AUDITORS' REPORT

Department of Developmental Services

FISCAL YEARS ENDED JUNE 30, 2023 AND 2024

STATE OF CONNECTICUT
Auditors of Public Accounts

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INTRODUCTION

We are pleased to submit this audit of the Department of Developmental Services (DDS) for the fiscal years ended June 30, 2023 and 2024 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, or policies; and a need for improvement in practices and procedures that warrant management's attention.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Developmental Services during the course of our examination.

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

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STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Developmental Services disclosed the following 19 recommendations, of which ten were repeated from the previous audit.

Finding 1

Lack of Corrective Action to Address Internal Investigation of Misuse of State Vehicles

Background

DDS conducted an internal investigation and initiated a time and attendance review for employees assigned to state vehicles, covering December 1, 2022, to March 31, 2023. The investigation revealed multiple state policy violations including employees using state vehicles for non-state business, unauthorized parking, and an employee on leave time using a state vehicle on multiple occasions. The investigation was completed in August 2023 and included two follow up reviews, with the most recent occurring in April 2025.

Criteria

The DDS internal audit policy requires audit results to be communicated to DDS executives, directors and managers. Corrective actions should be prompt and meaningful. The internal audit division must verify that responsible management sufficiently addressed the audit observations.

The Department of Administrative Services (DAS) General Letter No. 115, Policy for Use of Motor Vehicles to Conduct State Business, governs the use of state-owned motor vehicles and motor vehicles used for official state business by state employees as follows:

Agency managers and supervisors are responsible for taking appropriate disciplinary action in the case of a violation of the policy and performing monthly reviews of telemetric data to ensure vehicle utilization is compliant with operational guidelines, and the entirety of the policy, including home garaging, alternative parking, and fringe benefit reporting.

The Agency Transportation Administrator (ATA) is responsible for maintaining records of the agency's usage of state-owned and rental vehicles, including but not limited to, daily mileage logs and submitting any required reports to the Director of DAS Fleet Operations.

The ATA is responsible for promptly investigating complaints concerning state vehicles, drivers, and passengers and notifying the Director of DAS Fleet Operations of the outcome of the investigation within 30 days of receiving the complaint.

Personal use of a state-owned vehicle is not permitted. Any use deemed outside of official state business must be submitted as a fringe benefit per Comptroller Memorandum No. 2021-06.

Condition

DDS management did not take appropriate action to address the findings reported in the department's internal audit report on misuse of state vehicles, including:

DDS did not report the results of the investigation to the Director of DAS Fleet Operations.

DDS had not performed monthly reviews of telemetric data to track and monitor state vehicle usage as of April 11, 2025.

Context

The DDS investigation report reviewed six employees' state vehicle use. The report indicated that three of six employees operated their own businesses that were similar to their responsibilities at DDS.

DDS reported ten and six state vehicles in the CO-59 Asset Management /Inventory report during fiscal year of 2023 and 2024, respectively.

Effect

Failure to take prompt action on matters reported in internal audit reports could lead to continued noncompliance and abuse of state resources.

Cause

A lack of effective management oversight contributed to this condition.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should take appropriate action to address noncompliance identified in internal audit reports.

Agency Response

"The agency agrees, in part, with the finding.

The agency does not agree that management did not take appropriate action to address internal audit report findings and reporting to DAS. The Office of Policy and Management (OPM) Labor Relations conducted fact finding with applicable employees, as required by their collective bargaining agreements. It was

determined that employees' vehicle usage for breaks, lunch, and on-call duties was within the scope of their responsibilities for providing maintenance services over a large footprint of the state as well as requirements of an agency with 24-7 operations.

Allegations of personal usage of state vehicles were not substantiated. DAS Fleet Operations reporting was not required. because it was an agency investigation and not a complaint received by DAS Fleet Operations from public citizens.

Portions of DAS letter 115 are vague and may not align with some basic DDS job functions. DDS agrees that enhancements are needed to ensure telematic data is reviewed and state vehicle usage is monitored. DDS has implemented internal review processes for telematics data since the time referenced."

Finding 2

Lack of Compliance with HIPAA and Inadequate Controls Over Individual Files

Background

The Department of Social Services (DSS) administers the Medicaid program. The Department of Developmental Services has a memorandum of understanding (MOU) with DSS to provide Medicaid-covered services. DDS approved 368 individual practitioner and private provider facilities to provide qualified services to individuals with intellectual disabilities.

According to the MOU, DDS is classified as a business associate, and DSS is recognized as a covered entity.

Criteria

Title 45 CFR Part 164 requires that covered entities, business associates, and business associated contractors must ensure the confidentiality, integrity, and availability of all security of electronic protected health information (PHI) they create, maintain, or transmit. They must protect against any reasonably anticipated threats to the security of such information.

In the MOU, DDS and its contractors agree to use and maintain the appropriate safeguards and comply with applicable Health Insurance Portability and Accountability Act (HIPAA) Standards, with respect to all PHI against use or disclosure that the HIPAA Security Rule does not permit or require.

Section D.1.g. of the MOU also provides that in the event of a breach discovered by DDS or its contractor, DDS should notify DSS without

unreasonable delay, and in no case later than 30 days after the breach is discovered. The notification should include:

- The identification and address, phone number, and email address of each individual whose unsecured PHI has been or is reasonably believed by DDS to have been accessed, acquired, or disclosed.
- A description of what happened, type of unsecured PHI involved, and recommended steps for individuals to take to protect themselves from potential harm.
- Detailed description of what DDS has done to investigate the breach, to mitigate losses, and to protect against any further breaches.

Condition

DDS does not notify DSS of HIPAA breaches or maintain records of these breaches.

DDS does not have a policy for handling missing files.

Context

We requested a list of HIPAA violations and inquired about the agency's policy and procedure for missing files. It is unclear how many files went missing or HIPAA breaches occurred during the audited period.

Effect

Failing to act properly after breaches could lead to identity theft, medical insurance fraud, and financial exploitation of individuals' protected health information.

Cause

DDS was not aware of the MOU requirement to provide notification to DSS in the event of a breach.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should promptly notify the Department of Social Services of any Health Insurance Portability and Accountability Act (HIPAA) violation per their memorandum of understanding.

The department should develop a tracking system to allow staff to report missing files and maintain records of HIPAA violations and breaches.

Agency Response

"The agency agrees, in part, with the findings. DDS is following HIPAA requirements and does follow the process of notifying the victims of a data breach and offering information on how to protect themselves. In addition, DDS has notified DSS of these breaches

through the course of regular meetings. The agency agrees that the formal written notification outlined in the MOA has not been issued. DDS will ensure that this formal notification is issued in the future, as warranted.

The agency does not agree that there were missing files and that an official policy to track missing files is needed. DDS has completed its transition from hardcopy files to indexed electronic records that are securely stored in a digital format."

Auditors' Concluding Comments

The MOU required DDS to notify DSS of any breach of unsecured protected health information, or any security incident to DSS in writing no later than 30 days after the breach, and it did not give DDS authority to determine whether the breach was warranted. DDS informed us that the transfer of the electronic records from paper-based files was completed in March 2026, which was well after our review in July 2025. While the electronic record system can help prevent future file loss, it cannot recover the missing historical files.

Finding 3

Failure to Utilize Core-CT Employee Self-Services Timesheet

Criteria

The Core-CT Employee Self Service electronic timesheet processing function was established in 2003 to assist state agencies in efficiently tracking and approving time and labor. The electronic timesheet process:

- Reduces paperwork for human resources units and employees.
- Reduces payroll unit processing time as minimal data entry is required.
- Increases accuracy because it can promptly recognize and identify certain types of data entry errors.
- Displays leave accrual and compensatory time balance for the employee's convenience and automatically notifies the user of deficient leave balances.
- Clears employee and supervisory approval since timesheets are pinned rather than signed.

- Allows agencies to more quickly determine whether all timesheets were submitted.
- Allows agencies to more quickly assess whether an employee needs to submit a medical certificate or Family and Medical Leave documentation.
- Allows employees to access their payroll history.

Condition

During fiscal year 2024, approximately 600 DDS employees (over 20% of its employees) still utilized paper timesheets. DDS also suspended its data entry audit of paper timesheets in 2015.

Context

During the fiscal year 2024, DDS had a total of 2,676 employees.

Effect

Using paper timesheets constrains the department's ability to accurately and efficiently process and monitor its employees' time and labor. The suspension of data entry audits increases the risk of undetected errors in accrued leave time and may result in employees being overpaid for hours they did not earn.

Cause

DDS management did not make converting to an electronic process a priority. DDS also informed us that the fiscal department suspended its data entry audit due to a staffing shortage.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should implement the Core-CT Employee Self-Service electronic timesheet process for all employees to ensure accuracy and efficiency in time reporting.

Agency Response

"The agency disagrees with the finding. DDS was unable to migrate many direct care and facility employees of DDS-operated residential group home and facilities to electronic timesheets available in Core-CT when the self-service option was rolled out to state employees. This was due to technology infrastructure, data security, training and bargaining unit challenges with these settings, not related to staffing in the fiscal department.

DDS Payroll continues to transition employees to the self-service model offered via CORE-CT. There are approximately 89 (as of 10/31/25) employees left to move to Core-CT self-service. It is anticipated this will be complete by 1 Q 2026."

Auditors' Concluding Comments

Agencies were encouraged to contact the Department of Administrative Services to assist in implementing the Core-CT Payroll module. The DDS supervisor or payroll staff must enter over

600 workers' paper timesheets into Core-CT every two weeks. This process is inefficient and costly.

Additionally, DDS informed us in a February 10, 2025, meeting that the department suspended data entry audits in 2015 due to staffing shortages and the department had three vacant payroll clerk positions.

Finding 4
Insufficient Contract Documentation and Monitoring

Criteria

The Office of Policy and Management (OPM) Procurement Standards for Personal Services agreements (PSA) and Purchase of Service (POS) Contracts state that contractors must not begin work until a contract is fully executed. An amendment must be executed before the original end date of the contract. The procurement standard also requires state agencies to submit a written contractor performance evaluation within 60 days of the completion of work.

DDS requires contractors that receive financial compensation of $300,000 or more in a fiscal year to submit audited financial statements. Contractors receiving $100,000 to $300,000 in a fiscal year must submit an agreed upon procedures report performed by an independent public accountant.

DDS Operations Memo 2023-28 requires for-profit providers receiving total financial compensation of $300,000 or more to submit a financial audit along with a management letter and audit recommendations.

DDS contracts require providers to submit eight-month expense reports no later than March 31st and annual financial or end-of-year expense reports no later than October 15th or by a granted extension date.

Sections 4-230 through 4-236 of the General Statutes require that a state single audit report (if applicable) shall be submitted no later than six months after the end of the provider's fiscal year or OPM-granted extension. Section 4-236-21 of the Regulations for CT State Agencies requires a state agency to work with the cognizant agency (OPM) to ensure that audits are completed, and reports are received on time.

Part II.12.c. of the OPM Purchase of Service Cost Standards for organizations receiving state funds states that costs incurred in a disposition by consent or compromise are not allowable.

Condition

Our review of 20 POS and PSA contracts, including three PSA and 17 POS contracts, totaling $369,178,312, disclosed the following:

Contract Selection, Execution, and Payments:

- Three contracts were executed two to 33 business days late.
- Thirty-three amendments in 12 contracts were executed one to 32 business days late.
- Of the 16 contracts that required a contractor performance evaluation, DDS did not have five on file, and six were incomplete.

Contract Fiscal Monitoring:

- DDS did not properly review eight-month expense reports for six contracts and did not obtain the fiscal year 2024 report for one contract.

  Annual reports and/or end of the year expense reports were required for 12 POS contracts reviewed. DDS did not obtain an annual report for one contractor and obtained three annual reports seven to 47 business days late.

- We identified 16 contracts that required a state single audit (SSA), financial statement audit or agreed-upon procedure review. We noted the following:

  - DDS obtained six state single audit reports one to 43 business days late.
  - DDS did not obtain two financial statement audit reports and obtained one report 34 business days late.
  - DDS did not obtain two agreed upon procedure reports.

We noted DDS incorrectly paid state funds to a contracted provider that paid three confidential settlements with its employees, totaling $12,000, from fiscal year 2022 through 2024. Upon bringing this to DDS's attention, DDS required the contractor to submit revised reports, and the department withheld the funds from future claims.

Context

The department had 219 purchases of service and personal services agreement contracts in effect during the audited period. We

haphazardly selected 20 POS/PSA contracts, totaling $9,178,312 for our review.

DDS stated that the department cannot request the provider's confidential settlements with its employees as the settlements were not related to performing DDS contracts services. DDS had a three-year contract with the provider, totaling $36,916,302, covering fiscal year 2022 through 2024. DDS paid $28,921,642 to the provider during the audited period.

Effect

Lack of timely approvals increases the risk of unauthorized state contractor obligations. When an agency does not promptly evaluate a contractor's performance, it is difficult to determine if it should select the contractor for future services. Lack of proper monitoring increases the risk of the improper use of state funds.

Cause

The conditions appear to be the result of a lack of management oversight and poor record keeping.

Prior Audit Finding

This finding has previously been reported in part in the last three audit reports covering the fiscal years 2017 through 2022.

Recommendation

The Department of Developmental Services should strengthen internal controls over contract processing to ensure compliance with the Office of Policy and Management procurement standards. The department should also strengthen internal controls to ensure it adequately monitors grant recipients, including promptly obtaining and reviewing required reports and audits.

Agency Response

"The agency agrees, in part, with the finding.

The agency disagrees that DDS lacked a comprehensive understanding of the state cost standards. DDS employees have full knowledge of OPM Cost Standards and POS contract terms require that providers use state funds in accordance with OPM Cost Standards. Providers engage CPA firms to certify that expenditures comply with the cost standards.

The agency disagrees that there was insufficient management oversight and poor record keeping. DDS dedicates numerous resources from the Operations Center, Regions, Fiscal and Internal Audit to execute contracts and to monitor provider agency performance and compliance with contract terms.

It is common practice for contracts and contract amendments to be signed after the effective date. Signing delays are attributed to SID updates that could not happen until after the state budget was approved, OPM requests, Core-Ct shutdowns, contract volume and staffing shortages.

As explained in previous audit reports, the contract dates reflect the correct onset of services and there were no financial losses.

Contract performance evaluation documentation and recordkeeping processes are regularly reviewed and enhanced as needed.

The agency disagrees that this was a prior audit finding. Contract Fiscal Monitoring was not a previous audit finding. Most provider agencies submit required fiscal reports. Controls are in place to identify, report and follow-up with agencies who have not submitted reports.

The agency disagrees with the conditions listed in relation to State Single Audit. State Single Audit findings referenced were not correct for all but two contract/provider agencies. OPM reports were provided to APA to confirm that extensions were filed.

The agency agrees with finding on lack of submission by this provider agency. The agency did not file an extension with OPM. DDS and OPM have followed up with the provider agency.

The agency disagrees that DDS incorrectly paid state funds to a provider for legal settlements. Providers receive revenue from DDS, report how state funds are used by expense category and are responsible for ensuring costs are allowable in accordance with OPM cost standards. Transaction details are not reported to DDS. The provider did not consider the settlement expenses unallowable costs. As noted, the provider made report corrections to disallow the costs."

Auditors' Concluding Comments

DDS should follow OPM's contract policies and procedures or directly communicate any concerns to OPM.

In our prior audit for fiscal years 2021 and 2022, we reported on late contracts, contract amendments and contractor evaluations, which we also reported in this audit. We also reported these and contract monitoring issues in our audit for fiscal years 2019 and 2020. DDS's lack of controls over contracting have been a persistent issue for many years.

During our review of state single audit reports, we considered whether OPM extensions were granted and tested for compliance with the extensions accordingly.

Finding 5
Inadequate Controls Over Purchasing Cards

Criteria

The Office of the State Comptroller's Purchasing Card Manual governs purchasing card (P-Card) transactions. The manual requires a P-Card Coordinator to provide cardholders with a purchasing log and card user log and ensure cardholders complete it every month. The coordinator collects and maintains cardholder receipts. Cardholders are required to record all purchases on a purchasing log and maintain all supporting documentation for transactions.

Condition

Our review of 40 P-Card transactions totaling $20,154, disclosed the following:

- DDS was unable to provide P-Card logs for nine transactions, totaling $5,216.
- One P-Card log was not signed by the card user or approver.

Context

During fiscal years 2023 and 2024, DDS utilized 118 P-Cards with purchases totaling $3,147,012, and 124 P-Cards with purchases totaling $3,680,168, respectively.

Our review of P-Card transactions is limited to August 1, 2023, to June 30, 2024, due to flooding that damaged DDS fiscal records at the DDS Central Office in June 2023. We haphazardly selected five P-cards with 40 transactions totaling $20,154 for our review.

Effect

When policies are not followed, there is an increased risk of misuse of purchasing cards.

Cause

These conditions appear to be the result of a lack of management oversight.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should strengthen internal controls over purchasing cards to ensure compliance with the State Comptrollers Purchasing Card Manual.

Agency Response

"The agency agrees with the finding. All transactions were valid, supported by invoices and did not represent any misuse of purchase cards. Staff shortages and turnover attributed to the condition. Business Office staff will be reminded of the importance of

consistently maintaining all purchase card records and fulfilling audit sample requests timely and accurately. "

Finding 6

Inadequate Controls Over Delinquent Receivables and Unreturned Grant Funds

Background

The Family Welfare Loan Program provided loans to individuals who lacked the funds to cover their expenses at various times. Borrowers were required to make monthly payments on these loans to DDS until they paid off the loan. DDS issued the last new loan in 2017. DDS discontinued this loan program and found alternative funding sources to assist individuals in need.

The Department of Development Services offers individual and family grants, which are cash subsidies designed to provide support for individuals and families or to help cover disability-related expenses. These funds can be used by individuals or their family caregivers to purchase a variety of services, including in-home support, respite care, nursing services, medical care, or clinical support. The amount of the grant is based on the needs of the individual and their caregivers, typically ranging from $600 to $1,000, with a maximum of $5,000 per year.

Criteria

The State Accounting Manual requires each state agency to collect amounts owed to the state and subjects all accounts more than 30 days passed due to collection procedures. The agency must keep a record of each action taken to collect an account and perform at least three documented efforts on delinquent accounts over $25, and one documented attempt for accounts $25 or less.

Section 3-7 of the General Statutes provides that the head of the state agency may authorize the cancellation of any uncollectible claim of $5,000 or less. An agency must request approval from OPM to write off a receivable over $5,000 when certain criteria are met.

The State Accounting Manual indicates that receivables from uncommon transactions may be categorized under other receivables, which includes overpayments by an agency that are subject to refund.

DDS Procedure I.C.3. PR.002 of family grant policy states that if the individual has used the grant funds for purposes other than those authorized, the funds need to be returned to DDS.

Condition

Our review of the department's family welfare loans receivable records as of June 30, 2024, disclosed nine delinquent receivables totaling $6,493, including one dating back to 1995. DDS received the last payment in 2020.

Our review of the accumulated $2,204,570 balance in unreturned family grants from 2010 to 2024 revealed that DDS did not properly record each unreturned grant as a receivable. DDS also failed to promptly write off these uncollectible receivables.

Context

During fiscal years 2023 and 2024, DDS family grant payments totaled $3,712,401 and $3,719,195, respectively and the unreturned family grant balance totaled $135,272, and $268,742, respectively.

Effect

The department's lack of procedures for managing delinquent receivables and unreturned grants could misrepresent reported receivables and grant payments.

Cause

DDS does not have policies and procedures to manage the delinquent receivable and unreturned grant.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should establish policies and procedures for delinquent receivables, recording of unreturned family grants as receivables, and prompt write off of uncollectible amounts to ensure compliance with the State Accounting Manual.

Agency Response

"The agency agrees, in part, with the finding.

The agency agrees that loan receivables are delinquent. Loans were given to several individuals in 1995. The Individual loan receivables balances are uncollectable and will be written off.

The agency does not agree that an adjustment for family grants is required. Family grants are not loans and are not subject to state collections procedures. Funds are expended when the grant is approved and paid to the grant recipient. There are no receivables. While not required by statute or accounting requirements, family grant procedures include a process for requesting final receipts from grant recipients and follow up when all receipts have not been forwarded to DDS."

Auditors' Concluding Comments

Although family grants are not loans, some recipients have failed to return funds that they were required to pay back to DDS due to unauthorized or unsupported expenses. To prevent carrying a growing balance for many years, DDS should follow the State Accounting Manual when processing these unreturned grants.

Finding 7
Controls Over Procurement

Criteria

Section 4-98 of the General Statutes requires that no state agency incur any obligation except by the issuance of a purchase order or any other documentation approved by the State Comptroller. Sufficient funds should be encumbered to cover the estimated purchases.

Proper internal controls require state agencies to include the correct purchasing authority on purchase orders.

Condition

Our review of 37 expenditure transactions, totaling $426,214, disclosed the following:

- DDS encumbered 11 purchase orders, totaling $61,170, one to 25 business days late.
- DDS listed the wrong purchasing authorities on the purchase orders for five transactions, totaling $70,879.

Context

During fiscal years 2023 and 2024, there were 69,624 and 72,995 non-payroll expenditure transactions totaling $1,187,296,656 and $1,291,914,530, respectively. We judgmentally excluded contract payments to avoid duplicate contract transaction review of the contract monitoring and selected haphazardly 37 transactions, totaling $426,214.

Effect

There is a reduced assurance that funds will be available for payment when purchase orders are not promptly encumbered.

Failure to document proper purchasing authorities increases the risk for the agency to use improper procurement methods.

Cause

The delayed encumbrance of purchase orders and utilized improper purchasing authorities appears to be the result of a lack of management oversight.

Prior Audit Finding

This finding has previously been reported in the last two audit reports covering the fiscal years 2019 through 2022.

Recommendation

The Department of Developmental Services should strengthen internal controls to ensure compliance with Section 4-98 of the General Statutes.

Agency Response

"The agency agrees, in part, with the findings.

As explained in prior audits, DDS's business office purchasing and payment processes are unique because of the type of expenditures required of a health and human services agency. In some cases, DDS uses blanket purchases orders (POs) to encumber funds for recurring expenses such as utilities, snow plowing, maintenance and P-Card transactions prior to services. In other cases, invoices reflect future services and funds are encumbered when the purchase orders are processed and paid. A change order is processed to add funds to the PO line item to pay the current month's invoice up to the obligation. Once the PO obligation limit has been met, a Purchase Requisition (PR) is submitted and approved by Fiscal to increase the PO's obligation to get through the State Fiscal year.

The agency disagrees that the 11 selected encumbered POs were late. It appears the dates for sample selections may not reflect the full procurement process. Funds were encumbered before services and were not late. Of the 11 errors noted:

- Eight had blanket POs; and
- Three had invoice dates for future services.

The agency agrees that purchasing authority codes were incorrect for five of the selected transactions. While the code errors did not cause risk, Business Office employees will be reminded to select correct PO authority codes and CORE-CT Job Aids will be reviewed."

Auditors' Concluding Comments

The use of change orders to add funds to a blanket purchase order is allowed. However, the department should promptly process them to ensure funds are encumbered. The department's response indicates that many of the expenditures were recurring. Therefore, it should know when it needs to encumber additional funds.

Finding 8

Insufficient Controls Over Financial Reporting

Background

State agencies submit Generally Accepted Accounting Principles (GAAP) reports and Statutory/Budgetary Basis reports to the State Comptroller to produce the state's Annual Comprehensive Financial Report (ACFR).

Criteria

Agency GAAP reports and statutory basis reports should be complete, accurate, and comply with the State Comptroller's

requirements as set forth in the State Accounting Manual and report filing instructions.

Condition

DDS submitted statutory basis and GAAP reports that contained several inaccuracies as follows:

- For the fiscal year 2024 statutory basis report on loans receivable, DDS overstated mortgage loans by $312,310 and understated repair loans by $462,721.
- DDS only reported the interest receivable balance of 77 of 205 mortgage and repair loans in both fiscal year 2023 and 2024 GAAP reports.
- DDS understated its contractual obligations by $307,296 and overstated them by $16188,392 on its fiscal year 2023 and 2024 GAAP reports, respectively.

Context

DDS reported $16,033,962 and $15,046,033 in loans receivable as of June 30, 2023, and 2024, respectively.

DDS reported $8,196,487 and $8,547,711 in interest receivable in fiscal years 2023 and 2024, respectively.

DDS reported $947,467,490 and $307,277,263 in contractual obligations in fiscal years 2023 and 2024, respectively.

Effect

These conditions, if not corrected, could cause the State Comptroller to report inaccurate information in the State's Annual Comprehensive Financial Report.

Cause

DDS internal controls over financial reporting were inadequate. DDS did not follow the State Comptroller's instructions. Management reviews did not identify mathematical errors. DDS also stated that its software is not capable of calculating loans interest.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should prepare the Generally Accepted Accounting Principles Reporting Package and Statutory Basis report in accordance with the State Comptroller's requirements and perform sufficient reviews to ensure that reports are accurate and complete.

Agency Response

"The agency agrees in part with the finding. The agency contends that GAAP reports were materially correct and were prepared in accordance with the Office of the State Comptroller (OSC). Contractual obligations were understated by $307,296. One

mortgage loan was inadvertently excluded from reporting. A correction was made.

The agency disagrees that internal controls over financial reporting were inadequate or that the agency did not follow the State Comptroller's instructions. Beginning in 1985, in accordance with CGS 17a-221-224, DDS has administered a revolving loan fund program that provides mortgage and repair loans to private non-profit agencies for construction, purchase, renovation or repairs of community-based residential facilities for persons with intellectual disabilities. Historically and as previously agreed upon by OPM and OSC, only mortgage loans were included in receivable and interest calculations for the GAAP reports. Repair loans were excluded. The methodology was consistently followed and considered acceptable for the previous 40 years.

DDS is working with OPM and OSC on various aspects of the loan program.

DDS will accept any new methodology for GAAP reporting once finalized by DDS, OPM and OSC."

Auditors' Concluding Comments

DDS could not provide evidence that the repair loans were not required to be reported by the Office of the State Comptroller.

Finding 9
Timeliness of Deposits

Criteria

Section 4-32 of the General Statutes requires state agencies to deposit revenue of more than $500 within 24 hours in depositories designated by the State Treasurer.

The State Accounting Manual requires each agency to post deposits in Core-CT as soon as it completes the confirmation process. The manual also states that each agency should maintain a dated receipts journal to verify that it made deposits within 24 hours of receipt.

Sound business practice dictates that agencies should maintain supporting documentation for each receipt.

Condition

Our review of 20 deposits, totaling $270,028, disclosed the following:

- DDS posted 14 deposits, totaling $169,131, between one and ten business days late.

- For 13 deposits, totaling $150,651, DDS did not provide date-stamped support, which prevented us from verifying the timeliness of the deposits.

Context

DDS made 284 deposits totaling $2,001,059 during fiscal year 2024. We haphazardly selected 20 deposits, totaling $270,028.

Our review was limited to deposits in fiscal year 2024 due to flooding that damaged DDS fiscal records at the DDS Central Office in June 2023.

Effect

Untimely posting to Core-CT increases the risk of errors.

A lack of documentation or support of the receipt date results in reduced assurance that the department promptly deposited its receipts.

Cause

A lack of management oversight contributed to this condition.

Prior Audit Finding

This finding has previously been reported in the last four audit reports covering the fiscal years 2014 through 2022.

Recommendation

The Department of Development Services should strengthen internal controls to ensure that it promptly posts its receipts in Core-CT and adequately documents receipt dates in accordance with the State Accounting Manual.

Agency Response

"The agency agrees with the finding. Most checks received in the DDS Business Office were deposited into the bank account timely but were not always posted to CORE on the same day. The agency will evaluate how to best ensure deposits are posted to Core-CT the same day as the bank deposit.

Internal controls have been strengthened by implementing a remote deposit capture service to allow checks to be deposited electronically by scanning and transmitting the image to the bank. This has significantly enhanced deposit timeliness and supports moving from paper based to digital documentation processes.

Date stamping physical documents is an inefficient and outdated control and the agency will explore a more reasonable and contemporary process to ensure compliance with the State Accounting Manual."

Finding 10
Inadequate Controls Over DDS Individual and Trustee Funds

Criteria

Section D.3. of the DDS Service Delivery Procedure No. I.F.PR.007, requires checks from accounts of individuals within the department's care to be cashed and spent, and any change and receipts returned to the Business Office within ten calendar days. If a check is not cashed and spent within the ten calendar days, it must be returned to the Business Office and voided. The same guidelines apply to trustee fund disbursements. Additionally, section D.9 of the procedure states that a list of the individual's personal property is established and maintained by the supervisor or designee of the residential facility.

According to the DDS Policy and Procedures Manual for Trustee Funds, payments for goods or services are to be initiated by preparing a purchase requisition. Staff requesting funds are to use the DDS funds withdrawal request form. All payments for goods and services should be substantiated by vendor invoices or receipts from individuals. Payments also should be supported by a purchase order or contract, when applicable.

Condition

In our review of 35 disbursements, twenty from the accounts of DDS individuals totaling $12,073, and 15 from trustee accounts totaling $11,284, we identified the following conditions.

<u>DDS Individual Funds</u>

- For seven disbursements, totaling $2,448, receipts were not promptly returned to the business office, with delays that ranged from five to 28 business days. We were unable to determine the timeliness of an additional six transactions, totaling $8,319, due to insufficient support.
- Two out of seven qualified inventory purchases, totaling $930, were not included in the individual inventory list.
- Tracking reports for individuals' in-house excess cash were incomplete for one of four selections, totaling $500.
- One $1,305 payment was made prior to approval.

<u>Trustee Funds</u>

- Purchase requisition forms were incomplete for two disbursements, totaling $960.

Context

During the audited period, DDS made 6,617 disbursements totaling $2,302,448 from DDS individuals' accounts, and 611 disbursements, totaling $593,453, from trustee accounts. We haphazardly selected 20 individual and 15 trustee disbursements, totaling $12,073, and $11,284, respectively.

We only reviewed the fiscal year 2024 disbursements due to DDS flooding that damaged most of the 2023 records.

Effect

Improper payment, and lack of properly completed documentation increase the risk of loss, overpayments, and misuse of funds.

Cause

These conditions appear to be the result of a lack of management oversight.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should strengthen internal controls over its individual and trustee funds to ensure accurate and consistent processing in accordance with the department's policies and procedures.

Agency Response

"The agency agrees, in part with the finding.

Most importantly, all personal fund disbursements were valid expenses, supported by invoices. Documentation deficiencies were minor and immaterial caused by manual processes, employee oversight, outdated requirements for logs, forms, receipts and APA's interpretation of the disbursement process.

Key internal controls including approvals, expense support, and segregation of duties between requests and disbursements are in place.

DDS agree that one purchase was not listed on individual's inventory log. The pre-paid funeral contract purchase was not a physical asset that could be lost or stolen, and it was not required to be listed on the inventory log.

DDS agrees that receipts were not returned to the Business Office. DDS Public residential employees, who work in group home settings, are responsible for returning receipts. The Business Office does track and follow-up on missing receipts.

DDS disagrees that tracking reports were incomplete, payments were made prior to approval, and trustee purchase requisitions forms were incomplete. Detailed explanations were forwarded to APA to include that some form sections were not appliable, vendor invoice should not be used to determine payment date.

DDS is in the process of updating the Public Personal Funds Procedure to remove inefficient and unnecessary requirements. This includes returning receipts and unspent funds to the Business Office."

Auditors' Concluding Comments

DDS is responsible for keeping its policies and procedures current. However, removing requirements for proper documentation undermines the department's ability to implement proper internal controls. DDS provided us incomplete supporting documentation.

For the payment made prior to approval, we did not establish the payment date based on the vendor's invoice, but on confirmation from the vendor that the order was placed and paid for on May 18, 2024, prior to the fund withdrawal approval on May 20, 2024.

Finding 11

Lack of Promotion and Hiring Documentation

Criteria

Section D.2. Procedure No. II.D.PR.020 of the Department of Developmental Services policy requires the DDS supervisor or manager authorized to fill a position must complete the employee selection report (ESR) form, including an applicant tracking form. The supervisor or manager must complete the form whether a position is filled via hire, promotion, transfer, layoff list, or any other employment selection process.

The State Library's record retention policies require agencies to maintain recruitment records for two years beyond filling or closing the position.

Section 17a-227a of the General Statutes requires each applicant who has been offered conditional employment with the department to be fingerprinted and submitted to a criminal history records check. Employment shall be considered conditional until the department receives and reviews the results of the criminal history records checks.

Section 5-227a of the General Statutes requires that for promotion by reclassification, employees must have maintained an adequate performance record and received a satisfactory appraisal on their two most recent consecutive performance evaluations.

Condition

Our review of ten new hires and two promotions by reclassification disclosed the following:

- DDS did not complete the employee selection report for five hires and two promotions.
- DDS did not provide interview panel notes for five new hires.
- DDS did not provide evidence of the completion of a criminal history records check.
- DDS did not provide the last two performance evaluations for the two promoted employees.

Context

The department hired 432 new employees and promoted 15 employees by reclassifications during the audited period. We randomly selected ten new hires and two promotions by reclassifications.

Effect

Without the required documentation, it is difficult to determine whether the department hired or promoted the most appropriate candidates. By not completing and documenting criminal history records checks could risk the safety of individuals receiving services.

Cause

The condition appears to be the result of a lack of management oversight.

Prior Audit Finding

This finding has previously been reported in the last four audit reports covering the fiscal years 2014 through 2022.

Recommendation

The Department of Developmental Services should strengthen internal controls to ensure the hiring and promotion process is adequately supported in accordance with DDS and the Department of Administrative Services procedures. The department should complete criminal history records checks to help ensure the safety of individuals receiving services.

DDS Response

"The agency agrees, in part, with the finding.

The agency disagrees that employee selection reports. The five new hires were either part-time or seasonal employees and the reports are not required by the Equal Opportunity Office.

The agency disagrees that interview panel notes were not provided for two employees. The employees were seasonal employees and Interview notes are not required.

The agency agrees that interview notes were not found for three employees. The records were destroyed during the DDS building flood.

The agency agrees that fingerprint requirements were not taken for one new employee, who was a seasonal employee.

The agency agrees that performance appraisals were not found for one promoted employee.

There have been improvements with retaining hiring documents as employee human resource records have transitioned from paper files to electronic storage in UKG. DAS Human Resource Business partners will continue to work with DDS managers to ensure promotion and hiring documentation is maintained when required."

DAS Response

"DAS defers to DDS's conclusions regarding its hiring practices and the functions of its EEO Office."

Auditors' Concluding Comments

The department did not provide policies stating that hiring managers are not required to complete an employee selection report for part-time or seasonal employees.

The instructions in the employee selection report required interview notes whether a position is filled via promotion, transfer layoff list or any other employment selection process. It does not provide an exception for part-time or seasonal employees.

Finding 12

Inadequate Overtime Documentation

Criteria

Section 5-245 of the General Statutes provides that employees can receive overtime pay when authorized by their appointing authority.

Section 5 of the DDS Employee Handbook states that management must preapprove all non-emergency overtime. Management may direct employees to work overtime when necessary. Employees must comply with these directions. DDS utilizes various forms and methods to document overtime. The sign-in sheet should include the employee's printed name and signature, whether the shift was voluntary or mandatory, the times worked, and the supervisor's signature authorizing the overtime.

State records retention schedules require agencies to maintain overtime records for at least three years from fiscal year end, or until audited, whichever is later.

Condition

Our review of 20 employees who earned 1,043 hours of overtime, totaling $55,243, identified the following:

- DDS did not provide overtime support for 11 employees.
- DDS did not provide appropriate overtime supporting documentation for nine employees, and their overtime hours did not consistently agree with those in Core-CT.

Context

The department paid $1,396,071 and $1,468,274 in overtime to 179 and 198 employees during fiscal years 2023 and 2024, respectively. We haphazardly selected 20 employees and reviewed one pay period for each employee.

Effect

The lack of properly reviewed and approved overtime records increases the risk of undetected losses and improper overtime payments.

Cause

Management did not adequately oversee the retention of overtime support and approvals.

Prior Audit Finding

This finding has previously been reported in the last two audit reports covering the fiscal years 2019 through 2022.

Recommendation

The Department of Developmental Services should strengthen internal controls to ensure that overtime hours are accurately recorded and verified by appropriate personnel. The department should properly retain overtime documentation in accordance with state records retention schedules.

Agency Response

"The agency does not agree with the finding.

Overtime is requested or assigned by the supervisor based on the need of the agency, which in most cases is to ensure proper coverage for our 24/7-hour facilities. Overtime availability, request and assignment documentation will vary by department, and paperless tracking is encouraged. All overtime is approved by employee supervisors and final documentation of the approval is tracked in Core-CT.

DDS bargaining union contract language does not include pre-approval requirements. The element of pre-approvals is not always necessary or needed. The DDS Employee handbook does not require documentation to support overtime."

Auditors' Concluding Comments

The DDS Employee Handbook specifies all non-emergency overtime must receive prior management approval. State records retention schedules require agencies to maintain overtime records for at least three years.

Finding 13
Overtime While on Workers' Compensation Light Duty

Background

The Department of Administrative Services Workers' Compensation Manual defines light duty as work prescribed by an employee's attending physician to fall within certain physical restrictions while the employee continues to heal from a compensable work-related injury or occupational disease.

Criteria

According to the DDS Employee Handbook, accommodations will be made whenever possible to return employees to light duty if recommended by their physician. While on light or restricted duty, the employee cannot work overtime.

Condition

Our review of 15 employees assigned to light duty workers' compensation assignments disclosed six employees charged overtime and light duty in the same period. The employees worked 69.75 hours of overtime.

Context

We identified 57 and 56 employees charging overtime and regular light duty in the same pay period during the fiscal years 2023 and 2024, respectively. According to DDS, the agency informed all supervisors not to allow employees on light duty to work overtime in November 2022. Our review period covered January 1, 2023, through June 30, 2024. We haphazardly selected 15 employees who were on light duty and earned overtime.

Effect

Employees on light-duty workers' compensation assignments may risk further injury by working additional hours or performing work duties beyond their physician's restrictions.

Cause

It appears a lack of management oversight contributed to this condition.

Prior Audit Finding

This finding has previously been reported in the last two audit reports covering the fiscal years 2019 through 2022.

Recommendation

The Department of Developmental Services should monitor employees assigned to workers' compensation light duty to ensure they do not earn overtime while working in a limited capacity.

Agency Response

"The agency agrees with the finding.

Five employees who worked overtime during light duty were direct care workers. In some cases, workers' compensation claims, and paperwork were received from the DAS Worker Compensation Unit after overtime was worked. In other cases, overtime was worked to complete required training.

One employee with a job role of 35 hours per week worked overtime that was authorized by a supervisor to manage case load work shortages.

In April 2025, public employees and supervisors were reminded of the light duty workers' compensation overtime restrictions. The agency will continue to remind all managers and supervisors of over time restrictions for employees on light duty workers' compensations."

Finding 14

Controls Over Compensatory Time

Criteria

In accordance with the Department of Administrative Services Management Personnel Policy 17-01, managerial employees may only be granted compensatory time if they have advance written authorization. Authorization must include the period of extra hours and reason for compensatory time. Proof of advance authorization must be retained in the employee's personnel file for audit purposes. Managers are expected to work the number of hours necessary to finish a job. Therefore, the extra hour or two a manager might work each day or sporadically to complete routine work assignments should not be taken as compensatory time.

Core-CT Job Aids provide guidance for state agencies on setting up an employee's compensatory plan in Core-CT. Enrollment in a compensatory plan is only necessary if the employee is eligible to earn compensatory or holiday time, governed by bargaining unit contracts and stipulated agreements.

Condition

Our review of compensatory time earned by seven managerial employees and two non-managerial employees during the audited period disclosed the following:

In all nine instances, DDS did not adequately support prior approvals for compensatory time accruals. In four instances, DDS approved the authorization forms five to 31 days after accrual. The other five instances had no authorization form on file.

In addition, our review of the compensatory time plan enrollment for 20 employees disclosed the department placed 11 employees in the wrong plan. The enrolled plan did not agree with the plan in the employees' bargaining unit contract.

Context

During the audited period, managerial employees earned 1,002 hours of compensatory time. This represents 23% of the department's compensatory time (4,344 hours in total). We haphazardly selected seven managerial employees and two non-managerial employees who earned 123 hours of compensatory time during the audited period and reviewed one pay period for each employee.

As of June 30, 2024, 1,429 employees were enrolled in a compensatory time plan. We haphazardly selected 20 employees to review for plan enrollment.

Effect

Without proper approval and record retention, the department has an increased risk of employees incorrectly earning, using, or expiring compensatory time, which could result in additional costs to the state. Incorrect compensatory time plans could result in ineligible employees earning time and the improper lapsing of compensatory time.

Cause

The condition appears to be the result of inadequate supervision over compensatory time and a lack of understanding of the correct bargaining contract compensatory plans.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2021 through 2022.

Recommendation

The Department of Developmental Services should strengthen internal controls to ensure employees obtain proper authorization prior to earning compensatory time. The department should also ensure that all compensatory time plans comply with bargaining unit contracts.

Agency Response

"The agency agrees, in part, with finding. There is no financial risk for missing or late pre-approvals for compensatory time as extra hours worked are not paid out and all compensatory time used is approved by supervisors in Core-CT. There is also no financial risk for incorrect compensatory plan enrollment.

We agree that recordkeeping improvements are needed.

Managers or supervisors are always aware of extra hours worked by their employees; however, advance approvals may not always be practical.

We will remind employees of documentation requirements and evaluate centralized retention options to ensure compliance with DAS personnel policies."

Auditors' Concluding Comments

When employees receive paid compensatory time, they did not properly earn, it results in a financial loss for the state. Additionally, employees who enroll in an incorrect compensatory time plan could earn excessive compensatory time or they can accumulate unlimited time, resulting in a financial burden to the state.

Finding 15

Improper Use of Time Reporting Codes

Criteria

Core-CT allows for the use of holiday time reporting codes. Core-CT Job Aids provide holiday processing instructions and detailed explanations on the use of each holiday and holiday compensatory time code. State agencies should only use the holiday time reporting code on a designated state holiday.

According to the union contracts, employees can only charge up to eight hours for each holiday, and they must record any e additional hours as compensatory time or paid overtime. Employees who work on holidays are eligible for overtime or compensatory time.

Condition

Our holiday time reporting code analysis revealed that 74 employees charged 884 holiday hours on non-holidays. In one instance, an employee charged a total of 32 hours on four consecutive days as state holidays.

Additionally, 253 employees incorrectly charged more than eight hours for each holiday, totaling 715 hours.

Context

During the audited period, 679 employees recorded holiday time on non-scheduled holidays. DDS policy allows third-shift employees to record holiday time the day before the designated state holiday, and those instances were excluded from our review.

Effect

When holiday time is incorrectly charged, time and attendance records are inaccurate, and the employee may improperly receive time off.

Cause

Management did not exercise adequate accountability over the holiday time reporting code. The department does not regularly review and verify the accuracy of the reporting of holiday time on non-holidays.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2021 through 2022.

Recommendation

The Department of Developmental Services should strength internal controls to ensure that it properly uses, monitors, and adjusts holiday reporting codes in accordance with Core-CT Job Aids and union contracts.

Agency Response

"The agency agrees with the finding. CORE-CT has limited automated controls in place to prevent time reporting code errors from occurring when time is entered by the employee. Additionally, the correction process is complex.

A STARS report was created in 2024 to identify coding errors and DDS Payroll employees have been making manual time reporting code corrections as needed. The time reporting code errors pre-dated the control enhancements. The agency will continue to use this tool to make corrections going forward."

Finding 16

Unauthorized Extended Sick Leave

Criteria

Section 5-247-11 of the Regulations of Connecticut State Agencies provides that a state agency must require an acceptable medical certificate on the form prescribed by the commissioner of the Department of Administrative Services and signed by a licensed physician or other practitioner to substantiate a request for any sick leave absence of more than five consecutive working days.

Condition

Our review of 16 employees who recorded sick leave for more than five consecutive workdays disclosed that four employees did not have the required medical certificate on file.

Context

DDS had 355 employees use consecutive sick days that required a medical certificate during the audited period. We haphazardly selected 16 employees to review.

Effect

There is an increased risk of sick leave abuse when the department does not obtain required medical certificates.

Cause

DDS did not adequately monitor employees for compliance with medical certificate requirements.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should improve its monitoring of medical leave to ensure that employees provide medical certificates for absences of more than five consecutive working days.

Agency Response

"The agency agrees, in part, with the finding. All extended sick leaves were properly authorized. Most return-to-work forms approved by physicians were uploaded to the DAS Benefit and Leave Pod and retained electronically in the employees UKG file. We recognize that some forms were not uploaded and were retained with employees and supervisors.

We agree that recordkeeping improvements are needed. DDS employees will be reminded of the process to ensure compliance with state regulations."

Finding 17

Lack of Monitoring of Leave in Lieu of Accrual

Criteria

Core-CT allows agencies to temporarily use the Leave in Lieu of Accrual (LILA) time reporting code until it posts monthly accruals to an employee's leave balance. Core-CT Job Aid procedures require state agencies to review monthly usage of LILA time reporting codes and adjust these hours to the appropriate leave accrual codes.

Condition

Our review of 15 employees with 1,522 hours of LILA identified the following conditions:

- DDS did not adjust eight employees' leave accruals for 685 hours of LILA coded to their attendance records.
- DDS adjusted two employees' leave accruals for 132 hours of LILA between four to seven months after they were initially recorded.

Context

During the audited period, there were 59 employees with 1,999 hours of unadjusted LILA charges. We judgmentally selected 15 employees with the highest unadjusted LILA charges, totaling 1,522 hours for our review.

Effect

Lack of monitoring of the use of the LILA time reporting code could result in employees using more leave time than they earned.

Cause

This appears to be the result of an oversight by management in the monitoring of the LILA time reporting code.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Developmental Services should strengthen internal controls to ensure that it monitors and promptly adjusts for the use of the Leave in Lieu of Accrual time reporting code.

Agency Response

"The agency agrees with the finding. Core-CT has limited automated controls available to adjust accruals appropriately and the manual correction process is complex. In addition, the Core-CT report to monitor LILA codes has limited information to efficiently and effectively conduct research and make corrections.

Most LILA code adjustment delays were attributed to leave donation or FMLA approvals received after the time was taken by the employee.

DDS Payroll corrected LILA code and accrual balance errors. The Core-CT LILA report is being reviewed at least monthly to facilitate timely corrections."

Finding 18

Controls Over Abuse and Neglect Investigations

Background

DDS has the statutory obligation to maintain and preserve the health and safety of individuals with an intellectual or other developmental disability. The department is also responsible for maintaining an effective system to identify, address, and prevent instances of abuse and neglect.

Investigations of allegations of abuse and neglect involving individuals who receive direct DDS services are assigned to the Division of Investigations (DOI) or the Abuse Investigation Division (AID). In cases in which DDS assumed jurisdiction, the department may also conduct investigations of allegations of abuse and neglect of individuals who live in their own homes or who directly hire, employ, and manage their staff.

Criteria

Section 17a-210 of the General Statutes requires the commissioner of DDS to conduct or monitor investigations into allegations of abuse and neglect and file reports as requested by state agencies having statutory responsibility for the conduct and oversight of such investigations.

DDS procedure I.F.PR. 003 outlines the policy and procedures for tracking and reviewing abuse and neglect assignments. The policy requires the submission of a completed investigation report no later

than 60 days after intake to allow adequate time for the report and its findings to be reviewed, revised, and given final approval no later than 90 days after the intake date.

The procedure also states the regional abuse and neglect liaisons, and DOI supervisors should track the alleged abuse and neglect investigations to ensure their prompt completion. They should also record the investigation's findings and completion date in a centralized database system (eCAMRIS) and retain them in accordance with the state's records retention schedule.

Condition

We performed an analysis of 607 complaints involving individuals with an intellectual disability, in which DDS was the primary investigative entity and noted that DDS completed investigations of 95 complaints from one to 644 days late. The average delay was 69 days. As of December 16, 2024, 56 cases remained open.

Context

According to the department's tracking system, 6,688 individuals with intellectual disability were involved in an abuse and neglect complaint during the audited period. We performed an analysis on all investigations in which DDS was the primary investigative entity, which involved 607 individuals.

Effect

DDS did not complete the abuse and neglect investigations in accordance with its policy, which increased the risk of delayed detection of abuse and neglect.

Cause

The noncompliance appears to be the result of a lack of staffing and inadequate cooperation among agencies and providers involved with investigations, and limitations with the centralized data system. The department also informed us that external causes, including police involvement, contribute to investigation delays.

Prior Audit Finding

This finding has previously been reported in the last two audit reports covering the fiscal years 2019 through 2022.

Recommendation

The Department of Developmental Services should strengthen its internal controls and monitoring efforts to ensure the prompt completion of abuse and neglect investigations.

Agency Response

"The agency agrees, in part, with the finding. Investigations are assigned promptly to be conducted by DDS (DOI or AID) or qualified provider employees. Final approval, to administratively close out an investigation in the database may be delayed for more complex cases, those involving law enforcement and if there are provider staffing shortages. Pending cases are tracked and monitored by DDS. Critical cases involving protective services take priority and are processed immediately. There was a backlog of

cases that were complete but had not been administratively closed out in the database.

Abuse and Neglect cases may include multiple individuals. There were 72 late cases for 95 individuals and 50 open cases for 56 individuals.

Staffing shortages and database glitches contributed to recordkeeping deficiencies. The case backlog was resolved in July and August 2025. A new abuse and neglect system has been purchased to improve reporting and should be in place in 2026."

Finding 19

Backlog of Mortality Reviews

Background

The Department of Developmental Services bears direct or oversight responsibility for medical care for all individuals who live in DDS operated, funded, and licensed homes or facilities, and individuals who receive supported living services directly provided or funded by the department.

Criteria

DDS mortality review procedures require that the Regional Mortality Review Committee (RMRC) conduct a mortality review of the deaths of all individuals served by the department. Following its review, the committee details its findings, recommendations, and actions on the DDS Mortality Review form and sends it to the Independent Mortality Review Board (IMRB) within 90 days of the death. If the RMRC cannot complete its review and issue a report within 90 days, the committee chairperson notifies the IMRB chairperson before the due date with an explanation for the delay. IMRB should meet quarterly, or more frequently as necessary.

Condition

Our review of 42 mortality reviews disclosed that DDS did not complete the reviews within the required 90 days of death for 41 cases. The reviews were 53 to 609 days late, and an average of 286 days late. Additionally, DDS did not explain or document the reasons for the reporting delays. According to the department's tracking log, as of February 2025, ten of the 42 cases were still open and needed response from other state agencies.

Context

During the audited period, DDS reviewed 42 deaths of individuals within the department's care and forwarded them to the Independent Mortality Review Board. We reviewed all 42 cases.

Effect

DDS did not complete mortality reviews in accordance with department policy, which increases the risk that unexpected deaths due to abuse or neglect were not promptly identified.

Cause

The noncompliance appears to be the result of a lack of management oversight, poor recordkeeping, and staffing shortages due to retirements.

Prior Audit Finding

This finding has previously been reported in the last two audit reports covering the fiscal years 2019 through 2022.

Recommendation

The Department of Developmental Services should strengthen internal controls to ensure that it promptly performs its mortality reviews or documents the reasons for delays.

Agency Response

"The agency agrees with the finding. Records tracked by the IMRB lacked status information from RMRCs. However, there were no open cases that were unexpected deaths caused by abuse or neglect.

DDS has enhanced the tracking, monitoring, and follow up through our databases and regions. Neglect cases are promptly identified, reported and acted upon regionally for a nurse to visit the location in question to address any urgent or ongoing needs for resident follow up and safety. In 2026, there will be an additional IMRB meeting.

DDS is evaluating whether its policy to complete Morality Reviews within 90 days is reasonable based on additional time needed to obtain autopsies, police reports or status for cases referred to the Department of Health."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our prior audit report on the Department of Developmental Services contained 13 recommendations. Three have been implemented or otherwise resolved and ten have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
The Department of Developmental Services should strengthen internal controls to ensure the hiring and promotion process is adequately supported in accordance with DDS and the Department of Administrative Services procedures. The department should promptly perform security checks to help ensure the safety of individuals receiving services.	REPEATED Modified Form Recommendation11
The Department of Developmental Services should strengthen internal controls to ensure that overtime hours are accurately recorded and verified by appropriate personnel.	REPEATED Recommendation12
The Department of Developmental Services should monitor employees assigned to workers' compensation light duty to ensure they do not earn overtime while working in a limited capacity.	REPEATED Recommendation13
The Department of Developmental Services should strengthen internal controls to ensure employees obtain proper authorization prior to earning compensatory time and adequately justify their time. The department should also ensure that all compensatory time plans comply with bargaining unit contracts.	REPEATED Recommendation14
The Department of Developmental Services should strengthen internal controls to ensure that it properly uses, monitors, and adjusts holiday reporting codes in accordance with Core-CT Job Aids.	REPEATED Recommendation15
The Department of Developmental Services should improve internal controls over separation payments to ensure they are accurate and processed in accordance with Section 5-247 of the General Statute.	RESOLVED

Prior Recommendation	Current Status
The Department of Developmental Services should strengthen internal controls to ensure that purchase orders are issued in accordance with Section 4-98 of the General Statutes. In addition, the department should ensure that it adequately supports and properly monitors its family grants.	REPEATED Modified Form Recommendation 7
The Department of Developmental Services should strengthen internal controls over contract processing to ensure compliance with the Office and Policy and Management's procurement standards.	REPEATED Modified Form Recommendation 4
The Department of Development Services should strengthen internal controls to ensure that it promptly posts its receipts in Core-CT and adequately documents receipt dates in accordance with the State Accounting Manual.	REPEATED Recommendation 9
The Department of Developmental Services should strengthen internal controls to ensure compliance with its reporting requirements.	RESOLVED
The Department of Developmental Services should strengthen its internal controls and monitoring efforts to ensure prompt completion and adequate documentation of abuse and neglect investigations.	REPEATED Recommendation18
The Department of Developmental Services should strengthen internal controls to ensure that it promptly performs its mortality reviews or documents the reasons for delays. Additionally, the department should update its policies and procedures to reflect current practices.	REPEATED Modified Form Recommendation19
The Department of Developmental Services should ensure that its policies and procedures are current, available to all users, and presented and organized in a user-friendly manner.	RESOLVED

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Department of Developmental 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 fiscal years ended June 30, 2023 and 2024. The objectives of our audit were to evaluate the:

1. Department's internal controls over significant management and financial functions;

2. 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. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included payroll and personnel, revenue and cash receipts, accounts receivable, purchasing and expenditures, asset management, reporting systems, fiduciary funds, abuse and neglect investigations, mortality reviews, and internal audit services. We also determined the status of the findings and recommendations in our prior audit report.

The Department of Administrative Services administers human resources and information technology for the Department of Developmental Services. Our audit reviewed these functions, based on assessments of risk and significance, as they relate to the Department of Developmental Services. Our review did not include reviewing other aspects of the Department of Administrative Services' operations.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the department and certain external parties. We also tested selected transactions. Our transaction selections were designed to provide sufficient and appropriate evidence to support our findings, conclusions, and recommendations. This testing was not designed to project to a population unless specifically stated. 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying financial information is presented for informational purposes. We obtained this information from various available sources including the department's management and state information systems. It was not subject to our audit procedures. For the areas audited, we identified

1. Deficiencies in internal controls;

2. Apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Department of Developmental Services.

ABOUT THE AGENCY

Overview

The Department of Developmental Services (DDS) was established by Section 17a-210 of the General Statutes. DDS, with the advice of the Council on Developmental Services, is responsible for the planning, development, and administration of complete, comprehensive, and integrated statewide services for persons with intellectual disability and persons medically diagnosed as having Prader-Willi Syndrome.

DDS provides services through a decentralized system that relies on state and contracted private provider agencies. They include residential and day services; in-home, employment and family support; respite, and case management. The department also provides transportation, interpreters, and clinical services.

As part of its mission, DDS partners with the individuals it supports and their families, to enable lifelong planning and join with others to create and promote meaningful opportunities for them to fully participate as valued members of their communities.

Organizational Structure

DDS is organized into three geographical regions and is administered out of the central office in Hartford. Each region is managed by a regional director, and the Southbury Training School is managed by a director. Within each region, there are also assistant regional directors overseeing individual and family support, and public and private community living arrangements (CLA). The three geographical regions and their headquarters are as follows:

- North Region - Provides support and services to individuals and their families in 57 towns and cities in Hartford, Tolland, and Windham counties. The regional office is in East Hartford, and there are three satellite offices in Newington, Putnam, and Willimantic.

- South Region - Provides support and services to individuals and their families in 63 towns and cities in the New Haven, Middlesex, and New London counties. The regional office is in Wallingford and there are two satellite offices in Norwich and New Haven.

- West Region - Provides support and services to individuals and their families in 49 towns and cities in Litchfield, Fairfield, and New Haven counties. The regional office is in Waterbury, and there are five satellite offices in Cheshire, Stratford, Torrington, Norwalk, and Danbury. There also are three residential campuses, including Northwest Center in Torrington, Lower Fairfield Center in Norwalk, and Southbury Training School (STS) in Southbury. STS employs over 500 full time, part time, and consulting staff.

As of June 30, 2024, DDS had 2,699 General Fund positions filled, and two federally funded positions filled.

Jordan Scheff served as commissioner during the audited period. After Commissioner Scheff's departure on June 12, 2026, Deputy Commissioner Elisa Velardo was appointed as the interim commissioner and continues to serve in that capacity.

Boards and Councils

DDS benefits from insights and guidance offered by various advisory boards, councils, and committees.

These groups include the following:

- Camp Harkness Advisory Committee – Section 17a-217a of the General Statutes established the Camp Harkness Advisory Committee. The committee consists of 12 appointed members who advise the commissioner with respect to the health and safety of persons who attend and utilize the facilities at Camp Harkness. The committee promotes the camp's services and develops recommendations for the commissioner regarding its use.

- Intellectual Disability Partnership Advisory Committee – Section 17a-211e of the General Statutes established the Intellectual Disability Partnership Advisory Committee. The committee consists of 14 members and assists in the planning and implementation of the work of the Intellectual Disability Partnership, which is comprised of the Department of Developmental Services, the Office of Policy and Management, and the Department of Social Services.

- Council on Developmental Services – Section 17a-270 of the General Statutes established the Council on Developmental Services. The council consists of 15 appointed members: eight appointed by the Governor to two-year terms, six appointed by legislative leaders to two-year terms, and one member appointed by the Southbury Training School Board of Trustees to a one-year term. The council was established to advise and consult with Connecticut residents with intellectual disabilities and their families on issues affecting DDS and its programs and services. In consultation with the commissioner, the council recommends legislation to the Governor and the General Assembly that would enhance and improve the quality of DDS programs and services.

- Southbury Training School Board of Trustees – Section 17a-271 of the General Statutes established the Southbury Training School Board of Trustees. The board consists of seven members appointed by the Governor to four-year terms. The board advises the director of Southbury Training School on general policies concerning its operation and administration, conducts annual inspections, and may recommend matters to the Council on Developmental Services, as it deems necessary.

- Regional Advisory Councils – Section 17a-273 of the General Statutes established the advisory and planning council for each DDS state developmental region. Each of the three regions has its own council consisting of at least ten appointed members who serve three-year terms. The regional councils consult and advise each regional director on the needs of persons with developmental disabilities, the annual plan and budget of the region, and other matters it deems appropriate.

- Connecticut Council on Developmental Disabilities – Officially established by Governor Malloy's Executive Order No. 19 in 2012. The council consists of 24 members appointed by the Governor to three-year terms. The council's mission promotes the full inclusion of people with disabilities in community life. The council is 100% federally funded and is assigned to DDS for administrative purposes. The council uses approximately 70% of its funds for grants to various non-profit organizations for projects and studies that support its mission. The council uses the remainder of its funds for salaries and fringe benefits of a director, two staff members, and additional expenses. DDS provides the council office space at its central office as an in-kind contribution.

Significant Legislative Changes

Notable legislative changes that took effect during the audited period are presented below:

- Public Act 23-137 (Section 1), effective July 1, 2023, required the DDS commissioner to create a plan to establish a Transitional Life Skills College program to support certain persons with

intellectual or other developmental disabilities who are transitioning out of high school or to independent living.

- Public Act 23-137 (Section 12), effective June 27, 2023, required the DDS commissioner, in consultation with relevant councils, to review the rights of individuals under the commissioner's supervision. This includes evaluating access to medical treatment, freedom from excessive restraint, and private communication with legal representatives. The commissioner must report any recommendations for improvements to the Human Services and Public Health committees by December 1, 2023, to ensure the individuals with intellectual and developmental disabilities are fully protected.

- Public Act 24-134 (Section 7), effective June 6, 2024, required the DDS commissioner, in collaboration with the OPM secretary, to reduce waiting lists for Medicaid wavier programs. By January 1,2024, and annually thereafter, reports must be filed detailing data on individuals with intellectual and developmental disabilities waiting for and receiving services, including age ranges, caregiver information, and changes in waiting lists. The report must also include DDS's recommendations to reduce waiting times. The commissioner must post the report on the department's website.

- Public Act 24-122 made the following changes:

  Sections 1 and 2, effective June 5, 2024, required DDS to establish an Oral Health and Dental Services Unit within DDS's Health and Clinical Services Division, and allows DDS to contract with dentists or provisionally licensed dentists.

  Sections 7 and 8, effective July 1, 2024, authorized DDS to temporarily transfer residents who were under DDS operated or funded residential facilities, for up to 90 days during certain emergency situations. The prior law required DDS to give at least ten days' prior notice before transferring a facility resident.

  Section 12, effective June 5, 2024, granted the Office of Labor Relations access to DDS's abuse and neglect registry for employment screening with state agencies.

  Section 16, effective June 5, 2024, permitted DDS to share information with specific entities regarding revoked licenses of community living arrangements or companion homes due to abuse and neglect.

Other Information

Census Statistics

A summary of census statistics for the various services for individuals within the department's care during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Residential Supports:			
Individuals Living at Home	11,747	11,871	12,074
Individuals in Public Residential Settings	416	391	368
Individuals in Private Residential Settings	4,541	4,500	4,491
Individuals in Other Residential Settings	553	586	548
Total Individuals Receiving Residential Supports:	17,257	17,348	17,481
Work and Day Supports:			
Individuals Receiving Public Work and Day Supports	132	106	99
Individuals Receiving Private Work and Day Supports	13,011	13,640	13,554
Individuals Self-Directing Work and Day Supports	960	1,049	1,042
Total Individuals Receiving Work and Day Supports:	14,103	14,795	14,695
Total Individuals with No Work and Day Supports:	3,154	2,553	2,786
Total Individuals Utilizing Respite Centers:	577	693	683
Total Individuals on Waiting and Planning Lists:	1,792	1,527	1,598

Financial Information

Per Capita Costs

Under the provisions of Section 17b-223 of the General Statutes, the State Comptroller is required to annually determine the per capita costs for the care of all persons in state institutions. Annual costs for the in-residence population for the audited period were as follows:

	Fiscal Year Ended June 30, 2023	
	Inpatient Annual	Group Home Annual
North Region	$ 709,195	$ 734,745
South Region	N/A	$ 866,510
West Region	$ 469,390	N/A
Southbury Training School	$ 528,520	N/A

	Fiscal Year Ended June 30, 2024	
	Inpatient Annual	Group Home Annual
North Region	$ 889,140	$ 705,180
South Region	N/A	$ 951,920
West Region	$ 459,170	N/A
Southbury Training School	$ 582,905	N/A

General Fund Receipts

A summary of General Fund receipts during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Refunds of Expenditures	$ 1,026,140	$ 1,367,614	$ 860,141
Refunds of Salaries	$6,648	-	-
Cottages or Residences	15,606	16,206	9,853
Farms, Land and Buildings	13,860	13,860	13,860
Refunds on Action Sales	-	6,112	37,656
All Other	11,772	2,178	1,826
Total	**$ 1,074,326**	**$ 1,405,970**	**$ 923,336**

The Department of Social Services (DSS) performs audits of DDS providers, which results in refunds of expenditures. The large decrease in refunds of expenditures was contributed to many audit payback terms ending after fiscal year 2023. Additionally, DDS auctioned old state vehicles through Department of Administrative Services (DAS), which resulted in increased refunds during the audited period.

General Fund Expenditures

A summary of General Fund expenditures during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Personal Services and Employee Benefits:			
Salaries and Wages	$ 201,258,432	$ 212,487,774	$ 212,266,303
Workers' Compensation	348,698	362,782	846,497
All Other	256,702	203,924	223,389
Total Personal Services and Employee Benefits	201,863,832	213,054,480	213,336,189
Purchased and Contracted Services:			
Professional, Scientific, and Technical Services	4,524,545	6,902,611	7,500,817
Individual Services	336,411,309	358,332,216	1,195,940,286
Premises and Property Expenses	6,800,937	7,290,121	6,636,477
Purchased Commodities	3,398,113	4,142,413	4,447,124
Motor Vehicle Costs	2,258,812	2,398,966	2,729,886
Fixed Charges	764,142	1,376,512	17,195,818
All Other	3,240,316	3,720,343	4,586,042
Total Purchased and Contracted Services	357,398,174	384,163,182	1,239,036,450
Total Fund Expenditures	**$ 559,262,006**	**$ 597,217,662**	**$1,452,372,639**

The Increase in salaries and wages during the audited period was primarily due to new hires filling vacant positions from mass state agency retirements in fiscal year 2022. The increase in workers' compensation for fiscal year 2024 resulted from expanding coverage to include self-employed workers in both Day Services and Residential Services.

In fiscal year 2024, increases in individual services and fixed charges were a result of funding that was directly appropriated to DDS. DDS recorded these expenditures through its own accounts. In prior years, funds were transferred from the Department of Social Services.

Federal and Other Restricted Accounts Fund Receipts

A summary of Federal and Other Restricted Accounts Fund receipts during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Federal Aid	$ (917,211)	$ 867,778	$ 1,060,879
Federal Grant Transfers	1,100,622	603,646	241,520
Non-Federal Aid	0	21,520	105,000
Refunds of Expend-Prior Years	0	3,056	0
Restricted Aid – Non-Grant Transfer	704,454,796	817,765,200	0
Total Fund Receipts	**$ 704,638,207**	**$ 819,261,200**	**$ 1,407,399**

The fluctuation in federal aid from fiscal year 2022 to 2023 was due to the reversal of an allotment for COVID Relief Funds in fiscal year 2022. The decrease in federal grant transfers and restricted aid non-grant transfers was primarily due to DDS received less federal funding in fiscal year 2024 compared to

previous years. Additionally, DDS obtained direct funding appropriations starting in fiscal year 2024 without having to go through the DDS transfer account.

Federal and Other Restricted Accounts Fund Expenditures

A summary of Federal and Other Restricted Accounts Fund expenditures during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Personal Services and Employee Benefits:			
Salaries and Wages	$ 143,833	$ 180,576	$ 207,193
Employee Benefits	1,188,891	1,252,735	161,068
All Other	-	2,613	7,502
Total Personal Services and Employee Benefits	1,332,724	1,435,924	375,763
Purchased and Contracted Services:			
Professional, Scientific, and Technical Services	1,654,918	1,714,445	-
Individual Services	689,870,312	786,328,751	29,997,033
Fixed Charges	11,826,074	61,498,042	22,826,918
All Other	293,797	280,756	137,723
Total Purchased and Contracted Services	703,645,101	849,821,994	52,961,674
Total Fund Expenditures	**$ 704,977,825**	**$ 851,257,918**	**$ 53,337,437**

The decrease in employee benefits in fiscal year 2024 was due to the Worker Compensation account being transitioned to centralized Human Resources at the Department of Administrative Services (DAS).

The significant decrease in the purchased and contracted services categories in fiscal year 2024 resulted from funding that was no longer being transferred through DSS. DDS is now the direct recipient of these funds. As a result, the transfer accounts have been eliminated and leading to notable increases in general fund expenditures.

Capital Improvements

Capital improvement expenditures totaled $2,853,736 and $1,969,371 for the fiscal years 2023 and 2024, respectively. The decrease can be attributed to reductions in expenditures for property maintenance and services and building improvements.

Community Residential Facility Revolving Loan Fund

The Community Residential Facility Revolving Loan Fund was established by Section 17a-221 of the General Statutes and allows the department to provide loans for the construction, purchase, or renovation of community-based residential facilities.

As of June 30, 2024, the fund had an outstanding balance of $15,196,444 in loans for community residential facilities. New loans issued totaled $472,917 and $0 for the fiscal years 2023 and 2024, respectively.

Receipts of the fund, consisting primarily of principal repayments and interest income on residential community loans, totaled $1,801,395 and $1,799,524, for the fiscal years 2023 and 2024, respectively.

Trustee Accounts

In accordance with Section 4-52 of the General Statutes, the DDS trustee accounts derive revenue from vending machine commissions, DDS individual workshops, fundraisers, and donations which are to be used to benefit DDS individuals and staff.
Individual funds include the custodial accounts for personal monies of those within the department's care.

Total assets comprising the department's trustee accounts totaled $44,600,268 as of June 30, 2024.

Southbury Training School Foundation

The Southbury Training School (STS) has an affiliated foundation, the Southbury Training School Foundation, Inc. A public accounting firm performed a financial statement audit of the foundation for the fiscal years ended October 31, 2023, and 2024 and reported the financial statements were presented fairly and noted no findings in either year.

According to the foundation's financial statements for the fiscal year ended October 31, 2024, revenues and expenses for the fiscal year were approximately $238,496 and $182,407, respectively, and net assets totaled $1,242,754.