

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
CONNECTICUT DEVELOPMENT AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009*

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

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October 20, 2010

**AUDITORS' REPORT  
CONNECTICUT DEVELOPMENT AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

We have examined the books, records and accounts of the Connecticut Development Authority, as provided in Section 2-90 and Section 1-122 of the General Statutes, for the fiscal year ended June 30, 2009.

**SCOPE OF AUDIT:**

This audit was primarily limited to performing tests of the Connecticut Development Authority's compliance with certain provisions of laws, regulations, contracts and grants, including but not limited to a determination of whether the Authority has complied with its regulations concerning the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

We also considered the Connecticut Development Authority's internal control over its financial operations and its compliance with requirements that could have a material or significant effect on the Authority's financial operations in order to determine our auditing procedures for the purpose of evaluating the Authority's financial operations and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives. Our consideration of internal control included the five areas identified above.

Our audit included a review of a representative sample of the Authority's activities during the fiscal year in the five areas identified above and a review of such other areas as we considered necessary. The financial statement audit of the Connecticut Development Authority, for the fiscal year indicated above, was conducted by the Authority's independent public accountants.

In accordance with Section 32-11a, subsection (l), of the General Statutes, the Connecticut Development Authority has the authority to create subsidiaries to carry out the remediation, development, and financing of contaminated property within the State. As a result, the Connecticut Development Authority established the Connecticut Brownfields Redevelopment Authority, Inc. (CBRA). The CBRA was incorporated as a non-stock corporation on May 17, 1999, as a subsidiary of the Connecticut Development Authority. We will report on the activities of the subsidiary in the course of the audit of the Connecticut Development Authority.

## COMMENTS

### FOREWORD:

The Connecticut Development Authority, hereinafter referred to as the CDA, operates primarily under the provisions of Title 32, Chapter 579, Sections 32-11a through 32-23zz of the General Statutes. Pursuant to Section 32-11a of those statutes, the CDA is a body politic and corporate, constituting a political instrumentality and political subdivision of the State created for the performance of an essential public and governmental function. The CDA is a quasi-public agency as provided for by Chapter 12 of the General Statutes. As a quasi-public agency, the CDA's financial information is included as a component unit in the State of Connecticut's Comprehensive Annual Financial Report (CAFR).

The CDA's mission is to maintain and create jobs within the State by stimulating industrial and commercial development, primarily through financial assistance to businesses. In addition, the CDA was responsible for operations at the XL Center from September 1993 through June 30, 2009. The CDA entered into a facilities management and operation contract for the XL Center effective July 1, 2007. Pursuant to the terms of that contract, the CDA transferred full managerial, operational and financial responsibility for the XL Center to the contractor, Northland/AEG, LLC.

### Board of Directors and Administrative Officials:

Members of the CDA's Board of Directors (the Board) as of June 30, 2009, were as follows:

#### Ex officio Members:

Denise L. Nappier - State Treasurer  
Robert L. Genuario - Secretary, Office of Policy and Management  
Joan McDonald - Commissioner, Dept. of Economic and Community Development

#### Appointed Members:

Laura T. Grondin, Chairperson  
Michael A. Cantor, Esq.  
C. Robert Eick, Jr.  
Arlo E. Ellison  
Richard T. Mulready  
Jack Orchulli  
Gian-Carlo Peressutti  
Carol P. Wallace

In addition to the above members, L. Scott Frantz served as a member of the Board during the audited period.

Antonio Roberto was appointed as Executive Director by the Board on October 15, 1997, and he served in that capacity throughout the audited period. On September 15, 2004, the Board appointed Marie O'Brien as the President of the CDA, and she served in that capacity throughout the audited period.

**Connecticut Brownfields Redevelopment Authority:**

As mentioned previously, the Connecticut Brownfields Redevelopment Authority (CBRA) is a quasi-public agency created by the Connecticut Development Authority in accordance with Section 32-11a, subsection (l), of the General Statutes. This subsidiary was created in May 1999 to carry out the remediation, development, and financing of contaminated property within the State. The CDA authorized \$1,500,000 in financial resources to the CBRA in May 1999. The administrative expenses associated with the entity amounted to \$2,082 during the fiscal year ended June 30, 2009. No loans were issued during the fiscal year ended June 30, 2009.

**RÉSUMÉ OF OPERATIONS:**

The CDA is authorized to issue general obligation bonds for certain programs. Pursuant to Section 32-23j, subsection (a), of the General Statutes, those bonds "...shall not be deemed to constitute a debt or liability of the state..." These bonds, except for issues totaling \$30,560,000 associated with the purchase of the assets of the Hartford Whalers, are secured by special capital reserve funds. Pursuant to Section 32-32j, subsection (b), of the General Statutes, the CDA is required to maintain in these funds, a minimum balance at least equal to the maximum principal and interest payments becoming due in the succeeding calendar year. If the CDA is unable to maintain a sufficient balance in the special capital reserve fund, the State's General Fund could be required to restore the special capital reserve fund to its minimum balance if the specific bond indenture calls for such State reimbursement; however, any such payment must be repaid to the State (no such State payment or repayment was required during the audited period). As of June 30, 2009, the CDA's bonds payable amounted to \$22,585,000, of which \$7,625,000 is related to the purchased assets of the Hartford Whalers.

In addition, the CDA is authorized under its Self-Sustaining Bond Program to accommodate the financing for specific industrial and certain recreational and utility projects through the issuance of special obligation industrial revenue bonds. These bonds are payable solely from payments received from participating companies and are not otherwise a debt or liability of the CDA or the State. Accordingly, the balances and activity of the Self-Sustaining Bond Program are not included in the CDA's financial statements. Total bonds outstanding as of June 30, 2009, were \$979,821,965.

The CDA maintains the following funds to account for its operations and various programs:

**General Operating Fund:**

The CDA's operating expenses are recorded in its General Operating Fund. In addition, during the audited period, the Operating Fund was used to account for the CDA's operation of the XL Center.

Based on the CDA's financial statements, operating revenues of the General Operating Fund totaled \$7,316,486 and \$5,913,216 for the 2007-2008 and 2008-2009 fiscal years, respectively. Operating expenses for the same periods amounted to \$6,977,496 and \$6,248,314, respectively. The Operating Fund's net income/(loss), exclusive of unrealized holding gains/losses, amounted to \$338,990 and \$(335,098), respectively, for the same periods. The XL Center's operations accounted for 100 percent of the loss in the 2008-2009 fiscal year. The Operating Fund's change in net assets amounted to \$528,279 and \$(335,098) for the 2007-2008 and 2008-2009 fiscal years, respectively.

Exclusive of the costs of running the XL Center, payroll and related fringe benefits were the single largest line-item expenditure category. Payroll and related charges for the 2007-2008 and 2008-2009 fiscal years were \$3,657,116 and \$3,734,231, respectively.

**Umbrella Program Fund:**

Under the Umbrella Program, the CDA was authorized to issue bonds to provide financial assistance for the acquisition of industrial land, buildings, new machinery, equipment, and pollution control facilities. Loans up to \$800,000, with up to a 20-year term, can be made for each approved project. Of this amount, up to \$500,000 can be used for machinery and equipment (term may not exceed ten years) and up to \$800,000 can be used for pollution control facilities (term may not exceed ten years). Loans in this program are insured under the Insurance Program (discussed below). No loans remained outstanding in the program during the 2008-2009 fiscal year.

**Insurance Program Fund:**

Authorized by Section 32-14 of the General Statutes, the CDA may insure loans made by other lending institutions to companies for the acquisition of industrial land, buildings, machinery, and equipment located within the State. In addition, all of the CDA's Umbrella Program loans are insured under the Insurance Program.

As of June 30, 2008 and 2009, loans totaling \$5,450,919 and \$5,036,248, respectively, were insured as follows:

	<b>Fiscal Year Ended June 30,</b>	
	<b>2008</b>	<b>2009</b>
Loans by Other Lending Institutions	\$5,446,665	\$5,036,248
Umbrella Program Loans	\$4,254	\$0

**Growth Fund:**

In accordance with Section 32-23v of the General Statutes, the CDA is authorized to issue individual loans up to a maximum of \$4,000,000 with a maximum loan term of 20 years (10 years for machinery and equipment). The program provides financial assistance for any purpose the CDA determines will materially contribute to the economic base of the State by creating or retaining jobs, promoting exports, encouraging innovation, or supporting existing activities. Financing may be used to purchase real property, machinery and equipment, or for working capital.

The CDA has established a maximum 90 percent loan-to-value ratio for real property loans and 80 percent loan-to-value ratio for machinery and equipment loans. Working capital loans are limited to a term of up to seven years.

A summary of the Growth Fund’s lending activity for the last two fiscal years is as follows:

	<b>Fiscal Year Ended June 30,</b>	
	<b>2008</b>	<b>2009</b>
Number of Entities Receiving Assistance	9	6
Amount of Assistance Provided	\$1,395,991	\$3,438,030

**Connecticut Works Fund:**

The Connecticut Works Fund, also known as “Fund A”, is established in accordance with Section 32-23ii of the General Statutes. The Fund is used for direct loans and loan guarantees. Eligible projects include most manufacturing-related projects and any project that supports the economic base of the State through jobs, defense diversification, exporting, and the development of innovative products or services.

The State has authorized the issuance of up to \$95,000,000 in State bonds allocated to Fund A. Of this amount, \$82,485,000 has been distributed to Fund A. In the event direct loans are uncollectible, the CDA can use any remaining bond funds to reimburse itself for such losses subject to the total allocation limit.

A summary of Fund A’s lending activity for the last two fiscal years is as follows:

<b>Type of Assistance</b>	<b>Fiscal Year Ended June 30,</b>	
	<b>2008</b>	<b>2009</b>
Direct Loans:		
Number of Entities Receiving Assistance	9	10
Amount of Assistance Provided	\$5,422,998	\$8,304,215
Guarantees:		
Number of Entities Receiving Assistance	0	2
Amount of Assistance Provided	\$0	\$710,000

**Connecticut Works Guarantee Fund:**

The Connecticut Works Guarantee Fund, also known as “Fund B”, is established in accordance with Section 32-261 of the General Statutes. The purpose of Fund B is to provide commitments to guarantee loans made by participating financial institutions. Projects financed by the Fund are intended to encourage growth and the retention of businesses unable to obtain suitable financing and to stimulate an increase in jobs and tax revenue throughout the State. Eligibility is determined by the due diligence principles set forth in the Connecticut Works Fund.

The State has authorized up to \$30,000,000 in State bonds allocated to Fund B. Of this amount, \$18,900,000 has been distributed. In the event a direct loan is uncollectible by the participating financial institution, the CDA can use any remaining bond funds to reimburse itself for such losses, up to the total allocation.

Fund B did not provide any assistance to entities during the fiscal years ended June 30, 2008 and 2009.

**Connecticut Capital Access Fund:**

In accordance with Section 32-265 of the General Statutes, the Connecticut Capital Access Fund provides portfolio insurance to participating financial institutions to assist them in making loans that are somewhat riskier than conventional loans. These loans are of two types, referred to as Urbank Program loans and Entrepreneurial Program loans. Project eligibility is usually determined by the financial institution making the loan, subject to requirements specified in the participant agreements.

The State has authorized the issuance of up to \$5,000,000 in State bonds allocated to this Fund. Of this amount, \$2,000,000 has been distributed. In addition, any insurance losses associated with this Fund are reimbursable from those bonds up to the \$5,000,000 allocated.

A summary of the Fund’s lending activity during the last two fiscal years is as follows:

	<b>Fiscal Year Ended June 30,</b>	
	<b>2008</b>	<b>2009</b>
Number of Entities Receiving Assistance	18	15
Amount of Assistance Provided	\$1,046,850	\$409,426

**Business Environmental Clean-Up Revolving Loan Fund:**

Established in accordance with Section 32-23z of the General Statutes, this Fund provides direct loans to assist businesses in the containment or removal of property contamination. To be eligible, the business must have been established at least one year in the State, have sales of less than \$3,000,000 or less than 150 employees, and be unable to obtain conventional financing. Loan amounts cannot exceed \$200,000.

No loans were made from this fund during the audited period and there is no additional funding available for this program.



**Environmental Assistance Revolving Loan Fund:**

Established under Section 32-23qq of the General Statutes, the CDA can use the Environmental Assistance Revolving Loan Fund to provide direct loans and guarantees to businesses to assist in financing pollution prevention activities. There has been no loan or guarantee activity since August 1996.

**Job Training Fund:**

This Fund was established to account for the Connecticut Job Training Finance Program authorized by Section 32-23uu of the General Statutes. Assistance under this program is provided to manufacturing or economic base businesses seeking to provide educational upgrades to their production workers. Performance grants of up to \$25,000 are available, covering up to 25 percent of the amount borrowed by each business.

Funding for this program is provided by the bond issue authorized under Sections 32-23ll and 32-235 of the General Statutes. No assistance was provided from this fund during the audited period.

**Summary of Revenues, Expenses and Net Income:**

Based on the CDA's audited financial statements, the following is a summary of the revenues, expenses and income of the CDA for the fiscal year ended (FYE) June 30, 2009, as compared to the total from the previous fiscal year:

	<u>General Operating Fund<sup>1</sup></u>	<u>Growth Fund</u>	<u>CT Works Fund</u>	<u>Miscell- aneous<sup>2</sup></u>	<u>Total FYE 06/30/09</u>	<u>Total FYE 6/30/08</u>
Revenues:						
XL Center Revenues	\$ 3,399,386	\$ -	\$ -	\$ -	\$ 3,399,386	\$ 3,413,391
Interest	611,071	661,362	1,450,912	19,027	2,742,372	3,203,159
Investment Income	906,177	-	-	-	906,177	2,363,676
Other	<u>996,582</u>	<u>28,462</u>	<u>91,325</u>	<u>72,721</u>	<u>1,189,090</u>	<u>1,200,902</u>
Total Revenues	<u>5,913,216</u>	<u>689,824</u>	<u>1,542,237</u>	<u>91,748</u>	<u>8,237,025</u>	<u>10,181,128</u>
Expenses:						
XL Center Expenses	3,734,484	-	-	-	3,734,484	2,885,112
Interest	760,071	-	-	-	760,071	832,258
Payroll and Fringe Benefits	3,734,231	-	-	-	3,734,231	3,657,116
Intra-Fund Allocation	(2,912,541)	1,361,064	1,478,616	72,861	-	-
Other	<u>932,069</u>	<u>1,003,623</u>	<u>406,901</u>	<u>75,445</u>	<u>2,418,038</u>	<u>1,847,826</u>
Total Expenses	<u>6,248,314</u>	<u>2,364,687</u>	<u>1,885,517</u>	<u>148,306</u>	<u>10,646,824</u>	<u>9,222,312</u>
Net Income (Loss)	<u>\$ (335,098)</u>	<u>\$ (1,674,863)</u>	<u>\$ (343,280)</u>	<u>\$ (56,558)</u>	<u>\$ (2,409,799)</u>	<u>\$ 958,816</u>

*Note 1: The operations of the XL Center are included in the General Operating Fund.*

*Note 2: The Miscellaneous category includes the operations related to the Umbrella and Insurance Program, the Connecticut Works Guarantee Fund, and the Connecticut Capital Access Fund.*

**Summary of Loan Write-Offs and Guarantee Claims Paid:**

Based on data in the CDA's internal financial reporting package, the following is a summary of the loan amounts written-off and guarantee payments made and the written-off loans recovered and written-off guarantees recovered for the fiscal years ended June 30, 2008 and 2009.

	<b>Fiscal Year Ended June 30,</b>	
	<b>2008</b>	<b>2009</b>
Direct Loans Written-off	\$0	\$7,809
Guarantees Paid	\$353,979	\$83,659
Loans Recovered	\$29,667	\$43,305
Guarantees Recovered	\$52,436	\$54,814

## CONDITION OF RECORDS

Our review of the records of the Connecticut Development Authority revealed the following areas that warrant comment.

### **Reporting:**

*Criteria:* Section 32-11a(c) of the General Statutes requires that the Connecticut Development Authority (CDA) prepare an annual report which includes in excess of 20 types of information, including a list of the names, addresses and locations of all recipients of such assistance.

Among other things, for each recipient of assistance, the CDA is to report:

- The gross revenues during the recipient's most recent fiscal year.
- A summary of the terms and conditions for the assistance, including the type and amount of state financial assistance, job creation or retention requirements, and anticipated wage rates.

For each recipient of assistance on or after July 1, 1991, the CDA is to report:

- A comparison between the number of jobs to be created, the number of jobs to be retained, and the average wage rates for each such category of jobs, as projected in the recipient's application, versus the actual number of jobs created, the actual number of jobs retained, and the average wage rates for each such category.
- The actual number of full-time jobs and the actual number of part-time jobs in each such category and the benefit levels for each such subcategory.

*Condition:* As we reported in our prior audit reports for the fiscal years ended June 30, 2005 through 2008, and as disclosed in our review of the Annual Report for the fiscal year ended June 30, 2009, the CDA continues to not use the actual names of the recipients of financial assistance when reporting the information required for gross revenues, benefit levels, and average wage rates for each separate recipient. Instead the CDA reports this information by using the nomenclature of "Company A", "Company B", etc.

The reported summary of the terms and conditions for assistance did not include the anticipated wage rates.

- Effect:* There was noncompliance with Section 32-11a(c) of the General Statutes.
- Cause:* Due to the prior audit finding, the CDA has sought legislative modification to allow the sensitive information required to be shown in the aggregate; however, no legislation has been passed.
- Recommendation:* The Connecticut Development Authority should seek legislation to modify Section 32-11a(c) of the General Statutes or should include the required data in its annual report. (See Recommendation 1.)
- Agency Response:* “The CDA agrees with this finding and since 2005, the CDA has annually requested a legislative modification. Each year the Commerce Committee has supported the modification, however, the General Assembly has not approved the legislative change. The CDA continues to consider this issue a top priority. The Authority will continue to work on a legislative modification to allow the sensitive information required to be shown in the aggregate.”

**Affirmative Action Plans:**

- Criteria:* An Amended Affirmative Action Resolution adopted by the Connecticut Development Authority (the CDA) on May 8, 1984, provides that all borrowers receiving financial assistance must adopt and implement an Affirmative Action Plan for equal opportunities prior to the closing of the loan(s). In addition, said plans shall be updated annually as long as the financing to the borrowers remains outstanding.
- Condition:* Our review of 12 recipients of financial assistance during the 2008-2009 fiscal year revealed that 4 recipients did not submit updated Affirmative Action Plans to the CDA.
- Effect:* The CDA cannot be assured that recipients of financial assistance are implementing equal opportunities for employment if required updates to Affirmative Action Plans are not being submitted and approved.
- Cause:* Although the CDA did forward first and second requests for updated plans to each of the recipients of financial assistance, the recipients in these cases failed to submit updated Affirmative Action Plans. Also, there does not appear to be any consequences for recipients that fail to submit updated Affirmative Action Plans.
- Recommendation:* The Connecticut Development Authority should ensure the receipt of updated Affirmative Action Plans from all recipients of financial assistance. (See Recommendation 2.)

*Agency Response:* “The CDA agrees with the finding. The four companies in question have since submitted their Affirmative Action Plans. In addition, the companies were reminded of their reporting responsibilities and the potential loan covenant violations in regards to their annual Affirmative Action reporting. CDA will strive for continuous improvement with respect to all loan covenant reporting, in particular affirmative action requirements.”

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- The Authority should consider seeking legislation to modify Section 32-11a(c) of the General Statutes or should include the required data in its annual report. – This recommendation is repeated. (See Recommendation 1.)
- The Authority should strengthen its internal controls to ensure that employee's time and attendance records are maintained in an accurate manner and employees are only compensated for time worked and earned. – No time and attendance or employee compensation errors were noted during the current audit; therefore, this recommendation is not repeated.

### *Current Audit Recommendations:*

- 1. The Connecticut Development Authority should seek legislation to modify Section 32-11a(c) of the General Statutes or should include the required data in its annual report.**

#### Comment:

The CDA reported gross revenues, benefit levels, and average wage rates separately for each recipient. However, the actual names of recipients were not listed with that information. In addition, the reported summary of the terms and conditions for assistance did not include the anticipated wage rates.

- 2. The Connecticut Development Authority should ensure the receipt of updated Affirmative Action Plans from all recipients of financial assistance.**

#### Comment:

Our review of loan payments disclosed that updated Affirmative Action Plans were not always submitted by companies receiving assistance as required by the CDA.

## **INDEPENDENT AUDITORS' CERTIFICATION**

As required by Section 2-90 and Section 1-122 of the General Statutes, we have conducted an audit of the Connecticut Development Authority's activities for the fiscal year ended June 30, 2009. This audit was primarily limited to performing tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to a determination of whether the Authority has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grant agreements and other financial resources, and to understanding and evaluating the effectiveness of the Authority's internal control policies and procedures for ensuring that the provisions of certain laws, regulations, contracts and grant agreements applicable to the Authority are complied with. The financial statement audit of the Connecticut Development Authority, for the fiscal year indicated above, was conducted by the Authority's independent public accountants.

We conducted our audit in accordance with the requirements of Section 2-90 and Section 1-122 of the General Statutes. In doing so, we planned and performed the audit to obtain reasonable assurance about whether the Connecticut Development Authority complied in all material respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

### **Internal Control over Financial Operations and Compliance:**

In planning and performing our audit, we considered the Connecticut Development Authority's internal control over its financial operations and its compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Authority's financial operations and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Authority's internal control over those control objectives. Our consideration of internal control included, but was not limited to, the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to properly initiate, authorize, record, process, or report financial data reliably consistent with management's direction, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the following deficiency, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be a significant deficiency in internal control over financial operations and compliance with requirements: Recommendation 1 - names of recipients of financial assistance not used.

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

Our consideration of the internal control over the Authority's financial operations and compliance with requirements was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Connecticut Development Authority complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Authority's financial operations for the fiscal year ended June 30, 2009, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

Our examination included reviewing all or a representative sample of the Authority's activities in those areas and performing such other procedures as we considered necessary in the circumstances.

The results of our tests disclosed no material or significant instances of noncompliance. However, we noted certain matters which we reported to Authority management in the accompanying "Condition of Records" and "Recommendations" sections of this report.



The Connecticut Development Authority's responses to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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. Users of this report should be aware that our audit does not provide a legal determination of the Authority's compliance with the provisions of the laws, regulations, contracts and grant agreements included within the scope of this audit.

**CONCLUSION**

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Connecticut Development Authority during this examination.

Vincent Filippa  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts