statutes, DSS should promptly notify the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, irregular, or unsafe handling of state funds or resources. (Recommendation 2)
Page 19	The Department of Social Services failed to discipline a manager for a confirmed case of racial and color discrimination against an employee. The Department of Social Services should adhere to its Affirmative Action Discrimination Complaint Procedures. (Recommendation 3)
Page 20	The Department of Social Services did not ensure that it and its contractors performed reconciliations of \$14.6 million of cash advances. The Department of Social Services should regularly reconcile cash advances issued to contractors to ensure that the department's accounts receivable records are accurate and complete. (Recommendation 4)
Page 21	The Department of Social Services was unable to obtain state-owned transactional data from its contractor for the Supplemental Nutrition Assistance Program (SNAP). The Department of Social Services should ensure compliance with contract terms by requiring the contractor to promptly comply with data requests. The Department of Social Services should add appropriate language in future contracts to ensure the state accesses its data in a usable format without additional charges. (Recommendation 5)
Page 24	The Department of Social Services issued \$607,479 of improper benefit payments. The Department of Social Services should strengthen internal controls to ensure that it issues Medicaid, Supplemental Nutrition Assistance Program (SNAP), and State Supplement benefit payments in the correct amount on behalf of eligible clients. (Recommendation 6)
Page 25	The Department of Social Services did not audit its administrative functions, log all fraud tips, complete internal control self-assessments, establish required audit protocols, or maintain written program integrity manuals, policies, and procedures. The Department of Social Services should strengthen its internal audit functions to ensure that it administers state and federal programs effectively and efficiently. (Recommendation 7)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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April 29, 2020

AUDITORS' REPORT DEPARTMENT OF SOCIAL SERVICES FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2015

We have audited certain operations of the Department of Social Services in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2014 and 2015. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

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

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

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

1. Deficiencies in internal controls;
2. Apparent noncompliance with policies and procedures or legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

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

COMMENTS

FOREWORD

The Department of Social Services operates under the provisions of Title 17b of the General Statutes. The department provides a wide range of services to children, families, elders, persons with disabilities, and other individuals who need assistance in maintaining or achieving their full potential for self-direction, self-reliance, and independent living.

The mission of the Department of Social Services is "Guided by shared belief in human potential and aimed to increase the security and well-being of Connecticut individuals, families and communities." In fulfilling this mission, the department is the designated 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 age 65 or over, blind, disabled, members of families with dependent children, or qualified pregnant women or children.
- **Medicare Savings Program** – pursuant to Title XIX of the Social Security Act, assists eligible residents with paying the out-of-pocket costs of participating in Medicare, such as Medicare Part B premiums, deductibles and co-insurance, as well as determines eligibility for federal low-income subsidy prescription drug benefits.
- **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.

- **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 administers a TFA program to provide cash assistance to eligible families in accordance with the TANF program. As provided under Section 17b-112, the commissioner of the Department 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.
- **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 Services Block Grant** – pursuant to Title XX of the Social Security Act, provides prevention, intervention, and treatment services to individuals and families.
- **Connecticut Energy Assistance Program** – pursuant to the Low Income Home Energy Assistance Act of 1981, provides supplemental assistance to needy persons consisting of payments for fuel and utility bills.
- **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.
- **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. Public Act 14-39 transferred the Child Care and Development Block Grant program from DSS to the Office of Early Childhood, effective May 28, 2014.
- **Community Services Block Grant** – pursuant to the Community Services Block Grant Act, provides assistance to the state’s Community Action Agencies and the Connecticut Association for Community Action for the reduction of poverty, revitalization of low-income communities, and empowerment of low-income families and individuals to become fully self-sufficient.

- **Refugee Assistance Program** – pursuant to the Refugee Act of 1980, provides cash, nutritional and medical assistance for refugees who settle in Connecticut.
- **State Supplement** – pursuant to Section 17b-104 of the General Statutes, provides supplemental cash assistance to elderly, blind, or disabled individuals. This program also 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 to continue living at home instead of a nursing facility.
- **State-Administered General Assistance (SAGA)** – pursuant to Sections 17b-190 through 17b-219 of the General Statutes, provides cash assistance to eligible individuals who are unable to work for medical or other specified reasons, and to families that are not eligible for other DSS programs.
- **Connecticut Medicare Assignment Program (ConnMAP)** – pursuant to Sections 17b-550 through 17b-554 of the General Statutes, ensures that beneficiaries of ConnMAP who receive Medicare-covered services will be charged no more than the rate determined to be reasonable and necessary by Medicare.
- **Charter Oak Health Plan** – pursuant to Section 17b-311 of the General Statutes, provides access to health insurance coverage for adults who have been uninsured for at least 6 months and who are ineligible for other publicly funded health insurance plans.

Organizational Structure

Roderick L. Bremby served as the commissioner of the Department of Social Services during the audited period. Agency field staff served the public at 12 field offices and the telephone benefits center, while central office staff administered specialized services and supported field operations throughout the state. The department employed approximately 1,885 employees during the audited period.

Significant Legislation

Public Act 13-234 transferred the Section 8 Housing Choice Voucher program and housing and homeless services from the Department of Social Services to the Department of Housing, effective July 1, 2013.

Public Act 13-234 repealed Section 17b-311 of the General Statutes. The public act ended the Charter Oak Health Plan, effective January 1, 2014. Many of the individuals who historically qualified for the Charter Oak Health Plan became eligible for new health insurance options under the Affordable Care Act.

Public Act 14-39 transferred the Child Care and Development Block Grant program, Child Day Care Services, Connecticut Charts-a-Course, Care 4 Kids, and Children’s Trust Fund from the Department of Social Services to the Office of Early Childhood, effective May 28, 2014.

Public Act 14-103 transferred the responsibility for administering the Kinship Fund and the Grandparents and Relatives Respite Fund from the Department of Social Services to the Probate Court Administrator, effective July 1, 2014.

Public Act 14-150 required the Department of Social Services (DSS) to operate the current Medicaid acquired brain injury (ABI) waiver continuously; allowed the DSS commissioner to seek federal approval for a second ABI waiver; and established an advisory committee for the ABI waiver, effective July 1, 2014.

Public Act 14-217 required the Department of Social Services to implement and periodically revise the statewide health information technology plan and establish electronic data standards to facilitate the development of integrated electronic health information systems for use by health care providers and institutions that receive state funding. The Department of Social Services must perform these responsibilities in consultation with the Department of Public Health and the Department of Mental Health and Addiction Services, effective July 1, 2014.

Significant Changes

The Department of Social Services implemented the Affordable Care Act (ACA) in partnership with Access Health CT, the state’s health insurance exchange. The state uses a shared eligibility system that encompasses Medicaid, Children’s Health Insurance Program (CHIP), and private qualified health plans offered through the exchange. Under ACA, DSS implemented the Modified Adjusted Gross Income (MAGI) methodology for determining income eligibility. Applications began October 1, 2013, with coverage taking effect January 1, 2014. The state processes online applications in real time, allowing people to apply for health insurance and have their eligibility determined immediately through the shared eligibility system.

The Department of Social Services developed a new eligibility management system during the audited period. The Integrated Management of Public Assistance for Connecticut (ImpaCT) system replaced the department’s 1980s-era legacy system. The department phased in the ImpaCT system, effective October 11, 2016.

Councils, Boards, Committees and Commissions

- **Council on Medical Assistance Program Oversight**

The Council on Medical Assistance Program Oversight, established in accordance with Section 17b-28 of the General Statutes, advises the Commissioner of Social Services on the planning and implementation of the health care delivery system for the HUSKY Health Program. The council also monitors the planning and implementation of matters related to Medicaid care management initiatives, including but not limited to, eligibility standards,

benefits, access, quality assurance, outcome measures, and the issuance of any request for proposal by DSS for utilization of an administrative services organization in connection with such initiatives.

- **Waiver Application Development Council**

The Waiver Application Development Council, established in accordance with Section 17b-28a of the General Statutes, advises DSS in the development of a Medical Research and Demonstration Waiver under Section 1115 of the Social Security Act. The council advises DSS with respect to specific provisions within the waiver application and the goals of the waiver. Public Act 13-299 dissolved the council, effective July 1, 2013.

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

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

- **State Health Information Technology Advisory Council**

The State Health Information Technology Advisory Council, established in accordance with Section 17b-59f of the General Statutes on July 1, 2015, advises the Health Information Technology Officer in developing priorities and policy recommendations for advancing the state's health information technology and health information exchange efforts and goals. The advisory council also advises the Health Information Technology Officer in the development and implementation of the statewide health information technology plan and standards and the Statewide Health Information Exchange. Furthermore, the advisory council advises the Health Information Technology Officer regarding the development of appropriate governance, oversight, and accountability measures to ensure success in achieving the state's health information technology and exchange goals.

- **Client Advisory Board**

The Client Advisory Board, established in accordance with Section 17b-184 of the General Statutes, works to further the ability of recipients of Temporary Family Assistance to become self-sufficient. The board reports its findings and recommendations to the commissioner.

- **Medicaid-Financed Home and Community-Based Programs for Individuals with Acquired Brain Injury (ABI) Advisory Committee**

The advisory committee for the ABI Waiver Program, established in accordance with Section 17b-260a of the General Statutes and effective July 1, 2014, submits reports to the joint standing committees of the General Assembly having cognizance of matters relating to human services, public health and appropriations, and the budgets of state agencies on the

impact of the individual cost cap for the waiver program and any other matters the advisory committee deems appropriate.

- **Pharmaceutical and Therapeutics Committee**

The Pharmaceutical and Therapeutics Committee, established in accordance with Section 17b-274d of the General Statutes and pursuant to Title 42 of the United States Code Part 1396r-8, works to maintain a preferred drug list for use in the Medicaid program. When developing the preferred drug list, DSS and the committee consider a drug's clinical efficacy, safety, and cost effectiveness. The committee also makes recommendations to DSS regarding the prior authorization of any prescribed drug.

- **Long-Term Care Planning Committee**

The Long-Term Care Planning Committee, established in accordance with Section 17b-337 of the General Statutes, works to exchange information on long-term care issues, coordinating policy development, and establishing a long-term care plan for all persons in need of such care. The committee studies long-term care issues, including but not limited to, the case-mix system of Medicaid reimbursement, community-based service options, access to long-term care, and geriatric psychiatric services.

- **Long-Term Care Advisory Council**

The Long-Term Care Advisory Council, established in accordance with Section 17b-338 of the General Statutes, advises and makes recommendations to the Long-Term Care Planning Committee. The council seeks recommendations from persons with disabilities or persons receiving long-term care services who reflect the socio-economic diversity of the state.

- **Nursing Home Financial Advisory Committee**

The Nursing Home Financial Advisory Committee, established in accordance with Section 17b-339 of the General Statutes, examines the financial solvency of nursing homes on an ongoing basis and supports DSS and the Department of Public Health in their mission to provide oversight to the nursing home industry. This includes the areas of financial solvency and quality of nursing home care.

- **Commission on Aging**

The Commission on Aging, established in accordance with Section 17b-420 of the General Statutes advocates 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 was part of DSS for administrative purposes only. In July of 2016, Section 17b-420 of the General Statutes was repealed, and the Commission on Aging was replaced with the Commission on Women, Children, and Seniors within the Department of Aging.

- **Advisory Committee on Continuing Care**

The Advisory Committee on Continuing Care, established in accordance with Section 17b-535 of the General Statutes, assists the continuing-care staff in the review and registration of functions, reports to the commissioner on developments in the field, any particular problems associated with continuing care, concerns of providers and residents, and, when appropriate, recommends changes to relevant statutes and regulations.

- **Connecticut Council for Persons with Disabilities**

The Connecticut Council for Persons with Disabilities, established in accordance with Section 17b-606 of the General Statutes, advises DSS in carrying out its duties to coordinate the delivery of services to persons with physical or mental disabilities by all state agencies serving persons with disabilities.

- **Interagency Management Committee**

The Interagency Management Committee, established in accordance with Section 17b-606 of the General Statutes, reviews and evaluates services to persons with disabilities. The committee also develops policy for state agencies to enter into contracts with each other for services to persons with disabilities.

- **Personal Care Attendant Workforce Council**

The Personal Care Attendant Workforce Council, established in accordance with Section 17b-706a of the General Statutes, works to ensure the quality of long-term personal home care. The council studies issues relating to the recruitment, retention, and adequacy of personal care attendants. It also develops plans to improve the quality, stability, and availability of personal care attendants, and maintains a registry of the names and addresses of all personal care attendants paid through state-funded programs within the previous 6 calendar months.

RÉSUMÉ OF OPERATIONS

Introduction

The operations of DSS for the fiscal years ended June 30, 2014 and 2015, were accounted for in the General Fund, Special Revenue Funds, Capital Projects Funds, and Fiduciary Funds, and are discussed below.

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

	<u>Fiscal Year</u> <u>2012-2013</u>	<u>Fiscal Year</u> <u>2013-2014</u>	<u>Fiscal Year</u> <u>2014-2015</u>
General Fund			
Total Receipts	<u>\$3,603,022,808</u>	<u>\$1,106,476,660</u>	<u>\$1,035,952,385</u>
Total Expenditures	<u>\$5,910,639,068</u>	<u>\$3,185,679,108</u>	<u>\$3,065,738,337</u>
Special Revenue Funds			
Grants and Restricted Accounts Fund			
Total Receipts	<u>\$ 519,042,431</u>	<u>\$3,485,854,050</u>	<u>\$4,037,459,927</u>
Total Expenditures	<u>\$ 513,239,384</u>	<u>\$3,474,976,611</u>	<u>\$4,042,062,380</u>
Grants to Local Governments and Others Fund			
Total Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 5,278,618</u>	<u>\$ 4,459,634</u>	<u>\$ 11,178,851</u>
Other Special Revenue Funds			
Total Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 5,454,625</u>	<u>\$ 2,609,260</u>	<u>\$ 386,639</u>
Capital Projects Funds			
Community Conservation and Development Fund			
Total Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 1,995,450</u>	<u>\$ 3,018,121</u>	<u>\$ 5,818,240</u>
Capital Improvements and Other Purposes Fund			

Auditors of Public Accounts

Total Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 5,769,844</u>	<u>\$ 7,485,300</u>	<u>\$ 6,085,639</u>

Fiduciary Funds

Social Services Support Fund			
Total Receipts	<u>\$ 51,869,744</u>	<u>\$ 50,844,531</u>	<u>\$ 48,891,430</u>
Total Disbursements	<u>\$ 51,802,383</u>	<u>\$ 50,962,809</u>	<u>\$ 49,321,844</u>

Funds Awaiting Distribution			
Total Receipts and Transfers	<u>\$ 409,674,599</u>	<u>\$ 232,176,956</u>	<u>\$ 47,197,811</u>
Total Refunds and Net Transfers	<u>\$ 410,795,900</u>	<u>\$ 231,504,698</u>	<u>\$ 48,570,000</u>

Fringe Benefit Recovery			
Total Receipts	<u>\$ 0</u>	<u>\$ 86,060</u>	<u>\$ 327,378</u>
Total Disbursements	<u>\$ 0</u>	<u>\$ 86,060</u>	<u>\$ 327,378</u>

General Fund – Receipts

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

	<u>Fiscal Year</u> <u>2012-2013</u>	<u>Fiscal Year</u> <u>2013-2014</u>	<u>Fiscal Year</u> <u>2014-2015</u>
Federal Contributions:			
Medical Assistance (Note 1)	\$3,008,674,195	\$464,575,038	\$493,959,377
ARRA – Medicaid FMAP	5,671,962	0	0
Dependent Children (Note 2)	294,029,174	294,059,447	248,282,559
Federal Administration (Note 3)	180,425,942	235,158,354	186,814,417
Child Support Enforcement	35,625,698	38,953,613	41,852,385
Children’s Health Insurance Program	39,096,441	37,458,986	34,151,079
TANF ARRA Basic Assistance	<u>(163,918)</u>	<u>0</u>	<u>0</u>
Total Federal Contributions	<u>3,563,359,494</u>	<u>1,070,205,438</u>	<u>1,005,059,817</u>
State Receipts			
Recoveries	35,109,005	32,254,961	27,583,490
Miscellaneous Receipts	<u>4,554,309</u>	<u>4,016,261</u>	<u>3,309,078</u>
Total State Receipts	<u>39,663,314</u>	<u>36,271,222</u>	<u>30,892,568</u>
Total General Fund Receipts	<u>\$3,603,022,808</u>	<u>\$1,106,476,660</u>	<u>\$1,035,952,385</u>

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 decreased by \$2,496,546,148 and \$70,524,275 in fiscal years 2014 and 2015, respectively. The decrease in fiscal year 2013-2014 was primarily due to a change in the account coding for Medicaid receipts from the General Fund to the Special Revenue Fund. The decrease in fiscal year 2014-2015 was partly due to the expiration of funding from the American Recovery and Reinvestment Act (ARRA) of 2009 and partly due to the transfer of the Child Care Development Fund program from the Department of Social Services to the Office of Early Childhood. We note that there is a delay between when funds are spent and when the state receives federal reimbursement.

General Fund – Expenditures

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

	<u>Fiscal Year</u> <u>2012-2013</u>	<u>Fiscal Year</u> <u>2013-2014</u>	<u>Fiscal Year</u> <u>2014-2015</u>
Budgeted Accounts:			
State Grants	\$5,570,039,051	\$2,949,065,454	\$2,748,788,578
Personal Services	114,558,605	118,828,048	131,605,638
Contractual Services	225,357,678	170,171,427	189,256,389
Commodities	682,054	447,439	466,310
Capital Outlay – Equipment	<u>1,680</u>	<u>(52,833,260)</u>	<u>(4,378,578)</u>
Total Expenditures	<u>\$5,910,639,068</u>	<u>\$3,185,679,108</u>	<u>\$3,065,738,337</u>

Total expenditures decreased by \$2,724,959,960 and \$119,940,771 during the fiscal years ended June 30, 2014 and 2015, respectively. The decrease in fiscal year 2013-2014 was primarily due to a change in the account coding for Medicaid expenditures from the General Fund to the Special Revenue Fund. The decrease in fiscal year 2014-2015 was mostly due to the transfer of the Child Care Development Fund program from the Department of Social Services to the Office of Early Childhood.

Special Revenue Funds – Receipts

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

	<u>Fiscal Year</u> <u>2012-2013</u>	<u>Fiscal Year</u> <u>2013-2014</u>	<u>Fiscal Year</u> <u>2014-2015</u>
Federal Contributions:			
Federal Aid, Restricted	\$485,981,949	\$3,440,594,724	\$3,891,581,611
Transfers from Other State Agencies	25,855,078	27,832,031	24,176,276
ARRA – TANF	(170)	0	0
ARRA – Medicaid	<u>250</u>	<u>0</u>	<u>0</u>
Total Federal Contributions	<u>511,837,107</u>	<u>3,468,426,755</u>	<u>3,915,757,887</u>
State Receipts:			
Restricted Contributions	4,219,857	2,990,270	2,047,929
Grant Transfers	2,984,471	14,436,051	119,653,221
Investment Income	996	855	890
Miscellaneous	<u>0</u>	<u>119</u>	<u>0</u>
Total State Receipts	<u>7,205,324</u>	<u>17,427,295</u>	<u>121,702,040</u>
Total Special Revenue Fund Receipts	<u>\$519,042,431</u>	<u>\$3,485,854,050</u>	<u>\$4,037,459,927</u>

Total revenues and receipts increased by \$2,966,811,619 and \$551,605,877 during the fiscal years ended June 30, 2014 and 2015, respectively. The increase in fiscal years 2013-2014 and 2014-2015 were primarily due to a change in the account coding for Medicaid receipts from the General Fund to the Special Revenue Fund. The increase in fiscal year 2014-2015 was also due to inter-agency grant transfers for the Children’s Trust Fund and the Care for Kids program, which the Department of Social Services no longer administers. The Office of Early Childhood assumed responsibility for administering these programs. We note that there is a delay between when funds are spent and when the state receives federal reimbursement.

Special Revenue Funds – Expenditures

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

	<u>Fiscal Year</u> <u>2012-2013</u>	<u>Fiscal Year</u> <u>2013-2014</u>	<u>Fiscal Year</u> <u>2014-2015</u>
Expenditure Accounts:			
Federal Aid Grants	\$476,720,032	\$3,358,195,247	\$3,813,156,233
State Grants	11,797,601	10,491,151	122,548,456
Personal Services	4,173,039	3,152,464	3,152,905
Contractual Services	24,766,912	105,354,796	112,780,092

Commodities	220,528	118,821	828,586
Revenue Refunds	1,145,859	1,821,335	0
Equipment	4,622,133	2,700,497	1,161,598
Overhead	<u>526,523</u>	<u>211,194</u>	<u>0</u>
Total Expenditures	<u>\$523,972,627</u>	<u>\$3,482,045,505</u>	<u>\$4,053,627,870</u>

Total expenditures increased by \$2,958,072,878 and \$571,582,365 during the fiscal years ended June 30, 2014 and 2015, respectively. The increase in fiscal years 2013-2014 and 2014-2015 were primarily due to a change in the account coding for Medicaid expenditures from the General Fund to the Special Revenue Fund.

Capital Projects Funds

Community Conservation and Development Fund grants-in-aid expenditures, made under various bond acts passed by the Legislature, totaled \$3,018,121 and \$5,818,240 for the fiscal years ended June 30, 2014 and 2015, respectively. During the fiscal year ended June 30, 2013, DSS expended \$1,995,450 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, and emergency shelters.

Capital Improvement and Other Purpose Fund expenditures totaled \$7,485,300 and \$6,085,639 during the fiscal years ended June 30, 2014 and 2015, respectively. The funds were primarily for the modernization and upgrade of the DSS service delivery system (ConneCT) and eligibility determination system (Integrated Management of Public Assistance for Connecticut - ImpaCT), and the department's shared use of the state's health exchange system. During the fiscal year ended June 30, 2013, DSS expended \$5,769,844 from this fund.

Fiduciary Funds

Social Services Support Fund

DSS uses the Social Services Support Fund (an agency fund) 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, the department deposits amounts recovered from the Internal Revenue Service's interception of tax refunds and withholding of state income tax refunds for delinquent support payments in this fund. DSS holds these receipts pending computation of amounts due to other states and amounts refunded to child support obligors after deducting the delinquent child support, which DSS then transfers 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, 2014 and 2015 totaled \$590,690 and \$160,277, 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 child support collected by the state for an active TANF case (up to a maximum of \$50 per month) go to the TANF family. DSS makes deposits to the General Fund revenue account entitled Recovery of Public Assistance. DSS then makes monthly transfers from the General Fund to the Funds Awaiting Distribution Fund for anticipated funding requirements. DSS then submits a Core-CT voucher request to fund the agency cashbook, in the transfer amount, from the Funds Awaiting Distribution Fund for deposit in the DSS Benefit Assistance checking account. DSS then makes payments 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, 2014 and 2015 totaled \$1,507,800 and \$135,611, respectively.

Fringe Benefit Recovery

DSS uses the Fringe Benefit Recovery Fund for processing reimbursements to the Office of the State Comptroller (OSC) for General Fund fringe benefits that DSS billed to a non-state entity. DSS deposits amounts recovered from the Connecticut Health Insurance Exchange (Access Health CT) for administrative fringe benefit expenses for services provided by DSS employees during the duration of the project. Once DSS deposits a fringe benefit recovery payment to the Fringe Benefit Recovery Fund, DSS notifies OSC. OSC then credits the recovery to the proper central fringe benefit appropriations.

According to the records of the State Comptroller, there were no fund resources at June 30, 2014 and 2015.

Other Funds and Accounts

Burial Reserve Fund

Section 17-114 of the General Statutes, used to provide 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 Section 17-114 of the General Statutes, but did not address the disposition of existing burial reserve accounts. DSS requested a formal Attorney General opinion that it received on November 25, 1996, relative to the appropriate disposition of existing burial reserve assets. In the opinion, the Attorney General stated 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 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 DSS commissioner in October 1997. However, as of June 30, 2015, DSS had 50 life insurance policies assigned to the commissioner on hand with a face value totaling \$66,860.

Initial Supplemental Security Income Benefits Account

Federal law provides that, upon an individual's authorization, the Social Security Administration may 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 allows the individual to receive prompt general assistance. For this consideration, the individual authorizes the state to receive the 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, 2014 and 2015 were \$112,363 and \$87,676, respectively.

Conservator Account

In accordance with Section 45a-651 of the General Statutes, a probate court may appoint the DSS commissioner 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 either conservator of the estate or of the person, to a DSS employee.

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 \$9,761 and \$43,103 at June 30, 2014 and 2015, respectively, the Conservator Account had investments in the State of Connecticut's Short-Term Investment Fund of \$58,748 and \$58,836 on those respective dates.

Other Audits

The Auditors of Public Accounts issue an annual Statewide Single Audit report detailing the results of compliance auditing done on various federal programs. The primary operations of DSS include the administration of some of the largest federal programs in the state. While there may be overlap between this audit report and the findings detailed in those Single Audits due to the use of state and federal funding in some programs, the reader is encouraged to review Single Audit reports for more insight into the DSS administration of federal programs.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Social Services (DSS) disclosed the following 31 findings, 1 conclusion, and 30 recommendations, of which 16 have been repeated from the previous audit:

Public Comments Not Included with the Acquired Brain Injury Waiver Applications

Background: Medicaid offers waiver programs that permit a state to provide long-term care services to assist Medicaid beneficiaries to live in the community and avoid institutionalization. DSS applied to the Centers for Medicare and Medicaid Services (CMS) for such waivers for the Acquired Brain Injury (ABI) program on December 16, 2011 and March 31, 2014. Prior to application, DSS published notices of intent in the Connecticut Law Journal on August 30, 2011 and January 7, 2014, and allowed 15 days for written comments.

Criteria: Section 17b-8 of the General Statutes provides that the General Assembly shall approve any application for a federal waiver submitted to the federal government. Subsection (c) requires that DSS submit all written comments received in response to the notice of intent with the waiver application to the General Assembly. Subsection (d) requires that DSS submit any written comments received in response to the notice of intent with the waiver application to the federal government.

Condition: DSS did not include the written comments received in response to the notices of intent when it submitted the waiver applications to the General Assembly and CMS.

Although DSS informed us that it received numerous written comments in response to the notices of intent for the ABI waivers, the department did not have them on file.

Effect: The General Assembly and federal government were not aware of the written comments DSS received in response to the notices of intent when they approved the waiver applications.

Cause: DSS informed us that it did not submit the written comments to the federal government, because the federal waiver application did not require it.

Although DSS informed us that it sent a summary of the written comments for the second ABI Waiver application to the General Assembly, DSS could not provide supporting documentation of the summary.

- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Department of Social Services should submit complete waiver applications to the General Assembly and the federal government in accordance with Section 17b-8 (c) and (d) of the General Statutes. The Department of Social Services should retain written comments received to notices of intent. (See Recommendation 1.)
- Agency Response:* “The Department agrees with the finding. The comments for the 2011 and 2014 applications were not maintained in the Department’s records. Although the comments were not maintained, the hearing(s) would not have been held without the comments being provided or an indication that there were no comments. Furthermore, the Department has emails from subsequent years that demonstrate our compliance with the statutory process.”

Lack of Compliance with Statutory Loss Reporting Requirements

- Criteria:* Section 4-33a of the General Statutes requires that all state agencies 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:* DSS did not report the mismanagement of approximately \$300,000 of Low-Income Home Energy Assistance Program (LIHEAP) and Connecticut Assistance Energy Program (CEAP) funds by a Community Action Agency (CAA) in August 2013, when DSS first learned of the matter from a utility provider. DSS monitored CAA and continued to allow it to receive DSS funds to make utility payments on behalf of the state. By October 31, 2015, the CAA mismanagement escalated to over \$4.4 million. Although DSS notified the federal Department of Health and Human Services on April 15, 2016, it did not notify the Auditors of Public Accounts and the State Comptroller until September 30, 2016.
- DSS did not report a breach of personally identifiable information (PII) and protected health information (PHI) of a client in April 2017. A DSS contractor mailed 3 medical claim forms in one envelope to a client. However, 2 of the 3 claim forms were for a different client. The DSS contractor should have mailed those 2 claim forms to a medical provider.
- DSS did not report unauthorized viewing of client information and a breakdown in the safekeeping of state data. During the period of September 2015 through March 2016, a DSS supervisor and an

employee performed numerous Department of Motor Vehicles (DMV) and Department of Labor (DOL) non-work related inquiries of several individuals. DSS completed an investigation in July 2016 and suspended the supervisor for 20 days and the employee for 5 days.

DSS did not report the theft of approximately \$1,200 of computer equipment by an information technology consultant in December 2017, when DSS first learned of the missing equipment. DSS investigated the theft and subsequently referred the investigation to the State Police. The department did not notify the Auditors of Public Accounts and the State Comptroller until December 2018, which was after the Auditors of Public Accounts inquired as to whether DSS reported the matter.

Effect:

Untimely reporting of the mismanagement of funds hinders a prompt investigation into unallowable activities that may create a cost for the state.

The utility provider was not paid \$4.4 million for services rendered to LIHEAP/CEAP clients from November 1, 2012 through October 31, 2015. CAA began a 60-month repayment plan with the utility provider in April 2016.

Breaches of client data could lead to identify theft, medical insurance abuse, and financial fraud.

State, vendor, and client data are at risk when DSS does not properly safeguard computer equipment.

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

Cause:

DSS did not have an established process for its divisions to report and management to review relevant matters for consideration for statutory loss reporting.

DSS informed us that it did not report the breach of personally identifiable information (PII) and protected health information (PHI) because the contractor identified the breach as an isolated incident. DSS felt that the contractor addressed the matter by changing its mailing process and offering the client credit monitoring.

DSS informed us that it did not report the breach of DMV and DOL client information because the department did not determine that these instances involved state funds or other financial matters.

Prior Audit Finding:

This finding has not been previously reported.

Recommendation: The Department of Social Services should 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, in accordance with Section 4-33a of the General Statutes. (See Recommendation 2.)

Agency Response: “The Department agrees with this finding. The Department will implement a process where Department staff will be required to notify the Office of Quality Assurance no later than 30 days from the identification/discovery of any real or perceived unauthorized, illegal, irregular or unsafe handling of funds or breakdown in the safekeeping of other state resources. The Office of Quality Assurance will then notify both the State Auditors and the State Comptroller if necessary.”

Lack of Disciplinary Action Regarding an Affirmative Action Decision

Criteria: Section 46a-68 of the General Statutes provides that each state agency maintain an affirmative action and equal employment opportunity policy statement. The DSS policy statement requires positive action, undertaken with conviction and effort, to overcome any present effects of past discrimination and remedy policies or practices adversely affecting the full and fair participation of protected groups in the workforce. DSS discrimination complaint procedures provide that if the Affirmative Action Division finds that an employee has engaged in discriminatory action, the division will refer its determination to the Human Resources Unit for appropriate action.

Condition: DSS failed to discipline a manager for racial and color discrimination against an employee. In September 2016, an affirmative action investigation decision confirmed a complaint filed in March 2016. Upon receipt of the decision, DSS transferred the complainant to a different unit.

Effect: DSS employees were vulnerable to continued discrimination by the manager from September 2016 until the manager retired in January 2018. In October 2016, the employee filed a complaint against DSS with the Connecticut Commission on Human Rights and Opportunities. In May 2018, DSS and the employee entered into a cash settlement, in which the department paid the employee’s attorney fees, lost wages, and accrued sick and vacation leave.

Cause: DSS informed us that a different state agency conducted the affirmative action investigation because the DSS Affirmative Action Director was a friend of the accused DSS manager. DSS did not document why it did not discipline the manager.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Social Services should adhere to its affirmative action and equal employment opportunity policy statement and discrimination complaint procedures to comply with federal and state affirmative action and equal employment opportunity laws and regulations. (See Recommendation 3.)

Agency Response: “The Department agrees with this finding. The Department will take the appropriate steps to ensure it adheres to and documents compliance with its affirmative action and equal employment opportunity policy statement and discrimination complaint procedures going forward.”

Deficient Monitoring of Cash Advances to Contractors

Background: DSS contracts with access agencies to provide care management services to assess, coordinate, and monitor home and community-based long-term care services for Medicaid waiver recipients. At the inception of a contract with the access agencies, DSS provides operating advances to ensure prompt delivery of services. DSS separately contracts with a fiscal intermediary to serve DSS and certain Medicaid waiver recipients. At the inception of a contract with the fiscal intermediary, DSS provides processing advances for cash flow, and may advance additional funds as required. The access agencies and the fiscal intermediary record the advances as a liability to DSS, and DSS records the advances as a receivable.

Criteria: The State Accounting Manual provides that accounts receivable records should be accurate, complete, and maintained to indicate how long the debt has been outstanding.

The contract between DSS and an access agency requires the access agency to maintain the operating advances in a separate general ledger liability account. DSS and the access agency must annually reconcile the operating advances. The access agency must return the operating advances to DSS at the end of the contract.

The contract between DSS and the fiscal intermediary requires the fiscal intermediary to maintain processing advances in a separate account. The fiscal intermediary performs a monthly reconciliation process. If the fiscal intermediary requests additional advance funds, the fiscal intermediary must provide adequate justification, including a reconciliation of accounts. The fiscal intermediary must return the processing advances to DSS at the end of the contract. The contract provides that claims rejected due to client Medicaid ineligibility and

reported to DSS for resolution that are not resolved within 3 months shall be deemed uncollectible and deducted from the processing advance liability amount due DSS.

Condition: DSS did not ensure that it and its contractors performed reconciliations of operating and processing advances, and uncollectible rejected claims. As of June 30, 2018, DSS had \$14.6 million in receivables for operating and processing advances.

Effect: DSS lacks assurance that it accurately reported receivables due on the state's annual financial reports. Deficient monitoring of cash advances may hinder DSS from fully collecting receivables due the state.

Cause: DSS did not ensure that all parties followed the terms and conditions of the contracts.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Social Services should strengthen internal controls over cash advances to contractors and the corresponding accounts receivables to ensure compliance with the State Accounting Manual and the terms and conditions of contracts. (See Recommendation 4.)

Agency Response: "The Department agrees with this finding. The Department will review and strengthen its internal controls related to cash advances to contractors and corresponding accounts receivables to ensure compliance with the State Accounting Manual and the terms and conditions of contracts."

State Data Withheld by a Third-Party Contractor

Background: In March 2014, DSS entered into a 7-year multi-state agreement with a private contractor for the processing of Supplemental Nutrition Assistance Program payments with a maximum value of almost \$14.5 million over the life of the contract. This contractor also processed payments for other DSS cash assistance programs, including the Temporary Assistance for Needy Families and State Supplement. DSS owns the data processed by the contractor.

Criteria: The agreement between DSS and the private contractor provided the following:

- Article 5, section A.1 states, in part, that the contractor will provide authorized representatives of the state with access to inspect or otherwise evaluate the work performed under the agreement.

- Article 15, section B.3 states, in part, that the contractor shall cooperate fully with the state and its agents in connection with an audit or inspection.
- Article 15, section B.4 states, in part, that the contractor shall provide the agency with statistical, financial and programmatic information necessary to monitor and evaluate compliance with the contract.

Condition:

In April 2017, our office requested the contractor to provide three years of data detailing SNAP payment transactions. Typically, this data would be provided in a file or set of files, which we are capable of accepting in a number of industry standard formats. The purpose of the review was to determine whether there was waste, fraud, and abuse in the program.

Instead, the contractor granted our office access to an online “Data Warehouse Application” which allowed our staff to run customized reports of the data in question. This access would have been acceptable, however by the contractor’s own admission, the application would only provide data for one to two days at a time. In practice, we were unable to extract even a single day of data without experiencing timeout errors with the application. As a result, we determined that it would not be feasible to compile the necessary 3-year data set from the granted access. The contractor did not provide the data in a format that could be usefully analyzed. The contractor indicated that DSS would be required to request and pay for a contract change order to make programming changes to obtain the data in a usable format. The contractor provided a verbal estimate for producing the requested data, but was unable to explain how it calculated the proposed charges. Our office disagreed that there should be any charge for the state to receive transactional data in a usable format.

During our review of SNAP for the Statewide Single Audit for fiscal year 2018, we identified 11 instances in which DSS issued SNAP benefits to clients after their death. This circumstance indicated that a full review of SNAP data for improperly issued benefits could reveal additional exceptions.

Effect:

The Auditors of Public Accounts was unable to analyze transactional data to determine the adequacy of DSS internal controls over financial functions, the satisfactory compliance with program regulations, and the effectiveness, economy, and efficiency of operations. Hence, potential program improvements remain undiscovered and any fraud, waste, and abuse remain undetected.

Contract terms required the contractor to provide DSS with a number of periodic reports. Without access to underlying transactional data, DSS and the Auditors of Public Accounts were unable to verify the accuracy of those reports and the validity of underlying data. In addition, without the complete data, it was nearly impossible for DSS or our office to monitor the contractor's compliance with applicable requirements and contractual performance standards.

The difficulty we encountered in obtaining the functional SNAP data raised concerns regarding the availability of data for the TANF and State Supplement. The data for these programs could be at risk if DSS chooses a new contractor at the conclusion of the current contract.

Cause: While the contractor asserted that it provided the requested data via the online web portal, the portal only allows viewing of data for a single client for a limited period.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Social Services should ensure compliance with contract terms by requiring the contractor to promptly comply with data requests. The Department of Social Services should add appropriate language in future contracts to ensure the state accesses its data in a usable format without additional charges. (See Recommendation 5.)

Agency Response: "The Department agrees with this finding in part. The contract provisions cited in the statement of "Criteria" are part of the Mandatory Terms and Conditions for contracts with the State of Connecticut. These mandatory terms and conditions have been approved by the Office of the Attorney General and are standard to all human service contracts used by all human service agencies. Revisions to these terms require the input and approval of the Office of Policy and Management as well as the Office of the Attorney General. Further, it is important to note that Article 15, section 3 "Annual Financial Audit; Audit and Inspection of Plants and Places of Business; and Records", subsection b "Audits and Inspections" (ii) states, "All audits and inspections described in this section shall be at the State's expense". In this particular case, the contractor provided access to the requested data; however, the format of the data was not optimal for the work of the auditors. The contractor was willing to make the necessary programming changes to accommodate the request but at a cost to the State citing the above referenced section. That being said, the Department will raise this issue with the Office of Policy and Management and our sister human service agencies to determine whether changes are necessary to the Mandatory Terms and Conditions."

*Auditors' Concluding
Comments:*

Contract language should specify that a third-party contractor that maintains state data should allow the state agency prompt access to its data at no additional cost to the state in a format that can be readily analyzed. In this case, the Auditors of Public Accounts requested 3 years of SNAP payment data in an effort to analyze the data to identify unusual transactions. However, the third-party contractor only provided the Auditors of Public Accounts access to a system that [by the contractor's own admission] was not even capable of providing a day's worth of data.

Improper Benefit Payments

Background:

DSS eligibility management systems (EMS and ImpaCT) automatically calculate benefit payments based on data entered by eligibility workers and interfaced from federal and state systems.

Criteria:

Connecticut's Medicaid State Plan includes asset limits to determine Medicaid eligibility.

The DSS State Supplement Program Basic Eligibility document provides asset limits to determine State Supplement eligibility.

Uniform Policy Manual (UPM) 2020.30 states that DSS should exclude residents of institutions that provide at least 50% of 3 meals per day from participating in the Supplemental Nutrition Assistance Program.

UPM 5505.05 provides that DSS redetermine client income eligibility whenever changes occur that impact client income or level of need. For the State Supplement, DSS uses a client boarding home rate to calculate income eligibility.

Condition:

DSS issued improper benefit payments totaling \$607,479 during fiscal years ended June 30, 2015, 2016, 2017, and 2018.

1. DSS issued \$574,286 of Medicaid and \$19,475 of State Supplement payments for the benefit of an individual who was ineligible for both programs. The individual's case file included documentation that demonstrated the individual exceeded the asset limit for both programs.
2. DSS issued \$11,386 in State Supplement and \$2,332 in SNAP benefit payments to 3 ineligible individuals and a boarding home on behalf of an ineligible individual. These individuals were ineligible for the programs while residing at a state institution.

Context: DSS issued benefit payments totaling \$7.1 billion for Medicaid, \$718 million for SNAP, and \$103 million for State Supplement during the fiscal year ended June 30, 2015.

Effect: DSS improperly used state and federal funds.

Cause:

1. Eligibility workers entered \$0.01 as the cash surrender value of a life insurance policy into DSS eligibility management systems instead of the actual cash surrender value reported by the holding institution. Eligibility workers also did not record the existence of 3 additional life insurance policies into DSS eligibility management systems, as reported by the applicant and the holding institution.
2. Eligibility workers did not properly update system data when processing client eligibility changes. A boarding home did not notify DSS of a client's change in residence to a state institution. EMS incorrectly recalculated a benefit payment for one client due to a change in the client's federal Supplemental Security Income.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that it issues Medicaid, Supplemental Nutrition Assistance Program, and State Supplement benefit payments in the correct amount on behalf of eligible clients. (See Recommendation 6.)

Agency Response: "The Department agrees with this finding."

Lack of Oversight over Internal Controls and Administrative Functions

Criteria:

1. The Audit Division of DSS Office of Quality Assurance (OQA) is responsible for performing audits of DSS operations involving the review of administrative and programmatic functions and electronic data processing systems.
2. The Investigations and Recoveries Division of DSS OQA investigates alleged client fraud and oversees the Fraud Hotline. The Fraud Hotline receives tips from the public regarding public assistance recipients or providers who may be defrauding the state.
3. The Centers for Medicare and Medicaid Services (CMS) Medicaid Integrity Group (MIG) conducts comprehensive program integrity reviews of state Medicaid programs. CMS MIG assesses the effectiveness of state program integrity efforts, policies, procedures

and manuals, and compliance with federal statutory and regulatory requirements.

4. The State Comptroller's Internal Control Guide requires all state agencies to complete internal control self-assessment questionnaires by June 30th of each fiscal year and maintain these questionnaires on file at the agency. The annual internal control and risk assessment process allows managers to evaluate the internal control systems and identify possible deficiencies within their areas of responsibility.
5. Section 17b-99 of the General Statutes provides that not later than February 1, 2015, DSS shall establish and publish on its website audit protocols to assist the Medicaid community in developing programs to improve compliance with Medicaid requirements under state and federal laws and regulations. DSS shall establish audit protocols for specific providers or categories of service, including behavioral health services.

Condition:

1. The DSS OQA Audit Division did not audit DSS administrative functions, such as rate setting, contract administration, accounts receivables, and the agency's checking account. These functions have a direct relationship to approximately \$7 billion of DSS expenditures.
2. DSS did not have procedures in place to log all incoming fraud tips. The DSS generally accepted course of action was to shred fraud tips that the department could not substantiate.
3. According to the 2007, 2010, and 2015 MIG reviews, DSS did not have a program integrity manual, and lacked written program integrity policies and procedures in the areas of Surveillance Utilization Review Subsystem, timely claims payment, identification, investigation and referral of fraud, reporting to the Health and Human Services Office of Inspector General, checking for excluded parties, and other key areas.
4. DSS did not complete internal control self-assessment questionnaires for the fiscal years 2014, 2015, 2016, and 2017.
5. DSS did not establish and publish audit protocols for behavioral health services on its website.

Effect:

1. DSS has reduced assurance that the agency's internal controls are adequately designed to operate effectively and efficiently as the agency experiences program changes, system modifications, and reduced staffing.

2. DSS may have discarded fraud tips without proper review. The DSS Human Resources Division was unable to take disciplinary action toward at least one supervisor who was allegedly conducting inappropriate data searches on multiple confidential state systems. The supervisor claimed to be investigating fraud tips that were unsubstantiated and subsequently shredded the fraud tips. Discarding fraud tips and not logging them prohibits DSS from discovering commonalities and trends.
3. The lack of written policies and procedures leaves DSS vulnerable to inconsistent operations, especially when DSS loses experienced OQA staff. DSS may be vulnerable to defend its processes in an administrative hearing or court of law.
4. Outdated, inadequate, or obsolete internal controls increase the risk that DSS will not detect improper activities.
5. Behavioral health service providers may be unaware of administrative errors or non-compliance with Medicaid requirements.

Cause:

Lack of management oversight contributed to all conditions.

DSS uses the results of audits performed on client eligibility, medical providers, overpayments, and client and employee fraud to support the review of DSS administrative functions. For example, DSS uses the Audit Division's medical provider audits as support for the internal audit of the agency's checking account. Although medical provider audits may support the validity and accuracy of the transactions paid through the checking account, they do not provide assurance of the reliability, effectiveness, or efficiency of the internal controls regarding the administrative functions of operating the agency's checking account.

In 2010 and 2015, DSS informed CMS that a draft manual of program integrity procedures was in process. In 2017, DSS informed the Auditors of Public Accounts that it did not finalize the written policies and procedures for the program integrity manual.

Prior Audit Finding:

We have reported Condition 1 in the last 4 audit reports covering the fiscal years ended 2006 to 2013. Conditions 2, 3, 4, and 5 have not been previously reported.

Recommendation:

The Department of Social Services should periodically perform audits of its administrative functions and strengthen internal controls over

fraud tips, Medicaid program integrity, risk assessments, and audit protocols. (See Recommendation 7.)

Agency Response:

“The Department agrees in part with this finding.

The Office of Quality Assurance performs reviews of a number of functions within the Department that are not listed in the condition of this audit finding. This includes auditing payments made to medical providers which include a review of the systems used to make payments to providers through the checking account; we audit payments made to grantees which includes a review of the Department’s processes in issuing and processing a payment, and we review client eligibility, including the eligibility process followed by staff. Each of these areas impacts the Department’s most significant financial functions. Further, we have not been advised of any control deficiencies in the listed administrative functions that would warrant the need for additional internal audit tasks.

The Department has implemented an electronic record keeping control to ensure that all fraud tips are logged.

Both the DSS Quality Assurance unit and DXC have documented their provider enrollment application review procedures. The purpose/procedures of the Special Investigations Unit are outlined within a Memorandum of Understanding among the Department of Social Services; the Office of the Chief State's Attorney Medicaid Fraud Control Unit (MFCU); the Attorney General; and the United States Department of Health and Human Services, Office of Inspector General, Office of Investigations.

The Department agrees that it did not perform an annual internal control self-assessment questionnaire during the time period being audited. The Department will implement processes to ensure that the questionnaires are completed in future years.

The Department agrees that it did not publish audit protocols for behavioral health service providers on its internet website for the time period being audited. The Department will take the appropriate steps to ensure that the audit protocols are published on its internet website.”

*Auditors’ Concluding
Comments:*

Although the agency’s response outlines some of the audits that it performed, it does not address the lack of reviews of the specific administrative functions addressed in this finding. In addition, DSS should not wait to be advised of control deficiencies to initiate periodic reviews of administrative functions.

Questionable Promotion Practices

<i>Criteria:</i>	<p>Section 5-227a of the General Statutes provides that whenever an employee's position in the classified service is reclassified, the promotion of the employee shall be made without examination provided that (1) the employee meets the minimum qualifications for the reclassified position; (2) the employee has received a satisfactory appraisal on the 2 most recent consecutive performance evaluations; (3) the employee has worked at the existing level in the current position for a minimum period of 6 months; and (4) the Commissioner of the Department of Administrative Services (DAS) approves the reclassified position.</p> <p>DAS General Letter No. 226 – Promotion by Reclassification provides the procedures and required documentation for promotions through reclassification under Section 5-227a of the General Statutes.</p>
<i>Condition:</i>	<p>On November 5, 2018, DSS posted a promotional opportunity exclusively within one division at DSS, rather than posting it on a department-wide basis.</p> <p>On December 10, 2018, DSS sent a promotion letter to 2 employees. On January 16, 2019, DSS submitted information to DAS to demonstrate how the employees met the minimum qualification requirements to be considered for the promotional opportunity. Based on the DSS assumption that DAS would concur with the first part of the request, DSS simultaneously requested the reclassification of the same employees to the promotional opportunity position with an effective date of December 21, 2018. DSS should have requested the proper approvals from DAS prior to sending the employees a promotion letter.</p>
<i>Effect:</i>	<p>DSS may have excluded interested employees from the promotional opportunity. DSS may not be promoting or hiring the most qualified candidates.</p>
<i>Cause:</i>	<p>Existing controls did not prevent this condition.</p>
<i>Prior Audit Finding:</i>	<p>This finding has not been previously reported.</p>
<i>Recommendation:</i>	<p>The Department of Social Services should follow procedures established by the Department of Administrative Services regarding promotions by reclassification. (See Recommendation 8.)</p>
<i>Agency Response:</i>	<p>“The Department disagrees with this finding. The Human Resources Division sought out and received direction from the Department of Administrative Services on how to meet the personnel needs of the</p>

Division. The Department was compliant with the Department of Administrative established policies and procedures. The division for which the opportunity existed is one of the largest within the agency with 154 total employees, with that said the Department believed that those employed at the time within the division possessed the requisite qualifications to satisfy a quality candidate pool for which the most qualified candidate may be drawn from.”

*Auditors’ Concluding
Comments:*

According to the Department of Administrative Services, DSS did not discuss the limited posting scope with DAS. Per DAS, since the positions did not involve new vacancies, DAS recommended that DSS post the promotional opportunity agency-wide, which would have been sufficient for all interested DSS employees to consider. In addition, prior to offering the promotions to the employees, DSS should have obtained necessary approvals from DAS. As a result, at the time DSS offered the promotions, the employees did not meet minimum qualifications for the positions.

Lack of Performance Evaluations of Managers

Criteria:

The performance evaluation process is a method of assessing employee job performance in relation to established standards. Standard business practice advocates that supervisors evaluate employee job performance in writing at least once each year. Generally, the objectives of a performance evaluation are to:

- Provide written feedback to employees
- Document employee performance in organizational records
- Identify training needs of employees and the organization
- Form a basis for personnel decisions
- Facilitate communication between employees and management

Condition:

DSS did not perform evaluations for any of the 10 managers selected for review in the last year. DSS did not perform evaluations for 5 of those managers in the last 2 years.

Effect:

The absence of written performance evaluations significantly diminishes management’s ability to develop employee performance plans, track employee career development, and form a basis for personnel decisions.

<i>Cause:</i>	Administrative controls were inadequate for ensuring the completion of performance evaluations.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	The Department of Social Services should complete annual performance evaluations on all of its employees. (See Recommendation 9.)
<i>Agency Response:</i>	“The Department agrees with the finding. The Department has implemented a standard operating procedure that will: <ul style="list-style-type: none">• Identify performance evaluations coming due.• Send reminders to supervisors when performance evaluations are due for employees.• If a supervisor misses a deadline, and does not file a performance evaluation on time, a Human Resources staff will follow up with the supervisor to facilitate submission of the performance rating.”

Inaccurate Processing of Employee Leave Accruals

<i>Criteria:</i>	The Department of Administrative Services provides instructions to all state agencies on how to process temporary service in higher class (TSHC) records.
<i>Condition:</i>	DSS incorrectly processed personal leave time accruals for 4 out of 10 TSHC employees.
<i>Effect:</i>	DSS paid \$1,224 in excess benefits for ineligible personal leave time.
<i>Cause:</i>	DSS staff did not properly follow the instructions for assigning employees to TSHC. Lack of management oversight contributed to this condition.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	The Department of Social Services should strengthen internal controls to ensure that temporary service in higher class records are properly processed. (See Recommendation 10.)
<i>Agency Response:</i>	“The Department agrees with this finding. A procedure has been implemented by Payroll to audit and review the leave plans for those who have under gone TSHC; whereby setting the leave plans for both employment records to “no accrual” will ensure that employees will not have accruals in excess to authorized limits.”

Unauthorized Overtime, Compensatory Time, and Extended Sick Leave

Criteria:

1. 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 3 of the Engineering, Scientific and Technical (P-4) Bargaining Unit Contract stipulates that members paid above salary group 24 are considered exempt from earning overtime pay. Such exempt employees may receive compensatory time. In situations in which granting of compensatory time would create a hardship to the agency, it can make payment at straight time with the approval of the secretary of the Office of Policy and Management (OPM).

2. Compensatory Time – The Department of Administrative Services Management Personnel Policy No. 06-02 establishes criteria for granting compensatory time to managerial and confidential employees of the executive branch, which includes DSS. The policy states that managers and confidential employees must receive written authorization in advance from an agency head or a designee to work extra time in order to record the extra hours as compensatory time. The authorization must include the employees' name and outline the reason(s) for compensatory time. The agency must retain proof of advance authorization in the employees' personnel file for audit purposes.

Core-CT Time and Labor Job Aid for Auditing Compensatory and Holiday Compensatory Time indicates that compensatory time does not expire in Core-CT, which is not consistent with state requirements. According to the job aid, time retained in an employee's record may remain longer in Core-CT than allowed. The job aid instructs agencies to manually review employee compensatory time balances.

3. Medical Certificates – Section 5-247-11 of the State Regulations provides that a state agency must require an acceptable medical certificate, which must be on the form prescribed by the commissioner of DAS, and signed by a licensed physician or other practitioner. The purpose of the medical certificate is to substantiate a request for any sick leave absence of more than 5 consecutive working days.

4. Timesheet Retention – The State Library Records Retention Policy indicates that the minimum retention for employee timesheets is 3 years, or until audited, whichever is longer.

Condition:

1. Overtime – A sample of 10 employees who received overtime payments had no preapprovals on file. Three of those employees were exempt from overtime, and DSS did not obtain the proper approvals from OPM. Our audit work related to the 2015 Comprehensive Annual Financial Report also noted that DSS did not have the overtime preapproval on file for 1 of the 40 employees in our sample. Additionally, we reviewed 6 instances in which an employee earned overtime and compensatory time on the same day and DSS had no preapprovals on file.
2. Compensatory Time – We reviewed 10 managerial employees who received compensatory time and noted that DSS did not preauthorize 6 employees’ compensatory time. DSS had no preapproval documentation on file for 3 employees’ compensatory time.

According to the Human Resources Administrator, Core-CT tracks and removes expired compensatory time automatically. The administrator’s understanding contradicts the Core-CT job aids, which instruct agencies to manually audit compensatory time.

3. Medical Certificates – We reviewed 10 employees who charged sick leave in excess of 5 consecutive workdays and noted that DSS did not have the required medical certificate on file for 3 employees.
4. Timesheet Retention – DSS did not have timesheets available to support the overtime and compensatory time charged for 7 of the 20 employees in our review (see conditions #1 and #2 above).

Effect:

DSS issued unauthorized overtime payments of \$7,075 and unauthorized compensatory time with a value of \$9,213. DSS may not be able to detect employee abuse of overtime, compensatory time, or extended sick leave without obtaining the proper authorization or medical certificate and conducting appropriate reviews.

Cause:

DSS did not have effective internal controls in place to enforce applicable requirements to prevent these conditions.

DSS did not have effective internal processes in place to retain documentation needed to verify transactions.

Prior Audit Finding: Condition 1 has been previously reported in the last 2 audit reports covering the fiscal years ended 2010 to 2013. Condition 2 has been previously reported in the last audit report covering the fiscal years ended 2012 to 2013. Condition 3 has been previously reported in the last 5 audit reports covering the fiscal years ended 2004 to 2013. Condition 4 has not been previously reported.

Recommendation: The Department of Social Services should process payroll and personnel information in accordance with state laws and regulations. The department should strengthen internal controls to ensure compliance with bargaining unit contracts, state personnel policies, Core-CT job aids, and the State Library Records Retention Policy. (See Recommendation 11.)

Agency Response: “The Department agrees with the finding. The Department has since instituted a measure to make supervisors and managers aware of the requirement to obtain and retain approvals for overtime and compensatory time. Additionally, human resources operating procedures have been strengthened to ensure required medical certificates are on file for employees. Lastly, the Department transitioned to self-service in CORE-CT; whereby an electric timesheet is submitted for all active employees on the payroll.”

Employees on Paid Administrative Leave in Excess of Time Limits

Criteria: Section 5-240-5a (f) of the State Regulations states that an appointing authority may place an employee on leave of absence with pay for up to 15 days to permit the investigation of alleged serious misconduct, which could constitute just cause for dismissal under Section 5-240-1a (c) of the State Regulations. Subsection (c) provides the definition for just cause and lists examples of conduct for suspending, demoting, or dismissing an employee. State agencies should only use this paid leave 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 paid leave, the agency shall provide written notice to the employee stating the reasons for the leave, the effective date, and the duration.

The Social and Human Services (P-2) bargaining unit contract extended the allowed administrative leave with pay to a maximum of 60 days. The Administrative and Residual (P-5) bargaining unit contract extended the allowed administrative leave with pay to a maximum of 30 days.

<i>Condition:</i>	DSS placed 35 employees on paid administrative leave under Section 5-240-5a (f) of the State Regulations during the fiscal years ended June 30, 2014, and 2015. Our review of 10 employees identified that 2 employees remained on leave for 25 days and 8 days, in excess of the period allowed by state regulations and applicable bargaining unit contracts. DSS did not have supporting documentation to justify the excess paid leave.
<i>Effect:</i>	DSS incurred costs for salaries and fringe benefits totaling \$12,632 for 2 employees who were on paid administrative leave beyond the number of days allowed under state regulations and bargaining unit contracts.
<i>Cause:</i>	DSS did not properly monitor or adequately document cases of employees on paid leave.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last 4 audit reports covering the fiscal years ended 2006 to 2013.
<i>Recommendation:</i>	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 State Regulations and bargaining unit contracts. (See Recommendation 12.)
<i>Agency Response:</i>	“The Department agrees with this finding. The Department makes every effort to comply with the established duration prescribed in Section 5-2405a subsection (f) concerning placement of an employee on leave of absence with pay for up to 15 days to permit investigation of alleged serious misconduct. On occasion, despite the Department’s best efforts and intentions an investigation has not been concluded within a 15-day timeframe. Delays can be attributed to many factors, including but not limited to, the complex nature of alleged misconduct and/or the availability of witness(es). The Human Resources Division employs best practices to facilitate the investigation process and to conclude investigations within the established timeframes set forth in statutes, regulations and bargaining unit contracts.”

Inadequate Cashbook Reconciliations

<i>Background:</i>	DSS maintains a benefit assistance checking account commonly known as the “cashbook.” DSS uses the cashbook to process the majority of federal and state program payments to clients and providers. The cashbook exhibits the cash balance available for each appropriation and the corresponding program expenditures. DSS disburses approximately \$7 billion annually through the cashbook.
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<i>Criteria:</i>	Proper internal controls over financial records include performing monthly reconciliations and promptly identifying and resolving any variances.
<i>Condition:</i>	DSS did not resolve variances of approximately \$1.5 million each month during the cashbook reconciliation process for the fiscal years ended June 30, 2014 and 2015. DSS labeled these variances as electronic bank transfer (EBT) in-transit. DSS considered EBT in-transit to include inactivated EBT cards and timing differences between the cashbook and bank statement. DSS had no support for the EBT in-transit amounts used in the reconciliation process.
<i>Effect:</i>	Inadequate reconciliations increase the likelihood that errors and irregularities in the cashbook may go undetected.
<i>Cause:</i>	DSS used an insufficient reconciliation process for EBT balances. Although DSS can partially support EBT in-transit amounts with EBT vendor system reports, DSS did not resolve the unsupported variances.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	The Department of Social Services should strengthen procedures to ensure that financial records are reconciled in a timely manner. The department should promptly resolve and adequately support any variances discovered through the reconciliation process. (See Recommendation 13.)
<i>Agency Response:</i>	“The Department will investigate other methods of reconciling EBT “in transit” amounts. The Department would like to note that there have been no changes to the process related to the handling of EBT “in transit” amounts in over twenty years.”

Lack of Documentation for Reductions in Overpayments to Medical Providers

Criteria: Section 17b-99 (d) of the General Statutes provides the requirements for auditing medical providers. DSS produces a preliminary written audit report. The department gives that report to the medical provider after the conclusion of the audit, and holds an exit conference with the provider to discuss it. The medical provider may present evidence at the exit conference to refute findings in the preliminary audit report. DSS produces a final written audit report.

DSS often uses sampling and extrapolation to determine provider overpayments. DSS contracts with a statistician to validate the sample and extrapolation methodology. DSS cannot base a finding of

overpayment on extrapolation unless the total net amount of extrapolated overpayment calculated from a statistically valid sampling and extrapolation methodology exceeds 1.75% of total claims paid to the provider for the audited period. Any medical provider aggrieved by a decision contained in a final written audit report may request, in writing, a contested case hearing.

Condition: DSS did not have sufficient documentation to support reductions in overpayments for 2 medical providers, totaling \$84,948, for the fiscal years ended June 30, 2017 and 2018.

Effect: We were unable to ascertain whether the reductions in Medicaid overpayments were warranted.

Cause: DSS did not document the circumstances considered, calculations performed, or rationale implemented to support its judgmental reductions in Medicaid overpayments.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Social Services should maintain documentation to support reductions in calculated Medicaid overpayments to medical providers. (See Recommendation 14.)

Agency Response: “The Department agrees that sufficient documentation was not maintained to support the issuance of the revised final audit reports. The Department will take corrective action to improve documentation standards. When a request is received to review an audit for a possible reduction to the audit recoupment amount, the Director of the Office of Quality Assurance considers many factors. The majority of these factors are dependent on the particular audit or aspects of the audit that had resulted in the original audit adjustment. The process entails a significant level of professional judgment along with an institutional knowledge.

It is the Department’s opinion that there are adequate controls in place through segregation of duties related to these processes. The Director of the Audit Division does not have the authority to reduce an audit adjustment without the approval of the Director of the Office of Quality Assurance.

Going forward, the Director of the Office of Quality Assurance will ensure that all audit adjustments are communicated to the Office of Legal Counsel and/or the Deputy Commissioner, Administration.”

Inadequate Controls to Prevent Undue Seizure of Assets

- Criteria:* Section 52-362d of the General Statutes provides that when a person owes past-due child support for \$500 or more, the DSS Office of Child Support Services (OCSS) shall place a lien on any property in which such person has an interest. After securing the lien, OCSS shall provide such person with notice of the lien and an opportunity to contest the lien at a hearing before a hearing officer of the DSS Office of Legal Counsel, Regulations and Administrative Hearings (OLCRAH). OCSS may notify an entity having authority to distribute amounts due an obligor under any judgment or settlement that the obligor owes overdue child support. Upon receipt of the notice, the entity shall withhold distribution until further notice from OCSS. OCSS shall further notify the entity upon expiration of the time to request a hearing, upon payment of the overdue support by the obligor, or upon issuance of a decision by the hearing officer.
- Condition:* OCSS seized assets from a noncustodial parent and released the assets to the custodial parent prior to a scheduled hearing. The hearing officer ruled in favor of the noncustodial parent and DSS was required to reimburse the noncustodial parent.
- Effect:* DSS withheld the assets from the noncustodial parent for approximately a year. DSS has been unable to recoup \$7,712 from the custodial parent.
- Cause:* OCSS received a settlement statement from the noncustodial parent authorizing release of the assets to OCSS on the same day that OLCRAH received a request for a hearing from the noncustodial parent. OLCRAH did not promptly notify OCSS of the hearing request. OCSS distributed the seized assets 19 days later.
- Prior Audit Finding:* This finding has not been previously reported.
- Conclusion:* Effective August 1, 2013, the Department of Social Services implemented a new procedure whereby the Office of Legal Counsel, Regulations and Administrative Hearings submits hearing requests to relevant department divisions, including the Office of Child Support Services. The new procedure was part of a process improvement implemented with the rollout of the department's ConneCT system. The accessibility of administrative hearing information via the ConneCT system reduces the risk of assets being seized when a hearing is pending.

Inadequate Controls over State-Administered General Assistance Disbursements

Criteria: Section 17b-191 of the General Statutes provides that no individual shall be eligible for cash assistance under the State-Administered General Assistance (SAGA) program if one 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 DSS expects will last a period of 6 months or longer, DSS bases such determinations on the recommendations made by a medical review team. DSS contracted with a vendor to determine the disability or employability status of individuals requesting SAGA cash benefits. The vendor reviews medical packets to determine eligibility.

Cooperation requirements under DSS Uniform Policy Manual 8080.35 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 DSS-administered cash programs. The policy manual also states that the applicant must sign Form W-650ALT – Authorization for Reimbursement to the State of Connecticut from S.S.I. Retroactive Payment and send it to the Benefits Accounting Unit, which must maintain it in the client’s case record.

Condition: We reviewed case files for 25 transactions totaling \$4,059 made under the SAGA program. We selected these transactions from SAGA payments totaling \$43,935,239 made during the fiscal years ended June 30, 2014 and 2015. Our review disclosed the following exceptions:

- DSS did not complete medical reviews on time in 3 instances. DSS took 11 months to 4 years to complete these reviews.
- DSS did not complete one redetermination on time. DSS took 2 years and 5 months to complete the redetermination.
- DSS did not have a signed Form W-650ALT on file for a client who was receiving benefits from other sources.

Effect: The DSS SAGA program controls do not provide reasonable assurance of client eligibility. DSS was unable to obtain reimbursement from the Social Security Administration without the Form W-650-ALT.

Cause: The existing controls are inadequate for ensuring that caseworkers obtain and review all information necessary to verify client eligibility.

<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	The Department of Social Services should verify and document that applicants have met the requirements of the State-Administered General Assistance program. (See Recommendation 15.)
<i>Agency Response:</i>	“The Department agrees that it should verify and document that applicants have met the requirements of the State-Administered General Assistance Program (SAGA). In the years since this audit, the Department has substantially restructured its field operation processes and implemented a new eligibility management system (ImpaCT, which replaced EMS). The Department anticipates that these new processes and tools will ultimately enhance the Department’s ability to fully document and verify eligibility, notwithstanding the normal challenges that arise during massive system transitions. Processing for many SAGA tasks are now handled by a smaller group of workers, which the Department anticipates will help provide greater consistency in processing practices. The Department has worked with its medical review contractor to develop additional reporting tools that the Department expects will help to ensure timely reviews of medical packets. The Department has also recently revamped the training curriculum for SAGA and expects that this will positively contribute to documenting program eligibility.”

Inadequate Controls over Supplemental Security Income Disbursements

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

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

- Pay the excess amount to the client no later than 10 working days from the date the state receives repayment from SSA, and
- Refund the excess amount to SSA in the event it cannot pay the client (e.g., if the client dies or the state cannot locate the client).

<i>Criteria:</i>	A governmental agency is accountable to the public and other branches of government for the resources provided to administer programs and services. The agency should apply resources efficiently, economically, and effectively.
<i>Condition:</i>	DSS did not distribute the balance of SSI funds as of June 30, 2015, totaling \$87,676. DSS held approximately \$69,046 of this balance with transaction dates between March 7, 2005 and July 6, 2011. DSS attempted to return these funds to SSA on July 14, 2016. The checks sent to SSA were stale dated. Per DSS, SSA stated in a series of phone calls that it refused to accept these funds. There is no documentation that SSA refused these funds.
<i>Effect:</i>	The Social Security Administration may not have properly reimbursed the SAGA program for assistance provided on its behalf. DSS may owe clients additional assistance.
<i>Cause:</i>	DSS has held certain SSI funds for a number of years because SSA did not instruct DSS regarding the disposition of funds.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last 3 audit reports covering the fiscal years ended 2008 to 2013.
<i>Recommendation:</i>	The Department of Social Services should determine the proper disposition of Supplemental Security Income it received for providing interim assistance to recipients. The department should disperse these funds or seek reimbursement as appropriate. (See Recommendation 16.)
<i>Agency Response:</i>	<p>“The reason that DSS did not take action on the funds was because information related to the retroactive months of eligibility and payment amounts were not available. We disagree with the Auditor recommendation because DSS cannot claim reimbursement from SSI retro funds unless DSS knows the specific months that SSA has deemed the client eligible and the specific months that SSA has awarded SSI funds to the client. SSA does not always deem a client eligible for SSI from the point in time that DSS issues SAGA benefits to a client. Additionally, SSA may recognize a client eligible in Month 1, not eligible in Month 2, and eligible again Month 3. In this situation, DSS cannot claim reimbursement for the SAGA benefits Month 2. And SSA may declare the client eligible in a month but not pay the client SSI benefits for that month. This also effects the amount that DSS is allowed to be reimbursed.</p> <p>DSS should not have held on to the funds for an extended period of time. But at this point, DSS cannot locate the clients, DSS does not have any additional information on the funds from SSA that would allow DSS to</p>

claim the State's portion, and SSA has indicated to DSS, by not taking action on DSS' return of funds, that SSA does not want the funds. At this point DSS believes that the funds should be placed in the Escheatment process through the Office of the State Treasurer."

*Auditors' Concluding
Comments:*

The Department of Social Services should have attempted to return the funds to the Social Security Administration once it was unable to determine the amount of funds that were applicable to the state and client. DSS held onto the funds for a period of 5 to 11 years before attempting to return the funds. Because DSS did not promptly address this issue, the state lost its portion of these funds. If DSS escheats these funds, then DSS may reimburse clients for more than they were entitled.

Inadequate Controls over Conservator Account Disbursements

Criteria:

If the commissioner of DSS finds that an elderly person is being abused, neglected, exploited, or abandoned and lacks capacity to consent to reasonable and necessary protective services, the commissioner may petition the Probate Court for appointment of a conservator of the elderly person pursuant to the provisions of Sections 45a-644 to 45a-662, inclusive, of the General Statutes in order to obtain such consent. The elderly person or the individual, agency, or organization designated to be responsible for the personal welfare of the elderly person shall have the right to bring a motion in the cause for review of the Probate Court's determination regarding the elderly person's capacity or an order issued pursuant to Sections 17b-450 to 17b-461, inclusive, of the General Statutes. The Probate Court may appoint, if it deems appropriate, the commissioner of DSS to be the conservator of such elderly person.

The Probate Court Certificate PC-450, issued by the Probate Court to assign DSS as conservator, has an expiration date. As long as DSS performs the role of conservator, the court certificate has to be in effect.

DSS established internal controls requiring a unit supervisor to approve disbursements over \$1,000.

Condition:

For 10 cases reviewed, DSS did not have 4 probate court certificates on file approving DSS to act as conservator. In addition, DSS could not locate one client case; therefore, we could not test it.

The unit supervisor did not approve 8 out of 15 disbursements over \$1,000 in June 2014 and one out of 20 in June 2015.

Effect: DSS may not have the proper authority to manage client accounts. Client accounts could be vulnerable to unauthorized disbursements.

Cause: DSS did not follow internal control procedures to obtain Probate Court certificates and approve disbursement amounts over \$1,000.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended 2012 to 2013.

Recommendation: The Department of Social Services should strengthen internal control procedures to ensure that it has active Probate Court certificates on file for conservator accounts. The department should properly approve all disbursements over \$1,000. (See Recommendation 17.)

Agency Response: “The Department agrees that there were disbursements lacking appropriate approval and will increase efforts to comply with our established procedures.

In regards to the cases reviewed without court certificates on file, the Department cannot take action on a client unless an initial probate certificate PC 450 Form is on file. It is incumbent upon the Probate Court to provide updated forms. Failure to take action pending the receipt of updated PC 450 forms would put community clients at risk and damage relations with providers who deliver needed services to vulnerable clients. The Department will document efforts to request updated certificates from the appropriate Probate Courts. ”

Inadequate Controls over Burial Reserve Fund Records

Criteria: Per Section 17b-84 (formerly Section 17-82i) of the General Statutes, upon the death of any beneficiary under the State Supplement or the Temporary Family Assistance program, the commissioner of DSS shall order the payment of a sum not to exceed \$1,200 as an allowance toward the funeral and burial expenses of such deceased person. DSS shall reduce the payment for funeral and burial expenses by the amount in any revocable or irrevocable funeral fund, prepaid funeral contract, or the face value of any life insurance policy owned by the recipient. Any person can contribute to the cost of the beneficiary’s funeral and burial expenses over and above the sum established under this section without diminishing the state’s obligation.

Condition: DSS was assigned client life insurance policies. We reviewed 10 active case files and 8 closed case files and noted the following exceptions:

- Two policies were on a closed case listing dated May 5, 2017 stating that there was no value. However, DSS did not receive confirmation from the insurance company that there was no value to be collected on the policies until August 2018.
- The insurance company erred and paid the proceeds of \$500 on a policy to the brother of a deceased client. The insurance company should have paid DSS. DSS did not attempt to recover these funds.
- One policy on the active case file dated June 30, 2015, expired in 2012. DSS did not follow up and receive confirmation from the insurance company until August 2018.
- The active case file listed duplicate entries for 4 individual policies for 2 clients.

Effect: Without adequate recordkeeping, DSS may not be able to reduce its payment for funeral and burial expenses for deceased State Supplement or Temporary Family Assistance clients who assigned their life insurance policies to the state.

Cause: DSS lacked adequate internal controls.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended 2012 to 2013.

Recommendation: The Department of Social Services should establish controls to ensure the proper maintenance of all records pertaining to the Burial Reserve Fund. The department should properly reduce its payments for funeral and burial expenses for deceased State Supplement or Temporary Family Assistance clients who assigned their life insurance policies or other funeral benefits to the state. (See Recommendation 18.)

Agency Response: “The Department agrees with this finding. The Department will review and remove the duplicate entries if necessary. On a semi-annual basis, the department will review its eligibility systems to determine if the client passed away and take necessary action. On an annual basis, the department will contact the insurance companies to determine if the policies were exercised and take necessary action.”

Inadequate Controls over Cellular Device Usage and Expenditures

Background: The Department of Administrative Services Bureau of Enterprise Systems and Technology (BEST) processes state agency telecommunication expenditures. BEST receives an electronic bill from cellular service providers on a monthly basis for all state cellular

devices. BEST 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. BEST is also responsible for negotiating the service contracts and establishing the Telecommunication Equipment Policy that all state agencies use.

Criteria:

The Telecommunication Equipment Policy provides that:

- State employees shall only use telecommunications equipment for official state business and not for personal purposes.
- State employees may use only free directory assistance services. The state considers directory assistance charges as unacceptable personal usage.
- Agencies are responsible for ensuring that each employee authorized to use telecommunications equipment signs a statement that the employee understands the acceptable use policy.
- The agency and individual users are responsible for verifying the accuracy of each monthly bill and confirming appropriate usage.
- The agency and the individual users are responsible for maintaining adequate documentation to support all telecommunications equipment use, including copies of monthly individual usage reports.

Condition:

Prior audits revealed that DSS lacked adequate controls over cellular device usage, billing, and reimbursements. These prior audit findings noted the following:

- Employees who made cellular calls did not certify and return the monthly usage report.
- DSS did not have signed statements from employees with a cellular device acknowledging that they understood the acceptable use policy.
- Employees did not reimburse DSS for their directory assistance and personal calls.

On February 22, 2017, DSS informed us that it did not change its policies and procedures for handling cellular device usage, billing, and reimbursements since the prior audit. DSS also informed us that it stopped monitoring cellular device activity effective in May 2016.

<i>Effect:</i>	DSS continues to be at risk for unacceptable cellular charges and personal use of state equipment by its employees.
<i>Cause:</i>	DSS did not take action to address the prior audit findings. DSS informed us that they stopped monitoring cellular device activity in May 2016 due to layoffs in April 2016.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last 3 audit reports covering the fiscal years ended 2008 to 2013.
<i>Recommendation:</i>	The Department of Social Services should establish and implement controls for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to certify and return the monthly individual usage reports. The Department of Social Services should ensure that every cellular device user signs the acknowledgement that the user understands the acceptable use policy. (See Recommendation 19.)
<i>Agency Response:</i>	“The Department agrees with the finding. The Department is currently reevaluating its wireless plans in attempt to move to a more cost effective plan that would include unlimited cell phone minutes. The increase to unlimited minutes would eliminate the need to track all phone calls/minutes. In addition, the Department will review its current processes to ensure that employees are completing and signing the acceptable use policies related to cell phones.”

Financial Reporting Inaccuracies

<i>Background:</i>	State agencies submit Generally Accepted Accounting Principles (GAAP) reports and federal expenditure information to the State Comptroller to produce the state’s Comprehensive Annual Financial Report (CAFR) and Schedule of Expenditures of Federal Awards (SEFA).
<i>Criteria:</i>	Agency GAAP reports and federal expenditure information should be complete, accurate, and comply with the State Comptroller’s requirements, as set forth in the State Accounting Manual and other instructions.
<i>Condition:</i>	DSS submitted GAAP reports and federal expenditure information that contained several inaccuracies. Fiscal Year Ended June 30, 2014: <ul style="list-style-type: none">• DSS overstated its SEFA amounts by \$3.2 billion.

- DSS understated amounts reported in its GAAP Forms by \$16.3 million.

Fiscal Year Ended June 30, 2015:

- DSS understated 2 SEFA amounts by a total of \$61.4 million and overstated one SEFA amount by \$1.4 million.
- DSS overstated amounts reported in its GAAP Forms by \$860,453.

Effect: These conditions, if not corrected, would have caused the State Comptroller to report inaccurate or incomplete information in the state's CAFR and SEFA.

Cause: DSS did not follow the instructions provided by the State Comptroller. DSS clerical errors attributed to some of the conditions.

Prior Audit Finding: This finding has been previously reported in the last 6 audit reports covering the fiscal years ended 2002 to 2013.

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, and perform sufficient reviews to ensure that reports are accurate and complete. (See Recommendation 20.)

Agency Response: "The Department will continue efforts to ensure that all GAAP and SEFA filings are correctly filed. In SFY 2019, the Department reviewed every element of its GAAP filing to ensure all processes and procedures associated with the filing are as up to date and documented to the full extent possible."

Untimely 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 deposit such receipts in depositories designated by the State Treasurer within 24 hours of receipt. A state agency may hold total daily receipts of less than \$500 until the total receipts amount to \$500, but not for a period of more than 7 calendar days. The State Treasurer can make exceptions upon written application from a state agency stating that compliance would be impracticable and providing the associated reasons.

The State Treasurer granted DSS a 2 business-day waiver for checks totaling \$1,000 or more and a 4 business-day waiver for checks totaling less than \$1,000 that are received at the DSS field offices.

The State Accounting Manual provides procedures that state agencies should follow for processing receipts. Per the manual, agencies collecting receipts must maintain a receipts log. The log must include columns for the entry of information such as the dates of receipt and deposit.

Condition:

Low Income Home Energy Assistance Program (LIHEAP):

The DSS central office did not log LIHEAP refund checks upon receipt and did not deposit at least 267 checks totaling \$283,355 on time. The time between the date of the check and the date of deposit was up to 189 calendar days.

Child Support and Other Receipts:

Each of the 12 DSS field offices and the DSS central office prepares a log for child support receipts and a separate log for all other receipts.

DSS deposited one child support receipt, totaling \$1,208, 7 business days late.

The DSS central office could not verify that it deposited 2 non-child support receipts from field offices, totaling \$462.

Effect:

The lack of prompt deposits increases the opportunity for the loss or misappropriation of LIHEAP and child support funds, and delays the distribution of child support payments to custodial parents. Insufficient information recorded on receipt logs increases the likelihood that untimely deposits will go undetected.

Cause:

The DSS Office of Community Services received LIHEAP refund checks from utility companies and did not forward the receipts to the DSS Fiscal Unit in a timely manner. DSS management was informed of this matter in 2013, 2014, 2015, and 2017.

DSS does not have a standardized receipts log for its offices.

Prior Audit Finding:

This finding has been previously reported in the last 10 audit reports covering the fiscal years ended 1994 to 2013.

Recommendation:

The Department of Social Services should strengthen internal controls to ensure that it deposits receipts in accordance with the General

Statutes, the State Accounting Manual, and the State Treasurer's waiver. (See Recommendation 21.)

Agency Response:

“LIHEAP:

The Department agrees that the LIHEAP Refund checks were not always submitted to the DSS Fiscal Unit in a timely manner. The Department has made changes and refund checks are now being forwarded within 24 to 48 hours of their receipt to the Fiscal Office.

Child Support:

OCSS agrees with the finding of the untimeliness of the one check exception for \$1,207.99 that was received in the New Haven field office on 11/4/2013. Although our records indicate the check was receipted on 11/4/2013, we do not have documentation to support the date the check was sent from the New Haven office to the DSS Fiscal Unit in Central Office. OCSS will update receipt of check procedures for all field offices by implementing a standardized check log similar to the one used in Central Office.”

Deficiencies in Asset Management Controls and Reporting of Software Inventory

Criteria:

Section 4-36 of the General Statutes requires that each state agency establish and maintain inventory records in the form prescribed by the State Comptroller. In addition, the State Property Control Manual establishes the standards for maintaining an inventory system and sets forth the reporting requirements. These requirements include reporting accurate amounts on the CO-59 annual property report that are supported by subsidiary records, providing a complete physical inventory of all property by the end of each fiscal year to ensure that property control records accurately reflect the inventory on hand, and maintaining a software inventory.

Condition:

An examination of the DSS property control system disclosed the following:

- DSS submitted the CO-59 reports for the fiscal years ended June 30, 2014 and 2015 more than 6 and 18 months late, respectively.
- From a sample of 40 assets on hand in various DSS offices, the physical location of 7 assets did not match the location in the Core-CT inventory records. In addition, DSS could not trace 7 assets to Core-CT, as no location history was available. In 2 of these instances, no asset records were available in Core-CT.

- From a sample of 40 assets listed in the Core-CT asset management module, DSS could not locate 15 assets (including a handgun). The location of one asset, as identified in Core-CT, did not match the physical location of the asset. A state identification number was not affixed to one asset.
- DSS did not produce a software inventory report. The amount of software inventory reported on the CO-59 totaled \$901,104 and \$907,245 for the fiscal years 2014 and 2015, respectively. These amounts may not be accurate, as DSS informed us that it did not include the microsystem applications developed in-house on the CO-59 reports.

Effect: Deficiencies in the control over equipment inventory provide a decreased ability for DSS to properly safeguard state assets and accurately report inventory. DSS did not comply with the requirements of the State Property Control Manual.

Cause: DSS internal controls over assets were inadequate. DSS moved its central office during the audited period, which contributed to these deficiencies.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended 2012 to 2013.

Recommendation: The Department of Social Services should improve internal controls over asset accountability and its reporting of property and software inventory to ensure compliance with the requirements of the State Property Control Manual. (See Recommendation 22.)

Agency Response: “The Department agrees with this finding. The Department is working on implementing additional controls related to this area including, bi-weekly reports that will highlight all inventory items that have been moved/added/deleted. This process will allow the Department to make changes to its inventory records in a timely manner resulting in a more accurate record of inventory items in the custody of the Department and their physical location. Additionally, DSS Facilities and the IT unit will discuss the possibility of providing additional Core-CT roles to the IT unit to allow them to account for inventory changes (especially moves) related to IT assets. The Department will implement adequate controls around the reporting of software inventory to ensure that the figures reported on the CO-59 will be supported. As for the handgun noted in the finding, this piece of equipment was stored off-site, in a locked safe, at the officer's residence. The location of the asset was noted in the Core-CT module as being off-site. The item has since been turned over to the State Police and removed from DSS' inventory records.”

Deficiencies in Reviewing Income and Eligibility Verification System Alerts

Background: The State Supplement provides cash assistance to the aged, blind, or disabled to supplement their income and maintain them at a standard of living established by the General Assembly. The state funds this program, but it operates under both state and federal laws and regulations. Individuals eligible for the State Supplement are automatically eligible for Medicaid.

Criteria: DSS Uniform Policy Manual (UPM) 1540.05 provides that DSS require verification of information pertaining to essential factors of eligibility when specifically required by federal or state laws or regulations. UPM 1540.05 is applicable to Medicaid, Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, and State Supplement.

Title 42 United States Code Section 1320b-7 requires the state to have an Income and Eligibility Verification System (IEVS) for the Medicaid, TANF, and SNAP programs. The IEVS provides for matches involving the Department of Labor (DOL) wage information, Social Security wage and date of death files, and Internal Revenue Services unearned income files.

Condition: DSS did not diligently review IEVS alerts related to client wages and dates of death for Medicaid, TANF, and SNAP.

During the quarter ended March 31, 2017, DSS received 63,716 IEVS alerts related to client wages, employer and unemployment benefits for Medicaid, TANF, and SNAP. As of October 11, 2017, DSS had not appropriately investigated, resolved, or removed 62,811 alerts. DSS assigns each alert a specific due date generated by the DSS eligibility management systems (EMS or ImpaCT). Those dates ranged from January 23, 2017 to May 15, 2017.

Effect: For 3 out of 25 unresolved IEVS alerts, DSS issued payments of \$11,802 in Medicaid claims on behalf of ineligible individuals whose incomes exceeded the limit for Medicaid benefits.

For 6 out of 25 IEVS alerts DSS marked as resolved, the department did not update 3 cases with the client's date of death, and did not address wage differences between EMS or ImpaCT and the DOL system. Deficient reviews of alerts expose DSS to the risk of granting improper benefits.

Cause: DSS did not properly review and resolve alerts in a timely manner.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended 2012 to 2013.

Recommendation: The Department of Social Services should provide the necessary resources and institute procedures to ensure that all information from eligibility and income matches is used to verify that client payments are correct. (See Recommendation 23.)

Agency Response: “The Department agrees that it does not review every IEVS alert. The Department generates an excessive number of IEVS wage alerts, as many alerts are repeated each week based on the same identified discrepancy. As a result, a single discrepancy for a single client can be repeated 13 times each quarter, causing the total volume of alerts to appear disproportionately high. Additionally, under simplified reporting rules for SNAP, wage variations are usually reviewed every six months and do not necessarily need to be acted upon prior to those reviews. It is unclear which alerts that were reviewed as part of this audit relate to which program. Given that each program has distinct eligibility rules it is unclear the effect on each program.

It is also important to note that wage alerts from the Department of Labor, which comprise the vast majority of alerts, are generated for data that is normally applicable 5-7 months prior to the date that the alert is generated. For example, alerts generated in November will be for employment data from April-June. This means that clients may have already reported wages, transitioned from jobs, gone through a renewal process based on more current income information, or otherwise have no change in benefits. By the time the DOL alert is generated, the client’s current data recorded in the system may well be more accurate than the DOL data and may have been re-verified. Finally, workers may process the information in the alert but fail to mark the alert as completed, thereby making it appear as if the alert was not viewed when in fact the alert was reviewed. The Department continuously advises staff to take more credit for work completed by ensuring that they mark alerts and tasks as complete.

The Department also notes that enhancements are still being made to ImpaCT, the new eligibility system. We continue to work on enhancing functionality to achieve optimal system performance to support all program requirements. The current ImpaCT design for auto-population of “date of death” was not delivered as expected. Until automation is achieved, date of death alerts will continue to be manually reviewed and appropriate case actions taken by the workers. In response to the audit, the Department has taken the corrective action on the cases cited. It is expected that DSS workers will become more proficient at reviewing alerts in the ImpaCT system. The Department will continue to educate

staff regarding expectations of processing date of death and IEVS alerts.”

Lack of Monitoring of Grants-in-Aid Contract Requirements

Background: Grants-in-aid contracts under various legislative bond acts were primarily for the renovation and expansion of neighborhood facilities used as senior centers, day care facilities, or emergency shelters.

Criteria: Grants-in-aid contracts for the capital development of neighborhood facilities require the contractor to provide DSS with annual reports on or before July 1 of each calendar year for 10 years following the project completion date to confirm that the property is still used as intended and approved by the State Bond Commission. The reports must describe the programs and number of persons served in the facility during each 12-month period of the 10-year assurance period.

Condition: DSS did not enforce the annual report requirement for grantees of closed projects. We reviewed 10 closed projects during the audited period and found that none of the grantees submitted an annual report to confirm they continued to use the property for its intended purpose.

Effect: DSS is not aware of the status of various grant-funded projects.

Cause: DSS did not have adequate procedures in place to ensure that grantees filed required reports with DSS. DSS is responsible for monitoring grants-in-aid expenditures that it began distributing before July 2015 for 10 years after the completion of the project.

Prior Audit Finding: This finding has been previously reported in the last 3 audit reports covering the fiscal years ended 2008 to 2013.

Recommendation: The Department of Social Services should develop and implement procedures to ensure that it receives annual reports from grantees as required by grants-in-aid contracts. (See Recommendation 24.)

Agency Response: “The Department agrees with the finding and will develop and implement a tracking sheet that ensure the submittal of annual reports in a timely manner.”

Lack of Service Organization Controls Report

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

The interChange Medicaid Management Information System (MMIS) processes medical claims for providers of medical care and services furnished to clients under the Medicaid and state-funded medical programs. DSS contracted with a service organization for support and operations of the interChange MMIS. For the fiscal year ended June 30, 2015, Medicaid and state-funded medical payments totaled approximately \$6.1 billion.

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

Condition: DSS did not ensure that the contractor obtained a SOC 1 report on the interChange MMIS. Claims processed through interChange MMIS accounted for approximately 86% of DSS total expenditures for the fiscal year ended June 30, 2015.

Effect: DSS may be unaware of changes in the contractor's controls that could cause incorrect processing of transactions. This could affect the amounts and disclosures in the statewide financial statements.

DSS may not be adequately assessing the design and operating effectiveness of information technology general and complementary user control considerations in place at the contractor and DSS.

Cause: DSS informed us that their contracted service organization does not obtain a SOC 1 report because it has privacy and security teams that conduct annual audits. DSS meets with the service organization semiannually to review any audit findings, corrective action, potential breaches, and steps that the service organization is taking to ensure compliance. However, the service organization does not provide DSS with a full assessment of its audit. Obtaining and reviewing the full report is an effective method of managing the department's risk of utilizing service organizations.

Prior Audit Finding: This finding has been previously reported in the last 2 audit reports covering the fiscal years ended 2010 to 2013.

Recommendation: The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes annually obtain an appropriate Service Organizations Controls Report (SOC 1 report). Management should review the opinion of the service auditor to determine the effectiveness of the service organization's controls, and to determine whether

complementary user control considerations exist and are operating effectively. (See Recommendation 25.)

Agency Response: “The Department disagrees. DXC does not obtain an SOC 1 report; however, DXC Technologies (as a company) has Privacy and Security Teams conduct annual audits. The DXC Audit exceeds the ADP Audit requirements. Since 2013, DSS has met with DXC twice per year to review any ADP Audit findings, corrective actions, potential breaches and other steps that DXC is taking to ensure compliance.”

Auditors’ Concluding Comments: Since the service organization uses internal teams to perform annual security assessments, its independence may be limited. DSS should evaluate the appropriateness and extent of reliance on the service organization’s self-assessments.

DSS should obtain assurance that internal controls over outsourced financial applications and processes are functioning in an appropriate manner. Obtaining and reviewing a SOC1 report is an effective way for DSS to manage the risk of utilizing service organizations.

Lack of Compliance with State Contracting Portal Regulations

Criteria: Section 4e-13 of the General Statutes requires all executive branch state agencies to post all bids, requests for proposals (RFP), and resulting contracts and agreements on the State Contracting Portal.

Condition: At the time of review, DSS had less than 10 executed and active contracts posted to the State Contracting Portal. DSS informed us that it posts all RFP and bids on the portal, but posts the resulting contracts and agreements on the DSS website.

Effect: Since the portal is the known warehouse for RFP and state contracts, individuals and businesses searching for state contract information may not know that DSS posts additional contracts on its website.

Cause: DSS thought the portal’s primary purpose was for the posting of state agency RFP information and for local businesses, seeking to become state contractors. DSS believed that posting executed contracts on its website was sufficient.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Social Services should post all executed contracts and agreements on the State Contracting Portal to ensure compliance with Section 4e-13 of the General Statutes. (See Recommendation 26.)

Agency Response: “Prior to March 1, 2018, DSS Contract Administration staff posted all resulting contracts and agreements on the DSS website. The DSS Contract Administration staff started posting all resulting contracts and agreements on the DAS State Contracting Portal (BizNet), effective March 1, 2018, and continue to post all contracts to the DAS State Contracting Portal as they amend and/or issue new contracts. This would not only include the newly amended contracts, but all contracts associated with that newly amended contract so there is a posting catch up as we upload contracts.”

Lack of Compliance with Mandatory Reporting Requirements

Criteria: Title 17b of the General Statutes contains many subsections mandating that DSS submit reports to the executive and legislative branches of government.

- Section 17b-274a of the General Statutes requires DSS to implement and maintain a procedure to review and update the maximum allowable cost list at least annually. It also requires DSS to annually report on its activities regarding the Medicaid and Connecticut AIDS drug assistance programs for generic prescription drugs to the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies.
- Section 17b-339 of the General Statutes requires DSS to submit quarterly reports to the Nursing Home Financial Advisory Committee concerning pending nursing home requests for interim rate increases. The committee uses the reports to examine the financial solvency of nursing homes on an ongoing basis.
- Section 17b-340 of the General Statutes requires DSS to report, by February 15th each year, the data contained in annual reports from nursing homes, chronic disease hospitals associated with chronic and convalescent homes, rest homes with nursing supervision, residential care homes, and residential facilities for persons with intellectual disabilities. DSS must report this to the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies. Each facility’s annual report includes a profit and loss statement that DSS

uses for consideration to determine rates of payment for services that are state funded.

DSS shall also provide written quarterly reports that identify each facility requesting an interim rate increase, the amount of the requested rate increase for each facility, the action taken by DSS and the Office of Policy and Management, and estimates of the additional cost to the state for each approved interim rate increase. DSS must report this to the joint standing committees of the General Assembly having cognizance of matters relating to aging, human services and appropriations, and the budgets of state agencies.

Condition: We requested 10 mandated reports for review and noted that DSS did not prepare 3 reports for the fiscal years ended June 30, 2014 and 2015.

Effect: Executive and legislative oversight of DSS may have been diminished. DSS did not provide statutorily-required information relevant to the administration of the various assistance programs.

Cause: DSS lacks a department-wide method for tracking and monitoring the submission of mandated reports.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended 2012 to 2013.

Recommendation: The Department of Social Services should develop and implement a process to ensure that it submits all statutorily-mandated reports. The Department of Social Services should pursue the process of repealing any reporting requirements that are no longer practical or relevant. (See Recommendation 27.)

Agency Response: “The Department agrees with this finding. The Department will implement processes to ensure that all mandated reports are submitted.”

Lack of Adopted Regulations

Criteria: Section 4-168 of the General Statutes provides that, if a public act requires an agency to adopt regulations, the agency, not later than 5 months after the effective date of the public act, shall post on the eRegulations System notice of its intent to adopt regulations. If the agency fails to post the notice within such 5-month period, the agency shall submit an electronic statement of its reasons for failure to do so to the Governor, the joint standing committee having cognizance of the subject matter of the regulations, and the standing legislative regulation review committee and, on and after the certification date, post such

statement on the eRegulations System. Section 4-168 states that no regulation may be adopted, amended, or repealed by any agency until it is approved by the Attorney General and standing legislative regulation review committee, and posted online by the Office of the Secretary of the State.

Section 17b-294a of the General Statutes requires that not later than July 1, 2017, the commissioner adopts regulations to establish criteria and specifies services for the HUSKY Plus program, and establishes a procedure for the appeal of a denial of coverage under the HUSKY Plus program. Such regulations shall state that the HUSKY Plus program shall give priority to members with household incomes at or below 249% of the federal poverty level.

Condition: DSS has not issued a notice of intent for the HUSKY Plus program regulations. DSS also has not submitted an electronic statement of its reasons for failure to issue the notice of intent to the required parties, or posted such statement on the eRegulations System.

Effect: Without formal regulations in place, there could be a lack of consistency in the implementation, quality, oversight, and effectiveness of the HUSKY Plus program.

Cause: DSS informed us that the Husky Plus program regulations remain a work in progress.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended 2012 to 2013.

Recommendation: The Department of Social Services should implement the HUSKY Plus program regulations required by Section 17b-294a of the General Statutes, in accordance with Section 4-168 of the General Statutes. (See Recommendation 28.)

Agency Response: “The Department agrees with this finding. The Department is working on issuing a notice of intent for the HUSKY Plus program regulations.”

List of Delinquent Child Support Obligor Not Published on Agency Website

Criteria: Section 17b-179 (1) of the General Statutes requires the Office of Child Support Services (OCSS) to establish, maintain and periodically update a list of all delinquent child support obligors. Effective October 1, 2014, the General Statutes require OCSS to publish the names, residential addresses and amounts of delinquent child support owed by the 100

individuals having the largest delinquent child support obligations on the DSS website.

Condition: OCSS did not publish the list of the 100 individuals with the largest delinquent child support obligations on the DSS website.

Effect: The lack of publication decreases public awareness of delinquent child support obligations.

Cause: According to DSS, the Connecticut Child Support Enforcement System (CCSES) is unable to identify the 100 most delinquent child support obligors. DSS informed us that making programming changes to the antiquated CCSES system would not be cost-effective. DSS is in the process of replacing CCSES.

On October 12, 2016, DSS published a notice of intent to develop regulations for the list of delinquent child support obligors. DSS received one comment presenting potential legal challenges on publically disclosing such information.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Social Services Office of Child Support Services should publish the list of child support obligors, as required by Section 17b-179 (l) of the General Statutes to its website. If the department is unable to fulfill the statutory requirement, it should propose to modify or repeal the statute. (See Recommendation 29.)

Agency Response: “The Department agrees that it has not published the list on its website for a number of reasons.

1. Programming Changes to CCSES:

The Department’s ability to identify the 100 most delinquent child support obligors would require programming changes to the state case registry, known as the Connecticut Child Support Enforcement System (CCSES). CCSES was implemented and has been operational since 1987. There are numerous limitations with the current system that impact the operational and cost effectiveness of the program and do not allow for simple programming changes. In this case, the Department estimated that the cost of making these changes would likely exceed \$100,000. While the requirement to create and publish this list was enacted by Public Act 14-177, no funds have ever been appropriated to the Department for the necessary programming changes. The Department is, however, currently working on a modernization and replacement of CCSES. The system design phase will require the

Department to identify all state and federal requirements that are necessary to ensure that the replacement CCSES can functionally support the administration of a compliant Child Support program.

2. Regulations:

Although implementing regulations are not required by section 17b-179 subsection (l), it became apparent to the Department that such regulations would be necessary to ensure that, for instance, an obligor whose name and address are to be published on the Internet is first afforded due process, including a right to a hearing, and that custodial parents and children who are at risk of abuse or harm due to the publication of an obligor's personal information also have a voice in the process. Such a regulation was publically noticed in 2016. See <https://eregulations.ct.gov/eRegsPortal/Search/RMRView/PR2015-154>. Additionally, the Department has received comments from Connecticut Legal Services, some of which cast doubt on the legality of publically disclosing information from the state case registry, particularly given that the support orders entered into the registry are not limited to IV-D support cases.

For all of these practical, legal, and financial reasons, the Department has never published a list of the 100 most delinquent child support obligors on its website. While the design and development of a system to replace CCSES could support the development of such a list, due to the potential legal challenges and the complexities of producing such a list while protecting an obligor's due process rights and protecting the safety of custodial parents and children as stated above, the Department will investigate whether this language could be repealed during the next legislative session.”

*Auditors' Concluding
Comments:*

DSS should consult with the Office of the Attorney General if it is concerned about the legality of publically disclosing delinquent obligor information.

Lack of Compliance with the Freedom of Information Act and Statutorily Required Committee, Council and Board Meetings

Criteria:

Section 1-225 of the General Statutes is part of the Freedom of Information Act that requires public agencies to: (a) post meeting minutes to the public agency's website not later than 7 days after such meeting; (b) file not later than January 31st of each year with the Secretary of the State a schedule of regular meetings for the ensuing year and to post such schedule on the public agency's website; (c) file

not less than 24 hours before a meeting the agenda of such meeting with the Secretary of the State and to post such agenda on the public agency's website; and (d) file not less than 24 hours before a special meeting a notice of such special meeting with the Secretary of the State and post the special meeting notice on the public agency's website.

Section 17b-184 provides that the Commissioner of DSS shall establish a client advisory board for furthering the ability of recipients of Temporary Family Assistance to become self-sufficient. The commissioner shall appoint a recipient of TFA from each region of the state to the advisory board. The advisory board shall meet periodically and report its findings and recommendations to the commissioner twice a year.

Section 17b-606 designates DSS as the lead agency for services to persons with physical or mental disabilities and to coordinate the delivery of such services by all state agencies servicing persons with disabilities. The Commissioner of DSS shall appoint a Connecticut Council for Persons with Disabilities to advise DSS in carrying out its duties. The council shall be composed of 17 members, a majority of whom shall be persons with disabilities. The council shall establish its own rules and shall meet at least quarterly.

Section 17b-606 established an interagency management committee for services to persons with disabilities. The committee shall be composed of the commissioners of each state agency that provides services to persons with disabilities. The committee should meet monthly to review and evaluate services to persons with disabilities and develop a policy under which state agencies may enter into contracts with other state agencies for the delivery of services to persons with disabilities.

Condition:

The following deficiencies were noted during the review of 4 committees, 2 councils, and one board:

- DSS did not post Nursing Home Financial Advisory Committee meeting minutes on its website.
- DSS did not post the Pharmaceutical and Therapeutics Committee, Nursing Home Financial Advisory Committee, and Advisory Committee on Continuing Care annual schedule of meetings on its or the Secretary of State's website.
- DSS did not post the Nursing Home Financial Advisory Committee and Advisory Committee on Continuing Care meeting agendas on its or the Secretary of State's website. The Pharmaceutical and

Therapeutics Committee meeting agendas also were not posted to the Secretary of State's website.

- The Client Advisory Board, Connecticut Council for Persons with Disabilities, and Interagency Management Committee did not meet or exist as a group, as required by Sections 17b-184 and 17b-606 of the General Statutes.

Effect: Interested parties are unable to remain informed or voice concerns, opinions, and suggestions.
The quality of services to persons with physical or mental disabilities and the coordination of the delivery of such services by all state agencies may not be functioning at optimum levels.

Cause: Proper oversight of Freedom of Information requirements was lacking within committees.

DSS management was unaware of the statutory requirements of the Client Advisory Board, Connecticut Council for Persons with Disabilities, and Interagency Management Committee.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Social Services should ensure that the Advisory Committee on Continuing Care complies with Section 1-225 of the General Statutes.

The Department of Social Services should notify the Pharmaceutical and Therapeutics Committee and Nursing Home Financial Advisory Committee of their responsibility to comply with Section 1-225 of the General Statutes.

The Department of Social Services should comply with Section 17b-184 and 17b-606. If the Department feels that the Client Advisory Board, Connecticut Council for Persons with Disabilities, and Interagency Management Committee are unnecessary, then the department should propose to repeal the statutes. (See Recommendation 30.)

Agency Response: "The Department agrees with this finding. The Department will review the committees, councils and boards highlighted in the finding to determine their necessity. If the Department deems that any of the committees, councils or boards are no longer needed, the Department will go through the process of proposing that the applicable statutes be repealed."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Department of Social Services contained 22 recommendations. Six have been implemented or otherwise resolved, and 16 have been repeated or restated with modifications during the current audit.

- The Department of Social Services should establish a formal written and approved information technology disaster recovery plan. The Department should also periodically test and regularly update the disaster recovery plan. **This recommendation has been resolved.**
- The Department of Social Services should strengthen internal controls over expenditures and follow the procedures in the State Accounting Manual. **This recommendation has been resolved.**
- The Department of Social Services should respond to the requests from the Department of Administrative Services and the Office of Policy and Management in the memorandum dated August 1, 2012 regarding the cancellation of delinquent accounts receivables. **This recommendation has been resolved.**
- The Department of Social Services should periodically perform audits of the agency's administrative functions to ensure the adequacy and effectiveness of current internal controls. **This recommendation is being repeated. (See Recommendation 7.)**
- The Department of Social Services should strengthen procedures to ensure compliance with state regulations regarding the department's procurement responsibilities. **This recommendation has been resolved.**
- 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 determine whether complementary user control considerations are in place and operating effectively. **This recommendation is being repeated. (See Recommendation 25.)**
- 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 and perform sufficient reviews to ensure that reports are accurate. **This recommendation is being repeated. (See Recommendation 20.)**

- The Department of Social Services should strengthen internal controls to ensure that receipts are deposited in accordance with the General Statutes and State Accounting Manual and the waiver obtained from the State Treasurer. **This recommendation is being repeated. (See Recommendation 21.)**
- The Department of Social Services should process payroll and personnel information in accordance with state laws and regulations under the State Personnel Act and should strengthen internal controls to ensure compliance with other applicable requirements, including bargaining unit contracts and state management personnel policies. **This recommendation is being repeated. (See Recommendation 11.)**
- 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. **This recommendation is being repeated. (See Recommendation 12.)**
- The Department of Social Services should improve internal controls over asset accountability and reporting of its property and software inventory to ensure compliance with the requirements of the State Property Control Manual. **This recommendation is being repeated. (See Recommendation 22.)**
- The Department of Social Services should establish and implement controls for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to certify and return the Monthly Individual Usage Report. The Department of Social Services should ensure that every cellular device user signs the acknowledgement that the user understands the acceptable use policy and received a cellular device. **This recommendation is being repeated. (See Recommendation 19.)**
- The Department of Social Services should provide the necessary resources and institute procedures to ensure that all information resulting from eligibility and income matches is used to ensure that correct payments are made to, or on behalf of, eligible clients. **This recommendation is being repeated. (See Recommendation 23.)**
- The Department of Social Services should improve its internal controls to ensure that timely redeterminations of client eligibility are performed and documented and that benefit payments are calculated correctly. **This recommendation has been resolved.**
- 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. **This recommendation has been resolved.**
- The Department of Social Services should verify and document that applicants have met the requirements of State-Administered General Assistance program. **This recommendation is being repeated. (See Recommendation 15.)**

- The Department of Social Services should strengthen internal control procedures to ensure that probate court certificates on file for conservator accounts are active and that all disbursements over \$1,000 are properly approved. **This recommendation is being repeated. (See Recommendation 17.)**
- 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 their claim for Supplemental Security Income benefits and the month in which benefits are paid. **This recommendation is being repeated. (See Recommendation 16.)**
- The Department of Social Services should establish controls to ensure that all records pertaining to the Burial Reserve Fund are properly maintained. **This recommendation is being repeated. (See Recommendation 18.)**
- 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. **This recommendation is being repeated. (See Recommendation 24.)**
- The Department of Social Services should implement the Husky Plus program regulations as required by the General Statutes. **This recommendation is being repeated. (See Recommendation 28.)**
- The Department of Social Services should develop and implement a method to ensure that all mandated reports are submitted as required by the General Statutes. The Department of Social Services should continue to pursue the process of repealing any mandatory reporting requirements that are no longer practical or relevant. **This recommendation is being repeated. (See Recommendation 27.)**

Current Audit Recommendations:

1. **The Department of Social Services should submit complete waiver applications to the General Assembly and the federal government in accordance with Section 17b-8 (c) and (d) of the General Statutes. The Department of Social Services should retain written comments received to notices of intent.**

Comment:

DSS did not include written comments received in response to notices of intent when it submitted the Acquired Brain Injury waiver applications to the General Assembly and Centers for Medicare and Medicaid Services. The department also did not retain such written comments on file.

- 2. The Department of Social Services should 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, in accordance with Section 4-33a of the General Statutes.**

Comment:

DSS did not report the mismanagement of \$4.4 million of funds, breaches of personally identifiable information and protected health information, unauthorized viewing of client information, breakdown in safekeeping of state data, and the theft of \$1,200 of computer equipment.

- 3. The Department of Social Services should adhere to its affirmative action and equal employment opportunity policy statement and discrimination complaint procedures to comply with federal and state affirmative action and equal employment opportunity laws and regulations.**

Comment:

DSS failed to discipline a manager for a confirmed case of racial and color discrimination against an employee.

- 4. The Department of Social Services should strengthen internal controls over cash advances to contractors and the corresponding accounts receivables to ensure compliance with the State Accounting Manual and the terms and conditions of contracts.**

Comment:

DSS did not ensure that it and its contractors performed reconciliations of operating and processing advances and uncollectible rejected claims. As of June 30, 2018, the department had \$14.6 million in receivables for operating and processing advances.

- 5. The Department of Social Services should ensure compliance with contract terms by requiring the contractor to promptly comply with data requests. The Department of Social Services should add appropriate language in future contracts to ensure the state accesses its data in a usable format without additional charges.**

Comment:

DSS was unable to obtain state-owned transactional data from its contractor. The contractor required the department to request and pay for a contract change to obtain state-owned data.

- 6. The Department of Social Services should strengthen internal controls to ensure that it issues Medicaid, Supplemental Nutrition Assistance Program and State Supplement benefit payments in the correct amount on behalf of eligible clients.**

Comment:

DSS issued \$607,479 of improper benefit payments with state and federal funds.

- 7. The Department of Social Services should periodically perform audits of its administrative functions and strengthen internal controls over fraud tips, Medicaid program integrity, risk assessments, and audit protocols.**

Comment:

The Office of Quality Assurance did not audit the agency's administrative functions, which directly relate to approximately \$7 billion in annual expenditures.

DSS did not have procedures in place to log all incoming fraud tips. The DSS generally accepted course of action was to shred fraud tips that the department could not substantiate.

The department had no program integrity manual and lacked written program integrity policies and procedures.

The department did not complete internal control self-assessment questionnaires for the fiscal years 2014, 2015, 2016, and 2017.

The department did not establish and publish audit protocols for behavioral health services on its website.

- 8. The Department of Social Services should follow procedures established by the Department of Administrative Services regarding promotions by reclassification.**

Comment:

DSS did not post a promotional opportunity on a department-wide basis. Subsequently, the department sent employees a promotion letter prior to obtaining the proper approvals from the Department of Administrative Services for applicants who did not meet the minimum requirements.

- 9. The Department of Social Services should complete annual performance evaluations on all of its employees.**

Comment:

DSS did not perform evaluations for any of the 10 managers selected for review in the last year. DSS did not perform evaluations for 5 of those managers in the last 2 years.

10. The Department of Social Services should strengthen internal controls to ensure that temporary service in higher class records are properly processed.

Comment:

In some instances, DSS incorrectly processed personal leave time accruals for employees in a temporary service in higher class status.

11. The Department of Social Services should process payroll and personnel information in accordance with state laws and regulations. The department should strengthen internal controls to ensure compliance with bargaining unit contracts, state personnel policies, Core-CT job aids, and the State Library Records Retention Policy.

Comment:

In some instances, DSS did not comply with laws and regulations concerning the receipt of required medical certificates, improper payment of overtime, preauthorization of compensatory time, and retention of timesheets.

12. 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 State Regulations and bargaining unit contracts.

Comment:

DSS placed some employees on paid administrative leave in excess of the days allowed by state regulations and bargaining unit contracts.

13. The Department of Social Services should strengthen procedures to ensure that financial records are reconciled in a timely manner. The department should promptly resolve and adequately support any variances discovered through the reconciliation process.

Comment:

DSS did not resolve variances of approximately \$1.5 million each month during the cashbook reconciliation process for the fiscal years ended June 30, 2014 and 2015.

14. The Department of Social Services should maintain documentation to support reductions in calculated Medicaid overpayments to medical providers.

Comment:

DSS did not have sufficient documentation to support reductions in overpayments for some medical providers.

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

Comment:

DSS did not complete medical reviews and redeterminations for all applicants in a timely manner. The department did not have all applicant's forms properly completed and on file.

16. The Department of Social Services should determine the proper disposition of Supplemental Security Income it received for providing interim assistance to recipients. The department should disperse these funds or seek reimbursement as is appropriate.

Comment:

DSS did not distribute Supplemental Security Income totaling \$87,676. The department attempted to return funds of \$69,046 to the Social Security Administration (SSA) with transaction dates prior to July 6, 2011 for deceased clients or clients unable to be located. SSA did not cash the checks. The department stated that it contacted SSA for guidance on the disposition of these funds. There is no documentation that SSA refused these funds.

17. The Department of Social Services should strengthen internal control procedures to ensure that it has active Probate Court certificates on file for conservator accounts. The department should properly approve all disbursements over \$1,000.

Comment:

In some instances, DSS did not have Probate Court certificates on file to allow the department to act as conservator. The unit supervisor did not approve all disbursements over \$1,000.

18. The Department of Social Services should establish controls to ensure that it properly maintains all records pertaining to the Burial Reserve Fund. The department should properly reduce its payments for funeral and burial expenses for deceased State Supplement or Temporary Family Assistance clients who assigned their life insurance policies or other funeral benefits to the state.

Comment:

DSS did not properly maintain client life insurance policy records. In some instances, records contained incorrect values, expired policies, or duplicate entries. The department did not attempt to recover funds it was due when an insurance company erroneously paid another party.

- 19. The Department of Social Services should establish and implement controls for verifying the accuracy of cellular charges and appropriateness of usage, including requiring employees to certify and return their monthly individual usage reports. The Department of Social Services should ensure that every cellular device user signs the acknowledgement that the user understands the acceptable use policy.**

Comment:

DSS lacked adequate controls over cellular device usage, billing, and reimbursements. The department stopped monitoring cellular device activity in May 2016.

- 20. 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, and perform sufficient reviews to ensure that reports are accurate and complete.**

Comment:

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

- 21. The Department of Social Services should strengthen internal controls to ensure that it deposits receipts in accordance with the General Statutes, the State Accounting Manual, and the State Treasurer's waiver.**

Comment:

DSS failed to promptly log and deposit all checks received. In some instances, the department held checks for over 180 days in excess of the allowed time.

- 22. The Department of Social Services should improve internal controls over asset accountability and its reporting of property and software inventory to ensure compliance with the requirements of the State Property Control Manual.**

Comment:

The DSS asset records contained inaccuracies. The department submitted its annual property report 18 months late, and did not produce a software inventory report during the audited period.

- 23. The Department of Social Services should provide the necessary resources and institute procedures to ensure that all information from eligibility and income matches is used to verify that client payments are correct.**

Comment:

The department was deficient in reviewing Income and Eligibility Verification System alerts related to client wages and dates of death for the Medicaid, TANF, and SNAP programs.

- 24. The Department of Social Services should develop and implement procedures to ensure that it receives annual reports from grantees as required by grants-in-aid contracts.**

Comment:

DSS did not enforce the annual report requirement for grantees of closed projects. We reviewed 10 closed projects during the audited period and found that none of the grantees submitted an annual report to confirm they still used the property for its intended purpose.

- 25. The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes annually obtain an appropriate Service Organizations Controls Report (SOC 1 report). Management should review the opinion of the service auditor to determine the effectiveness of the service organization's controls, and to determine whether complementary user control considerations exist and are operating effectively.**

Comment:

DSS did not ensure that its contractor obtained a Service Organization Control 1 Report on the Medicaid Management Information System (MMIS). MMIS processed approximately \$7.1 billion in claims for the fiscal year ended June 30, 2015.

- 26. The Department of Social Services should post all executed contracts and agreements on the State Contracting Portal to ensure compliance with Section 4e-13 of the General Statutes.**

Comment:

At the time of review, DSS had less than 10 executed and active contracts posted to the State Contracting Portal. The department informed us that it posts all RFP and bids on the portal, but posts the resulting contracts and agreements on the DSS website.

- 27. The Department of Social Services should develop and implement a process to ensure that it submits all statutorily-mandated reports. The Department of Social Services should pursue the process of repealing any reporting requirements that are no longer practical or relevant.**

Comment:

DSS did not submit certain mandated reports to the executive and legislative branches of government during the audited period. In addition, the department lacks a department-wide method for tracking and monitoring the submission of mandated reports.

- 28. The Department of Social Services should implement the HUSKY Plus program regulations required by Section 17b-294a of the General Statutes, in accordance with Section 4-168 of the General Statutes.**

Comment:

DSS did not issue a notice of intent for the HUSKY Plus program regulations. Furthermore, the department did not submit an electronic statement of its reasons for such failure to issue the notice of intent to the required parties, or post such statement on the eRegulations System.

- 29. The Department of Social Services Office of Child Support Services should publish the list of child support obligors, as required by Section 17b-179 (l) of the General Statutes to its website. If the department is unable to fulfill the statutory requirement, it should propose to modify or repeal the statute.**

Comment:

DSS did not publish the list of the 100 individuals with the highest delinquent child support obligations on its website. The department did not propose to modify or repeal the statute.

- 30. The Department of Social Services should ensure that the Advisory Committee on Continuing Care complies with Section 1-225 of the General Statutes.**

The Department of Social Services should notify the Pharmaceutical and Therapeutics Committee and Nursing Home Financial Advisory Committee of their responsibility to comply with Section 1-225 of the General Statutes.

The Department of Social Services should comply with Section 17b-184 and 17b-606. If the department feels that the Client Advisory Board, Connecticut Council for Persons with Disabilities, and Interagency Management Committee are unnecessary, then the department should propose to repeal the statutes.

Comment:

DSS did not post all meeting agendas, minutes, and annual schedules to the DSS or the Secretary of State's website. The department did not ensure that a board, council, and committee existed and met, as required by General Statutes.

ACKNOWLEDGMENTS

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

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Ann Marie Brown
Hunain Bukhari
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Yadira Gonzalez
Dmitry Lapin
Lee LeFrancois
Songlin Mo
Derik Muller
Joseph Onion
Teresa Perkins
Amy Rodrigue
Marissa Sartirana
Douglas Stratoudakis
Patrick Tierney
Amanda Vollano
Amy Williams

CONCLUSION

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



Ann Marie Brown
Principal Auditor
Approved:



Lee LeFrancois
Principal Auditor



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor