STATE OF CONNECTICUT

AUDITORS' REPORT
CHILDREN'S TRUST FUND COUNCIL
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2006

AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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October 12, 2007

AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2006

We have examined the financial records of the Children's Trust Fund Council for the fiscal years ended June 30, 2005 and 2006. This report of that examination consists of the Comments, Recommendations and Certification that follow.

This audit examination of the Children's Trust Fund Council (hereinafter referred to as the Children's Trust Fund or "CTF") has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control structure policies and procedures established to ensure such compliance. Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies.

COMMENTS

FOREWORD:

Section 17a-50 of the General Statutes contains the Children's Trust Fund Council's statutory authority and responsibility. The Council's principal public responsibility is to fund programs aimed at preventing child abuse and neglect and family resource programs. This is accomplished through the following programs administered by the Council.

Nurturing Families Network – provides education and support for all interested new parents and intensive home visiting services for parents identified as most at risk. This is the main program supported by the Children's Trust Fund.

Family Empowerment Initiatives – includes eight prevention programs that assist high-risk groups of parents with children of various ages. The programs are co-located in various settings where families may be addressing other issues, including a school, a substance abuse center, a prison, a domestic violence shelter, a child guidance center and a public housing project.

Help Me Grow Program – identifies and refers young children with behavioral, health, development and psychosocial needs to community-based services. The program services children who may not be eligible for the state's Birth to Three or preschool special education programs, yet are still at risk for developmental problems.

Kinship and Grandparents Respite Fund – awards small grants to orphaned or abandoned children and the court-appointed relative guardians they live with. The Children's Trust fund provides funding to eight probate courts to administer the program.

The Parent Trust Fund – provides grants to offer classes to parents to help improve the health, safety and education of children by training parents in leadership skills and by supporting the involvement of parents in community affairs.

Family Development Credential and Training Program – offers family servicing agencies with training for their staff so that they have the skills needed to help the families they serve attain healthy self-reliance within their communities.

Child Sexual Abuse Project – develops strategies to prevent child sexual abuse by focusing on involving adults throughout the community in these efforts.

Shaken Baby Prevention Project – trains hospital and medical professionals and community service providers throughout Connecticut on methods to prevent shaken baby syndrome. Three regional trainers provide outreach, education and support to the community on preventing shaken baby syndrome.

The Children's Trust Fund Council is within the Department of Children and Families for administrative purposes only. The Children's Trust Fund Council is composed of sixteen members as follows: the Commissioners of the Department of Social Services (DSS), Department of Education (DOE), Department of Children and Families (DCF), and Department of Public Health (DPH), or their designees; four representatives of the business community with experience in fund-raising; three parents; two persons with expertise in child abuse prevention; two staff members of a child abuse prevention program; and a pediatrician. The members as of June 30, 2006, were as follows:

Sylvia Gafford-Alexander, MSW (DSS designee)
Paul Flinter (DOE designee)
Rudolph Brooks (DCF designee)
Nancy Berger, MPH (DPH designee)
Laura Amenta
Donna Grant

Vacancy
Bonnie Stewart
Bernard E. Jacques, Esq.
Flo Woodiel, Chairperson
Vacancy
Joan Barry-Parris, MA
Carolyn Signorelli, Esq.
Dr. Paul Dworkin
Rose Marie DeRoche, M.Ed., LCSW
Dr. Frederick Berrien, MD

In addition to the above Council members, Jason Bartlet, Mary Ann Dayton-Fitzgerald and Lisa McGuire also served during the audit period.

The Council may, subject to the provisions of Chapter 67 of the General Statutes, employ an Executive Director and any necessary staff within available appropriations. Karen Foley-Schain was the Executive Director during the audit period and continues to serve in that capacity. The Children's Trust Fund had thirteen full-time employees and one part-time employee as of June 30, 2006.

RÉSUMÉ OF OPERATIONS:

General Fund:

Receipts:

General Fund receipts for the fiscal years examined and the prior fiscal year were $180, $11,675 and $58,536, respectively, and were for refunds of expenditures.

Expenditures:

A summary of General Fund expenditures during the audited period, along with those of the preceding fiscal year, follows:

	Fiscal Year Ended June 30,		
	2004	**2005**	**2006**
Personal Services	$ 429,547	$ 582,519	$ 697,098
Contractual Services	144,747	354,765	1,131,961
Commodities	33,733	13,089	12,489
Capital Outlay	0	0	1,469
Grants	4,894,939	5,185,028	7,828,014
Total Expenditures	**$ 5,502,966**	**$ 6,135,401**	**$ 9,671,031**

Personal services increased during the 2004-2005 and 2005-2006 fiscal years due to the hiring of new staff and because of collective bargaining increases affecting salary and wages for full time employees. In addition, during the 2005-2006 fiscal year the Agency received additional General Fund appropriations for salaries for the expansion of the

Nurturing Families Network. During the 2004-2005 fiscal year, funding for this project was appropriated to DCF, transferred to CTF, and coded to the Federal and Other Restricted Accounts Fund.

Contractual services increased during the 2004-2005 and 2005-2006 fiscal years due to an increase in funding for the Kinship Program. These expenditures were coded as management consulting services in error. Contractual services also increased during the 2005-2006 fiscal year due to a change in the way accounting/auditing services were charged. During 2004-2005 fiscal year they were charged to client services/grants in error.

Grants increased during the 2005-2006 fiscal year primarily due to funds appropriated directly to CTF for the expansion of the Nurturing Families Network in the Hartford area. As mentioned previously, during the 2004-2005 fiscal year, funds for this project were appropriated to DCF, transferred to CTF, and coded to the Federal and Other Restricted Accounts Fund.

Special Revenue Funds:

Federal and Other Restricted Accounts Fund:

Receipts:

Federal and Other Restricted Accounts Fund receipts for the fiscal years examined and the prior fiscal year are summarized below:

	Fiscal Year Ended June 30,		
	2004	**2005**	**2006**
Federal Grants:	$ 1,533,098	$ (944,014)	$ 712,938
Non-Federal Aid	151,598	185,225	270,471
Grant Transfers – Non-Federal	2,500	720,310	0
Investment Interest	3,188	10,396	20,113
Total General Fund Receipts:	**$ 1,690,384**	**$ (28,083)**	**$ 1,003,522**

Federal grants decreased during the 2004-2005 fiscal year because DCF posted a deposit of $1,323,354 to the accounts of CTF in error. During the 2004-2005 fiscal year a correction was made, thus leaving a negative balance. Without these errors, Federal revenues would have been reported as $209,744 and $379,340 for the 2003-2004 and 2004-2005 fiscal years, respectively. Federal grants revenue increased during the 2005-2006 fiscal year due to the timing of drawdowns.

Grants transfers (non-Federal) increased during the 2004-2005 fiscal year because, pursuant to Section 20 of Public Act 04-258, DCF transferred funds appropriated to DCF to be used by CTF for the expansion of the Nurturing Families Program in Hartford and for staff and expenses associated with such expansion. During the 2005-2006 fiscal year this project was included in the General Fund appropriations of CTF. The non-Federal aid reported is primarily for donations, private grants and fundraisers.

Expenditures:

A summary of expenditures during the audited period, along with those of the preceding fiscal year, follows:

	Fiscal Year Ended June 30,		
	2004	**2005**	**2006**
Federal:			
Personal services	$ 177,868	$ 225,015	$ 334,591
Contractual services	25,495	102,829	201,469
Commodities	52,469	23,230	14,313
Grants	77,924	113,324	46,300
Total Federal Accounts	333,756	464,398	596,673
Non-Federal			
Personal services	$ 0	$ 90,587	$ 0
Contractual services	20,705	28,135	40,071
Commodities	27,213	11,490	15,793
Grants	101,183	728,407	161,904
Total Non-Federal Accounts	149,101	858,619	217,768
Total Expenditures	**$ 482,857**	**$1,323,017**	**$ 814,441**

Federal expenditures are related to the administration of the Community-Based Child Abuse Prevention Programs. Non-Federal personal services were $90,587 during the 2004-2005 fiscal year due to the use of a private grant to fund one part-time salary and because payroll expenditures were incurred for the Nurturing Families Network Hartford Expansion. As mentioned previously, these funds were transferred from DCF. Funding from the private grant for payroll costs was not received in the 2005-2006 fiscal year. Non-Federal grants were also for the Nurturing Families Network Hartford expansion. Funds for the Nurturing Families Network expansion were included in CTF’s General Fund appropriations for the 2005-2006 fiscal year.

Other Special Revenue Funds:

The Department also received funding from the Capital Equipment Purchases Fund. Total expenditures for the 2004-2005 and 2005-2006 fiscal years were $0 and $7,854, respectively.

CONDITION OF RECORDS

Our testing of Children's Trust Fund identified the following areas that warrant comment.

Inventory Reporting:

Criteria: Section 4-36 of the General Statutes requires that each State Agency establish and keep an inventory account in the form prescribed by the State Comptroller. The State Property Control Manual requires that the Core-CT Asset Management Module is the property control system to be utilized by all State Agencies, with limited exceptions, to record and control all property owned by and/or in the custody of a State Agency. The State Property Control Manual also requires that State Agencies maintain a detailed software inventory listing.

The Agency is required to transmit annually, on or before October first, to the Comptroller a detailed inventory, as of June thirtieth, of all property, real or personal, owned by the State and in the custody of such department.

Condition: Our review disclosed that the Agency did not complete a CO-59 Fixed Assets/Property Inventory Report for the fiscal years ended June 30, 2005 or June 30, 2006. Our review also disclosed that although the Agency transferred its inventory onto the Core-CT Asset Management Module in 2004, the Agency has not been tracking its inventory on Core-CT. In addition, the Agency does not have a detailed software inventory listing.

Effect: Without detailed inventory reports, the Agency decreases its ability to properly safeguard State assets. The Agency is not in compliance with the State Comptroller's Property Control Manual.

*Cause***:** In the past, all equipment in the custody of the Children's Trust Fund was on loan from the Department of Children and Families (DCF) and CTF was not required to prepare a CO-59 Annual Inventory Report. Subsequently, CTF purchased its own equipment and Agency personnel were unaware that a separate CO-59 should have been prepared.

The Agency has been tracking its inventory on an Excel spreadsheet and has not had the time to devote to updating the Core-CT Asset Management Module due to a lack of staff. Since DCF administers all computer related functions for the Agency, CTF staff had the understanding that DCF maintained a listing of the computer software.

Recommendation: The Children's Trust Fund should prepare a CO-59 Fixed Assets/Property Inventory Report, should track inventory on the Core-CT Asset Management Module, and should maintain a detailed software inventory listing. (See Recommendation 1.)

Agency Response: "Going forward, the Agency will transmit a CO-59 Fixed Assets/Property Inventory Report to the Comptroller before October 1st of each year. In addition, inventory will be tracked on the Core-CT Asset Management Module, and we will maintain a detailed software inventory."

Revenue:

Criteria: Section 4-32 of the General Statutes requires that an agency shall account for receipts within twenty-four hours and if the total receipts are $500 or more, deposit the same within twenty-four hours of receipt. Total daily receipts of less than $500 may be held until the receipts total $500, but not for a period of more than seven calendar days. The Comptroller's State Accounting Manual requires agencies to keep a receipts journal that indicates the date of receipt.

With the implementation of Core-CT, on a daily basis the bank deposit information is entered into Core-CT through an interface between the bank and State. The "Entered Date" recorded on Core-CT represents the date the deposit information was loaded into the system and is ready to be recorded by direct journal. During the audit period, the journal "Posted Date" was the date the posting process was run and the journal actually appeared in the General Ledger.

Condition: Our review of thirty receipts disclosed that six deposits totaling $73,108 were posted to the General Ledger between six and nineteen days after the information was available to be recorded on Core-CT. In addition, the Agency did not maintain a complete cash receipts journal that indicated the date of receipt. Because supporting documentation was not date stamped, we were unable to determine the initial receipt date of receipts.

Effect: Without properly recording the date of receipt, it is unknown whether Agency receipts were deposited in a timely manner as required by Section 4-32 of the Connecticut General Statutes and incomplete receipts records are in violation of the State Comptroller's requirements. There was non-compliance with Section 4-32 of the General Statutes with regard to late accounting.

Cause: We were informed that the improper recording of the receipt dates in the receipts journal was an oversight and receipts were not accounted for in a timely manner due to lack of time and staff.

Recommendation: The Agency should institute procedures to comply with the Comptroller's State Accounting Manual and to ensure that receipts are accounted for in a timely manner. (See Recommendation 2.)

Agency Response: "The Agency has begun to maintain a complete cash receipts journal that includes the date of receipt. Supporting documentation will be date stamped accordingly. The Agency will account for receipts according to Section 4-32 of the General Statutes."

State Accountability Directive Number One:

Criteria: The State Comptroller's Accountability Directive Number One requires all State Agencies to perform an internal control self-assessment to be completed by June 30th of each fiscal year.

Condition: Our review disclosed that the Agency did not perform an internal control self-assessment for the fiscal years ending June 30, 2005 and 2006.

Effect: The Agency was not in compliance with the State Accountability Directive Number One, thereby increasing the risk that internal control weaknesses could go undetected.

Cause: Agency staff were unaware of this requirement.

Recommendation: The Agency should comply with State Accountability Directive Number One by performing annual internal control self-assessments. (See Recommendation 3.)

Agency Response: "The Agency will perform an internal control self-assessment by June 30th of each fiscal year according to the Comptroller's Accountability Directive Number One"

Reports Required by Statute:

Criteria: Section 4-60 of the General Statutes requires that the executive head of each budgeted agency shall, on or before September 1st, annually, deliver to the Governor a report of the activities of such agency during the fiscal year ended the preceding June 30th.

Section 17a-56(f) of the General Statutes, effective July 8, 2005, requires that the Children's Trust Fund Council shall report to the General Assembly on the establishment, implementation, and progress of the Nurturing Families Network on January 1st and July 1st of each year.

Condition: The Children's Trust Fund did not submit an administrative report to the Governor for the fiscal years ended June 30, 2005 or 2006. In addition, the Agency did not submit a report to the General Assembly on the Nurturing Families Network on January 1st, 2006.

Effect: There is non-compliance with Sections 4-60 and 17a-56(f) of the General Statutes.

Cause: Agency staff were unaware that the reports were required.

Recommendation: The Children's Trust Fund should prepare and submit reports required by Sections 4-60 and 17a-56(f) of the General Statutes. (See Recommendation 4.)

Agency Response: "The Agency will prepare reports required by Sections 4-60 and 17a-56(f) of the General Statutes."

Purchasing, Receiving and Expenditures:

Criteria: Section 4-98(a) of the General Statutes states that no budgeted agency may incur any obligation except by the issuance of a purchase order and a commitment transmitted to the State Comptroller. Proper internal controls require that commitment documents be properly authorized prior to receipt of goods or services.

The State Accounting Manual requires that agencies are responsible to ensure that accounts payable procedures are supported by proper internal controls. Such internal controls include the proper recording of expenditure receipt dates.

Condition: Our review of fifty-five expenditure transactions for the fiscal years ending June 30, 2005 and 2006, disclosed that twenty-three transactions had purchase orders that were created after goods or services were received or rendered and twenty-two transactions had the incorrect receipt date recorded.

Effect: When expenditures are incurred prior to the commitment of funds, there is less assurance that agency funding will be available at the time of payment.

The incorrect recording of dates could result in the improper reporting of year-end vendor payables and a lack of compliance with Generally Accepted Accounting Principles.

Cause: The purchasing process was not completed in a sequential manner due to the lack of staff during the audited period. Agency staff misunderstood the proper receipt date to be recorded for expenditures for contracts.

Recommendation: The Agency should strengthen internal controls to ensure that funds are committed prior to purchasing goods and services and receipt dates are correctly recorded. (See Recommendation 5.)

Agency Response: "The Agency has strengthened internal controls to ensure that funds are committed prior to purchasing goods and services and that receipt dates are correctly recorded."

Purchases for Food and Flowers:

Criteria: Section 4-97 of the General Statutes provides that no part of an appropriation shall be used for any other purpose than that for which it was made. Good business practice requires that an entity's expenditures should be for valid and reasonable business purposes.

The CTF is responsible for the administration of a Federal Community-Based Child Abuse Prevention (CBCAP) award. The purpose of the grant is to support community-based efforts to develop, operate, expand, enhance, and, where appropriate, to network, initiatives aimed at the prevention of child abuse and neglect. On an annual basis, the CTF submits a grant application to the Federal Government that includes a budget detailing how expenditures for the grant will be used.

In order for expenditures to be allowable under Federal awards, they must be in compliance with OMB Circular A-87, which requires that costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards. Costs must also be allocable to Federal awards.

Condition: Our review of expenditures during the audit period disclosed the following conditions.

Flower purchases
Our review disclosed that the Agency made five purchases for flowers totaling $333, of which $201 was charged to the Federal CBCAP grant and $132 was charged to the General Fund. These purchases were for sympathy, get-well, congratulatory and thank-you gifts to employees, Council members and an agency contractor.

Food and catering purchases
The Agency maintains written guidelines regarding the offering of food for meetings that allow for the purchasing of meals and snacks depending on the time of the meeting. The guidelines state that for meetings starting between 4:00 to 5:30 p.m., crackers, cheese and drinks will be offered. For meetings starting at 5:30 p.m. or later, dinner will be ordered. Our review disclosed five payments totaling $722 for dinners served at Council meetings. The meetings were held from 4:30 to 6:00 p.m. and would not require the purchasing of food according to the Agency's policy. Our review further disclosed that although the Council Handbook requires that each Council member contribute $75 towards the costs of meals at meetings on an annual basis, we were able to identify the receipt of only one payment from one council member during the audit period. All of the Council meals were charged entirely to the Federal CBCAP grant and do not appear to be allowable direct charges to the grant.

We noted that no costs for flowers or catering for Council meetings were specifically identified in the application budget for the Federal CBCAP award that was submitted to the Federal government.

Effect: Expenditures were incurred that were not for necessary business purposes and appear to represent unnecessary use of State and Federal funds. Expenditures were incorrectly charged to the Federal CBCAP grant.

Cause: The Agency believed that these were allowable expenditures. We were informed that contributions were not collected from Council members due to administrative oversight.

Recommendation: The Agency should institute procedures to ensure that all expenditures are incurred for valid and reasonable business purposes and charged to appropriate funding sources. (See Recommendation 6.)

Agency Response: "The flowers were for individuals dealing with a serious illness, a difficult birth or death. In the Agency's haste to offer support the flowers were billed to the Agency. The Agency has put a system in place to avoid this in the future. Because the Council decided it wanted to cover the expense of a light supper at its meetings the Agency didn't feel the policy applied. The Agency has put a more effective system in place to collect funds intended for this purpose going forward."

Contracts:

Criteria: Section 4-212 of the General Statutes defines a personal service contractor as any person, firm or corporation not employed by the State who is hired by a State agency for a fee to provide services to the agency. Section 4-213 of the General Statutes requires that no State agency may hire a personal service contractor without executing a personal service agreement with such contractor. Section 4-216 (b) of the General Statutes requires that each personal service agreement having a cost of more than fifty thousand dollars or a term of more than one year shall be based on competitive negotiation or competitive quotations, unless the State agency purchasing the personal services applies to the secretary of the Office of Policy and Management (OPM) for a waiver from such requirements and the secretary grants the waiver.

Section 4-70b(c) of the General Statutes assigns overall responsibility for developing standard policies and procedures for the purchase of human services to the Office of Policy and Management. OPM defines a purchase of service (POS) contract as an agreement between a State agency and an organization for the purchase of direct human services to agency clients.

Condition: Our review disclosed that the Department entered into two purchase of service contracts with one contractor in the amounts of $287,285 and $1,037,859 for the periods July 1, 2004, through June 30, 2005, and July 1, 2005, through June 30, 2008, respectively, to perform evaluation research studies of the Agency's programs. Since the contractor was not performing direct human services to Agency clients, the Agency should have executed a Personal Service Agreement and conducted a competitive negotiation or requested a waiver from competitive negotiation from OPM. Total payments to this contractor were $287,285 and $360,953 for the fiscal years ended June 30, 2005 and 2006, respectively.

Effect: When contracts are not awarded through competitive negotiations, there is less assurance that the State is receiving the best price.

Cause: We were informed that the Agency believed that the contracts did not require competitive negotiations due to language in the 1997-1999 Summary of Revenue Appropriations and Bonds Authorized by the General Assembly prepared by the Office of Fiscal Analysis in July 1998 that specified that $120,000 annually would be used for a study conducted by the contractor.

Recommendation: The Department should institute procedures to ensure that contracts are awarded in compliance with State purchasing regulations. (See Recommendation 7.)

Agency Response: "The Agency will treat its contract for evaluation research studies as a personal service agreement and institute procedures to ensure that the contract is awarded within State purchasing regulations for that type of contract."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

This is the first audit report issued on the Agency.

Current Audit Recommendations:

1. **The Agency should prepare a CO-59 Fixed Assets/Property Inventory Report, should track inventory on the Core-CT Asset Management Module, and should maintain a detailed software inventory listing.**

   Comment:

   Our review disclosed that the Agency did not complete a CO-59 Fixed Assets/Property Inventory Report for the fiscal years ended June 30, 2005 or June 30, 2006. Our review also disclosed that although the Agency transferred its inventory onto the Core-CT Asset Management Module in 2004, the Agency has not been tracking its inventory on Core-CT. In addition, the Agency does not have a detailed software inventory listing.

2. **The Agency should institute procedures to comply with the Comptroller's State Accounting Manual and to ensure that receipts are accounted for in a timely manner.**

   Comment:

   Our review of thirty receipts disclosed that six deposits totaling $73,108 were posted to the General Ledger between six and nineteen days after the information was available to be recorded on Core-CT. In addition, the Agency did not maintain a complete cash receipts journal that indicated the date of receipt. Because supporting documentation was not date stamped, we were unable to determine the initial receipt date of receipts.

3. **The Agency should comply with State Accountability Directive Number One by performing annual internal control self-assessments.**

   Comment:

   Our review disclosed that the Agency did not perform an internal control self-assessment for the fiscal years ending June 30, 2005 and 2006.

4. The Children's Trust Fund should prepare and submit reports required by Sections 4-60 and 17a-56(f) of the General Statutes.

Comment:

The Children's Trust Fund did not submit an administrative report to the Governor for the fiscal years ended June 30, 2005 or 2006. In addition, the Agency did not submit a report to the General Assembly on the Nurturing Families Network on January 1st, 2006.

5. The Agency should strengthen internal controls to ensure that funds are committed prior to purchasing goods and services and receipt dates are correctly recorded.

Comment:

Our review of fifty-five expenditure transactions for the fiscal years ending June 30, 2005 and 2006, disclosed that twenty-three transactions had purchase orders that were created after goods or services were received or rendered and twenty-two transactions had the incorrect receipt date recorded.

6. The Agency should institute procedures to ensure that all expenditures are incurred for valid and reasonable business purposes and charged to appropriate funding sources.

Comment:

Our review of expenditures disclosed that the Agency made five purchases for flowers totaling $333, of which $201 was charged to the Federal CBCAP grant and $132 was charged to the General Fund. These purchases were for sympathy, get-well, congratulatory and thank-you gifts to employees, council members and an agency contractor. Our review also disclosed five payments totaling $722 for dinners served at Council meetings. The meetings were held from 4:30 to 6:00 p.m. and would not require the purchasing of food according to the Agency's policy. Our review further disclosed that although the Council Handbook requires that each council member contribute $75 towards the costs of meals at meetings on an annual basis, we were able to identify the receipt of only one payment from one Council member during the audit period. All of the Council meals were charged entirely to the Federal CBCAP grant and do not appear to be allowable direct charges to the grant.

7. The Department should institute procedures to ensure that contracts are awarded in compliance with State purchasing regulations.

Comment:

Our review disclosed that the Department entered into two purchase of service contracts with one contractor in the amounts of $287,285 and $1,037,859 for the periods July 1, 2004 through June 30, 2005 and July 1, 2005 through June 30, 2008, respectively, to perform evaluation research studies of the Agency's programs. Since the contractor was not performing direct human services to Agency clients, the Agency should have executed a Personal Service Agreement and conducted a competitive negotiation or requested a waiver from competitive negotiation from OPM. Total payments to this contractor were $287,285 and $360,953 for the fiscal years ended June 30, 2005 and 2006, respectively.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Children's Trust Fund for the fiscal years ended June 30, 2005 and 2006. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Children's Trust Fund for the fiscal years ended June 30, 2005 and 2006 ,are included as a part of our Statewide Single Audits of the State of Connecticut for the fiscal years ended June 30, 2005 and 2006.

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

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Children's Trust Fund is the responsibility of the Children's Trust Fund's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 2005 and 2006, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

The management of the Children's Trust Fund is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Children's Trust Fund's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts and grants. We believe our finding on lack of competitive negotiations in the awarding of contracts represents a reportable condition.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weakness. However, we believe that the reportable condition described above is not a material or significant weakness.

We also noted other matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Children's Trust Fund during this examination.

Lisa G. Daly
Principal Auditor

Approved:

Kevin P. Johnston	Robert G. Jaekle
Auditor of Public Accounts	Auditor of Public Accounts