STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SEVICES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

Table of Contents

September 17, 2010

AUDITORS' REPORT
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

We have examined the financial records of the Department of Mental Health and Addiction Services for the fiscal years ended June 30, 2007 and 2008. This report on our examination consists of the Comments, Condition of Records, Recommendations and Certification which follow.

The financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all agencies including the Department of Mental Health and Addiction Services. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants and evaluating internal control policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Department of Mental Health and Addiction Services (DMHAS) operates under Title 17a, Chapters 319i and 319j and Sections 17a-450 through 17a-715 of the General Statutes. DMHAS' mission is to improve the quality of life of the people of Connecticut by providing an integrated network of comprehensive, effective and efficient mental health and addiction services that foster self-sufficiency, dignity and respect.

During the audited period, the Department maintained a Central Office, which includes the Health Care Systems Division (HCSD). The HCSD oversees all State-operated and DMHAS funded mental health and addiction services. Under HCSD, the State is divided into 23 catchment areas for the purpose of administering mental health services. Each catchment area is assigned a Local Mental Health Authority with some Local Mental Health Authorities assigned more than one catchment area. As of June 30, 2008, there were 15 Local Mental Health Authorities in effect; eight are State-operated Local Mental Health

Authorities and seven are operated by private non-profit organizations. The eight State-operated Local Mental Health Authorities listed below provide mental health services as well as manage and fund a network of non-profit agencies in their geographic region.

Capitol Region Mental Health Center (Hartford) – Serves the Hartford area.
Connecticut Mental Health Center (New Haven) – Serves the New Haven area.
River Valley Services (Middletown) – Serves Middlesex County.
Southwest Connecticut Mental Health System (Bridgeport) – Serves lower Fairfield County.
Southeastern Mental Health Authority (Norwich): – Serves New London County.
Western Connecticut Mental Health Network (Waterbury) – umbrella unit overseeing:
Greater Waterbury Mental Health Authority – Serves Northern New Haven County.
Danbury Mental Health Authority – Services Northern Fairfield County
Northwest Mental Health Authority – Serves Litchfield County.

The seven Local Mental Health Authorities operated by private, non-profit organizations are funded through grants from DMHAS. They maintain community-based network systems for mental health and addiction services in areas not covered by State-operated facilities.

DMHAS also operates the following five facilities, which provide inpatient psychiatric and/or substance abuse treatment services:

1. Connecticut Valley Hospital in Middletown
2. Connecticut Mental Health Center in New Haven
3. Greater Bridgeport Community Mental Health Center in Bridgeport
4. Cedarcrest Regional Hospital in Newington and Blue Hills Substance Abuse Division in Hartford
5. Capitol Region Mental Health Center in Hartford

Thomas A Kirk, Jr., Ph.D. continued to serve as Commissioner of DHMAS during the audited period. Under the provisions of Sections 17a-456 and 17a-457 of the General Statutes, a Board of Mental Health and Addiction Services assists the Commissioner by reviewing and advising on DMHAS programs, policies and plans.

RÉSUMÉ OF OPERATIONS:

General Fund:

A summary of General Fund revenues and receipts for the fiscal years ended June 30, 2007 and 2008 follows:

	2006 – 2007	2007 – 2008
Rental of cottages or residences	$ 117,841	$ 101,152
Refunds of prior years' expenditures	1,414,277	1,503,202
All other revenue	23,732	46,449
Total General Fund Revenue and Receipts	$1,555,850	$1,650,803

During the audited period, General Fund receipts consisted primarily of fees for the rental of cottages or residences to employees and refunds of expenditures for workers' compensation.

A summary of General Fund expenditures including expenditures of the Psychiatric Security Review Board, for the fiscal years ended June 30, 2007 and 2008 follows:

	2006 – 2007	**2007 – 2008**
Personal services	$268,007,019	$293,711,361
Contractual services	33,872,986	38,137,325
Yale University – CMHC staffing	11,076,585	12,797,012
Commodities	17,230,799	17,297,160
General Assistance Managed Care	73,090,547	78,185,563
Workers' compensation	11,987,036	10,748,532
Sundry	414,806	387,708
State-aid-grants	174,088,365	190,601,306
Equipment and buildings	298,055	1,259,112
Total	590,066,198	643,125,079
Disproportionate share – budgeted costs	(77,640,000)	(77,640,000)
Total Budgeted Accounts	$512,426,198	$565,485,079

General Fund budgeted expenditures, prior to Medicaid disproportionate share hospital adjustments, totaled $590,066,198 and $634,125,079 for the fiscal years ended June 30, 2007 and 2008, respectively. Disproportionate share payment adjustments were permitted by an approved amendment to the State's Medicaid Plan under Section 1923(c)(3) of the Social Security Act. That amendment provided payment adjustments to hospitals for services provided to uninsured low income persons who were not eligible for either Medicaid or Medicare coverage of inpatient psychiatric hospital services. DMHAS received payments of $105,935,000 in each of the fiscal years audited from the Department of Social Services which were subsequently included in billings to the Federal Government. In both of the fiscal years, disproportionate share adjustments deposits of $77,640,000 were applied as reductions to DMHAS General Fund budgeted expenditures and $28,295,000 was credited directly to State Comptroller's Office accounts for fringe benefit cost recovery on these reimbursements.

During the audited period, the majority of General Fund budgeted funds were used for personal services, State-aid grants primarily used to fund a community-based network of services, and General Assistance medical payments. There were 3,228 and 3,427 full-time positions funded by budgeted accounts at June 30, 2007 and 2008, respectively.

Special Revenue Fund – Federal and Other Restricted Accounts:

Federal and other restricted account receipts for the fiscal years ended June 30, 2007 and 2008 were as follows:

	2006 – 2007	2007 – 2008
Federal	$38,668,621	$55,985,436
Other than Federal	20,566,394	21,554,374
Total Receipts	$59,235,015	$77,539,810

Expenditures from Federal and other restricted accounts for the fiscal years ended June 30, 2007 and 2008 follows:

	2006 – 2007			2007 – 2008		
	Total	Federal	Other	Total	Federal	Other
Personal services	$ 3,238,419	$ 2,025,152	$ 1,213,267	$ 3,336,638	$ 1,446,830	$ 1,889,808
Contractual services	22,263,140	18,380,380	3,882,760	15,592,687	11,347,111	4,245,576
Commodities	61,607	25,549	36,058	60,879	19,650	41,229
Sundry	151,205	129,168	22,037	109,964	107,354	2,610
Grants	45,218,231	29,884,948	15,333,283	43,952,978	29,692,562	14,260,416
Equipment	4,900	4,900		2,419		2,419
Total	$70,937,502	$50,450,097	$20,487,405	$63,055,565	$42,613,507	$20,442,058

The decrease of $7,881,937 in expenditures during the 2007-2008 fiscal year was primarily the result of decreases in Federal funding. This decrease was primarily due to grant funding reductions of $8,902,785 in the Substance Abuse and Mental Health Service Access to Recovery grant program that were offset by moderate increases received from a number of other Federal grant programs administered by DMHAS.

Special Revenue Funds Expenditures:

Special Revenue Fund expenditures, excluding "Federal and other restricted accounts," totaled $3,633,352 and $2,938,892 for the 2006-2007 and 2007-2008 fiscal years, respectively. This includes expenditures totaling $44,288 and $43,253 for DMHAS renovation projects and $2,252,419 and $1,808,758 for grants to the Department's private providers for acquisition and improvement of facilities during the respective audited years. The Department also purchased equipment through the Capital Equipment Purchases Fund totaling $1,336,646 and $1,086,881 during the respective audited years.

Per Capita Costs:

Under the provisions of Section 17b-223 of the General Statutes, the State Comptroller is required to determine annually the per capita costs for the care of all persons housed in State humane institutions. The costs for the in-residence population during the fiscal years under review were as follows:

	Per Capita Costs – In-Residence			
	2006 - 2007		2007 - 2008	
	Daily	**Annual**	**Daily**	**Annual**
	$	$	$	$
Connecticut Valley Hospital	1,157	423,462	1,177	429,605
Connecticut Mental Health Center	1,730	633,180	1,608	586,920
Southwest Connecticut Mental Health System	1,014	371,124	1,220	445,300
Cedarcrest Hospital	1,160	424,560	1,284	468,660

CONDITION OF RECORDS

Our examination of the records of the Department disclosed the following matters of concern requiring disclosure and Agency attention.

Cash Receipts:

Criteria: Section 4-32 of the General Statutes requires that each State department account for and deposit within 24 hours any receipts totaling $500 or more. Daily cash receipts of less than five hundred dollars may be held until total receipts to date amount to $500, but not for a period of more than seven calendar days.

Conditions:

1. Connecticut Valley Hospital – A test check of 40 daily deposits, which included multiple cash receipt transactions on each deposit, disclosed that five daily deposits had late deposit transactions. On these five daily deposits there were 43 transactions totaling $6,876 that were made one to two days late.
2. Fiscal Services Bureau – Testing of 30 deposits disclosed that one deposit for $546 was made one day late.

Effect: Agency receipts were not always deposited in a timely manner as required by Section 4-32 of the General Statutes.

Cause:

1. Late deposits at Connecticut Valley Hospital were primarily caused by deposits not being retrieved from patient wards in a timely manner.
2. The late deposit at the Fiscal Services Bureau was due to processing delays.

Recommendation: The Department of Mental Health and Addiction Services should improve controls over cash receipts to ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes. (See Recommendation 1.)

Agency Response: "1. Connecticut Valley Hospital – Valley Finances has obtained the assistance of a Fiscal Administrative Assistant from another department whose first responsibility every morning is to collect lockbox deposits from the three patient buildings. In her absence Valley Finance staff assumes the duty. On rare occasions the rooms where the lock boxes are located may be inaccessible to collection because the room itself is locked. A second attempt is made later in the morning otherwise deposits are collected the following day.

2. Fiscal Services Bureau – Procedures are in place at the Fiscal Services Bureau to ensure that deposits are made within required time frames. The one late deposit noted was an isolated anomaly. Staff has been reminded of the requirements for making timely deposit transactions."

Cash Management – Federal Shelter Plus Care Program:

Criteria: Sound cash management policies require that Federal funds from grantors be drawn down in a timely and effective manner to avoid or minimize grant program costs being temporarily funded by the State.

Condition: During the audited period, large grant receivable balances were maintained for the Federal Shelter Plus Care Program. Program expenditures totaled $6,844,047 and $6,947,069 during the respective audited years. Grants receivable balances in excess of $2,000,000 were being maintained during the fiscal year and were $3,618,707 and $1,611,504 at June 30, 2007 and 2008, respectively.

Effect: Drawdown inefficiencies resulted in significant Federal program costs being temporarily financed with State funds, which could have otherwise been invested and earning income for the State.

Cause: The Department continued to experience delays in drawing down funds due to accountability issues on how past drawdowns were charged to the various operating components included in this program.

Recommendation: The Department of Mental Health and Addiction Services should improve cash management operations for the Federal Shelter Plus Care Program. (See Recommendation 2.)

Agency Response: "The Office of the Commissioner (OOC) will continue to work with the Federal Department of Housing and Urban Development (HUD) to complete timely draw downs. We maintain documentation of our communication with HUD to have draw downs completed in a timely a manner. However, assuring that HUD will complete their work needed for this issue to be resolved is outside the Department's purview."

Cell Phone Losses:

Criteria: Telecommunications equipment policy issued by the Department of Information Technology (DOIT) requires State agencies to be responsible for maintaining adequate documentation supporting all telecommunications equipment use, including copies of individual telecommunications equipment usage reports and user logs. Agencies are also required to periodically audit records to ensure that equipment is used by authorized users for State business use only and to immediately report lost or stolen telecommunication equipment to DOIT.

Conditions:

1. Office of the Commissioner:
   Cell phone bills totaling $18,818 were paid for a lost phone for the time period from September 2008 through July 2009. This loss was reported in accordance with Section 4-33a of the General Statutes on December 11, 2009 by the Agency to the Office of the State Comptroller and to the Auditors of Public Accounts.
2. Connecticut Mental Health Center:
   Cell phone bills totaling $12,835 were paid for a lost phone for the time period December 2008 through April 2009. This loss was reported in accordance with Section 4-33a of the General Statutes on January 27, 2010 by the Agency to the Office of the State Comptroller and to the Auditors of Public Accounts

Effect:

Losses were incurred by the Agency as a result of inadequate oversight over cell phone operations.

Cause:

1. Office of the Commissioner*:*
   There was a failure to effectively cancel unused cell phones and effectively follow-up on suspected misuse; due in part to retirements at DOIT and transfers from DMHAS. Delays in receiving telephone billings from DOIT and in monitoring of cell phone use at DMHAS also contributed to the loss.
2. Connecticut Mental Health Center:
   Delays in receiving telephone billing invoices from DOIT and in monitoring of cell phone usage contributed to the loss.

Recommendation:

The Department of Mental Health and Addiction Services should strengthen controls over cell phone operations. (See Recommendation 3.)

Agency Response:

"1. Office of the Commissioner :
   Staff reassignments have been undertaken to strengthen OOC monitoring of cell phone usage. The following enhanced procedures are now in effect:
   a. A tracking mechanism, developed by the OOC Business Office, assigns each cell phone (and its applicable number) to a specific, identified OOC employee. Each OOC employee signs a form acknowledging receipt of and responsibility for cellular devices assigned to them.

Furthermore, the DOIT telecommunications Equipment Policy was resent to each OOC employee.

b. All invoices are submitted to each employee, upon receipt from DOIT, for review of personal calls, text messaging or directory assistance charges. The employee <u>and</u> supervisor sign the invoice acknowledging review of any personal calls, and other charges, and submits a check made payable to the State for reimbursement of these charges. The DMHAS Chief Fiscal Officer, and the Assistant Budget Director are notified of any individual monthly cell phone invoices exceeding $100 which is then subject to additional review for justification.

c. Any new cell phones must be requested, in writing, by the employee requiring a cell phone, approved by the employee's supervisor and the agency Chief Fiscal Officer. Finally, total monthly expenditures for all OOC cell phones are also now tracked and monitored.

2. Connecticut Mental Health Center (CMHC):

The following steps have been taken to prevent the reoccurrence of this situation:

a. The Office of the Commissioner has suspended issuing State cell phones to peer support workers in the Program for Research and Community Health.

b. DOIT is currently coordinating a review of the charges with the cell phone vendor to determine if some or all of the charges can be reversed.

c. The CMHC Business Office Manager and the employee's supervisor reviews and signs each monthly cell phone bill for questionable or inappropriate use.

d. Supervisors and employees have been instructed to report lost cell phones promptly to the CMHC Business Office."

Connecticut Valley Hospital Program Advances:

Criteria: Connecticut Valley Hospital procedures require that cash advances made to wards and other programs be accounted for within 30 days of issue.

Conditions:

1. General Fund Petty Cash – A test of 34 advances totaling $12,860 made to various hospital ward program operations, disclosed that accountability for 17 advances totaling $6,559 were returned between two to 68 days late.
2. Activity Fund - A test of 23 cash advances totaling $6,189 made for various programs and activities, disclosed that accountability for six advances totaling $1,450 were submitted between two and 38 days late.

Effect: The Agency was not in compliance with its internal control procedures increasing the risk for loss.

Cause: Individuals responsible for expending funds did not always return an accounting of funds within 30 days as required by Agency procedures.

Recommendation: The Department of Mental Health and Addiction Services should improve accountability over program advances made at Connecticut Valley Hospital. (See Recommendation 4.)

Agency Response: "Connecticut Valley Hospital's Valley Finances has implemented a new system for delivering funds to the Wards from both the Activity Fund and General Fund. This new system was instituted February 1, 2010, and its main component is based on a requisition system. Wards are no longer allowed to obtain large sums of cash every month but instead must submit separate itemized requisitions for every planned activity. The requirement for submission of an accounting of funds advanced for each requisition is completed and submitted within five business days."

Connecticut Valley Hospital Patient Accounts:

Criteria:

1. Connecticut Valley Hospital procedures require that certification of receipt be obtained from clients for withdrawals given to DMHAS staff members for delivery to clients.
2. Good business practice includes the periodic review of inactive client accounts so appropriate action can be taken to resolve outstanding balances.

Conditions:

1. a. For checks delivered to clients by staff, office personnel did not review any returned forms certifying client receipt of the funds to determine which transactions lacked certification of receipt documentation.
   b. A test check of 219 cash withdrawal transactions disclosed 36 transactions where cash was delivered by staff without staff returning the required certification of receipt form from clients.
2. Agency personnel have not taken timely action to review and resolve patient account balances of deceased clients. Accounts from deceased clients increased from 80 accounts totaling $32,931 at June 30, 2006, to 91 accounts totaling $39,241 as of June 30, 2008.

Effect:

1. The Agency was not in compliance with its own procedures to obtain certification of receipt of funds from clients for

disbursements made.
2. The cumulative balance of patient accounts of deceased clients has been increasing.

Cause:

1. Due to staff shortages the Agency did not review certification of receipt of check transactions and did not follow-up with staff for missing certification of receipt for cash disbursements.
2. The Agency has not performed a review or followed up on account balances of deceased clients for several years.

Recommendation: The Department of Mental Health and Addiction Services should improve operations of Connecticut Valley Hospital Patient Account Funds. (See Recommendation 5.)

Agency Response: "In regard to certification of receipt of checks prepared for clients that are delivered by staff, Valley Finance has determined the risk is inherently low with the preparation of checks, and as such, does not require additional resources to verify the checks prepared in this account. This fact along with the timely completion of bank reconciliations has been sufficient for internal control purposes. However, our internal policies will be revised to reflect the concern noted in the recommendation.

In regard to certification of receipt of cash disbursements prepared for clients that are delivered by ward staff, Valley Finance diligently maintains receipt records from the wards (known as "yellow copies"). The "yellow copies" along with the client's signature indicate receipt of the cash disbursement by the client. Furthermore, it should be noted that no instances of, or complaints regarding, loss or misuse of funds has been asserted or reported.

In regard to the outstanding balance in the "Deceased Clients" account, which now totals $43,325, Valley Finance in the past has not been able to obtain permission to escheat the funds to the State Treasurer. Valley Finance, before the end of this fiscal year, will contact the Comptroller, Treasurer, DAS, and the DMHAS central office to obtain guidance in escheating these funds."

Records Retention:

Criteria: The records retention/disposition schedule issued by the Connecticut State Library's Office of the Public Records Administrator requires State Agencies, at a minimum, to retain fiscal records for three years, or until audited, whichever is later.

Conditions:

1. Office of the Commissioner:
   a. Petty Cash Fund bank statements could not be found for September 2006, December 2006 and July 2007. Supporting documentation for one disbursement for $50 could not be found.
   b. The September 2006 Activity Fund bank statement could not be found.
2. Connecticut Valley Hospital:
   a. General Fund Petty Cash – A test check of 24 patient payroll timesheets covering four different payperiods, disclosed that 12 could not be found.
   b. Fiduciary Funds – Cash receipt logs maintained at patient residence halls could not be located for a period of about three months for Dutcher Hall and of about 15 months for a receipt log book shared by Battell and Woodward Halls.

Effect:

1. Without proper documentation, financial account balances and transactions cannot be properly supported.
2. a. Without timesheet documentation, patient work hours paid cannot be supported.
   b. Receipts for the time periods and locations noted above could not be verified.

Cause:

1. Agency records were not properly stored.
2. Agency personnel attributed lost/discarded records to inadequate training/oversight of new employees.

Recommendation:

The Department of Mental Health and Addiction Services should improve records retention over fiscal records to assure they are properly maintained in accordance with State procedures. (See Recommendation 6.)

Agency Response:

"Office of the Commissioner:

Current OOC Fiscal Staff responsible for Petty Cash have made improvements with record keeping and account maintenance. This will ensure proper retention of OOC fiscal records.

Connecticut Valley Hospital:

a. In regard to payroll preparation, Valley Finance properly processed all the Summary Timesheets submitted by the Vocational Rehabilitation Department. The issue relates to the actual timesheets the patients complete each pay period which are used to develop the information for the Summary Timesheet. The Vocational Rehabilitation Department was unable to provide the support documents (patient timesheet) used in the calculations of the summary. The Vocational Rehabilitation Department was made aware of the importance of filing these source documents.

b. In regard to the "Cash Control Journals" located in each patient ward those are no longer required by Valley Finances as the entire Ward Program has been restructured."

RECOMMENDATIONS

Our prior report on the Department of Mental Health and Addiction Services contained nine recommendations. Of the recommendations, seven have been implemented or otherwise resolved and two are being repeated or restated herein. As a result of our current examination, we have included four new recommendations.

Status of Prior Audit Recommendations:

- *The Department of Mental Health and Addiction Services should improve controls over cash receipts to ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes* – Weaknesses in the handling of cash receipts were encountered in the current review, therefore, this recommendation is being repeated. (See Recommendation 1.)

- *The Department of Mental Health and Addiction Services should improve cash management operations for the Federal Shelter Plus Care Program* – Untimely drawdown activity continued to exist and this recommendation is being repeated. (See Recommendation 2.)

- *Controls should be strengthened to ensure that attendance records are signed by employees and approved by supervisors* – The Department has taken action to correct attendance record weaknesses and as a result, this recommendation is not being repeated.

- *The Department of Mental Health and Addiction Services should improve controls to ensure that medical certificates are obtained from employees when required by State policy* – The Agency has complied with this recommendation by improving controls over medical certificates so this recommendation is not being repeated.

- *The Fiscal Services Bureau should improve the coding of expenditures to ensure that goods and services are recorded in proper expenditure accounts* – Improvements in the coding of expenditures were noted in the current examination and as result, this recommendation is not being repeated.

- *Controls over equipment inventory and reporting should be improved* – The Agency improved controls over equipment inventory and reporting and as a result, this recommendation is not being repeated.

- *The Office of the Commissioner should strengthen controls over petty cash travel advances* – The Office of the Commissioner discontinued making travel advances from their Petty Cash Fund so this recommendation is not being repeated.

- *The Department of Mental Health and Addiction Services should ensure that bank reconciliations and financial records are maintained on a current basis* – Controls over bank reconciliations and financial records were improved and as result, this recommendation is not being repeated.

- *The Department of Mental Health and Addiction Services should comply with the State Comptroller's fiscal year-end Generally Accepted Accounting Principles reporting requirements* – The Agency has complied with State fiscal year-end reporting requirements so this recommendation is not being repeated.

Current Audit Recommendations:

1. **The Department of Mental Health and Addiction Services should improve controls over cash receipts to ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes.**

   Comments:

   Testing of cash receipts disclosed instances of untimely deposits.

2. **The Department of Mental Health and Addiction Services should improve cash management operations for the Federal Shelter Plus Care Program.**

   Comments:

   During the audited period, grant receivable balances for the Federal Shelter Plus Care Program generally exceeded $2,000,000.

3. **The Department of Mental Health and Addiction Services should strengthen controls over cell phone operations.**

   Comments:

   Losses in excess of $30,000 were incurred as a result of the loss of two cell phones.

4. **The Department of Health and Addiction Services should improve accountability over program advances made at Connecticut Valley Hospital.**

   Comments:

   Testing of Hospital program advances disclosed many instances where accountability for advances was not completed within 30 days of issuance as required by Agency procedures.

5. **The Department of Mental Health and Addiction Services should improve operations of Connecticut Valley Hospital Patient Account Funds.**

   Comments:

   Testing of Patient Fund disbursements noted instances where required certifications of receipt of funds were not obtained from clients. The Agency had not reviewed or taken any actions to resolve inactive accounts of deceased clients.

6. **The Department of Mental Health and Addiction Services should improve records retention over fiscal records to assure they are properly maintained in accordance with State procedures.**

   Comments:

   There were several instances where financial records were lost or could not be located.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Mental Health and Addiction Services for the fiscal years ended June 30, 2007 and 2008. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Mental Health and Addiction Services for the fiscal years ended June 30, 2007 and 2008, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

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

In planning and performing our audit, we considered the Department of Mental Health and Addiction Services' internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 3 – Weaknesses in oversight over cell phone operations and; Recommendation 5 – Patient Account Fund weaknesses over verifying client certification of receipt of funds.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the following items to be material weaknesses: Recommendation 3 – Weaknesses in oversight over cell phone operations and; Recommendation 5 – Patient Account Fund weaknesses over verifying client certification of receipt of funds.

Compliance and Other Matters:

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

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

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

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

CONCLUSION

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

Anthony Turko
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts