

# Agency Audit Reports

## *Overall Message*

State government is severely mismanaged.

We go back to the Republicans' Common Sense Commitment to Connecticut. One of the principles is: *The more government tries to do, the less it does well.*

That's exactly what has happened here in Connecticut. When you look at some of these Audit reports, it's astounding – the degree of mismanagement. And, for so many years, we let these reports sit on shelves collecting dust.

Last fall, however, Republicans were successful in our effort to include a requirement in the budget that legislative committees hold hearings on these reports. The deadlines for hearings on some agency audits have passed. We are calling on the caucus leadership and, ultimately, committee chairs to convene hearings.

The problem is that for decades, in many cases, agency heads were more concerned about being advocates for new programs and less concerned about being managers of taxpayer-funded state employees. We need to get back to basics.

If we can't control the programs that we have in place now, there should be no new or expanded programs. *We need to get back to basics.*

Here are just some of the findings in agency audit reports:

- Agency decisions that violate both state policy and union contracts. These are areas where the state and unions agree, and we agencies are not doing what they're supposed to do.
- Benefit payments to dead people.
- Abuse of overtime.
- Abuse of comp and vacation time.
- Excessive revisions to purchase orders without appropriate approvals
- Unauthorized payouts for remaining comp time.
- Lost or stolen state property.
- Unauthorized rehiring of retired state employees
- Lacking internal audits
- Massive financial reporting errors
- Lack of program review

# **Agency Audit Reports**

## *Excerpts from State Auditors*

### **Department of Social Services**

#### **Receipt of Services Prior to Committing Funds**

*Criteria:* Section 4-98 of the General Statutes provides that no budgeted agency may incur any obligation except by the issuance of a purchase order or other documentation approved by the Comptroller. Comptroller Memorandum No. 2008-38 identifies payment types that do not require a purchase order.

*Condition:* We reviewed 145 expenditure transactions totaling \$273,153,781. The Department of Social Services received services prior to committing funds for 34 transactions, totaling \$86,772,503, during the fiscal years ended June 30, 2012 and 2013.

### **Department of Social Services**

#### **Lack of Review of Administrative Functions**

*Criteria:* The Department of Social Services Office of Quality Assurance (OQA) is responsible for ensuring the fiscal and programmatic integrity of federal and state programs administered by DSS and for ensuring the integrity of administrative functions of DSS. The Audit Division is responsible for performing audits of DSS operations, involving the review of administrative and programmatic functions and electronic data processing systems.

*Condition:* The DSS OQA Audit Division did not audit DSS administrative functions, such as rate setting, contract administration, accounts receivable, and the agency's checking account. These functions have a direct relationship to DSS expenditures. For example, DSS uses a checking account to process the majority of federal and state program payments made to clients and providers. During the state fiscal years ended June 30, 2012 and 2013, DSS expended approximately \$6.3 billion and \$6.4 billion, respectively. DSS processed a majority of expenditures of approximately \$6.1 billion through the agency's checking account for each of the state fiscal years.

### **Department of Social Services**

#### **Financial Reporting Inaccuracies**

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

*Condition:* A review of the DSS GAAP Reporting Package and SEFA for the fiscal years ended June 30, 2012 and 2013, disclosed various financial exceptions that would have had a significant impact on the amounts reported by the State Comptroller.

Fiscal Year Ended June 30, 2012:

- The department overstated 2 GAAP Forms by \$52,270,977 and understated 1 GAAP Form by \$25,474,150. In addition, 2 accounts were incorrectly reported as federal funds instead of the General Fund with a total book balance of \$3,255,071 and a bank balance of \$4,051,667.
- The department overstated its SEFA amounts by \$11,960,395.

Fiscal Year Ended June 30, 2013:

- The department overstated 3 GAAP Forms by \$2,705,563 and understated 1 GAAP Form by \$2,462,075. In addition, 2 accounts were incorrectly reported as federal funds instead of the General Fund with a total book balance of \$2,475,605 and a bank balance of \$3,861,754.
- The department overstated its SEFA amounts by \$33,008,239.

## **Department of Social Services**

### **Improper Payments for State Supplement Closed Cases**

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

Section 4520.10 of the DSS UPM provides that the standard of assistance for shelter in a rated housing facility is the monthly facility rate if the assistance unit resides in the facility for the entire calendar month or the per diem facility rate times the number of days the assistance unit resided in the facility if the shelter rate is prorated.

*Condition:* We reviewed benefit payment histories for 10 recipients receiving State Supplement Program payments listed on the Closed Cases by Death of a Recipient Report for December 2012. Our review disclosed the following exceptions:

- In 3 instances, we noted that monthly benefit payments totaling \$915 were issued after the date of death. There were excess payments made for 1 month in 2 cases and 4 months in 1 case for which DSS did not properly prorate a housing facility payment for the month of the client's death.
- In 6 instances, we noted that transportation payments totaling \$253 were paid on behalf of recipients for services provided in the months following their deaths. DSS did not attempt to recover these overpayments. The number of improper monthly transportation payments consisted of excessive payments of 5 months in 1 case and 1 month in 5 cases.

## **Department of Education**

### **Magnet Schools – Programmatic and Site Reviews**

*Condition:* In order to assess interdistrict magnet schools, SDE has been conducting site reviews using a monitoring and accountability tool for approximately 15 years. SDE informed us that at one time, when there were far fewer magnet schools and more staff, every magnet school was visited once every two years. SDE did not perform a sufficient number of site reviews during the audited period to continue this trend and also did not report on all of the reviews that were completed...

The number of magnet schools increased to 83 at June 30, 2014. At the current rate, it would take SDE approximately 37 years to review each school once. In addition, SDE selected certain magnet schools for review during the fiscal years ended June 30, 2013 and 2014, but told us it was denied access by the schools' administration. The schools claimed that the law does not require them to be subject to a review or programmatic evaluation.

*Effect:* Without the programmatic site reviews, SDE cannot fully assess whether interdistrict magnet schools are reducing racial, ethnic, and economic isolation. SDE is not able to evaluate the curriculum to determine whether the school is meeting program requirements.

## **UConn Health Center Management of Purchase Orders**

Criteria: State agencies should use a purchase order to encumber sufficient cash for invoice payments and to establish a written authorization for vendors to deliver goods and services at agreed-upon terms. According to its purchasing policy, UConn Health must make all purchases of goods and services using an approved purchase order or a written pre-approval from the Procurement Division.

Condition: We reviewed 12 purchase orders and noted that 7 had been revised numerous times, including 1 that was revised 28 times. In all of these instances, the revisions occurred after purchase dates. UConn Health made the revisions after receiving invoices in order to encumber additional funds to pay for the purchases.

## **UConn Health Center Loss of Prompt Payment Discounts**

Criteria: Prudent cash management practice requires a business entity to set aside sufficient funds prior to requesting a delivery of goods or services and to take advantage of prompt payment discounts.

Condition: Our review of 22 invoice payments to vendors offering prompt payment discounts showed that UConn Health did not take advantage of the discounts in 13 invoices, and lost a total savings of \$46,424.

## **UConn Health Center Payment for Compensatory Leave Balances**

Criteria: The prevailing State of Connecticut policy on managerial compensatory time states, “Compensatory time earned during the twelve months of the calendar year must be used by the end of the succeeding calendar year and cannot be carried forward. In no event will compensatory time be used as the basis for additional compensation and shall not be paid as a lump sum at termination of employment.” An agency can grant compensatory time when a manager is required to work a significant number of extra hours in addition to the normal work schedule. The policy disallows the granting of compensatory time if a manager works for an extra hour or two in order to complete normal work assignments. The Maintenance & Service Unit (NP-2) and Administrative Clerical (NP-3) bargaining unit contracts state that compensatory time shall not be the basis for compensation on termination of employment.

Condition: We reviewed payments for compensatory leave balances during the audited period and found that payouts of compensatory leave balances were not consistent with the state policy and bargaining contracts.

Active managers and confidential employees received payouts for 1,520 compensatory leave hours, totaling \$76,461.

Upon employment termination, managers and confidential employees received payouts for 1,419 compensatory leave hours, totaling \$86,947. NP-2 and NP-3 bargaining unit employees received payouts at termination for 3,676 hours of compensatory time, totaling \$83,368.

In addition to the payouts of compensatory leave balances, we identified 29 instances in which a manager was allowed to earn compensatory time for working an additional 2 hours or less on a regular workday.

## **UConn Health Center Rehire of Retired State Employees**

*Criteria:* Governor Malloy's Executive Order No. 47 reaffirms Governor Rell's Executive Order 27-A, which limits the rehire of retirees to no more than two 120-day periods for any individual retiree. The Office of Policy and Management General Notice No. 2006-18 established a Core-CT job code (1373VR) to allow proper tracking of rehired retirees.

The UConn Health policy limits the rehire of retirees to no more than three 120-day calendar years. In addition, UConn Health disallows annual salary increases and the use of state appropriations to fund the reemployment of retirees. Rehired retiree compensation rates should not exceed 75% of the individual's preretirement salary or the established minimum salary, if the retiree works in a different position.

*Condition:* We reviewed the rehire of 8 retirees who remained active on UConn Health's payroll roster for 5 to 19 years after their retirement dates. The review disclosed that:

- All 8 retirees were employed for more than two 120-day periods. The job code classification in Core-CT was not accurate for 7 retirees.
- All 8 retirees had hourly wages exceeding 75% of their preretirement salary or the minimum salary of a position different than their former job.
- Retirement of 6 employees did not meet the definition of a bona fide separation of employment. A bona fide separation of employment occurs when both the employee and employer reasonably anticipate that the employee will not perform further services after the employee's retirement date. UConn Health rehired 4 of these employees the day after their retirement dates. The remaining 2 employees specified the terms of their reemployment in the letters informing UConn Health of their anticipated retirement.

We reviewed payments to all rehired retirees and noted 2 instances of faculty incentive payments, which generally are for contractual shares of clinical revenues for on-call hours, totaling \$30,800 in the 2016 fiscal year.

## **Agency Audit Reports**

### ***By the Numbers***

**516** – Total number of State Auditor Recommendations in all agencies

**265** – Total number of NEW Auditor Recommendations in all agencies

**251** – Total number of REPEATED Auditor Recommendations in all agencies

**41.6** – Percentage of Auditor Recommendations that were resolved over a two-year period

**58.4** – Percentage of Auditor Recommendations that were repeated from the previous audit. (Percentage unresolved or partially unresolved)

**40** – The largest number of Auditor Recommendations in a single agency - Department of Education

**13** – Number of Auditor Recommendations resolved by the Probate Court Administration, which resolved 100% of its previous recommendations

**Committee Hearings on Agency Audit Reports**  
***Section 216 of Public Act 17-2***

Sec. 216. (NEW) (*Effective from passage*) (a) Except as provided in subsection (b) of this section, each joint standing committee of the General Assembly having cognizance of any state agency that is the subject of a report issued by the Auditors of Public Accounts pursuant to any provision of the general statutes and the joint standing committee of the General Assembly having cognizance of matters relating to government administration shall hold a joint public hearing concerning such report not later than one hundred eighty days after such report is submitted to the General Assembly by the auditors.

(b) The chairpersons of any such committee may elect not to hold a public hearing on any auditor report that (1) contains no state agency violations of state statute or regulation, (2) contains only minor or technical recommendations, or (3) the chairpersons determine does not otherwise necessitate a public hearing.

## Schedule of Audit Reports Submitted and Deadlines for Committee Hearings

Agency / Program Audit	Audit Report Issued	Hearing Deadline
Veterans' Affairs, Department of	11/8/2017	5/7/2018
Connecticut State University System Office	11/28/2017	5/27/2018
Criminal Justice, Division of	11/30/2017	5/29/2018
Charter Oak State College Foundation, Inc.	12/7/2017	6/5/2018
Connecticut Community College System	12/19/2017	6/17/2018
Comptroller - State Financial Operations	12/29/2017	6/27/2018
Secretary of the State	1/9/2018	7/8/2018
DAS Avatar System Information Technology Security	1/17/2018	7/16/2018
SPECIAL: Statewide Purchasing Card Program	2/8/2018	8/7/2018
Connecticut Green Bank	2/15/2018	8/14/2018
PERFORMANCE: Private Providers of Special Education	2/22/2018	8/21/2018
PERFORMANCE: SDE Approval Process of Private Special Education Programs and Oversight of Non-approved Programs	2/22/2018	8/21/2018
PERFORMANCE: Monitoring of Contracts or Other Arrangements between Local and Regional Boards of Education and Private Providers of Special Education	2/22/2018	8/21/2018
Judicial Department	2/27/2018	8/26/2018
SPECIAL: Interim Report on the DECD 2017 Annual Report	4/24/2018	10/21/2018
Probate Court Administrator - Fiscal Years: 2013,2014,2015	4/27/2018	10/24/2018
Social Services, Department of - Fiscal Years: 2012,2013	5/3/2018	10/30/2018
DESPP - Fiscal Years: 2012,2013,2014	5/16/2018	11/12/2018
University of Connecticut Health Center - Fiscal Years: 2015,2016	5/24/2018	11/20/2018