State of Connecticut
Single Audit Report

For The Year Ended June 30, 2009

Auditors of Public Accounts
Hartford, Connecticut

STATE OF CONNECTICUT

Single Audit Report

For the Year Ended June 30, 2009

Table of Contents **Section/Page**

Letter of Transmittal A-1

State of Connecticut Financial Statements
- Independent Auditors' Report B-1
- Management's Discussion and Analysis B-5
- Basic Financial Statements:
  - Statement of Net Assets B-19
  - Statement of Activities B-20
  - Governmental Fund Financial Statements B-23
  - Proprietary Fund Financial Statements B-31
  - Fiduciary Fund Financial Statements B-39
  - Component Unit Financial Statements B-43
  - Notes to Financial Statements B-49
  - Required PERS Supplementary Information B-81

Compliance and Internal Control Over Financial Reporting
- Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* C-1

Compliance and Internal Control Over Requirements of Major Federal Programs
- Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .... D-1

Schedule of Expenditures of Federal Awards E-1

Schedule of Findings and Questioned Costs
- Index of Findings and Questioned Costs F-1
- Summary of Auditors' Results F-5
- Financial Statement Related Findings Required to be Reported in Accordance with *Government Auditing Standards* F-7
- Findings and Questioned Costs for Federal Awards F-9

Letter of Transmittal

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

March 25, 2010

Governor M. Jodi Rell
Members of the General Assembly

We have conducted the Statewide Single Audit of the State of Connecticut for the fiscal year ended June 30, 2009.

This report on that audit complies with State audit requirements and with those audit requirements placed upon the State as a condition of expending more than $8,147,000,000 in Federal financial assistance during the fiscal year ended June 30, 2009. Of this amount, the State expended more than $527,800,000 in Federal financial assistance, which was provided as a result of the enactment of the American Recovery and Reinvestment Act of 2009. This audit was performed in accordance with *Government Auditing Standards* for financial and compliance audits, the Federal Single Audit Act Amendments of 1996, and the provisions of Federal Office of Management and Budget Circular A-133.

We also call to your attention Section III of the Schedule of Findings and Questioned Costs relating to the State's administration of Federal Financial Assistance Programs. Section III of the Schedule contains many recommendations, all of which need to be addressed in order to ensure the proper administration of Federal funds and their continued receipt at current or increased levels.

We would like to take this opportunity to express our appreciation to the Office of the State Comptroller and the various State agencies that administer major Federal programs for their assistance and cooperation. That cooperation and assistance contributed greatly to the efficient completion of this Statewide Single Audit.

Finally, we wish to acknowledge the work done by our staff in planning for and carrying out this Statewide Single Audit. This audit work has been performed with dedication, creativity and professionalism. We are pleased to deliver this report for the fiscal year ended June 30, 2009.

Respectfully submitted,

<table>
<tr><td>Kevin P. Johnston
Auditor of Public Accounts</td><td>Robert G. Jaekle
Auditor of Public Accounts</td></tr>
</table>

State of Connecticut
Financial Statements

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Governor M. Jodi Rell
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund, the Transportation Special Tax Obligations account within the Debt Service Fund, and the Clean Energy Fund account within the Environmental Programs Fund, which in the aggregate, represent six percent of the assets and six percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, Connecticut Community/ Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 64 percent of the assets and 47 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units;

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 92 percent of the assets and 97 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;

- the financial statements of the Clean Energy Fund account, which represents 49 percent of the assets and 33 percent of the revenues of the Environmental Programs Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, the Connecticut Community-Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, the Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 63 percent of the assets and 47 percent of the revenues of the Enterprise Funds;

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based on the reports of the other auditors. All of the aforementioned audits were conducted in accordance with auditing standards generally accepted in the United States of America. In addition, the audits of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Clean Energy Fund, Drinking Water Fund, Clean Water Fund, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, Connecticut Resources Recovery Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, and Connecticut Innovations Incorporated were conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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 financial statements are free of material misstatement. The audits of the Connecticut Development Authority, the Capital City Economic Development Authority, John Dempsey Hospital, Connecticut State University, Connecticut Community-Technical Colleges and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The State of Connecticut adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This standard modifies the method that governments have reported the cost of providing such benefits, primarily retiree health care. It requires the systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and the disclosure of information about the actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. Our audit disclosed that the required actuarial valuation was not performed and the State of Connecticut did not present information pertaining to the Funded Status and Funding Progress, and Actuarial Methods and Assumptions for the State Employee OPEB Plan in Note 14 of the financial statements in compliance with GASB requirements.

In our opinion, except for the matter described in the preceding paragraph, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, for the State of Connecticut, as of June 30, 2009, and the respective budgetary comparison for the General Fund and the Transportation Fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the State's Single Audit Report and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should considered in assessing the results of our audit.

The management's discussion and analysis on pages B-5 through B-15, and the schedules of funding progress for pension and other post-employment benefit plans and the schedules of employer contributions for pension and other post-employment benefit plans on pages B-82 and B-83, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We did not audit this information and do not express an opinion on it. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. As a result of such limited procedures, we found that the State of Connecticut has not presented the schedule of funding progress and schedule of employer contributions for the State Employee OPEB plan that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 17, 2010
State Capitol
Hartford, Connecticut

THIS PAGE LEFT INTENTIONALLY BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

The following discussion and analysis is intended to provide readers of the State's financial statements with a narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2009. The information provided here should be read in conjunction with additional information provided in the letter of transmittal and in the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:
As of June 30, 2009, the State had a combined net asset deficit of $5.1 billion, an increase of $2.8 billion when compared to the prior year ending deficit balance. This increase resulted mainly from a decrease of $2.6 billion in the net assets of governmental activities. The governmental activities reflect the impact of an economic recession that resulted in a $1.4 billion decline in Fiscal Year 2009 tax revenues from the prior fiscal year. Despite deficit mitigation efforts of over half a billion dollars during the course of Fiscal Year 2009, at year-end the budgetary imbalance was approaching one billion dollars in the General Fund. In addition, In Fiscal Year 2009 the state failed to contribute its full required contribution to the state employee pension fund and the state employee OPEB fund.

Fund Level:
The governmental funds had a total fund balance of $1.4 billion at year end. Of this amount, $3.2 billion was reserved for various purposes, resulting in a total unreserved fund balance deficit of $1.8 billion. The portion of the total unreserved fund balance deficit that pertains to the General Fund was a $2.3 billion deficit. The General Fund had an actual budget deficit of $1.0 billion this year.

The Enterprise funds had total net assets of $4.5 billion, substantially all of which was invested in capital assets or restricted for various purposes.

It should be noted that Public Act 09-2 of the June Special Session authorized the State Treasurer to issue economic recovery notes to cover the Fiscal Year 2009 budgetary shortfall in the State's General Fund of $947.6 million. The notes were issued in Fiscal Year 2010 and therefore the proceeds are not reflected in the Fiscal Year 2009 financial statements.

Long–Term Debt:
Total long-term debt was $22.5 billion for governmental activities, of which $16.9 billion was bonded debt.

Total long-term debt was $2.2 billion for business-type activities, of which $1.6 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the State's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The statement of activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements are intended to distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include legislative, general government, regulation and protection, conservation and development, health and hospitals, transportation, human services, education, libraries, and museums, corrections, and judicial. The business-type activities of the State include the University of Connecticut and Health Center, State Universities, Bradley International Airport, Connecticut Lottery Corporation, Employment Security, and Clean Water, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The government-wide financial statements include not only the State itself (known as the primary government), but also the activities of eight legally separate Component Units for which the State is financially accountable: the Connecticut Housing Finance Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Development Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Resources Recovery Authority, the Connecticut Innovations, Incorporated, the Capital City Economic Development Authority, and the University of Connecticut Foundation, Incorporated. Financial information for these Component Units is reported separately from the financial information presented for the primary government itself. Financial information of the individual component units can be found in the basic financial statements following the fund statements, and complete financial statements of the individual component units can be obtained from their respective administrative offices.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the Transportation Fund, and the Restricted Grants and Accounts Fund, all of which are considered to be major funds. Data from other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The State adopts a biennial budget for the General Fund, the Transportation Fund, and other Special Revenue funds. A budgetary comparison statement has been provided for the General Fund and the Transportation Fund to demonstrate compliance with the current fiscal year budgets.

Proprietary Funds

Proprietary funds (Enterprise funds and Internal Service funds) are used to show activities that operate more like those of commercial enterprises. Enterprise funds charge fees for services provided to outside customers. They are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State’s various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes information regarding the State’s progress on funding its obligation to provide pension and other postemployment benefits to its employees.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains the following information.

- Combining Fund Statements and Schedules – Nonmajor funds
- Statistical Section

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of the State's financial position. During the current fiscal year, the combined net asset deficit of the State increased 121 percent to $5.1 billion. In comparison, last year the combined net asset deficit increased 807 percent.

State Of Connecticut's Net Assets
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008*	2009	2008*
ASSETS:						
Current and Other Assets	$ 4,273	$ 5,122	$ 3,861	$ 3,805	$ 8,134	$ 8,927
Capital Assets	11,076	10,028	3,352	3,326	14,428	13,354
Total Assets	15,349	15,150	7,213	7,131	22,562	22,281
LIABILITIES:						
Current Liabilities	3,346	3,078	733	741	4,079	3,819
Long-term Liabilities	21,572	19,027	1,976	1,727	23,548	20,754
Total Liabilities	24,918	22,105	2,709	2,468	27,627	24,573
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	5,500	4,914	2,612	2,558	8,112	7,472
Restricted	1,618	1,641	1,470	1,757	3,088	3,398
Unrestricted	(16,687)	(13,510)	422	348	(16,265)	(13,162)
Total Net Assets (Deficit)	$ (9,569)	$ (6,955)	$ 4,504	$ 4,663	$ (5,065)	$ (2,292)

***** Restated for comparative purposes. See Note 22.

The net asset deficit of the State's governmental activities increased $2.6 billion (37.6 percent) to $9.6 billion during the current fiscal year. Of this amount, $7.1 billion was invested in capital assets (buildings, roads, bridges, etc.) or was restricted for various purposes, resulting in an unrestricted net asset deficit of $16.7 billion. This deficit is the result of having long-term obligations that are greater than currently available resources. Specifically, the State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds in the amount of $7.2 billion which were issued to finance various municipal grant programs (e.g., school construction) and a contribution to a pension trust fund, and b) other long-term obligations in the amount of $5.6 billion (e.g., net pension obligation and compensated absences).

Net assets of the State's business-type activities decreased $0.2 billion (3.4 percent) to $4.5 billion during the current fiscal year. Of this amount, $4.1 billion was invested in capital assets or was restricted for various purposes, resulting in unrestricted net assets of $0.4 billion. These resources cannot be used to make up for the net asset deficit of the State's governmental activities. The State can only use these net assets to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center, Bradley International Airport, and others).

CHANGE IN NET ASSETS

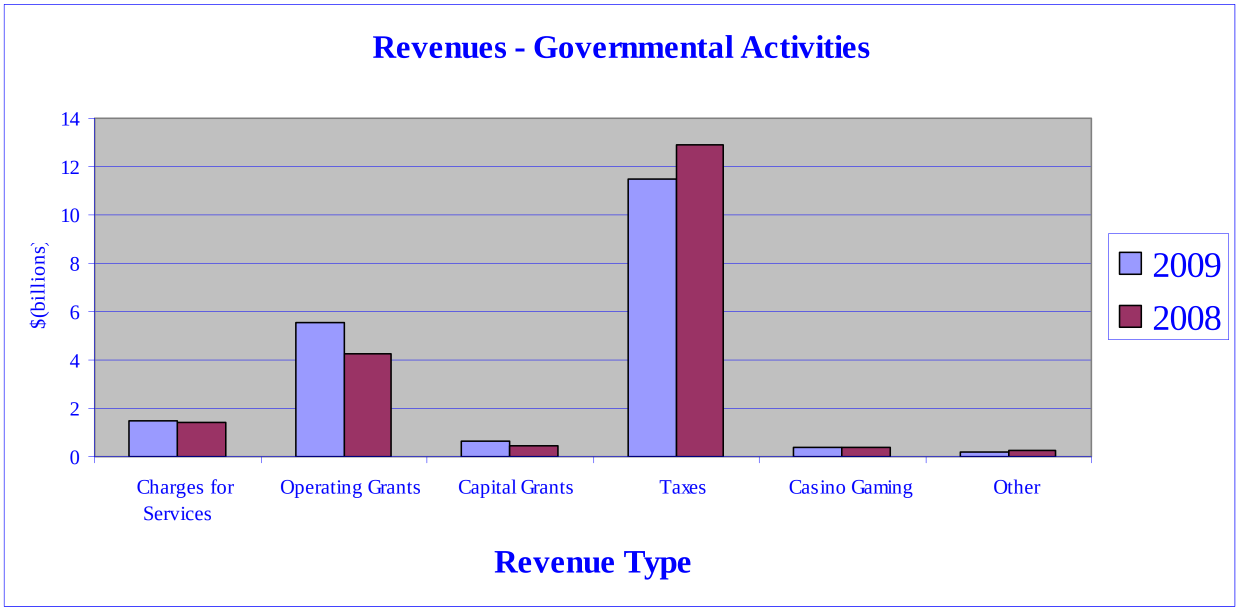
Changes in net assets for the years ended June 30, 2009 and 2008 were as follows:

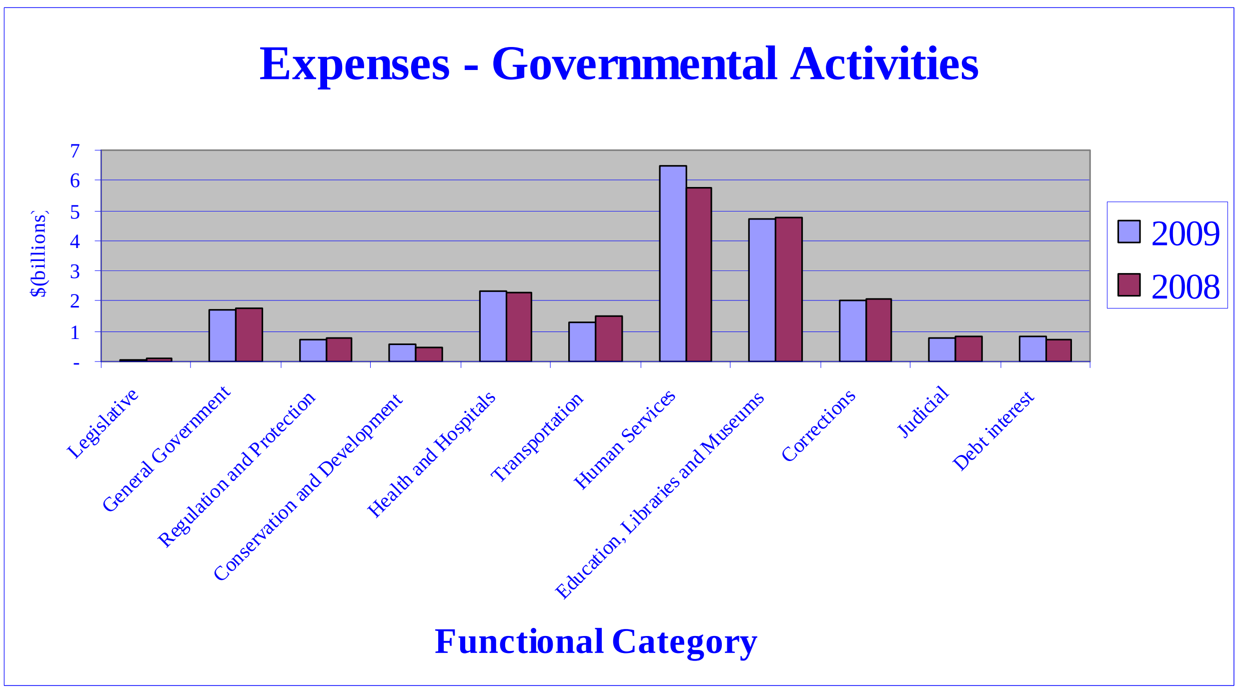
State of Connecticut's Changes in Net Assets
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		%change
	2009	2008	2009	2008	2009	2008	09-08
REVENUES							
Program Revenues							
Charges for Services	$ 1,490	$ 1,448	$ 3,108	$ 3,000	$ 4,598	$ 4,448	3.4%
Operating Grants and Contributions	5,553	4,271	907	323	6,460	4,594	40.6%
Capital Grants and Contributions	646	442	64	36	710	478	48.5%
General Revenues							
Taxes	11,491	12,901	-	-	11,491	12,901	-10.9%
Casino Gaming Payments	378	411	-	-	378	411	-8.0%
Other	197	273	76	117	273	390	-30.0%
Total Revenues	19,755	19,746	4,155	3,476	23,910	23,222	3.0%
EXPENSES							
Legislative	32	112	-	-	32	112	-71.4%
General Government	1,735	1,738	-	-	1,735	1,738	-0.2%
Regulation and Protection	731	789	-	-	731	789	-7.4%
Conservation and Development	550	474	-	-	550	474	16.0%
Health and Hospitals	2,344	2,298	-	-	2,344	2,298	2.0%
Transportation	1,302	1,482	-	-	1,302	1,482	-12.1%
Human Services	6,478	5,744	-	-	6,478	5,744	12.8%
Education, Libraries and Museums	4,707	4,749	-	-	4,707	4,749	-0.9%
Corrections	2,043	2,085	-	-	2,043	2,085	-2.0%
Judicial	777	806	-	-	777	806	-3.6%
Interest and Fiscal Charges	810	734	-	-	810	734	10.4%
University of Connecticut & Health Center	-	-	1,725	1,626	1,725	1,626	6.1%
State Universities	-	-	639	611	639	611	4.6%
Bradley International Airport	-	-	68	68	68	68	0.0%
CT Lottery Corporation	-	-	723	732	723	732	-1.2%
Employment Security	-	-	1,574	632	1,574	632	149.1%
Clean Water	-	-	31	27	31	27	14.8%
Other	-	-	512	476	512	476	7.6%
Total Expenses	21,509	21,011	5,272	4,172	26,781	25,183	6.3%
Excess (Deficiency) Before Transfers and Special Items	(1,754)	(1,265)	(1,117)	(696)	(2,871)	(1,961)	46.4%
Special Items	13	-	85	-	-	-	
Transfers	(873)	(779)	873	779	-	-	0.0%
Increase (Decrease) in Net Assets	(2,614)	(2,044)	(159)	83	(2,773)	(1,961)	41.4%
Net Assets (Deficit) - Beginning (as restated)	(6,955)	(4,911)	4,663	4,580	(2,292)	(331)	592.4%
Net Assets (Deficit) - Ending	$ (9,569)	$ (6,955)	$ 4,504	$ 4,663	$ (5,065)	$ (2,292)	121.0%

Special Items are significant transactions or other activity within management's control that are either unusual in nature or infrequent in occurrence.

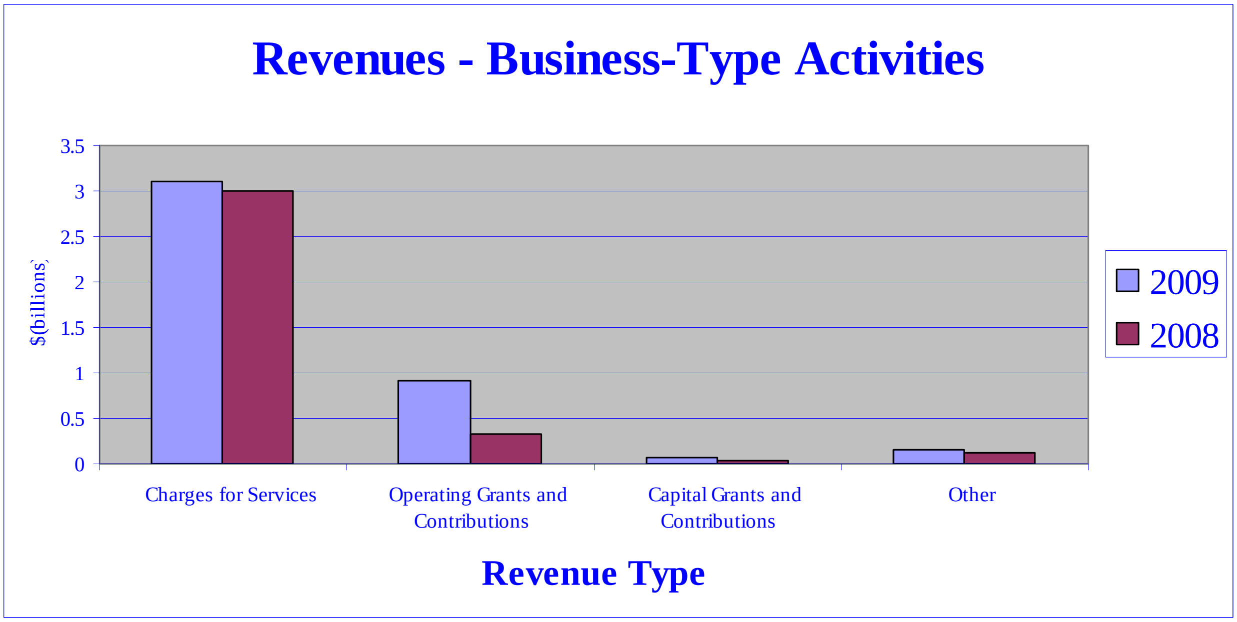
GOVERNMENTAL ACTIVITIES
The following charts provide a two year comparison of governmental activities revenues and expenses.

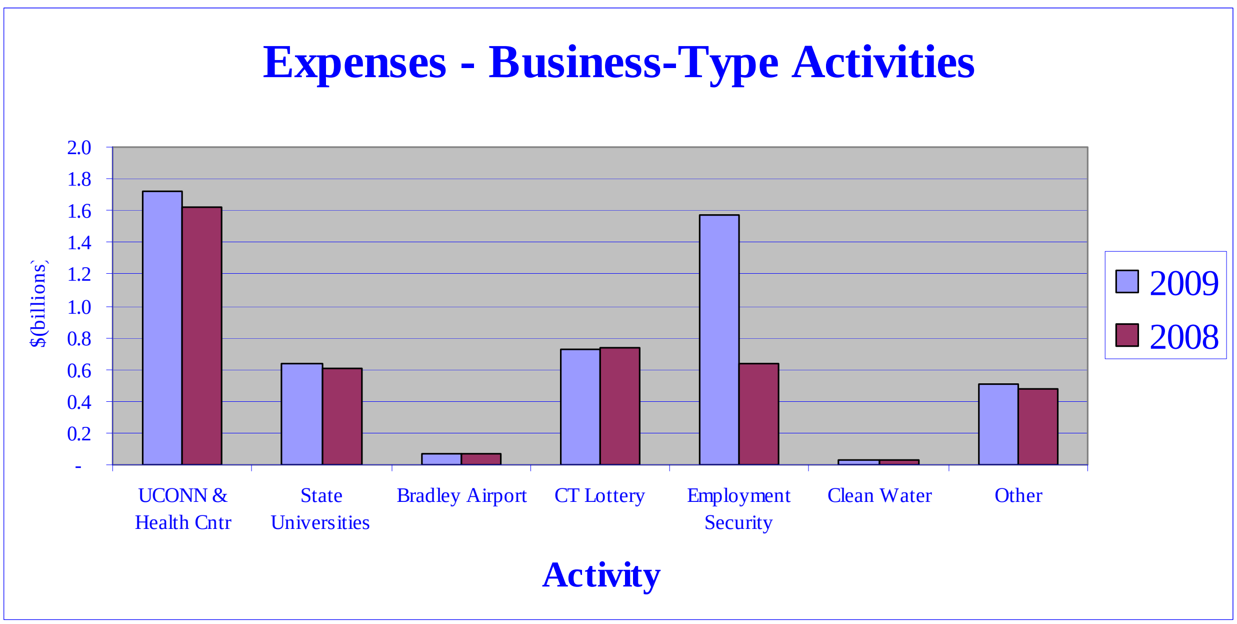




During the year, total revenues of governmental activities increased slightly to $19.8 billion, while total expenses increased 2.4 percent to $21.5 billion. In comparison, last year total revenues and expenses increased 2.8 percent and 16.0 percent, respectively. The small increase in total revenues was due mainly to an increase in grant revenues of $1.5 billion (31.5 percent) that was offset by a decrease in tax revenues of $1.4 billion (10.9 percent). Although, total expenses exceeded total revenues by $1.7 billion, this excess was increased by transfers of $0.9 billion, resulting in a decrease in net assets of $2.6 billion.

BUSINESS-TYPE ACTIVITIES
The following charts provide a two year comparison of business-type activities revenues and expenses.





During the year, total revenues of business-type activities increased 19.5 percent to $4.2 billion, while total expenses increased by 26.4 percent to $5.3 billion. In comparison, last year total revenues and expenses increased 3.5 percent and 6.9 percent, respectively. The increase in total expenses was due mainly to an increase in Employment Security expenses of $1.0 billion or 149.1 percent. Although, total expenses exceeded total revenues by $1.1 billion, this excess was reduced by transfers and special items of $0.9 billion, resulting in a decrease in net assets of $0.2 billion.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance serves as a useful measure of the State's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, the State's governmental funds had fund balances of $1.4 billion, a decrease of $1.7 billion when compared to the prior year ending fund balances. Of the total governmental fund balances, $3.2 billion represents reserved fund balance, meaning that this portion is not available for the new spending because it has already been committed for specific purposes. The remainder of fund balance is an unreserved deficit fund balance of $1.8 billion.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2009, the General Fund had a fund balance deficit of $0.8 billion. Of this amount, $1.5 billion was reserved for various purposes, leaving a deficit of $2.3 billion in unreserved fund balance. Fund balance decreased by $1.7 billion during the current fiscal year.

Debt Service Fund

As of June 30, 2009, the Debt Service Fund had a fund balance of $679 million, all of which was reserved. Fund balance decreased by $4 million during the current fiscal year.

Transportation Fund

As of June 30, 2009, the Transportation Fund had a fund balance of $154 million. Of this amount, $64 million was reserved for various purposes, leaving $90 million in unreserved fund balance. Fund balance decreased by $72 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2009, the Restricted Grants and Accounts Fund had a fund balance of $578 million, all of which was reserved. Fund balance decreased by $38 million during the fiscal year.

Proprietary Funds

The State's Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds has been provided in that section.

Fiduciary Funds

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, an Investment Trust fund, and a Private-Purpose Trust fund. As of June 30, 2009, the net assets of the State's Fiduciary funds totaled $21.6 billion, a decrease of $5.5 billion when compared to the prior year ending net asset balance.

Budgetary Highlights-General Fund

The General Fund had a budget deficit estimated to be $10 million at the beginning of the fiscal year. Because the economy continued to be in a recession during the fiscal year, the deficit estimate grew to $946 million by the end of the fiscal year.

Although actual fund expenditures exceeded revenues by $1,534 million, this excess was reduced by other financing sources of $586 million, resulting in an actual deficit of $948 million for the fiscal year. A portion of the 2008 surplus in the amount of $179 million was spent during the fiscal year. This amount was reported as other financing source in the budgetary statement.

Actual revenues were lower than originally budgeted by $1,276 million for the fiscal year. This negative revenue variance resulted mainly from a negative tax revenue variance of $2,263 million that was offset by positive federal and transfer revenue variances of $1,089 million. Some of the actual tax revenues that were lower than originally budgeted were as follows: personal income, $1,290 million; sales and use, $429 million; corporations, $176 million; and real estate conveyance, $113 million.

Final budgeted appropriations were almost the same as originally budgeted for the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2009 totaled $14.4 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was $1.1 billion, due mainly to a 10 percent increase in governmental activities' capital assets.

Major capital asset events during the fiscal year included the following:

- Additions to land of $0.9 billion
- Additions to infrastructure of $0.6 billion
- Depreciation expense of $0.9 billion

The following table is a two year comparison of the investment in capital assets presented for both governmental and business-type activities:

State of Connecticut's Capital Assets
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008*	2009	2008*
Land	$ 2,295	$ 1,400	$ 60	$ 60	$ 2,355	$ 1,460
Buildings	1,209	1,116	2,493	2,406	3,702	3,522
Improvements Other than Buildings	222	174	252	249	474	423
Equipment	194	337	354	361	548	698
Infrastructure	5,819	5,659	-	-	5,819	5,659
Construction in Progress	1,337	1,342	193	250	1,530	1,592
Total	$ 11,076	$ 10,028	$ 3,352	$ 3,326	$ 14,428	$ 13,354

* Restated for comparative purposes. See Note 22.

Additional information on the State's capital assets can be found in Note 10 of this report.

Long-Term Debt
Bonded Debt

At the end of the current fiscal year, the State had total bonded debt of $18.5 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two year comparison of bonded debt presented for both governmental and business-type activities:

State of Connecticut's Bonded Debt (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	$ 13,444	$ 13,092	$ -	$ -	$ 13,444	$ 13,092
Transportation Related Bonds	2,817	2,791	-	-	2,817	2,791
Revenue Bonds	-	-	1,602	1,358	1,602	1,358
Bond Anticipation Notes	228	-	-	-	228	-
Premiums and deferred amounts	420	348	32	20	452	368
Total	$ 16,909	$ 16,231	$ 1,634	$ 1,378	$ 18,543	$ 17,609

The State's total bonded debt increased by $0.9 billion (5.3 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $0.6 billion (including bond anticipation notes) and an increase in revenue bonds of $0.2 billion.

The State's General Obligation Bonds are rated Aa3, AA, and AA by Moody's Investor Service, Standard and Poor's Corporation, and Fitch Ratings, respectively. Special Tax Obligation Bonds are rated A1, AA, AA- by Moody's Investor Service, Standard and Poor's Corporation, and Fitch Ratings, respectively.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of February 2009, the State had a debt incurring margin of $5.9 billion.

Other Long-Term Debt

State of Connecticut's Other Long - Term Debt (in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Net Pension Obligation	$ 2,021	$ 1,917	$ -	$ -	$ 2,021	$ 1,917
Net OPEB Obligation	2,543	1,234	-	-	2,543	1,234
Compensated Absences	503	482	135	130	638	612
Workers Compensation	460	413	-	-	460	413
Lottery Prizes	-	-	204	232	204	232
Other	91	66	186	163	277	229
Total	$ 5,618	$ 4,112	$ 525	$ 525	$ 6,143	$ 4,637

The State's other long-term obligations increased by $1.5 billion (32.5 percent) during the fiscal year. This increase was due mainly to an increase in the Net OPEB Obligation of $1.3 billion.

Additional information on the State's long-term debt can be found in Notes 17 and 18 of this report.

Economic Factors and Next Year's Budget

During the fiscal year, the State's economy continued to be in a recession. The State lost 65,100 payroll jobs over the fiscal year, bringing the unemployment rate to 8.00 percent – the highest rate for the last twenty years. New home permits and new auto registrations decreased 46.9 percent and 33.9 percent over the fiscal year, respectively. New business starts declined 8.8 percent, while business terminations increased 17.2 percent over the fiscal year. Personal income decreased 1.7 percent to $193.6 billion for the fiscal year. Nationally, the economy showed signs of improvement by growing 3.5 percent in the third quarter of 2009, after posting declines of 6.4 percent and 0.7 percent in the first and second quarters of the year, respectively. However, the unemployment rate continued to grow, reaching 9.8 percent by the end of the third quarter of the year.

For fiscal year 2010, the General Fund had a budget surplus initially estimated to be $2 million. Budgeted revenues were expected to increase 2.3 percent to $17,372 million, while budgeted appropriations were expected to decrease 1.7 percent to $17,370 million. However, due to the continuing economic recession, the Fund had an estimated budget deficit of $515 million by the second half of the fiscal year. Budgeted revenues and appropriations were expected to be $357.4 million lower and $157.6 million higher than originally anticipated, respectively. To eliminate the estimated budget deficit, the Governor proposed spending cuts of $284 million and transfers of cash from other state funds of $53 million. Because some of the proposed spending cuts needed legislative approval, the Governor called the legislature into special session. At this writing, no legislation has been enacted to mitigate the Fiscal Year 2010 General Fund deficit. If the fiscal year closes with a deficit, additional borrowing will be required.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3350.

THIS PAGE LEFT INTENTIONALLY BLANK

Basic Financial Statements

THIS PAGE LEFT INTENTIONALLY BLANK

Statement of Net Assets

June 30, 2009

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 641,367	$ 647,787	$ 1,289,154	$ 199,372
Deposits with U.S. Treasury	-	243,629	243,629	-
Investments	482,427	50,011	532,438	287,104
Receivables, (Net of Allowances)	2,177,947	806,863	2,984,810	42,456
Due from Primary Government	-	-	-	13,108
Inventories	54,952	11,954	66,906	3,694
Restricted Assets	-	141,565	141,565	1,248,737
Internal Balances	(102,089)	102,089	-	-
Other Current Assets	17,536	14,536	32,072	2,900
Total Current Assets	3,272,140	2,018,434	5,290,574	1,797,371
Noncurrent Assets:				
Cash and Cash Equivalents	-	268,896	268,896	-
Due From Component Units	9,793	-	9,793	-
Investments	-	240,203	240,203	39,632
Receivables, (Net of Allowances)	235,818	608,024	843,842	166,081
Restricted Assets	679,779	684,507	1,364,286	4,329,972
Capital Assets, (Net of Accumulated Depreciation)	11,075,553	3,351,555	14,427,108	442,591
Other Noncurrent Assets	75,669	41,334	117,003	8,789
Total Noncurrent Assets	12,076,612	5,194,519	17,271,131	4,987,065
Total Assets	15,348,752	7,212,953	22,561,705	6,784,436
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	691,971	289,174	981,145	72,770
Notes Payable	353,085	-	353,085	-
Due to Component Units	13,108	-	13,108	-
Due to Other Governments	150,651	284	150,935	-
Current Portion of Long-Term Obligations	954,162	182,597	1,136,759	166,235
Amount Held for Institutions	-	-	-	446,227
Deferred Revenue	81,422	204,553	285,975	-
Medicaid Liability	584,992	-	584,992	-
Liability for Escheated Property	339,429	-	339,429	-
Other Current Liabilities	176,956	56,027	232,983	30,005
Total Current Liabilities	3,345,776	732,635	4,078,411	715,237
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	21,572,165	1,976,366	23,548,531	4,264,368
Total Noncurrent Liabilities	21,572,165	1,976,366	23,548,531	4,264,368
Total Liabilities	24,917,941	2,709,001	27,626,942	4,979,605
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,499,602	2,611,952	8,111,554	299,724
Restricted For:				
Transportation	68,439	-	68,439	-
Debt Service	642,100	42,380	684,480	17,504
Federal Grants and Other Accounts	576,383	-	576,383	-
Capital Projects	179,927	195,822	375,749	18,843
Unemployment Compensation	-	362,403	362,403	-
Clean Water and Drinking Water Projects	-	696,365	696,365	-
Bond Indenture Requirements	-	2,349	2,349	885,718
Loans	-	6,159	6,159	-
Permanent Investments or Endowments:				
Expendable	2,348	-	2,348	72,984
Nonexpendable	85,834	12,802	98,636	247,353
Other Purposes	62,696	152,169	214,865	39,904
Unrestricted (Deficit)	(16,686,518)	421,551	(16,264,967)	222,801
Total Net Assets (Deficit)	$ (9,569,189)	$ 4,503,952	$ (5,065,237)	$ 1,804,831

The accompanying notes are an integral part of the financial statements.

Statement of Activities

For The Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees, Fines , and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	$ 32,159	$ 2,701	$ 44	$ -
General Government	1,734,577	506,224	58,557	-
Regulation and Protection	730,701	525,057	143,551	-
Conservation and Development	549,811	133,395	74,549	-
Health and Hospitals	2,343,919	62,747	168,934	-
Transportation	1,302,395	78,136	-	646,416
Human Services	6,478,180	39,722	4,553,058	-
Education, Libraries, and Museums	4,707,240	27,365	425,986	-
Corrections	2,042,503	7,346	121,397	-
Judicial	776,981	107,578	6,612	-
Interest and Fiscal Charges	810,403	-	-	-
Total Governmental Activities	21,508,869	1,490,271	5,552,688	646,416
Business-Type Activities:				
University of Connecticut & Health Center	1,725,343	908,260	199,170	3,814
State Universities	639,397	323,874	53,013	49,537
Bradley International Airport	67,995	53,723	-	10,406
Connecticut Lottery Corporation	723,249	991,482	-	-
Employment Security	1,573,806	640,317	560,869	-
Clean Water	30,723	15,661	18,998	-
Other	511,542	174,532	75,000	-
Total Business-Type Activities	5,272,055	3,107,849	907,050	63,757
Total Primary Governmen	$ 26,780,924	$ 4,598,120	$ 6,459,738	$ 710,173
Component Units				
Connecticut Housing Finance Authority (12-31-08)	$ 227,636	$ 194,134	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,546	7,067	-	-
Other	302,378	217,356	7,651	15,389
Total Component Units	$ 535,560	$ 418,557	$ 7,651	$ 15,389
General Revenues:				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Other				
Casino Gaming Payments				
Tobacco Settlement				
Unrestricted Investment Earnings				
Contributions to Endowments				
Special Items:				
Transfer from Component Unit				
Debt Reduction Transfer				
Transfer to the State				
Transfers-Internal Activities				
Total General Revenues, Contributions, Special Items, and Transfers				
Change in Net Assets				
Net Assets (Deficit)- Beginning (as restated)				
Net Assets (Deficit)- Ending				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
$ (29,414)	$ -	$ (29,414)	$ -
(1,169,796)	-	(1,169,796)	-
(62,093)	-	(62,093)	-
(341,867)	-	(341,867)	-
(2,112,238)	-	(2,112,238)	-
(577,843)	-	(577,843)	-
(1,885,400)	-	(1,885,400)	-
(4,253,889)	-	(4,253,889)	-
(1,913,760)	-	(1,913,760)	-
(662,791)	-	(662,791)	-
(810,403)	-	(810,403)	-
(13,819,494)	-	(13,819,494)	-
-	(614,099)	(614,099)	-
-	(212,973)	(212,973)	-
-	(3,866)	(3,866)	-
-	268,233	268,233	-
-	(372,620)	(372,620)	-
-	3,936	3,936	-
-	(262,010)	(262,010)	-
-	(1,193,399)	(1,193,399)	-
(13,819,494)	(1,193,399)	(15,012,893)	-
-	-	-	(33,502)
-	-	-	1,521
-	-	-	(61,982)
-	-	-	(93,963)
5,657,309	-	5,657,309	-
437,444	-	437,444	-
3,301,096	-	3,301,096	-
1,407,084	-	1,407,084	-
492,566	-	492,566	
196,034	-	196,034	-
377,805	-	377,805	-
153,819	-	153,819	-
42,493	75,933	118,426	48,178
-	-	-	23,317
13,150	-	13,150	-
-	85,000	85,000	-
-	-	-	(13,150)
(873,590)	873,590	-	-
11,205,210	1,034,523	12,239,733	58,345
(2,614,284)	(158,876)	(2,773,160)	(35,618)
(6,954,905)	4,662,828	(2,292,077)	1,840,449
$ (9,569,189)	$ 4,503,952	$ (5,065,237)	$ 1,804,831

THIS PAGE LEFT INTENTIONALLY BLANK

Governmental Fund Financial Statements

Major Funds

General Fund:
This fund is the State's general operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Debt Service Fund:
This fund is used to account for the accumulation of resources for and the payment of, principal and interest on special tax obligation bonds of the Transportation fund.

Transportation Fund:
to account for motor vehicle taxes, receipts and transportation related federal revenues collected for the purposes of payment of debt service requirements and budgeted appropriations made to the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the state.

Restricted Grants and Accounts Fund:
This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

Balance Sheet
Governmental Funds
June 30, 2009
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 102,776	$ 8,089	$ 519,438	$ 630,303
Investments	387,263	-	-	-	95,164	482,427
Securities Lending Collateral	-	-	-	-	17,255	17,255
Receivables:						
Taxes, Net of Allowances	922,924	-	42,943	-	-	965,867
Accounts, Net of Allowances	188,859	-	10,560	11,641	29,791	240,851
Loans, Net of Allowances	-	-	-	-	235,818	235,818
From Other Governments	762,270	-	-	178,636	10,179	951,085
Interest	-	1,367	34	-	-	1,401
Other	-	-	-	-	2	2
Due from Other Funds	27,126	-	1,367	563,616	415,757	1,007,866
Due from Component Units	9,793	-	-	-	-	9,793
Inventories	24,357	-	26,856	-	-	51,213
Restricted Assets	-	679,384	-	-	395	679,779
Other Assets	-	-	-	-	208	208
Total Assets	$ 2,322,592	$ 680,751	$ 184,536	$ 761,982	$ 1,324,007	$ 5,273,868
Liabilities and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	$ 284,264	$ -	$ 25,069	$ 153,832	$ 60,632	$ 523,797
Notes Payable	-	-	-	-	353,085	353,085
Due to Other Funds	939,237	1,367	-	3,209	89,485	1,033,298
Due to Component Units	-	-	-	444	12,664	13,108
Due to Other Governments	147,045	-	-	3,606	-	150,651
Deferred Revenue	667,502	-	5,289	22,551	36,484	731,826
Medicaid Liability	584,992	-	-	-	-	584,992
Liability For Escheated Property	339,429	-	-	-	-	339,429
Securities Lending Obligation	-	-	-	-	17,255	17,255
Other Liabilities	159,701	-	-	-	-	159,701
Total Liabilities	3,122,170	1,367	30,358	183,642	569,605	3,907,142
Fund Balances						
Reserved For:						
Petty Cash	840	-	-	-	-	840
Inventories	24,357	-	26,856	-	-	51,213
Loans	9,793	-	-	-	235,818	245,611
Continuing Appropriations	87,113	-	37,324	-	1,500	125,937
Debt Service	-	679,384	-	-	-	679,384
Restricted Purposes	-	-	-	578,340	88,182	666,522
Budget Reserve Fund	1,381,748	-	-	-	-	1,381,748
Unreserved Reported In:						
General Fund	(2,303,429)	-	-	-	-	(2,303,429)
Transportation Fund	-	-	89,998	-	-	89,998
Special Revenue Funds	-	-	-	-	247,763	247,763
Capital Project Funds	-	-	-	-	181,139	181,139
Total Fund Balances	(799,578)	679,384	154,178	578,340	754,402	1,366,726
Total Liabilities and Fund Balances	$ 2,322,592	$ 680,751	$ 184,536	$ 761,982	$ 1,324,007	$ 5,273,868

The accompanying notes are an integral part of the financial statements.

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2009
(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$	1,366,726
Net assets reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:			
Buildings	2,880,415		
Equipment	1,542,647		
Infrastructure	14,047,034		
Other Capital Assets	2,332,376		
Accumulated Depreciation	(9,788,408)		11,014,064
Debt issue costs are recorded as expenditures in the funds. However, these costs are deferred (reported as other assets) and amortized over the life of the bonds in the Statement of Net Assets.			74,918
Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.			650,533
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.			(10,659)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 17).			
Net Pension Obligation	(2,020,664)		
Net OPEB Obligation	(2,542,958)		
Worker's Compensation	(459,778)		
Capital Leases	(47,129)		
Compensated Absences	(498,471)		
Claims and Judgments	(43,690)		(5,612,690)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement (Note 17).			
Bonds Payable	(16,488,700)		
Unamortized Premiums	(613,861)		
Less: Deferred Loss on Refundings	193,825		
Accrued Interest Payable	(143,345)		(17,052,081)
Net Assets of Governmental Activities		$	(9,569,189)

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For The Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Revenues						
Taxes	$ 10,703,681	$ -	$ 688,213	$ -	$ 24,872	$ 11,416,766
Assessments	-	-	-	-	28,129	28,129
Licenses, Permits and Fees	160,935	-	297,292	7,450	81,194	546,871
Tobacco Settlement	-	-	-	-	153,819	153,819
Federal Grants and Aid	4,111,553	-	-	1,831,921	74,186	6,017,660
Charges for Services	32,558	-	62,497	-	6,445	101,500
Fines, Forfeits and Rents	-	-	30,440	-	2,401	32,841
Casino Gaming Payments	377,805	-	-	-	-	377,805
Investment Earnings	18,731	11,696	2,914	3,122	6,824	43,287
Miscellaneous	152,158	-	5,428	547,400	85,024	790,010
Total Revenues	15,557,421	11,696	1,086,784	2,389,893	462,894	19,508,688
Expenditures						
Current:						
Legislative	99,453	-	-	2,635	-	102,088
General Government	1,223,277	-	2,193	285,698	196,141	1,707,309
Regulation and Protection	377,126	-	86,122	84,445	202,780	750,473
Conservation and Development	142,478	-	-	107,273	261,136	510,887
Health and Hospitals	1,989,034	-	-	216,938	16,525	2,222,497
Transportation	-	-	630,912	633,487	3,870	1,268,269
Human Services	5,589,908	-	-	455,426	14,524	6,059,858
Education, Libraries, and Museums	3,233,199	-	-	468,655	699,569	4,401,423
Corrections	1,978,251	-	-	23,439	9,287	2,010,977
Judicial	745,375	-	-	13,664	16,672	775,711
Capital Projects	-	-	-	-	438,724	438,724
Debt Service:						
Principal Retirement	886,789	278,770	723	-	-	1,166,282
Interest and Fiscal Charges	571,936	178,937	10,068	148,308	9,384	918,633
Total Expenditures	16,836,826	457,707	730,018	2,439,968	1,868,612	22,333,131
Excess (Deficiency) of Revenues Over Expenditures	(1,279,405)	(446,011)	356,766	(50,075)	(1,405,718)	(2,824,443)
Other Financing Sources (Uses)						
Bonds Issued	55,585	-	-	-	1,808,015	1,863,600
Premiums on Bonds Issued	720	39,109	-	-	70,731	110,560
Transfers In	624,864	423,049	25,459	91,098	159,295	1,323,765
Transfers Out	(1,116,820)	(16,942)	(454,341)	(79,061)	(525,381)	(2,192,545)
Refunding Bonds Issued	-	586,940	-	-	-	586,940
Payment to Refunded Bond Escrow Agent	-	(590,397)	-	-	-	(590,397)
Special Item: Transfer from Component Unit	13,150	-	-	-	-	13,150
Total Other Financing Sources (Uses)	(422,501)	441,759	(428,882)	12,037	1,512,660	1,115,073
Net Change in Fund Balances	(1,701,906)	(4,252)	(72,116)	(38,038)	106,942	(1,709,370)
Fund Balances - Beginning (as restated)	903,290	683,636	220,376	616,378	647,460	3,071,140
Changes in Reserves for Inventories	(962)	-	5,918	-	-	4,956
Fund Balances - Ending	$ (799,578)	$ 679,384	$ 154,178	$ 578,340	$ 754,402	$ 1,366,726

The accompanying notes are an integral part of the financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

June 30, 2009

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ (1,709,370)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Bond proceeds provide current financial resources to governmental funds. However issuing debt increases long term-liabilities in the Statement of Net Assets. Bond proceeds were received this year from:		
Bonds Issued	(1,863,600)	
Refunding Bonds Issued	(586,940)	
Premium on Bonds Issued	(110,560)	(2,561,100)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt repayments this year consisted of:		
Principal Retirement	1,166,282	
Payments to Refunded Bond Escrow Agent	590,397	
Capital Lease Payments	4,620	1,761,299
Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts and other reductions were as follows:		
Capital Outlays	1,948,972	
Depreciation Expense	(851,964)	
Retirements	(53,307)	1,043,701
Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which purchases exceeded consumption of inventories.		4,956
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in Accrued Interest	(22,760)	
Decrease in Interest Accreted on Capital Appreciation Debt	99,210	
Amortization of Bond Premium	57,756	
Amortization of Loss on Debt Refundings	(29,801)	
Increase in Compensated Absences Liability	(20,913)	
Increase in Workers Compensation Liability	(47,159)	
Increase in Claims and Judgments Liability	(30,055)	
Increase in Net Pension Obligation	(104,127)	
Increase in Net OPEB Obligation	(1,308,562)	(1,406,411)
Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year		246,337
Internal service funds are used by management to charge the costs of certain activities such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities		2,481
Debt issue costs are recorded as expenditures in the governmental funds. However these costs are amortized over the life of the bonds in the Statement of Activities. In the current year, these amounts are:		
Debt Issue Costs Payments	10,286	
Amortization of Debt Issue Costs	(6,463)	3,823
Change in Net Assets of Governmental Activities		$ (2,614,284)

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Non-GAAP Budgetary Basis

General and Transportation Funds

For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 12,971,100	$ 10,703,200	$ 10,708,262	$ 5,062
Operating Transfers In	398,300	403,000	402,995	(5)
Casino Gaming Payments	449,000	377,900	377,805	(95)
Licenses, Permits, and Fees	153,500	157,200	162,474	5,274
Other	324,000	282,700	278,406	(4,294)
Federal Grants	2,768,100	3,623,100	3,619,490	(3,610)
Refunds of Payments	(600)	(700)	(662)	38
Operating Transfers Out	(86,300)	(86,300)	(86,300)	-
Transfer to the Resources of the General Fund	-	238,503	238,331	(172)
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	16,977,100	15,698,603	15,700,801	2,198
Expenditures				
Budgeted:				
Legislative	80,761	78,784	71,555	7,229
General Government	650,870	567,521	520,115	47,406
Regulation and Protection	293,421	329,253	286,822	42,431
Conservation and Development	130,416	125,982	113,329	12,653
Health and Hospitals	1,675,088	1,699,449	1,662,540	36,909
Transportation	15,854	2,854	(50)	2,904
Human Services	5,026,218	5,094,923	5,041,515	53,408
Education, Libraries, and Museums	3,993,286	4,064,566	4,019,381	45,185
Corrections	1,591,890	1,642,166	1,577,167	64,999
Judicial	550,328	564,910	543,078	21,832
Non Functional	3,779,886	3,600,383	3,399,403	200,980
Total Expenditures	17,788,018	17,770,791	17,234,855	535,936
Appropriations Lapsed	117,480	456,591	-	(456,591)
Excess (Deficiency) of Revenues Over Expenditures	(693,438)	(1,615,597)	(1,534,054)	81,543
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	504,098	504,098	504,098	-
Appropriations Continued to Fiscal Year 2010	-	-	(88,771)	(88,771)
Transfer of 2008 Surplus	179,420	179,420	179,420	-
Miscellaneous Adjustments	-	(13,699)	(8,271)	5,428
Total Other Financing Sources (Uses)	683,518	669,819	586,476	(83,343)
Net Change in Fund Balance	$ (9,920)	$ (945,778)	(947,578)	$ (1,800)
Budgetary Fund Balances - July 1			684,405	
Changes in Reserves			(594,795)	
Budgetary Fund Balances - June 30			$ (857,968)	

The accompanying notes are an integral part of the financial statements.

Transportation Fund			
Budget			Variance with Final Budget
Original	**Final**	**Actual**	positive (negative)
$ 730,500	$ 687,600	$ 687,973	$ 373
-	-	-	-
-	-	-	-
407,300	364,400	363,212	(1,188)
47,000	15,600	15,583	(17)
-	-	-	-
(3,000)	(2,400)	(2,772)	(372)
(9,500)	(9,500)	(9,500)	-
-	(6,492)	(6,492)	-
(15,300)	(15,300)	(15,300)	-
1,157,000	1,033,908	1,032,704	(1,204)
-	-	-	-
2,517	2,518	2,152	366
79,259	79,602	59,677	19,925
-	-	-	-
-	-	-	-
517,321	528,594	512,908	15,686
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
604,823	595,516	553,464	42,052
1,203,920	1,206,230	1,128,201	78,029
11,000	42,553	-	(42,553)
(35,920)	(129,769)	(95,497)	34,272
38,693	38,693	38,693	-
-	-	(37,324)	(37,324)
-	-	-	-
-	8,665	9,429	764
38,693	47,358	10,798	(36,560)
$ 2,773	$ (82,411)	(84,699)	$ (2,288)
		216,963	
		(1,369)	
		$ 130,895	

THIS PAGE LEFT INTENTIONALLY BLANK

Proprietary Fund Financial Statements

Major Funds

University of Connecticut and Health Center:
This fund is used to account for the operations of the University of Connecticut a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

State Universities:
This fund is used to account for the operations of the State University System which consist of four universities: Central, Eastern, Southern, and Western.

Bradley International Airport:
The airport is owned by the State of Connecticut and is operated by the Bureau of Aviation and Ports of the State of Connecticut, Department of Transportation and the Board of Directors of the Airport. In 1982, the State issued the Airport, 1982 series Revenue Bonds in the aggregate principal amount of $100,000,000 and established the Airport as an enterprise fund. The State also donated in the same year capital assets having a net book value of $33.3 million to the enterprise fund.

The Connecticut Lottery Corporation:
The Connecticut Lottery Corporation, a public instrumentality and political subdivision of the State of Connecticut was created on July 1, 1996 for the purpose of generating revenues for the State of Connecticut's General Fund through the operation of a lottery.

Employment Security:
to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water:
to account for resources used to provide loans to municipalities to finance waste water treatment projects.

Statement of Net Assets
Proprietary Funds

June 30, 2009
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 295,375	$ 127,199	$ 48,316	$ 23,420
Deposits with U.S. Treasury	-	-	-	-
Investments	3,331	13,519	-	33,161
Receivables:				
Accounts, Net of Allowances	112,080	157,202	4,188	16,530
Loans, Net of Allowances	2,573	1,917	-	-
Interest	-	-	-	6,321
From Other Governments	-	2,058	9,816	-
Due from Other Funds	54,050	43,459	-	-
Inventories	10,526	-	-	-
Restricted Assets	128,910	-	12,655	-
Other Current Assets	9,468	1,932	185	2,403
Total Current Assets	616,313	347,286	75,160	81,835
Noncurrent Assets:				
Cash and Cash Equivalents	1,472	105,578	-	-
Investments	9,497	26,662	-	168,315
Receivables:				
Loans, Net of Allowances	9,548	9,334	-	-
Restricted Assets	25,967	-	105,187	-
Capital Assets, Net of Accumulated Depreciation	1,664,600	864,985	302,476	2,786
Other Noncurrent Assets	2,373	2,727	6,249	4,997
Total Noncurrent Assets	1,713,457	1,009,286	413,912	176,098
Total Assets	2,329,770	1,356,572	489,072	257,933
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	132,388	58,352	11,967	17,553
Due to Other Funds	17,722	3,234	10,923	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	54,498	21,152	10,145	35,077
Deferred Revenue	29,129	169,865	1,513	815
Other Current Liabilities	18,932	7,540	-	29,003
Total Current Liabilities	252,669	260,143	34,548	82,448
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	331,512	324,066	188,836	168,890
Total Noncurrent Liabilities	331,512	324,066	188,836	168,890
Total Liabilities	584,181	584,209	223,384	251,338
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	1,358,703	668,424	109,991	2,786
Restricted For:				
Debt Service	10,397	-	27,475	-
Unemployment Compensation	-	-	-	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	121,251	-	74,571	-
Nonexpendable Purposes	10,819	1,963	-	-
Bond Indentures	-	-	2,349	-
Loans	6,159	-	-	-
Other Purposes	19,458	69,174	-	6,595
Unrestricted (Deficit)	218,802	32,802	51,302	(2,786)
Total Net Assets (Deficit)	$ 1,745,589	$ 772,363	$ 265,688	$ 6,595

The accompanying notes are an integral part of the financial statements.

Business-Type Activities Enterprise Funds				Governmental Activities
Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
$ -	$ 970	$ 152,507	$ 647,787	$ 11,064
243,629	-	-	243,629	-
-	-	-	50,011	-
148,509	46,617	15,332	500,458	241
-	253,105	10,033	267,628	-
-	8,780	589	15,690	-
10,874	24	315	23,087	-
1,797	-	76,626	175,932	2,926
-	-	1,428	11,954	3,739
-	-	-	141,565	-
-	-	548	14,536	73
404,809	309,496	257,378	2,092,277	18,043
-	123,478	38,368	268,896	-
-	35,729	-	240,203	-
-	528,064	61,078	608,024	-
-	487,401	65,952	684,507	-
-	-	516,708	3,351,555	61,489
-	23,514	1,474	41,334	751
-	1,198,186	683,580	5,194,519	62,240
404,809	1,507,682	940,958	7,286,796	80,283
158	8,195	60,561	289,174	18,981
41,964	-	-	73,843	66,931
284	-	-	284	-
-	53,745	7,980	182,597	244
-	-	3,231	204,553	129
-	-	552	56,027	-
42,406	61,940	72,324	806,478	86,285
-	806,053	157,009	1,976,366	4,657
-	806,053	157,009	1,976,366	4,657
42,406	867,993	229,333	2,782,844	90,942
-	-	472,048	2,611,952	54,871
-	-	4,508	42,380	-
362,403	-	-	362,403	-
-	604,902	91,463	696,365	-
-	-	-	195,822	-
-	-	20	12,802	-
-	-	-	2,349	-
-	-	-	6,159	-
-	-	56,942	152,169	-
-	34,787	86,644	421,551	(65,530)
$ 362,403	$ 639,689	$ 711,625	$ 4,503,952	$ (10,659)

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For The Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Operating Revenues				
Charges for Sales and Services	$ 807,164	$ 306,912	$ 42,622	$ 991,303
Assessments	-	-	-	-
Federal Grants, Contracts and Other Aid	152,855	33,896	-	-
State Grants, Contracts and Other Aid	27,853	16,073	-	-
Private Gifts and Grants	40,132	3,044	-	-
Interest on Loans	-	-	-	-
Other	60,576	13,707	-	173
Total Operating Revenues	1,088,580	373,632	42,622	991,476
Operating Expenses				
Salaries, Wages and Administrative	1,502,379	565,085	40,342	94,962
Lottery Prize Awards	-	-	-	604,712
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	117,969	50,375	17,863	477
Other	89,910	23,937	-	8,428
Total Operating Expenses	1,710,258	639,397	58,205	708,579
Operating Income (Loss)	(621,678)	(265,765)	(15,583)	282,897
Nonoperating Revenue (Expenses)				
Interest and Investment Income	10,089	4,533	3,304	15,174
Interest and Fiscal Charges	(15,085)	-	(9,790)	(14,670)
Other	18,850	3,255	11,101	6
Total Nonoperating Revenues (Expenses)	13,854	7,788	4,615	510
Income (Loss) Before Capital Contributions, Grants, Transfers, and Special Item	(607,824)	(257,977)	(10,968)	283,407
Capital Contributions	3,814	49,537	10,406	-
Federal Capitalization Grants	-	-	-	-
Transfers In	688,737	248,412	9,647	-
Transfers Out	-	-	-	(283,000)
Special Item: Debt Reduction Transfer	-	-	-	-
Change in Net Assets	84,727	39,972	9,085	407
Total Net Assets (Deficit) - Beginning (as restated)	1,660,862	732,391	256,603	6,188
Total Net Assets (Deficit) - Ending	$ 1,745,589	$ 772,363	$ 265,688	$ 6,595

The accompanying notes are an integral part of the financial statements.

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
$ -	$ -	$ 132,856	$ 2,280,857	$ 88,644
616,419	-	36,465	652,884	-
560,869	-	47,689	795,309	-
13,180	-	17,084	74,190	-
-	-	3,699	46,875	-
-	13,386	1,621	15,007	-
10,718	-	3,590	88,764	30
1,201,186	13,386	243,004	3,953,886	88,674
-	465	425,447	2,628,680	63,252
-	-	-	604,712	-
1,573,806	-	-	1,573,806	-
-	-	38,352	38,352	-
-	-	19,086	205,770	18,814
-	-	22,856	145,131	-
1,573,806	465	505,741	5,196,451	82,066
(372,620)	12,921	(262,737)	(1,242,565)	6,608
19,637	17,573	5,623	75,933	87
-	(30,258)	(5,691)	(75,494)	(45)
-	2,275	(110)	35,377	(106)
19,637	(10,410)	(178)	35,816	(64)
(352,983)	2,511	(262,915)	(1,206,749)	6,544
-	-	-	63,757	3,450
-	18,998	6,528	25,526	-
-	983	243,708	1,191,487	-
(25,250)	-	(9,647)	(317,897)	(7,513)
-	-	85,000	85,000	-
(378,233)	22,492	62,674	(158,876)	2,481
740,636	617,197	648,951	4,662,828	(13,140)
$ 362,403	$ 639,689	$ 711,625	$ 4,503,952	$ (10,659)

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Cash Flows from Operating Activities				
Receipts from Customers	$ 819,476	$ 302,736	$ 43,916	$ 987,364
Payments to Suppliers	(495,144)	(177,892)	(24,890)	(28,776)
Payments to Employees	(1,036,579)	(400,950)	(15,188)	(13,997)
Other Receipts (Payments)	297,496	66,722	-	(675,276)
Net Cash Provided by (Used in) Operating Activities	(414,751)	(209,384)	3,838	269,315
Cash Flows from Noncapital Financing Activities				
Proceeds from Sale of Bonds	-	-	-	-
Retirement of Bonds and Annuities Payable	-	-	-	(37,906)
Interest on Bonds and Annuities Payable	-	-	-	(15,994)
Transfers In	454,808	240,257	9,647	-
Transfers Out	-	-	-	(283,000)
Other Receipts (Payments)	23,437	3,192	-	7,913
Net Cash Flows from Noncapital Financing Activities	478,245	243,449	9,647	(328,987)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant and Equipment	(93,504)	(26,320)	(19,707)	(326)
Proceeds from Capital Debt	150,000	-	-	-
Principal Paid on Capital Debt	(76,148)	(19,163)	(9,605)	-
Interest Paid on Capital Debt	(52,307)	-	(10,259)	-
Transfer In	120,342	-	-	-
Federal Grant	2,182	-	-	-
Capital Contributions	-	18,061	4,008	-
Other Receipts (Payments)	398	58	18,645	-
Net Cash Flows from Capital and Related Financing Activities	50,963	(27,364)	(16,918)	(326)
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	3,040		37,792
Purchase of Investment Securities	(37)	(1,933)	-	(7,913)
Interest on Investments	10,984	5,104	3,558	16,504
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	969	-	(834)	-
Net Cash Flows from Investing Activities	11,916	6,211	2,724	46,383
Net Increase (Decrease) in Cash and Cash Equivalents	126,373	12,912	(709)	(13,615)
Cash and Cash Equivalents - Beginning of Year	318,605	219,865	136,995	37,035
Cash and Cash Equivalents - End of Year	$ 444,978	$ 232,777	$ 136,286	$ 23,420
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (621,678)	$ (265,765)	$ (15,583)	$ 282,897
Adjustments not Affecting Cash:				
Depreciation and Amortization	117,969	50,375	17,863	477
Other	84,006	93	(13)	97
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	5,442	(16,251)	1,294	(4,117)
(Increase) Decrease in Due from Other Funds	(7,636)	305	-	-
(Increase) Decrease in Inventories and Other Assets	1,790	(302)	-	(1,250)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	5,356	22,161	277	(8,789)
Increase (Decrease) in Due to Other Funds	-	-	-	-
Total Adjustments	206,927	56,381	19,421	(13,582)
Net Cash Provided by (Used In) Operating Activities	$ (414,751)	$ (209,384)	$ 3,838	$ 269,315
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 295,375	$ 127,199	$ 48,316	
Cash and Cash Equivalents - Noncurrent	1,472	105,578	-	
Cash and Cash Equivalents - Restricted	148,131	-	87,970	
	$ 444,978	$ 232,777	$ 136,286	

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Employment Security	Clean Water	Other	Totals	Internal Service Funds
	$ 594,302	$ 66,556	$ 169,483	$ 2,983,833	$ 89,477
	-	-	(85,468)	(812,170)	(37,258)
	-	(441)	(327,413)	(1,794,568)	(31,402)
	(588,689)	(119,398)	71,408	(947,737)	(4,004)
	5,613	(53,283)	(171,990)	(570,642)	16,813
	-	365,960	29,675	395,635	-
	-	(46,897)	(115,258)	(200,061)	-
	-	(23,635)	(1,794)	(41,423)	-
	-	982	235,320	941,014	-
	(25,250)	-	(9,647)	(317,897)	-
	-	17,855	110,817	163,214	-
	(25,250)	314,265	249,113	940,482	-
	-	-	(12,104)	(151,961)	(22,534)
	-	-	-	150,000	-
	-	-	-	(104,916)	-
	-	-	(3,437)	(66,003)	-
	-	-	3,690	124,032	-
	-	19,167	5,297	26,646	-
	-	-	-	22,069	-
	-	-	(47,362)	(28,261)	(130)
	-	19,167	(53,916)	(28,394)	(22,664)
	-	-	-	40,832	-
	-		-	(9,883)	-
	19,637	17,723	6,266	79,776	87
	-	(28,493)	(11,630)	(40,123)	-
	-	(268,409)	(20,492)	(288,766)	(21)
	19,637	(279,179)	(25,856)	(218,164)	66
	-	970	(2,649)	123,282	(5,785)
	-	-	155,156	867,656	16,849
	$ -	$ 970	$ 152,507	$ 990,938	$ 11,064
	$ (372,620)	$ 12,921	$ (262,737)	$ (1,242,565)	$ 6,608
	-	-	19,086	205,770	18,814
	-	-	(4,673)	79,510	(4,700)
	(21,011)	(66,204)	64,419	(36,428)	593
	(1,106)	-	-	(8,437)	239
	367,290	-	(310)	367,218	278
	-	-	12,225	31,230	(5,019)
	33,060	-	-	33,060	-
	378,233	(66,204)	90,747	671,923	10,205
	$ 5,613	$ (53,283)	$ (171,990)	$ (570,642)	$ 16,813

THIS PAGE LEFT INTENTIONALLY BLANK

Fiduciary Fund Financial Statements

Investment Trust Fund
External Investment Pool:
to account for the portion of the Short-Term Investment Fund that belongs to participants that are not part of the State's financial reporting entity.

Private Purpose Trust Fund
Escheat Securities:
to account for securities that are held by the State Treasurer for individuals under escheat laws of the State.

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Agency Funds	Total
Assets					
Cash and Cash Equivalents	$ 112,518	$ -	$ -	$ 91,928	$ 204,446
Receivables:					
Accounts, Net of Allowances	16,735	-	-	4,941	21,676
From Other Governments	3,104	-	-	-	3,104
From Other Funds	1,802	-	-	5,612	7,414
Interest	607	943	-	23	1,573
Investments	20,295,775	1,107,232	-	-	21,403,007
Inventories	-	-	-	452	452
Securities Lending Collateral	3,358,101	-	-	-	3,358,101
Other Assets	-	17	88,297	364,621	452,935
Total Assets	23,788,642	1,108,192	88,297	$ 467,577	25,452,708
Liabilities					
Accounts Payable and Accrued Liabilities	20,951	524	-	$ 9,116	30,591
Securities Lending Obligation	3,358,101	-	-	-	3,358,101
Due to Other Funds	3,209	-	-	16,857	20,066
Funds Held for Others	-	-	-	441,604	441,604
Total Liabilities	3,382,261	524	-	$ 467,577	3,850,362
Net Assets					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	20,298,248	-	-		20,298,248
Other Employee Benefits (Note 15)	108,133	-	-		108,133
Individuals, Organizations, and Other Governments	-	1,107,668	88,297		1,195,965
Total Net Assets	$ 20,406,381	$ 1,107,668	$ 88,297		$ 21,602,346

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Total
Additions				
Contributions:				
Plan Members	$ 400,599	$ -	$ -	$ 400,599
State	1,727,708	-	-	1,727,708
Municipalities	36,102	-	-	36,102
Total Contributions	2,164,409	-	-	2,164,409
Investment Income	(4,426,734)	19,055	-	(4,407,679)
Less: Investment Expense	(93,228)	(318)	-	(93,546)
Net Investment Income	(4,519,962)	18,737	-	(4,501,225)
Escheat Securities Received	-	-	21,700	21,700
Pool's Share Transactions	-	132,131	-	132,131
Transfers In	2,703	-	-	2,703
Other	7,339	-	-	7,339
Total Additions	(2,345,511)	150,868	21,700	(2,172,943)
Deductions				
Administrative Expense	2,883	-	-	2,883
Benefit Payments and Refunds	3,111,267	-	-	3,111,267
Escheat Securities Returned or Sold	-	-	6,891	6,891
Distributions to Pool Participants	-	18,737	-	18,737
Other	2,740	-	21,858	24,598
Total Deductions	3,116,890	18,737	28,749	3,164,376
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	(5,462,401)	-	-	(5,462,401)
Individuals, Organizations, and Other Governments	-	132,131	(7,049)	125,082
Net Assets - Beginning	25,868,782	975,537	95,346	26,939,665
Net Assets - Ending	$ 20,406,381	$ 1,107,668	$ 88,297	$ 21,602,346

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

Component Unit Financial Statements

Major Component Units

Connecticut Housing Finance Authority:
the Connecticut Housing Finance Authority is a public instrumentality and political subdivision of the State created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate income families throughout the State.

Connecticut Health and Educational Facilities Authority:
the Connecticut Health and Educational Facilities Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

THIS PAGE LEFT INTENTIONALLY BLANK

Statement of Net Assets
Component Units

June 30, 2009

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-08)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 3,596	$ 195,776	$ 199,372
Investments	-	115	286,989	287,104
Receivables:				
Accounts, Net of Allowances	-	123	25,598	25,721
Loans, Net of Allowances	-	-	16,045	16,045
Other	-	-	690	690
Due From Primary Government	-	-	13,108	13,108
Restricted Assets	752,031	446,230	50,476	1,248,737
Inventories	-	-	3,694	3,694
Other Current Assets	-	154	2,746	2,900
Total Current Assets	752,031	450,218	595,122	1,797,371
Noncurrent Assets:				
Investments	-	-	39,632	39,632
Accounts, Net of Allowances	-	-	23,082	23,082
Loans, Net of Allowances	-	-	142,999	142,999
Restricted Assets	4,236,186	10,045	83,741	4,329,972
Capital Assets, Net of Accumulated Depreciation	3,173	349	439,069	442,591
Other Noncurrent Assets	-	-	8,789	8,789
Total Noncurrent Assets	4,239,359	10,394	737,312	4,987,065
Total Assets	4,991,390	460,612	1,332,434	6,784,436
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	35,928	1,372	35,470	72,770
Current Portion of Long-Term Obligations	138,514	-	27,721	166,235
Amount Held for Institutions	-	446,227	-	446,227
Other Liabilities	29,068	-	937	30,005
Total Current Liabilities	203,510	447,599	64,128	715,237
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	3,898,989	2,225	363,154	4,264,368
Total Noncurrent Liabilities	3,898,989	2,225	363,154	4,264,368
Total Liabilities	4,102,499	449,824	427,282	4,979,605
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,173	349	296,202	299,724
Restricted:				
Debt Service	-	-	17,504	17,504
Bond Indentures	885,718	-	-	885,718
Expendable Endowments	-	-	72,984	72,984
Nonexpendable Endowments	-	-	247,353	247,353
Capital Projects	-	-	18,843	18,843
Other Purposes	-	7,820	32,084	39,904
Unrestricted	-	2,619	220,182	222,801
Total Net Assets	$ 888,891	$ 10,788	$ 905,152	$ 1,804,831

The accompanying notes are an integral part of the financial statements.

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/08)	$ 227,636	$ 194,134	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,546	7,067	-	-
Other Component Units	302,378	217,356	7,651	15,389
Total Component Units	$ 535,560	$ 418,557	$ 7,651	$ 15,389

General Revenues:
Investment Income (Loss)
Contributions to Endowments
Special Item: Transfer to the State
Total General Revenues, Contributions, and Special Item
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

Connecticut Housing Finance Authority (12-31-08)	Connecticut Health & Educational Facilities Authority	Other Component Units	Totals
Net (Expense) Revenue and Changes in Net Assets			
$ (33,502)	$ -	$ -	$ (33,502)
-	1,521	-	1,521
-	-	(61,982)	(61,982)
(33,502)	1,521	(61,982)	(93,963)
106,196	301	(58,319)	48,178
-	-	23,317	23,317
-	(13,150)	-	(13,150)
106,196	(12,849)	(35,002)	58,345
72,694	(11,328)	(96,984)	(35,618)
816,197	22,116	1,002,136	1,840,449
$ 888,891	$ 10,788	$ 905,152	$ 1,804,831

THIS PAGE LEFT INTENTIONALLY BLANK

Notes to the Financial Statements
June 30, 2009

Note 1 Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit). Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) the State is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. The State also includes a nongovernmental nonprofit corporation as a component unit because it would be misleading to exclude the corporation from the reporting entity. Component units are reported in the financial statements in a separate column (discrete presentation), or as part of the primary government (blending presentation).

Discretely Presented Component Units

Discretely presented component units include legally separate organizations for which the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's debt or provides funding for the organization's programs (applies only to the Connecticut Innovations, Incorporated and the Capital City Economic Development Authority). In addition, a nongovernmental nonprofit corporation is included as a discretely presented component unit because of the nature and significance of its relationship with the State are such that it would be misleading to exclude the corporation from the State's reporting entity. The following organizations are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the primary government:

Connecticut Development Authority

The Authority is a public instrumentality and political subdivision of the State. It was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond, Umbrella, and Insurance programs as well as other economic development programs.

Connecticut Housing Finance Authority

The Authority is a public instrumentality and political subdivision of the State. It was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2008.

Connecticut Resources Recovery Authority

The Authority is a public instrumentality and political subdivision of the State. It is responsible for implementing the State Solid Waste Management Plan by determining the location of and constructing solid waste management projects; owning, operating, and maintaining waste management projects; or making provisions for operation and maintenance by contracting with private industry.

Connecticut Higher Education Supplemental Loan Authority

The Authority is a public instrumentality and political subdivision of the State. It was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its Bond funds.

Connecticut Health and Educational Facilities Authority

The Authority is a public instrumentality and political subdivision of the State. The purpose of the Authority is to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Innovations, Incorporated

The Authority is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Capital City Economic Development Authority

The Authority is a public instrumentality and political subdivision of the State. It was established in 1998 to stimulate new investment in Connecticut; to attract and service large conventions, tradeshows, exhibitions, conferences, and local consumer shows, and events; to encourage the diversification of the state economy; to strengthen Hartford's role as the region's major business and industry employment center and seat of government; to encourage residential housing development in downtown Hartford; and to construct, operate, maintain and market a convention center project in Hartford.

University of Connecticut Foundation, Incorporated

The University of Connecticut Foundation, Incorporated is a nongovernmental nonprofit corporation created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund.

Financial statements for the major component units are included in the accompanying financial statements after the fund financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

Blended Component Units
Connecticut Lottery Corporation

The Connecticut Lottery Corporation is a legally separate organization for which the State appoints a voting majority of the Corporation's governing board and which provides a significant amount of revenues to the State. The corporation is reported as part of the primary government's business-type activities in the government-wide financial statements and as a major Enterprise fund in the fund financial statements.

c. Government-wide and Fund Financial Statements
Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds issued to buy, construct, or improve those assets.

2. Restricted net assets result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The State reports the following major governmental funds:

General Fund - This is the State's primary operating fund. It is used to account for all financial resources which are not required to be accounted in other funds and which are spent for those services normally provided by the State (e.g., health, social assistance, education, etc.).

Debt Service - This fund is used to account for the resources accumulated and payments made for principal and interest on special tax obligation bonds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenue collected for the purpose of payment of transportation related bonds and budgeted appropriations of the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the State.

Restricted Grants and Accounts - This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

The State reports the following major enterprise funds:

University of Connecticut & Health Center - This fund is used to account for the operations of the University of Connecticut a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

State Universities - This fund is used to account for the operations of the State University System which consists of four universities: Central, Eastern, Southern, and Western.

Bradley International Airport - This fund is used to account for the financial activities of the Bradley International Airport, which is owned and operated by the State.

Connecticut Lottery Corporation - This fund is used to account for the financial activities of the State's lottery. The Corporation was created in 1996 for the purpose of generating revenues for the State's General Fund.

Employment Security - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water - This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment facilities.

In addition, the State reports the following fund types:

Internal Service Funds - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

Pension (and Other Employee Benefits) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans and other employee benefits plans. These plans are discussed more fully in Notes 11, 12, and 14.

Investment Trust Fund - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

Private-Purpose Trust Fund - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

Agency Funds - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. This option is followed by the following component units of the State: the Connecticut Development Authority and the Connecticut Health and Educational Facilities Authority.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Sales and use taxes, personal income taxes, public service corporation taxes, special fuel taxes, federal grants, and casino gaming payments are considered to be susceptible to accrual. Licenses, permits, and fees are not considered to be susceptible to accrual and are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the State's policy to use unrestricted resources first, and then restricted resources, as they are needed.

e. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund and the Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the

CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carryforwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carryforward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "modified cash" basis of accounting under which revenues are recognized when received, except for certain taxes which are recognized when earned. Tax revenues recognized when earned include the following: sales and use, personal income, corporation, public service corporations, petroleum companies, cigarettes, alcoholic beverages, gasoline, special motor fuel, and motor carrier road. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for the General and Transportation funds. During the 2009 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

f. Assets and Liabilities

Cash and Cash Equivalents (see Note 4)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents include investments in the Short-Term Investment Fund ("STIF") and the Tax Exempt Proceeds Fund, Inc. ("TEPF"). TEPF is a short-term, tax-exempt money market fund reported under the Investment Company Act of 1940. Investments in STIF and TEPF are reported at the fund's share price.

In the Statement of cash flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

Investments (see Note 4)

Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using a comparison of other State bonds.
- The fair value of equity and debt securities held by the Connecticut Innovations, Incorporated, a component unit. The fair value of these investments is determined by an independent valuation committee of the Corporation, after giving consideration to pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer's securities, sales growth, progress toward business goals, and other operating data.

The State invests in derivatives. These investments are held by the Combined Investment Funds and are reported at fair value in each fund's statement of net assets.

Inventories

Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements Other than Buildings	10-20
Machinery and Equipment	5-30
Infrastructure	20-28

Securities Lending Transactions (see Note 4)

Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

Deferred Revenues

In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Other long-term obligations include compensated absences, workers' compensation claims, capital leases, claims and judgments, annuities payable, and the net pension and OPEB obligations.

In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds

Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the government-wide statement of net assets at its net or accreted value rather than at face value.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

Pursuant to Special Act No. 09-06, the General Assembly enacted an Early Retirement Incentive Program in order to mitigate the deficit of the General Fund of the State. Under the provisions of this program, any employee participating in the program shall be eligible for payment of accrued sick days and for the balance of unused vacation leave in accordance with the existing rules as stated above, except for one modification. The modification provides that the balance of any compensated absences shall be paid in three equal annual installments beginning during fiscal year ending June 30, 2013.

g. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

h. Interest Rate Swap Agreements

The State has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements (see Note 18).

i. Interfund Activities

In the fund financial statements, interfund activities are reported as follows:

Interfund receivables/payables - The current portion of interfund loans outstanding at the end of the fiscal year is reported as due from/to other funds; the noncurrent portion as advances to/from other funds. All other outstanding balances between funds are reported as due from/to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund services provided and used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. In the statement of activities, transactions between the primary government and its discretely presented component units are reported as revenues and expenses, unless they represent repayments of loans or similar activities.

Interfund transfers - Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not reported in the financial statements.

j. Food Stamps

Food stamps distributed to recipients during the year are recognized as both an expenditure and a revenue in the governmental fund financial statements.

k. External Investment Pool

Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 4). Pool income is determined based on distributions made to the pool's participants.

l. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2 Budgetary vs. GAAP Basis of Accounting

The following is a reconciliation of the net change in fund balances as reported in the budgetary and GAAP basis of accounting statements of revenues, expenditures, and changes in fund balances (amounts in thousands):

	General Fund	Transportation Fund
Net change in fund balances (budgetary basis)	$ (947,578)	$ (84,699)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	385,400	(949)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(601,590)	11,342
Salaries and Fringe Benefits Payable	56,609	(792)
Decrease in Continuing Appropriations	(415,327)	(1,368)
Transfer of 2008 Surplus	(179,420)	-
Fund Reclassification-Bus Operations	-	4,350
Net change in fund balances (GAAP basis)	$ (1,701,906)	$ (72,116)

The major differences between the budgetary (legal) and the GAAP (generally accepted accounting principles) basis of accounting as reconciled above are as follows:

1. Revenues are recorded when received in cash except for certain year-end accruals (budgetary basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).

3. For budgetary reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as reserved fund balance.

Note 3 Nonmajor Fund Deficits

The following funds have deficit fund/net assets balances at June 30, 2009, none of which constitutes a violation of statutory provisions (amounts in thousands).

Special Revenue	
Insurance	$ 664
Enterprise	
Bradley Parking Garage	$ 19,146
Internal Service	
Administrative Services	$ 30,972

Note 4 Cash Deposits and Investments

According to GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", the State needs to make certain disclosures about deposit and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed in this note:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.
Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.
Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment in a single issuer.
Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the State's deposits may not be recovered.

Custodial Credit Risk (investments) - the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government

The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund, one Medium-Term Investment Fund, and eleven Combined Investment Funds.

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net assets.

For financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State's financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

As of June 30, 2009, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Investment Maturities (in years): Less Than 1	1-5
Floating Rate Notes	$ 116,033	$ 116,033	$ -
Federal Agency Securities	436,897	100,844	336,053
Money Market Funds	163,803	163,803	-
Total Investments	$ 716,733	$ 380,680	$ 336,053

Interest Rate Risk

The STIF's policy for managing interest rate risk is to limit investment to a very short weighted average maturity, not to exceed 90 days, and to comply with Standard and Poor's requirement that the weighted average maturity not to exceed 60 days. As of June 30, 2009, the weighted average maturity of the STIF was 9 days. Additionally, STIF is allowed by policy to invest in floating-rate securities, and investments in such securities with maturities up to two years are limited to no more than 20 percent of the overall portfolio. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2009, the amount of STIF's investments in variable-rate securities was $503 million.

Credit Risk

The STIF's policy for managing credit risk is to invest in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations. As of June 30, 2009, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Quality Ratings: AAA	AA	A	Unrated
Floating Rate Notes	$ 116,034	$ -	$ 5,000	$ 66,589	$ 44,445
Federal Agency Securities	436,896	436,896	-	-	-
Money Market Funds	163,803	163,803	-	-	-
Total Investments	$ 716,733	$ 600,699	$ 5,000	$ 66,589	$ 44,445

Concentration of Credit Risk

STIF reduces its exposure to this risk by requiring that not more than 10 percent of its portfolio be invested in securities of any one issuer, except for overnight or two-business day repurchase agreements and U.S. government and agency securities. As of June 30, 2009, STIF's investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Amortized Cost
Beta Finance	$ 50,000
FHLB	$ 78,000
FHLMC	$ 228,030
FNMA	$ 74,983
Gryphon	$ 44,445

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits and NOW Accounts (amounts in thousands):

The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whose long-term debt is rated at least A and its issuer rating is at least "C". As of June 30, 2009, $879,500 of the bank balance of STIF's deposits of $3,830,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 796,500
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	83,000
Total	$ 879,500

Short-Term Plus Investment Fund (STIF Plus)

STIF Plus is a money market and short-term bond investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF Plus in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptance, repurchase agreements, and asset-backed securities. STIF Plus' investments are reported at fair value on the fund's statement of net assets.

For financial reporting purposes, STIF Plus is considered to be an internal investment pool and is not reported in the accompanying financial statements. Instead, investments in STIF Plus by participant funds are reported as other investments in the government-wide and fund financial statements.

As of June 30, 2009, STIF Plus had the following investments and maturities (amount in thousands):

Short-Term Plus Investment Fund

		Investment Maturities (in years)	
Investment Type	**Fair Value**	**Less Than 1**	**1-5**
Federal Agency Securities	$ 5,071	$ 5,071	$ -
Corporate Notes	73,019	30,541	42,478
Asset Backed Securities	10,279	-	10,279
Repurchase Agreements	485	485	-
Total Investments	$ 88,854	$ 36,097	$ 52,757

Interest Rate Risk

STIF Plus' policy for managing this risk is to perform, on a quarterly basis, an interest rate sensitivity analysis on the duration and the market value of the portfolio to determine the potential effect of a 200 basis point movement in interest rates. As of June 30, 2009, the weighted average maturity of STIF Plus was 109 days. In addition, STIF Plus is allowed to invest in floating-rate debt securities. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprise frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2009, STIF Plus's investment in variable-rate securities was $79.9 million.

Credit Risk

The STIF Plus manages its credit risk by investing only in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations. As of June 30, 2009, STIF Plus' investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Plus Investment Fund

		Quality Ratings			
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**D**
Federal Agency Securities	$ 5,071	$ 5,071	$ -	$ -	$ -
Corporate Notes	73,019	-	29,335	43,684	-
Asset Backed Securities	10,279	9,721	-	-	558
Repurchase Agreements	485	-	-	485	-
Total	$ 88,854	$ 14,792	$ 29,335	$ 44,169	$ 558

Concentration of Credit Risk

STIF Plus' policy for managing this risk is to limit the amount it may invest in any single federal agency to an amount not to exceed 15 percent. As of June 30, 2009, STIF Plus' investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Fair Value
Bank of America	$ 8,784
Citigroup	$ 11,555
FHLMC	$ 5,071
GE Capital Corp	$ 14,534
Goldman Sachs	$ 9,575
HSBC	$ 4,869
Merrill Lynch	$ 8,901
Wells Fargo	$ 14,801

Combined Investment Funds (CIFS)

The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. CIFS' investments are reported at fair value in each fund's statement of net assets.

For financial reporting purposes, the CIFS are considered to be internal investment pools and are not reported in the accompanying financial statements. Instead, investments in the CIFS by participant funds are reported as equity in the CIFS in the government-wide and fund financial statements. As of June 30, 2009, the amount of equity in the CIFS reported in the financial statements was as follows (amounts in thousands):

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Fiduciary Funds**
Equity in the CIFS	$ 85,834	$ 559	$ 20,295,775
Other Investments	396,593	49,452	1,107,232
Total Investments-Current	$ 482,427	$ 50,011	$ 21,403,007

As of June 30, 2009, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 1,466,778	$ 1,439,200	$ -	$ -	$ 27,578
Asset Backed Securities	122,298	5,810	100,989	15,499	-
Government Securities	2,531,238	208,995	788,253	762,585	771,405
Government Agency Securities	978,443	1,419	40,941	66,235	869,848
Mortgage Backed Securities	480,456	815	18,514	18,911	443,210
Corporate Debt	1,756,610	229,634	607,786	623,225	294,971
Convertible Debt	28,687	580	13,963	4,586	9,558
Mutual Fund	318,934	-	-	-	318,934
Total Debt Instruments	7,683,444	$ 1,886,453	$ 1,570,446	$ 1,491,041	$ 2,735,504
Common Stock	9,568,436				
Preferred Stock	48,399				
Real Estate Investment Trust	65,333				
Mutual Fund	570,811				
Limited Liability Corporation	3,329				
Trusts	4,656				
Limited Partnerships	2,486,773				
Total Investments	$ 20,431,181				

Interest Rate Risk

CIFS' investment managers are given full discretion to manage their portion of CIFS' assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Lehman Brother Aggregate-an intermediate duration index.

Credit Risk

The CIFS minimizes exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2009, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds

	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt	Mutual Fund
Aaa	$ 3,035,622	$ -	$ 78,677	$ 1,774,059	$ 850,931	$ 227,600	$ 104,355	$ -	$ -
Aa	225,537	-	49	47,274	-	20,755	157,459	-	-
A	560,822	-	720	77,067	-	12,603	470,149	283	-
Baa	516,518	-	3,632	157,264	-	31,274	324,348	-	-
Ba	409,308	-	490	203,491	-	22,578	181,164	1,585	-
B	337,959	-	-	59,211	-	21,900	253,563	3,285	-
Caa	151,164	-	-	-	-	23,318	127,630	216	-
Ca	21,336	-	-	2,401	-	1,971	16,964	-	-
C	1,687	-	-	-	-	495	1,192	-	-
Prime 1	510,556	510,000	556	-	-	-	-	-	-
Not Rated	1,912,935	956,778	38,174	210,471	127,512	117,962	119,786	23,318	318,934
Total	$ 7,683,444	$ 1,466,778	$ 122,298	$ 2,531,238	$ 978,443	$ 480,456	$ 1,756,610	$ 28,687	$ 318,934

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50 percent for the developed market portion of the International Stock Fund (a Combined Investment Fund). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed to invest in non-U.S. denominated securities, managers are required to limit that investment to a portion of their respective portfolios. As of June 30, 2009, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds

			Fixed Income Securities				Equities		
Foreign Currency	Total	Cash	Government Securities	Mutual Funds	Corporate Debt	Convertible Securities	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	$ 27	$ 27	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	245,216	1,230	16,318	-	10,761	-	216,606	-	301
Brazilian Real	106,436	548	26,188	-	5,239	-	38,336	36,125	-
Canadian Dollar	74,164	304	-	-	-	-	73,860	-	-
Chilean Peso	1,973	1	-	-	996	-	976	-	-
Colombian Peso	8,389	-	7,202	-	1,187	-	-	-	-
Czech Koruna	12,243	416	-	-	-	-	11,827	-	-
Danish Krone	28,656	463	-	-	-	-	28,193	-	-
Egyptian Pound	7,873	16	957	-	-	-	6,900	-	-
Euro Currency	1,378,709	4,767	57,612	-	4,044	-	1,304,610	7,454	222
Hong Hong Dollar	315,551	1,183	-	-	-	-	313,412	-	956
Hungarian Fornit	16,697	5	16,607	-	85	-	-	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-
Indonesian Rupiah	31,307	192	8,232	-	5,061	-	17,822	-	-
Israeli Shekel	6,998	190	-	-	-	-	6,808	-	-
Japanese Yen	959,443	2,694	-	12,266	-	623	941,241	-	2,619
Kazakhstan Tenge	424	-	-	-	424	-	-	-	-
Malaysian Ringgit	40,324	127	10,698	-	8,563	-	20,936	-	-
Mexican Peso	46,820	1,299	36,314	-	562	-	8,645	-	-
Moroccan Dirham	1,547	77	-	-	-	-	1,470	-	-
New Russian Rubel	3,233	70	-	-	3,163	-	-	-	-
New Taiwan Dollar	69,883	723	-	-	-	-	69,160	-	-
New Zealand Dollar	41,035	172	31,778	-	-	-	9,076	-	9
Norwegian Krone	26,912	169	-	-	-	-	26,743	-	-
Pakistan Rupee	179	179	-	-	-	-	-	-	-
Peruvian Nouveau Sol	900	-	895	-	-	-	5	-	-
Philippine Peso	7,560	68	-	-	-	-	7,492	-	-
Polish Zloty	47,061	51	30,993	-	-	-	16,017	-	-
Pound Sterling	759,347	1,602	7,224	-	9,271	-	737,344	-	3,906
Singapore Dollar	75,620	2,591	-	-	-	-	68,956	-	4,073
South African Rand	82,667	1,517	23,256	-	1,585	-	56,309	-	-
South Korean Won	272,920	240	772	-	-	-	269,672	2,236	-
Swedish Krona	74,153	757	-	-	-	-	73,396	-	-
Swiss Franc	332,481	1,952	7,900	-	-	-	322,629	-	-
Thailand Baht	46,847	116	9,367	-	201	-	37,163	-	-
Turkish Lira	58,159	71	13,203	-	-	-	44,885	-	-
Total	$ 5,181,756	$ 23,819	$ 305,516	$ 12,266	$ 51,142	$ 623	$ 4,730,489	$ 45,815	$ 12,086

Custodial Credit Risk-Bank Deposits

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Liquidity Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2009, the CIFS had deposits with a bank balance of $16.9 million which was uninsured and uncollateralized.

Complete financial information about the STIF, STIF Plus, and the CIFS can be obtained from financial statements issued by the Office of the State Treasurer.

Other Investments

As of June 30, 2009, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Repurchase Agreements	$ 2,773	$ 2,773	$ -	$ -	$ -
State Bonds	49,114	4,738	17,866	16,118	10,392
U.S. Government Securities	67,300	32,278	15,823	10,472	8,727
Guaranteed Investment Contracts	430,113	15,006	149,223	145,937	119,947
Tax Exempt Proceeds Fund	18,804	18,804	-	-	-
Money Market Funds	396	396	-	-	-
Total Debt Investments	568,500	$ 73,995	$ 182,912	$ 172,527	$ 139,066
Annuity Contracts	201,476				
Endowment Pool	9,347				
Limited Partnership	150				
Total Investments	$ 779,473				

Credit Risk

As of June 30, 2009, other investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

		Quality Ratings			
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**Unrated**
Repurchase Agreements	$ 2,773	$ 2,773	$ -	$ -	$ -
State Bonds	49,114	-	49,114	-	-
Guaranteed Investment Contracts	430,113	75,480	290,013	64,620	-
Tax Exempt Proceeds Fund	18,804	-	-	-	18,804
Money Market Funds	396	396	-	-	-
Total	$ 501,200	$ 78,649	$ 339,127	$ 64,620	$ 18,804

Custodial Credit Risk-Bank Deposits (amounts in thousands):

The State maintains its deposits at qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from its other assets, eligible collateral in an amount equal to 10 percent, 25 percent, 100 percent, or 120 percent of its public deposits. The collateral is held in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. As of June 30, 2009, $124,288 of the bank balance of the Primary Government of $379,443 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 110,207
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	14,081
Total	$ 124,288

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Health and Education Facilities Authority (CHEFA) reported the following investments and maturities as of 12-31-08 and 6-30-09, respectively (amounts in thousands):

Major Component Units

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	More Than 10
Collateralized Mortgage Obligations	$ 1,014	$ -	$ -	$ 1,014
Corporate Finance Bonds	4,610	-	4,610	-
Federated Funds	1,923	1,923	-	-
Fidelity Tax Exempt Fund	17,829	17,829	-	-
GNMA Program Assets	1,064,051	-	-	1,064,051
Guaranteed Investment Contracts	127,943	23,963	103,980	-
Mortgage Backed Securities	2,631	-	673	1,958
Repurchase Agreements	3,591	-	-	3,591
U.S. Government Securities	2,170	1,264	-	906
Structured Securities	628	-	-	628
Money Market Funds	308,403	308,403	-	-
Certificate of Deposits	2,000	2,000	-	-
Total	$ 1,536,793	$ 355,382	$ 109,263	$ 1,072,148

The CHFA and the CHEFA own 71.5 percent and 28.5 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association.

Interest Rate Risk

CHFA

Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity.

CHEFA

The Authority manages its exposure to this risk by designing its portfolio of unrestricted investments with the objective of regularly exceeding the average return of 90 day U.S. Treasury Bills. This is considered to be a benchmark for riskless investment transactions and therefore represents a minimum standard for the portfolio's rate of return. The Authority's policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures, with the above policy and with applicable Connecticut State Law.

Credit Risk

CHFA

The Authority's investments are limited by state Statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the CIFS, and other obligations which are legal investments for savings banks in the state. Repurchase agreements, certificate of deposits, and the Federated and Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities and Collateralized Mortgage Obligations are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the United States Department of Housing and Urban Development mortgage pools.

CHEFA

The Authority has an investment policy that would further limit its investment choices beyond those limited by state statutes for both unrestricted and restricted investments. For example, investments that may be purchased by the Authority with the written approval of an officer, provided that the investment has a maturity of one year or less, are obligations issued or guaranteed by the U.S. Government, the State's Short-Term Investment Fund (STIF), etc.

CHFA's and CHEFA's investments were rated as of 12-31-08 and 6-30-09, respectively, as follows (amounts in thousands):

Component Units

Investment Type	Fair Value	Quality Ratings AAA	AA	BBB	D	Unrated
Collateralized Mortgage Obligations	$ 1,014	$ -	$ -	$ -	$ -	$ 1,014
Corporate Finance Bonds	4,610	-	-	4,610	-	-
Federated Funds	1,923	-	-	-	-	1,923
Fidelity Tax Exempt Fund	17,829	-	-	-	-	17,829
GNMA Assets	1,064,051	-	-	-	-	1,064,051
Guaranteed Investment Contracts	127,943	289	127,654	-	-	-
Mortgage Backed Securities	2,631	-	-	-	-	2,631
Repurchase Agreements	3,591	-	-	-	-	3,591
Structured Securities	628	-	-	-	628	-
Money Market Funds	308,403	308,403	-	-	-	-
Certificate of Deposits	2,000	-	-	-	-	2,000
Total	$ 1,534,623	$ 308,692	$ 127,654	$ 4,610	$ 628	$ 1,093,039

Concentration of Credit Risk

CHFA

The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2008, the Authority had no investments in any one issuer that represents 5 percent or more of total investments, other than investments guaranteed by the U.S. Government (GNMA Program Assets).

CHEFA

For unrestricted investments, the Authority places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the State's Short-Term Investment Fund shall constitute greater than 5 percent of unrestricted investments, except for qualified money market or mutual bond funds, none of which shall constitute greater than 50 percent of general fund investments. At year end, the Authority was in compliance with this policy. The Authority places no limit on the amount of investments in any one issuer for restricted investments. At year end, the Authority's guaranteed investment contracts with Trinity Funding LLC exceeded 5 percent of the Authority's portfolio.

Security Lending Transactions

Certain of the Combined Investment Funds are permitted by State Statute to engage in security lending transactions to provide incremental returns to the funds. The funds' master custodian is authorized to lend available securities to authorized broker-dealers and banks subject to a form loan agreement.

During the year, the master custodian lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The master custodian did not have the ability to pledge or sell collateral securities received absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100 percent of the market value of the loaned securities.

According to the Agreement, the master custodian has an obligation to indemnify the funds in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures during the fiscal year that resulted in a declaration and notice of Default of the Borrower (other than the default by Lehman Brothers which resulted in no loss to the funds). During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit exposure to borrowers because the value of the collateral held and the market value of securities on loan were $3,386.8 million and $3,281.1 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed (a) 120 days or (b) the average duration of the loans by more than 45 days. If any of these limits is exceeded for any 3-day period, the Trustee shall take certain actions. At year end, the average duration of the collateral investments was 41.03 days; the average duration of the loans was unknown, although it is assumed to remain at 1 day.

Note 5 Receivables-Current

As of June 30, 2009, current receivables consisted of the following (amounts in thousands):

	Primary Government Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,155,267	$ -	$ -
Accounts	996,432	591,272	26,582
Loans-Current Portion	-	267,628	18,179
Other Governments	951,085	23,087	-
Interest	1,401	10,782	542
Other (1)	18,502	4,908	148
Total Receivables	3,122,687	897,677	45,451
Allowance for Uncollectibles	(944,740)	(90,814)	(2,995)
Receivables, Net	$ 2,177,947	$ 806,863	$ 42,456

(1) Includes a reconciling amount of $18,500 from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2009 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 459,628	$ -	$ 459,628
Income Taxes	335,523	-	335,523
Corporations	104,932	-	104,932
Gasoline and Special Fuel	-	43,304	43,304
Various Other	211,880	-	211,880
Total Taxes Receivable	1,111,963	43,304	1,155,267
Allowance for Uncollectibles	(189,039)	(361)	(189,400)
Taxes Receivable, Net	$ 922,924	$ 42,943	$ 965,867

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2009, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 47,656
Loans	245,386	610,889	129,958
Total Receivables	245,386	610,889	177,614
Allowance for Uncollec	(9,568)	(2,865)	(11,533)
Receivables, Net	$ 235,818	$ 608,024	$ 166,081

The Clean Water fund (business-type activities) loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20 year period at an annual interest rate of 2 percent and are secured by the full faith and credit or revenue pledges of the municipalities, or both. At year end, the noncurrent portion of loans receivable was $528 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.7 percent. At year end, the noncurrent portion of loans receivable was $106.9 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2009, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
Governmental Activities:					
Debt Service	$ 679,384	$ -	$ -	$ -	$ 679,384
Environmental	395	-	-	-	395
Total-Governmental Activities	$ 679,779	$ -	$ -	$ -	$ 679,779
Business-Type Activities:					
Bradley International Airport	$ 87,970	$ 28,258	$ -	$ 1,614	$ 117,842
UConn/Health Center	148,131	-	-	6,746	154,877
Clean Water	175,642	311,759	-	-	487,401
Other Proprietary	26,785	39,167	-	-	65,952
Total-Business-Type Activities	$ 438,528	$ 379,184	$ -	$ 8,360	$ 826,072
Component Units:					
CHFA	$ 551,591	$ 1,077,719	$ 3,196,823	$ 162,084	$ 4,988,217
CHEFA	455,959	-	-	316	456,275
Other Component Units	117,856	16,125	-	236	134,217
Total-Component Units	$ 1,125,406	$ 1,093,844	$ 3,196,823	$ 162,636	$ 5,578,709

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2009, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

	Vendors	Salaries and Benefits	Interest	Other	Total Payables & Accrued Liabilities
Governmental Activities:					
General	$ 41,767	$ 242,497	$ -	$ -	$ 284,264
Transportation	11,900	13,169	-	-	25,069
Other Governmental	187,091	24,642	-	2,731	214,464
Internal Service	2,545	2,167	-	14,269	18,981
Reconciling amount from fund financial statements to government-wide financial statements	-	-	143,345	5,848	149,193
Total-Governmental Activities	$ 243,303	$ 282,475	$ 143,345	$ 22,848	$ 691,971
Business-Type Activities:					
UConn/Health Center	$ 28,769	$ 79,464	$ -	$ 24,155	$ 132,388
State Universities	14,029	42,294	2,029	-	58,352
Other Proprietary	22,991	31,936	19,238	24,269	98,434
Total-Business-Type Activities	$ 65,789	$ 153,694	$ 21,267	$ 48,424	$ 289,174

b. Notes Payable

Notes payable consist of the short-term portion of Bond Anticipation Notes as described in Note 18. The activity for the notes for the year ended June 30, 2009 was as follows (amounts in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Bond Anticipation Notes	$ -	$ 353,085	$ -	$ 353,085

Note 10 Capital Assets

Capital asset activity for the year was as follows (amounts in thousands):

	Beginning Balance (1)	Additions		Retirements	Ending Balance
Governmental Activities					
Capital Assets not being Depreciated:					
Land	$ 1,399,842	$ 948,028		$ 53,307	$ 2,294,563
Construction in Progress	1,342,448	809,315		814,600	1,337,163
Total Capital Assets not being Depreciated	2,742,290	1,757,343		867,907	3,631,726
Other Capital Assets:					
Buildings	2,754,166	164,332		36,317	2,882,181
Improvements Other than Buildings	463,726	72,192		65,748	470,170
Equipment	1,718,326	144,367		140,825	1,721,868
Infrastructure	11,629,766	647,748		-	12,277,514
Total Other Capital Assets at Historical Cost	16,565,984	1,028,639		242,890	17,351,733
Less: Accumulated Depreciation For:					
Buildings	1,637,572	72,055		36,317	1,673,310
Improvements Other than Buildings	290,342	23,692		65,748	248,286
Equipment	1,381,206	287,552		140,825	1,527,933
Infrastructure	5,971,020	487,357		-	6,458,377
Total Accumulated Depreciation	9,280,140	870,656	*	242,890	9,907,906
Other Capital Assets, Net	7,285,844	157,983		-	7,443,827
Governmental Activities, Capital Assets, Net	$10,028,134	$ 1,915,326		$ 867,907	$ 11,075,553

(1) Restated. See Note No. 22.

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 5,918
General Government	61,532
Regulation and Protection	30,807
Conservation and Development	15,699
Health and Hospitals	14,393
Transportation	611,681
Human Services	2,282
Education, Libraries and Museums	36,551
Corrections	51,002
Judicial	22,099
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	18,692
Total Depreciation Expense	$ 870,656

	Beginning Balance (1)	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 59,969	$ -	$ 341	$ 59,628
Construction in Progress	249,661	61,974	118,500	193,135
Total Capital Assets not being Depreciated	309,630	61,974	118,841	252,763
Capital Assets being Depreciated:				
Buildings	3,583,211	208,005	7,463	3,783,753
Improvements Other Than Buildings	472,244	22,461	2	494,703
Equipment	930,661	69,349	60,853	939,157
Total Other Capital Assets at Historical Cost	4,986,116	299,815	68,318	5,217,613
Less: Accumulated Depreciation For:				
Buildings	1,177,411	119,113	5,519	1,291,005
Improvements Other Than Buildings	222,742	20,688	-	243,430
Equipment	569,643	65,551	50,808	584,386
Total Accumulated Depreciation	1,969,796	205,352	56,327	2,118,821
Other Capital Assets, Net	3,016,320	94,463	11,991	3,098,792
Business-Type Activities, Capital Assets, Net	$ 3,325,950	$ 156,437	$ 130,832	$ 3,351,555

(1) Restated. See Note No. 22.

Component Units

Capital assets of the component units consisted of the following as of June 30, 2009 (amounts in thousands):

Land	$ 29,031
Buildings	8,881
Improvements other than Buildings	2,851
Machinery and Equipment	724,056
Construction in Progress	14,226
Total Capital Assets	779,045
Accumulated Depreciation	(336,454)
Capital Assets, net	$ 442,591

Note 11 State Retirement Systems

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS)-consisting of Tier I (contributory), Tier II (noncontributory) and Tier IIA (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS).

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Division administers SERS and JRS. The Teachers' Retirement Board administers TRS. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for SERS, TRS, and JRS are presented in Note No. 13.

Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/2008	TRS 6/30/2008	JRS 6/30/2008
Retirees and beneficiaries receiving benefits	38,093	28,787	225
Terminated plan members entitled to but not yet receiving benefits	1,592	1,394	1
Active plan members	53,196	51,738	220
Total	92,881	81,919	446

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Tier I Plan B regular and Hazardous Duty members are required to contribute 2 percent and 4 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute 4 percent of their annual salary; Tier IIA Plan regular and Hazardous Duty members are required to contribute 2 percent and 5 percent of their annual salary, respectively. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Teachers' Retirement System

Plan Description

TRS is a single-employer defined-benefit pension plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183pp of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Judicial Retirement System

Plan Description

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation for each plan for the current year were as follows (amounts in thousands):

	SERS	TRS	JRS
Annual required contribution	$ 753,698	$ 539,303	$ 14,172
Interest on net pension obligation	203,745	(40,843)	4
Adjustment to annual required contribution	(146,667)	33,963	(2)
Annual pension cost	810,776	532,423	14,174
Contributions made	699,770	539,303	14,173
Increase (decrease) in net pension obligation	111,006	(6,880)	1
Net pension obligation beginning of year	2,396,999	(480,510)	48
Net pension obligation/(asset) end of year	$ 2,508,005	$ (487,390)	$ 49

Three-year trend information for each plan is as follows (amounts in thousands):

	Fiscal Year	Pension Cost (APC)	of APC Contributed	Pension Obligation/(Asset)
SERS	2007	$ 725,009	91.6%	$ 2,332,327
	2008	$ 776,227	91.7%	$ 2,396,999
	2009	$ 810,776	86.3%	$ 2,508,005
TRS	2007	$ 441,802	93.3%	$ 1,495,542
	2008	$ 542,508	464.2%	$ (480,510)
	2009	$ 532,423	101.3%	$ (487,390)
JRS	2007	$ 12,376	100%	$ 47
	2008	$ 13,435	100%	$ 48
	2009	$ 14,174	100%	$ 49

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2008 the most recent actuarial valuation date (amounts in millions):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SERF	$ 9,990.2	$ 19,243.4	$ 9,253.2	51.9%	$ 3,497.4	264.6%
TRF	$ 15,271.0	$ 21,801.0	$ 6,530.0	70.0%	$ 3,399.3	192.1%
JRF	$ 191.7	$ 267.0	$ 75.3	71.8%	$ 34.0	221.5%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The following is information as of the most recent actuarial valuation:

	SERF	TRF	JRS
Valuation Date	6/30/2008	6/30/2008	6/30/08
Actuarial Cost Method	Projected unit credit cost method	Entry age actuarial cost method using level percent of payroll funding	Projected unit credit cost method
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining Amortization Period	24 Years	29.2 years	23 Years
Asset Valuation Method	5-year smoothed market	4-year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return	8.25%	8.5%	8.25%
Projected Salary Increases	4.0%-20.0%	4.0%-7.5%	5.25%
Includes inflation at	4.0%	4.0%	5.25%
Cost-of-Living Adjustments	2.7%-3.6%	2.0%-3.0%	2.75%-5.25%

Defined Contribution Plan

The State also sponsors the Connecticut Alternate Retirement Program (CARP), a defined contribution plan. CARP is administered by the State Comptroller's Retirement Office under the direction of the Connecticut State Employees Retirement Division. Plan provisions, including contribution requirements of plan members and the State, are described in Section 5-156 of the General Statutes.

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed $35.3 million and $21.7 million, respectively.

Note 12 Other Retirement Systems Administered by the State of Connecticut

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (CMERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for CMERS and CPJERS are presented in Note No. 13.

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	CMERS 7/1/2007	CPJERS 12/31/2007
Retirees and beneficiaries receiving benefits	5,263	277
Terminated plan members entitled to but not receiving benefits	495	28
Active plan members	8,695	409
Total	14,453	714
Number of participating employers	164	1

Connecticut Municipal Employees' Retirement System

Plan Description

CMERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 2.28 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is a single-employer defined benefit pension plan that covers judges and employees of probate courts in the State. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of the General statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Note 13 Pension Trust Fund Financial Statements

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds.

Statement of Fiduciary Net Assets (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Cash and Cash Equivalents	$ -	$ 2,729	$ 2	$ -	$ -	$ 220	$ 2,951
Receivables:							
Accounts, Net of Allowances	2,289	9,216	7	5,219	4	-	16,735
From Other Governments	-	3,104	-	-	-	-	3,104
From Other Funds	21	144	-	-	-	-	165
Interest	189	372	4	38	3	-	606
Investments	7,320,844	11,396,682	148,168	1,345,096	66,306	864	20,277,960
Securities Lending Collateral	1,216,042	1,834,046	29,704	262,857	12,018	145	3,354,812
Total Assets	8,539,385	13,246,293	177,885	1,613,210	78,331	1,229	23,656,333
Liabilities							
Accounts Payable and Accrued Liabilities	64	-	-	-	-	-	64
Securities Lending Obligation	1,216,042	1,834,046	29,704	262,857	12,018	145	3,354,812
Due to Other Funds	499	1,567	-	1,128	15	-	3,209
Total Liabilities	1,216,605	1,835,613	29,704	263,985	12,033	145	3,358,085
Net Assets							
Held in Trust For Employee Pension Benefits	7,322,780	11,410,680	148,181	1,349,225	66,298	1,084	20,298,248
Total Net Assets	$ 7,322,780	$ 11,410,680	$ 148,181	$ 1,349,225	$ 66,298	$ 1,084	$ 20,298,248

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
	Statement of Changes in Fiduciary Net Assets (000's)						
Additions							
Contributions:							
Plan Members	$ 70,847	$ 241,145	$ 1,618	$ 15,337	$ 291	$ 38	$ 329,276
State	699,770	539,303	14,173	-	-	-	1,253,246
Municipalities	-	156	-	35,937	-	-	36,093
Total Contributions	770,617	780,604	15,791	51,274	291	38	1,618,615
Investment Income	(1,673,282)	(2,476,319)	(25,788)	(238,441)	(12,083)	(54)	(4,425,967)
Less: Investment Expenses	(35,132)	(52,245)	(541)	(5,006)	(254)	-	(93,178)
Net Investment Income	(1,708,414)	(2,528,564)	(26,329)	(243,447)	(12,337)	(54)	(4,519,145)
Transfers In	-	-	-	-	2,703	-	2,703
Other	-	277	-	-	-	-	277
Total Additions	(937,797)	(1,747,683)	(10,538)	(192,173)	(9,343)	(16)	(2,897,550)
Deductions							
Administrative Expense	846	-	10	-	-	-	856
Benefit Payments and Refunds	1,070,474	1,396,098	18,522	90,925	3,095	2	2,579,116
Other	-	-	7	24	2,709	-	2,740
Total Deductions	1,071,320	1,396,098	18,539	90,949	5,804	2	2,582,712
Changes in Net Assets	(2,009,117)	(3,143,781)	(29,077)	(283,122)	(15,147)	(18)	(5,480,262)
Net Assets Held in Trust For Employee Pension Benefits:							
Beginning of Year	9,331,897	14,554,461	177,258	1,632,347	81,445	1,102	25,778,510
End of Year	$ 7,322,780	$ 11,410,680	$ 148,181	$ 1,349,225	$ 66,298	$ 1,084	$ 20,298,248

Note 14 Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). SEOPEBP is administered by the State Comptroller (Healthcare Policy and Benefit Division), and RTHP is administered by the Teachers' Retirement Board. None of these plans issues stand-alone financial statements. However, financial statements for these plans are presented in Note No. 15.

State Employee OPEB Plan

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of the State who are receiving benefits from any State-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees' Retirement System. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

Plan Funding

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund. Administrative costs of the plan are financed by the State.

In the prior fiscal year, a limited actuarial valuation of the plan disclosed that the plan had an estimated liability of $23.7 billion as of June 30, 2008. A full actuarial valuation of the plan was to be performed in the current fiscal year, but it was not completed on time. Thus, required disclosures on funded status, funding progress, and actuarial methods and assumptions for the plan could not be made in this note. These disclosures will be made starting next fiscal year.

Retired Teacher Healthcare Plan

Plan Description

RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183 of the General Statutes. As of June 30, 2008 (date of the latest actuarial valuation), the plan had 30,619 retirees and beneficiaries receiving benefits.

Plan Funding

The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost and the net OPEB obligation for each plan for the current fiscal year were as follows (amounts in thousands):

	SEOPEBP	RTHP
Annual Required Contribution	$ 1,703,712	$ 116,667
Interest on Net OPEB Obligation	7,667	458
Adjustment to Annual Required Contribution	(42,058)	(3,421)
Annual OPEB Cost	1,669,321	113,704
Contributions Made	452,029	22,433
Increase in net OPEB Obligation	1,217,292	91,271
Net OPEB Obligation - Beginning of Year	1,139,042	95,353
Net OPEB Obligation - End of Year	$ 2,356,334	$ 186,624

In addition, other related information for each plan for the current and prior fiscal years was as follows:

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP	2009	$ 1,669,321	27.1%	$ 2,356,334
	2008	$ 1,602,739	28.9%	$ 1,139,042
RTHP	2009	$ 113,704	19.7%	$ 186,624
	2008	$ 116,123	17.9%	$ 95,353

Funded Status and Funding Progress

The following is funded status information for the RTHP as of June 30, 2008, date of the latest actuarial valuation (amounts in million):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
RTHP	$ -	$ 2,318.8	$ 2,318.8	0.0%	$ 3,399.3	68.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding in progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the State and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the State and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

	RTHP
Actuarial Valuation Date	6-30-08
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Period	30 Years
Asset Valuation Method	n/a
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increases	4.0%-7.5%
Healthcare Inflation Rate	9% Initial, 4% Ultimate

Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 15.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of 6/30/09 there were 8 municipalities participating in the plan with a total membership of 608 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 15 OPEB Trust Fund Financial Statements

The financial statements of the OPEB trust funds are prepared using the accrual basis of accounting. Plan member and municipality contributions are recognized in the period in which they are due. State contributions are recognized in the period they are appropriated. Benefits are recognized when due and payable in accordance with the terms of each plan. Investment income and related investment expense of the Combined Investment Funds are allocated ratably to the PFSBF trust fund based on the fund's equity in the Combined Investment Funds.

Statement of Fiduciary Net Assets (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Assets				
Cash and Cash Equivalents	$ 31,733	$ 77,832	$ 2	$ 109,567
Receivables:				
From Other Funds	70	1,567	-	1,637
Interest	-	-	1	1
Investments	-	-	17,815	17,815
Securities Lending Collateral	-	-	3,289	3,289
Total Assets	31,803	79,399	21,107	132,309
Liabilities				
Accounts Payable	7,142	13,745	-	20,887
Securities Lending Obligation	-	-	3,289	3,289
Total Liabilities	7,142	-	3,289	3,289
Net Assets				
Held in Trust For Other				
Postemployment Benefits	24,661	65,654	17,818	108,133
Total Net Assets	$ 24,661	$ 65,654	$ 17,818	$ 108,133

Statement of Changes in Fiduciary Net Assets (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Additions				
Contributions:				
Plan Members	$ -	$ 70,864	$ 459	$ 71,323
State	452,029	22,433	-	474,462
Municipalities	-	-	9	9
Total Contributions	452,029	93,297	468	545,794
Investment Income	527	1,074	(2,368)	(767)
Less: Investment Expenses	-	-	(50)	(50)
Net Investment Income	527	1,074	(2,418)	(817)
Other	-	7,062	-	7,062
Total Additions	452,556	101,433	(1,950)	552,039
Deductions				
Administrative Expense	-	2,027	-	2,027
Benefit Payments and Refunds	437,945	93,369	837	532,151
Total Deductions	437,945	95,396	837	534,178
Changes in Net Assets	14,611	6,037	(2,787)	17,861
Net Assets Held in Trust For Other Postemployment Benefits:				
Beginning of Year (as restated)	10,050	59,617	20,605	90,272
End of Year	$ 24,661	$ 65,654	$ 17,818	$ 108,133

Note 16 Capital and Operating Leases

State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

2010	$ 31,804
2011	27,800
2012	17,845
2013	17,761
2014	17,983
Thereafter	12,182
Total	$ 125,375

Contingent revenues for the year ended June 30, 2009, were $.3 million.

State as Lessee

Obligations under capital and operating leases as of June 30, 2009, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2010	$ 80,122	$ 7,916
2011	58,090	7,855
2012	40,208	7,300
2013	36,890	7,168
2014	14,295	4,008
2015-2019	24,134	14,786
2020-2024	63,205	7,819
2025-2029	3,440	6,110
2030-2034	-	2,432
Total minimum lease payments	$ 320,384	65,394
Less: Amount representing interest costs		18,265
Present value of minimum lease payments		$ 47,129

Minimum capital lease payments were discounted using an interest rate of approximately 6 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2009, were $129.4 million.

Lease/Lease Back Transaction

On September 30, 2003 the State executed a U.S. Lease-to-Service Contract of Rolling Stock Agreement (Agreement) whereby the state entered into a head lease of certain rolling stock consisting of rail coaches and locomotives to statutory trusts established for the benefit of three equity investors. Simultaneously, the State executed sublease agreements to lease back the rolling stock in order to allow the State to have continued use of the property. The terms of the head leases are for periods ranging from 40 years to 67 years, expiring through March 2071, while the subleases have terms ranging from 18 years to 28 years, expiring through January 2032. At the end of the respective sublease terms, the State will have the option to purchase the statutory trusts' interest in the rolling stock for an aggregate fixed price.

Proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earning thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. Although it is remote that the State will be required to make any additional payments under the sublease, the State is and shall remain liable for all of its obligations under the subleases. The aggregate remaining commitment under the subleases totaled approximately $296 million at June 30, 2009.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Note 17 Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2009, (amounts in thousands):

Governmental Activities	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due within one year
Bonds:					
General Obligation	$ 13,092,570	$ 1,409,655	$ 1,058,700	$ 13,443,525	$ 611,644
Transportation	2,790,682	812,725	786,392	2,817,015	144,101
	15,883,252	2,222,380	1,845,092	16,260,540	755,745
Plus/(Less) premiums and deferred amounts	348,228	99,763	27,955	420,036	74,564
Total Bonds	16,231,480	2,322,143	1,873,047	16,680,576	830,309
Bond Anticipation Notes:	-	228,160	-	228,160	-
Other Liabilities:					
Net Pension Obligation	1,916,537	1,357,372	1,253,245	2,020,664	-
Net OPEB Obligation	1,234,395	1,783,025	474,462	2,542,958	-
Compensated Absences	481,964	30,592	9,889	502,667	26,392
Workers' Compensation	412,619	143,104	95,945	459,778	88,067
Capital Leases	51,748	-	4,619	47,129	5,466
Claims and Judgments	13,635	40,091	10,036	43,690	3,928
Contracts Payable & Other	1,117	-	412	705	-
Total Other Liabilities	4,112,015	3,354,184	1,848,608	5,617,591	123,853
Governmental Activities Long-Term Liabilities	$ 20,343,495	$ 5,904,487	$ 3,721,655	$ 22,526,327	$ 954,162
In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
Business-Type Activities					
Revenue Bonds	$ 1,358,084	$ 390,807	$ 147,094	$ 1,601,797	$ 94,118
Plus/(Less) premiums, discounts and deferred amounts	19,779	18,979	6,476	32,282	95
Total Revenue Bonds	1,377,863	409,786	153,570	1,634,079	94,213
Lottery Prizes	232,283	8,249	36,565	203,967	35,077
Compensated Absences	130,005	29,890	25,246	134,649	39,254
Other	162,969	35,636	12,337	186,268	14,053
Total Other Liabilities	525,257	73,775	74,148	524,884	88,384
Business-Type Long-Term Liabilities	$ 1,903,120	$ 483,561	$ 227,718	$ 2,158,963	$ 182,597

Starting this fiscal year, the liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $40 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique.

As of June 30, 2009, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2009	Amounts due within year
Bonds Payable	$ 4,162,391	$ 108,807
Escrow Deposits	172,992	45,451
Closure of Landfills	63,389	11,104
Due to State	9,793	-
Deferred Revenue	2,983	455
Other	19,055	418
Total	$ 4,430,603	$ 166,235

Note 18 Bonded Debt

a. Bond Anticipation Notes

As of June 30, 2009, $581.2 million in Bond Anticipation Notes bearing interest rates from 2 percent to 4 percent were outstanding. Of these notes, $353.1 million mature in April 2010 and are reported as short-term liabilities of the Capital Projects and Special Revenue funds. The $228.1 million long-term portion of the notes mature on June 1, 2011.

Future amounts needed to pay principal and interest on these notes are as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2011	$ 228,160	$ 18,685	$ 246,845
Total	$ 228,160	$ 18,685	$ 246,845

b. Primary Government – Governmental Activities

General Obligation Bonds

General Obligation bonds are those bonds that are paid out of the revenues of the General Fund and that are supported by the full faith and credit of the State. General obligation bonds outstanding and bonds authorized but unissued at June 30, 2009, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2009-2027	2.00-7.372%	$ 2,237,466	$ 260,411
School Construction	2009-2028	2.00-6.777%	3,805,450	88,451
Municipal & Other Grants & Loans	2009-2022	2.00-7.312%	1,087,237	157,143
Elderly Housing	2009-2027	2.299-6.795%	113,837	97,979
Elimination of Water Pollution	2009-2023	3.00-7.312%	218,710	581,384
General Obligation Refunding	2009-2022	2.00-6.00%	3,355,698	-
Pension Obligation	2009-2032	4.20-6.27%	2,276,578	-
Miscellaneous	2009-2036	2.50-6.75%	101,675	67,058
			13,196,651	$ 1,252,426
Accretion-Various Capital Appreciation Bonds			246,874	
		Total	$ 13,443,525	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$ 952,740	$ 744,694	$ 1,697,434
2011	938,464	646,979	1,585,443
2012	883,664	583,703	1,467,367
2013	810,716	525,080	1,335,796
2014	780,168	474,528	1,254,696
2015-2019	3,425,400	1,801,441	5,226,841
2020-2024	2,585,186	1,271,921	3,857,107
2025-2029	1,838,623	645,626	2,484,249
2030-2034	973,005	120,858	1,093,863
2035-2039	8,685	1,083	9,768
Total	$ 13,196,651	$ 6,815,913	$ 20,012,564

Transportation Related Bonds

Transportation related bonds include special tax obligation bonds and general obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the Debt Service Fund for retirement of principal and interest.

Transportation related bonds outstanding and bonds authorized but unissued at June 30, 2009, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2009-2027	2.00-7.125%	$ 2,817,015	$ 1,556,672
Specific Highways	2009	4.80%	-	4,066
General Obligation Other	2009	7.513%	-	1
			2,817,015	$ 1,560,739
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 2,817,015	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$ 285,315	$ 132,600	$ 417,915
2011	255,870	118,005	373,875
2012	239,085	105,450	344,535
2013	271,735	92,891	364,626
2014	224,095	81,167	305,262
2015-2019	782,260	279,790	1,062,050
2020-2024	531,650	118,364	650,014
2025-2029	227,005	22,811	249,816
	$ 2,817,015	$ 951,078	$ 3,768,093

Variable-Rate Demand Bonds

As of June 30, 2009, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
Special Tax Obligation	$ 43,000	1990	2010
General Obligation	50,000	1997	2014
General Obligation	100,000	2001	2021
General Obligation	280,000	2005	2023
Total	$ 473,000		

The State entered into various remarketing and standby bond purchase agreements with certain brokerage firms and banks upon the issuance of the bonds.

The bonds were issued bearing a weekly interest rate, which is determined by the State's remarketing agents. The State has the option of changing at any time the weekly interest rate on the bonds to another interest rate, such as a flexible rate or a daily rate. Bonds bearing interest at the weekly rate are subject to purchase at the option of the bondholder at a purchase price equal to principal plus accrued interest, if any, on a minimum seven days' notice of tender to the State's agent. In addition, the bonds are subject to mandatory purchase upon (1) conversion from the weekly interest rate to another interest rate and (2) substitution or expiration of the standby bond purchase agreements. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase by bondholders from time to time. The State is required to pay the remarketing agents a quarterly fee of .05 percent per annum of the outstanding principal amount of the bonds.

The standby bond purchase agreements require the banks to purchase any unremarketed bonds bearing the weekly interest rate for a price not to exceed the amount of bond principal and accrued interest, if any. The State is required to pay the banks a quarterly fee ranging from .11 percent to .15 percent per annum of the outstanding principal amount of the bonds plus interest. These fees would be increased if the credit rating for the bond insurers were to be downgraded, suspended, or withdrawn. The standby bond purchase agreements expire as follows:
1990 STO expires in the year 2010,
1997 GO expires in the year 2014,
2001 GO expires in the year 2015, and
2005 GO expires in the year 2015.

These agreements could be terminated at an earlier date if certain termination events described in the agreements were to occur.

Interest Rate Swaps

Objective of the swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the State has entered into eight separate pay-fixed, receive-variable interest rate swaps in effect at a cost less than what the State would have paid to issue fixed-rate debt. Two of the swaps were executed in December 1990, one was executed in June 2001, and five were executed in March and April of 2005.

Terms, fair values, and credit risk

The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2009, are as follows. The notional amount of the swaps matches the principal amount of the associated debt. The State's swap agreements, except for the Consumer Price Index (CPI) related swaps, contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated debt. For the CPI swaps, the swap agreements and associated debt are nonamortizing and mature on the same date.

Associated Bond Issue	Notional Amounts (000's)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values (000's)	SWAP Termination Date	Counterparty Credit Rating
1990 STO	$ 25,800	12/19/1990	5.746%	65% of LIBOR	$ (1,215)	12/1/2010	A3/A-/BBB
1990 STO	17,200	12/19/1990	5.709%	65% of LIBOR	(821)	12/1/2010	Aa2/A+/A
2001 GO	20,000	6/28/2001	4.330%	CPI plus 1.43%	(720)	6/15/2012	A2/A/nr
2005 GO	140,000	3/24/2005	3.392%	60% of LIBOR plus 30bp	(7,295)	3/1/2023	Aa1/AAA/nr
2005 GO	140,000	3/24/2005	3.401%	60% of LIBOR plus 30bp	(7,363)	3/1/2023	Aa3/A+/nr
2005 GO	15,620	4/27/2005	3.990%	CPI plus .65%	(1,466)	6/1/2016	A2/A/nr
2005 GO	20,000	4/27/2005	5.070%	CPI plus 1.73%	(2,107)	6/1/2017	A2/A/nr
2005 GO	20,000	4/27/2005	5.200%	CPI plus 1.79%	(2,062)	6/1/2020	AAA/nr/nr
Total	$ 398,620				$ (23,049)		

Fair value

As of June 30, 2009, all of the swaps had negative fair values because interest rates had declined since the time when the swaps were undertaken. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the State's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

Credit Risk
As of June 30, 2009, the State had no credit risk exposure on any of the swaps because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

The swap agreements contain varying collateral agreements with the counterparties. With the exception of the 2005 swap with a credit rating of Aa1/AAA/nr, the 2005 swap agreements require collateralization of the fair value of the swap in cash or government securities should the counterparty's credit rating fall below Aa3 as issued by Moody's Investors Service or AA- as issued by Standard & Poor's Ratings or Fitch Ratings. One of the swaps executed in 1990 requires collateral of cash or securities if the counterparty credit rating falls below A1/A+. The other 1990 swap agreement and the 2001 swap agreement do not have collateral provisions. Given the negative fair values, no collateral was required to be posted for any of the swaps at June 30, 2009. The State is not required to post collateral for any of the swaps.

Two separate counter parties, with credit ratings of Aa1/AAA/nr and Aa3/A+/nr, hold equal positions totaling approximately 70 percent of the notional amount of the swaps outstanding. The lowest rated counterparty, rated A3/A-/BBB holds one swap of approximately 6 percent of the notional amount of the swaps outstanding, while another counter party, rated A2/A/nr, holds three swaps of approximately 14 percent. The remaining two swaps are held by counter parties rated Aa2/A+/A or better.

Basis Risk
The State's variable-rate bond coupon payments are equivalent to the Securities Industry and Financial Markets Association Municipal Swap (SIFMA) index rate, or the CPI floating rate. For those swaps for which the State receives a variable-rate payment other than CPI, the State is exposed to basis risk should the relationship between the London Interbank Offered Rate (LIBOR) and SIFMA converge. If a change occurs that results in the rates moving to convergence, the synthetic rate on the bonds would change, and the expected cost savings may not be realized. As of June 30, 2009, the SIFMA rate was 0.35 percent, whereas 65 percent and 60 percent plus 30bp of LIBOR were 0.201 and 0.485 percent, respectively. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2009, the budgeted amount for basis risk was $1,500,000.

Termination Risk
The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 2005 swap agreements, the State has up to 270 days to fund any required termination payment. Under the 1990 swap agreements, the State may fund any required termination payment over a five-year period.

Rollover Risk
Because all of the swap agreements terminate when the associated debt is fully paid, the State is only exposed to rollover risk if an early termination occurs. Upon an early termination, the State will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Swap Payments and Associated Debt
Using rates as of June 30, 2009, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending June 30,	Principal	Interest	SWAP, Net	Total
2010	$ 20,800	$ 5,913	$ 9,846	$ 36,559
2011	22,200	5,730	8,651	36,581
2012	20,000	5,661	8,129	33,790
2013	-	5,651	7,273	12,924
2014	-	5,651	7,273	12,924
2015-2019	195,620	21,032	30,177	246,829
2020-2024	140,000	2,886	5,656	148,542
Total	$ 398,620	$ 52,524	$ 77,005	$ 528,149

c. Primary Government – Business–Type Activities
Revenue Bonds
Revenue bonds are those bonds that are paid out of resources pledged in the enterprise funds and component units.

Enterprise funds' revenue bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2010-2033	2.0-6.0%	$ 177,616
State Universities	2010-2034	2-6.0%	295,397
Bradley International Airport	2010-2033	2.5-5.25%	198,930
Clean Water	2010-2028	2-5.%	827,103
Bradley Parking Garage	2010-2024	6.125-6.6%	44,655
Drinking Water	2010-2028	2-5.%	58,096
Total Revenue Bonds			1,601,797
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			(4,342)
State Universities			1,514
Bradley International Airport			51
Clean Water			35,059
Other			-
Revenue Bonds, net			$ 1,634,079

The University of Connecticut has issued Student fee revenue bonds to finance the costs of buildings, improvements and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

Bradley Airport has issued various revenue bonds to finance costs of improvements to the airport. As of June 30, 2009, the following bonds were outstanding:

a) 2004 Airport Revenue Refunding Bonds in the amount of $10.7 million. These bonds were issued in July, 2004, to redeem the 1992 Airport Revenue Refunding Bonds, and are secured by and payable solely from the gross operating revenues generated by the State from the operations of the airport and other receipts, funds or monies pledged in the bond indenture.

b) 2001 Bradley International Airport Revenue Bonds in the amount of $170.9 million and 2001 Bradley International Airport Refunding Bonds in the amount of $17.3 million. Both bond series are secured by and payable solely from the gross operating revenues generated by the state from the operation of the airport and other receipts, funds or monies pledged in the bond indenture.

As of June 30, 2009, Bradley airport has entered into interest rate swap agreements for $152.4 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects. As of June 30, 2009, the Clean Water Fund has entered into interest rate swap agreements for $121.4 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$ 94,119	$ 74,117	$ 168,236
2011	99,912	71,054	170,966
2012	101,162	67,453	168,615
2013	103,543	62,348	165,891
2014	89,937	57,860	147,797
2015-2019	437,230	222,327	659,557
2020-2024	366,489	118,422	484,911
2025-2029	224,665	42,880	267,545
2030-2034	82,650	6,937	89,587
2035-2039	2,090	85	2,175
Total	$ 1,601,797	$ 723,483	$ 2,325,280

d. Component Units

Component units' revenue bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2009-2020	3.9-6%	$ 22,585
CT Housing Finance Authority	2009-2049	1.5-9.36%	3,870,056
CT Resources Recovery Authority	2009-2016	5.125-5.5%	20,343
CT Higher Education Supplemental Loan Authority	2009-2028	0.0-9.7%	138,710
Capital City Economic Development Authority	2009-2033	3.1-5%	105,115
UConn Foundation	2009-2029	3.875-5.%	6,955
Total Revenue Bonds			4,163,764
Plus/(Less) premiums, discounts, and deferred amounts:			
CDA			13
CRRA			(360)
CCEDA			(327)
CHESLA			(699)
Revenue Bonds, net			$ 4,162,391

Revenue bonds issued by the component units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Connecticut Development Authority's revenue bonds are issued to finance such projects as the acquisition of land or the construction of buildings, and the purchase and installation of machinery, equipment, and pollution control facilities. The Authority finances these projects through its Self-Sustaining Bond Program and Umbrella Program. As of June 30, 2009 no bonds were outstanding under the Umbrella Program. Bonds issued under the Self-Sustaining Bond Program are discussed in the no-commitment debt section of this note. In addition, the Authority had $22.6 million in general obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72 and an indenture dated 9/25/95. As of December 31, 2008, bonds outstanding under the bond resolution and the indenture were $3,813.4 million and $56.6 million, respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's general fund, and (3) all monies and securities of the Authority's general and capital reserve funds. The capital reserve fund is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in the next succeeding calendar year ($273.5 million at 12/31/08) on all outstanding bonds. As of December 31, 2008, the Authority has entered into interest rate swap agreements for $963.5 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Connecticut Resources Recovery Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Each Authority has established special capital reserve funds that secure all the outstanding bonds of the Authority at year-end, except as discussed next. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so. For the Connecticut Resources Recovery Authority, the amount of bonds outstanding at year-end that were secured by the special capital reserve funds was $20.3 million.

The Capital City Economic Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered into a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed $9.0 million in any calendar year. The bonds are secured by energy fees from the central utility plant and by parking fees subject to the Travelers Indemnity Company parking agreement.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$ 115,034	$ 174,396	$ 289,430
2011	136,732	168,995	305,727
2012	126,744	162,634	289,378
2013	116,788	175,401	292,189
2014	130,181	155,596	285,777
2015-2019	714,302	681,909	1,396,211
2020-2024	759,646	515,839	1,275,485
2025-2029	850,102	342,971	1,193,073
2030-2034	768,355	179,981	948,336
2035-2039	429,525	43,219	472,744
2040-2044	16,355	2,525	18,880
Total	$ 4,163,764	$ 2,603,466	$ 6,767,230

No-commitment debt

Under the Self-Sustaining Bond program, the Connecticut Development Authority issues revenue bonds to finance such projects as described previously in the component unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2009 were $979.8 million.

The Connecticut Resources Recovery Authority has issued several bonds to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under lease or loan arrangements between the Authority and the operators. Letters of credit secure some of these bonds. The Authority does not become involved in the construction activities or the repayment of the debt (other than the portion allocable to Authority purposes). In the event of a default, neither the authority nor the State guarantees payment of the debt, except for the State contingent liability discussed below. Thus, the assets and liabilities that relate to these bond issues are not included in the Authority's financial statements. Total bonds outstanding at June 30, 2009 were $83.9 million. Of this amount, $40.4 million was secured by a special capital reserve fund.

The Connecticut Health and Educational Facilities Authority has issued special obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total special obligation bonds outstanding at June 30, 2009, were $6,824.0 million, of which $296.7 million was secured by special capital reserve funds.

The State may be contingently liable for those bonds that are secured by special capital reserve funds as discussed previously in this section.

e. Debt Refundings

During the year, the State issued $74.2 million of general obligation bonds with an average interest rate of 2.71 percent to refund $73.3 million of general obligation bonds with an average interest rate of 4.44 percent. The reacquisition price exceeded the carrying amount of the old debt by $2.0 million. This amount is being netted against the new debt and amortized over the life of the new or old debt, whichever is shorter.

The State refunded these bonds to reduce its total debt service payments over the next fifteen years by $2.5 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $3.5 million. As of June 30, 2009, $2,482.6 million of outstanding general obligation, special tax obligation, and revenue bonds had been advanced refunded and are, accordingly, considered defeased.

In addition, $506.3 million of variable-rate Special Tax Obligation bonds were advance refunded during the year.

Note 19 Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule below lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

	Risk Financed by	
Risk of Loss	**Purchase of Commercial Insurance**	**Self-Insurance**
Liability (Torts):		
-General (State buildings, parks, or grounds)		X
-Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions:		
-Professional liability	X	
-Medical malpractice (John Dempsey Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per Statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net assets (government-wide and proprietary fund statements) when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General Fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years. Changes in the claims liabilities during the last two fiscal years were as follows (amounts in thousands):

	Governmental Activities Workers' Compensation	**Business-Type Activities Medical Malpractice**
Balance 6-30-07	$ 382,128	$ 20,000
Incurred claims	115,558	3,291
Paid claims	(85,067)	(2,001)
Balance 6-30-08	412,619	21,290
Incurred claims	143,104	8,790
Paid claims	(95,945)	(4,856)
Balance 6-30-09	$ 459,778	$ 25,224

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2009, were as follows (amounts in thousands):

	Balance due to fund(s)											
	General	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)												
General	$ -	$ -	$ 553,105	$ 280,655	$ 52,218	$ 21,720	$ 20,969	$ 1,797	$ 2,926	$ 5,847	$ -	$ 939,237
Debt Service	-	1,367	-	-	-	-	-	-	-	-	-	1,367
Restricted Grants & Accounts	3,133	-	-	76	-	-	-	-	-	-	444	3,653
Other Governmental	2,626	-	-	7,631	1,832	21,739	55,657	-	-	-	12,664	102,149
UConn	17,722	-	-	-	-	-	-	-	-	-	-	17,722
State Universities	3,234	-	-	-	-	-	-	-	-	-	-	3,234
Employment Security	-	-	-	41,964	-	-	-	-	-	-	-	41,964
Other Proprietary	412	-	10,511	-	-	-	-	-	-	-	-	10,923
Internal Services	-	-	-	66,931	-	-	-	-	-	-	-	66,931
Fiduciary	-	-	-	18,500	-	-	-	-	-	1,567	-	20,067
Component Units	9,793	-	-	-	-	-	-	-	-	-	-	9,793
Total	$ 36,920	$ 1,367	$ 563,616	$ 415,757	$ 54,050	$ 43,459	$ 76,626	$ 1,797	$ 2,926	$ 7,414	$ 13,108	$ 1,217,040

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

Note 21 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2009, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)									
	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary	Total
Amount transferred from fund(s)										
General	$ -	$ -	$ -	$ -	$ 101,712	$ 536,282	$ 238,315	$ 240,511	$ -	$ 1,116,820
Debt Service	-	-	16,797	145	-	-	-	-	-	16,942
Transportation	6,492	423,049	-	15,300	9,500	-	-	-	-	454,341
Restricted Grants & Accounts	78,373	-	-	-	688	-	-	-	-	79,061
Other Governmental	249,486	-	8,662	75,653	22,145	152,455	10,097	4,180	2,703	525,381
Internal Service	7,513	-	-	-	-	-	-	-	-	7,513
Connecticut Lottery	283,000	-	-	-	-	-	-	-	-	283,000
Employment Security	-	-	-	-	25,250	-	-	-	-	25,250
Other Proprietary	-	-	-	-	-	-	-	9,647	-	9,647
Total	$ 624,864	$ 423,049	$ 25,459	$ 91,098	$ 159,295	$ 688,737	$ 248,412	$ 254,338	$ 2,703	$ 2,517,955

Transfers were made to (1) move revenues from the fund that budget or statute requires to collect them to the fund that budget or statute requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

Note 22 Restatement of Fund Balance/Net Assets, and Restricted Assets

As of June 30, 2009, the beginning net assets/fund balances for the following funds and activities were restated as follows (amounts in thousands):

	Balance 6-30-08 Previously Reported	Correction of Reported Assets/Liabilites	Balance 6-30-08 as Restated
Governmental Funds and Activities			
Major Funds:			
Restricted Grants and Accounts	$ 666,022	$ (49,644)	$ 616,378
Total Governmental Funds	$ 3,120,784	$ (49,644)	$ 3,071,140
Governmental Activites:			
Capital Assets	$ 10,045,466	$ (17,332)	$ 10,028,134
Net Assets of Governmental Activites	$ (6,887,929)	$ (66,976)	$ (6,954,905)
Proprietary Funds and Business-Type Activites			
Major Funds:			
State Universities	$ 754,043	$ (21,652)	$ 732,391
Total Proprietary Funds	$ 4,684,480	$ (21,652)	$ 4,662,828
Net Assets of Business-Type Activites	$ 4,684,480	$ (21,652)	$ 4,662,828

The beginning fund balance of the Restricted fund, a governmental fund, was adjusted to correct an overstatement in the balance of accounts receivable reported last year.

The beginning net asset balance of governmental activities was adjusted to correct a net overstatement in the balance of capital assets reported last year.

The beginning net assets balance of the State Universities fund, a proprietary fund, was adjusted to reflect the cumulative effect of a change in the depreciation method for library books, a capital asset.

As of June 30, 2009, the government-wide statement of net assets reported $3,088 of restricted net assets, of which $300 million was restricted by enabling legislation.

Note 23 Related Organizations

The Community Economic Development Fund and the Connecticut Student Loan Foundation are legally separate organizations that are related to the State because the State appoints a voting majority of the organizations' governing board. However, the State's accountability for these organizations does not extend beyond making the appointments.

Note 24 New Accounting Pronouncements

In fiscal year 2009, the State implemented the following Statements issued by the Governmental Accounting Standards Board: Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations"; Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"; and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

Statement No. 49 establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. Previously, the GAAP hierarchy for state and local governments was set forth in an American Institute of Certified Public Accountants' auditing standard, rather than in GASB's authoritative literature.

Statement No. 56 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance presented in American Institute of Certified Public Accountants' auditing standards. This guidance deals with financial reporting of related party transactions, going concern considerations, and subsequent events.

Note 25 Commitments and Contingencies

A. Commitments

Primary Government

Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2009, the Departments of Transportation and Public Works had contractual commitments of approximately $936 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,821 million.
Clean and drinking water loan programs $433 million.
Various programs and services $3,269 million.

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units

As of December 31, 2008, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $146 million.

B. Contingent Liabilities

The State entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

In 2002 the City of Waterbury issued $97.5 million of General Obligation Special Capital Reserve Fund Bonds. These bonds are secured by a Special Capital Reserve Fund for which the State may be contingently liable as explained previously in Note 18 – Component Units.

Amounts received or receivable by the State from grant agencies are subject to audit and adjustment by grantor agencies, mainly the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal government cannot be determined at this time, although the State expects such amounts, if any, to be immaterial.

C. Litigation

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the State.

Note 26 Subsequent Events

In July 2009, the State issued $115.8 million of Clean Water Fund revenue bonds. The bonds will mature in years 2010 through 2022 and bear interest rates ranging from 1.5 percent to 5.0 percent.

In October 2009, the State issued $196 million of Special Tax Obligation Transportation Infrastructure bonds. The bonds will mature in years 2010 through 2029 and bear interest rates ranging from 2.5 percent to 5.0 percent.

In October 2009, the State issued $304 million Special Tax Obligation “Taxable Build America” Bonds. The bonds will mature in years 2020 through 2029 and bear interest rates ranging from 4.86 percent to 5.74 percent.

In October 2009, the State issued $49.8 million of Special tax obligation refunding bonds. The bonds will mature in years 2010 through 2014 and bear interest rates ranging from 2.50 percent to 5.00 percent.

In December 2009, the State issued $915.8 million of General Obligation Economic Recovery Notes. The notes will mature in years 2012 through 2016 and bear interest rates ranging from 2.00 percent to 5.00 percent.

In December 2009, the State issued $165.8 million of General Obligation Bonds. The bonds will mature in years 2012 through 2014 and bear an interest rate of 5.00 percent.

In December 2009, the State issued $450.0 million of General Obligation “Taxable Build America” Bonds. The bonds will mature in years 2020 through 2029 and bear interest rates ranging from 4.95 percent to 5.63 percent.

THIS PAGE LEFT INTENTIONALLY BLANK

Required PERS Supplementary Information

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Funding Progress
(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
SERS						
6/30/2003	$8,058.6	$14,223.8	$6,165.2	56.7%	$2,654.3	232.3%
6/30/2004	$8,238.3	$15,128.5	$6,890.2	54.5%	$2,816.7	244.6%
6/30/2005	$8,517.7	$15,987.5	$7,469.8	53.3%	$2,980.1	250.7%
6/30/2006	$8,951.4	$16,830.3	$7,878.9	53.2%	$3,107.9	253.5%
6/30/2007	$9,585.1	$17,888.1	$8,303.0	53.6%	$3,310.4	250.8%
6/30/2008	$9,990.2	$19,243.4	$9,253.2	51.9%	$3,497.4	264.6%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
TRS						
6/30/2003 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2004	$9,847.0	$15,070.5	$5,223.5	65.3%	$2,930.8	178.2%
6/30/2005 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2006	$10,190.3	$17,112.8	$6,922.5	59.5%	$3,137.7	220.6%
6/30/2007 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2008	$15,271.0	$21,801.0	$6,530.0	70.0%	$3,399.3	192.1%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
JRS						
6/30/2003	$142.8	$211.1	$68.3	67.6%	$27.8	245.7%
6/30/2004	$150.9	$219.8	$68.9	68.7%	$28.9	238.4%
6/30/2005	$160.3	$235.0	$74.7	68.2%	$30.2	247.8%
6/30/2006	$169.7	$246.9	$77.2	68.7%	$31.8	242.8%
6/30/2007	$182.4	$261.2	$78.8	69.8%	$33.8	233.1%
6/30/2008	$191.7	$267.0	$75.3	71.8%	$34.0	221.5%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
RTHP						
6/30/2008	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%

*No actuarial valuation was performed.

Only one actuarial valuation is presented because GASB Statement No. 45 was implemented in fiscal year 2008.

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Employer Contributions
(Expressed in Millions)

	SERS		TRS		JRS		RTHP	
Fiscal Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2003	$421.5	100.0%	$221.2	81.3%	$10.1	100.0%	$-	0.0%
2004	$470.3	100.0%	$270.5	68.5%	$11.6	100.0%	$-	0.0%
2005	$518.8	100.0%	$281.4	65.8%	$12.2	100.0%	$-	0.0%
2006	$623.1	100.0%	$396.2	100.0%	$11.7	100.0%	$-	0.0%
2007	$663.9	100.0%	$416.0	99.0%	$12.4	100.0%	$-	0.0%
2008	$716.9	99.2%	$518.6	485.7%	$13.4	100.0%	$116.1	17.9%
2009	$753.7	92.8%	$539.3	100.0%	$14.2	100.0%	$116.7	19.2%

For RTHP required information is presented starting with fiscal year 2008 because GASB Statement No. 45 was implemented in that year.

THIS PAGE LEFT INTENTIONALLY BLANK

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor M. Jodi Rell
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements and have issued our report thereon dated February 17, 2010. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of certain component units of the State, as described in our report on the State of Connecticut's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors. The audits of the Connecticut Development Authority, the Capital City Economic Development Authority, John Dempsey Hospital, Connecticut State University, Connecticut Community-Technical Colleges and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the State of Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Connecticut's internal control over financial reporting.

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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the State of Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported or will report to management in our Auditors' Report, State Comptroller - State Financial Operations, for the Fiscal Year Ended June 30, 2009, and in separately issued departmental audit reports covering the fiscal year ended June 30, 2009. The State's management response to the findings identified in our audit is not audited by us, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly, the Legislative Committee on Program Review and Investigations, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 17, 2010
State Capitol
Hartford, Connecticut

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

Governor M. Jodi Rell
Members of the General Assembly

Compliance

We have audited the compliance of the State of Connecticut with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. The State of Connecticut's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the State of Connecticut's management. Our responsibility is to express an opinion on the State of Connecticut's compliance based on our audit.

The State of Connecticut's basic financial statements include the operations of the Connecticut Housing Finance Authority, the Clean Water Fund, and the Drinking Water Fund, which expended $90,802,086 in Federal awards, which is not included in the Schedule of Expenditures of Federal Awards, during the year ended June 30, 2009. Our audit, described below, did not include the operations of the Connecticut Housing Finance Authority, the Clean Water Fund, and the Drinking Water Fund because other auditors were engaged to audit the Connecticut Housing Finance Authority, the Clean Water Fund, and the Drinking Water Fund in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Connecticut's compliance with those requirements.

As described in items III.A.17., III.E.3. and III.E.4. in the accompanying Schedule of Findings and Questioned Costs, the State of Connecticut did not comply with requirements regarding *Subrecipient Monitoring*, *Eligibility*, and *Eligibility,* respectively, that are applicable to its *Social Services Block Grant* (CFDA #93.667), *Foster Care-Title IV-E* (CFDA #93.658), and *Adoption Assistance* (CFDA #93.659) programs, respectively. Compliance with such requirements is necessary, in our opinion, for the State of Connecticut to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items III.A.5., III.A.7., III.A.8, III.A.10., III.A.17., III.A.20., III.A.21., III.A.25., III.B.2., III.B.3., III.C.2., III.C.3., III.D.1., III.E.1., III.E.2., III.E.3., III.E.4., III.E.5., III.F.1., III.G.4. and III.H.1..

Internal Control Over Compliance

The management of the State of Connecticut is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the State of Connecticut's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Connecticut's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III.A.1., III.A.2., III.A.3., III.A.4., III.A.5., III.A.6., III.A.8., III.A.9., III.A.10., III.A.11., III.A.12., III.A.13., III.A.14., III.A.15., III.A.16., III.A.17., III.A.18., III.A.19., III.A.20., III.A.21., III.A.22., III.A.23., III.A.24., III.A.25., III.A.26., III.B.1., III.B.2., III.B.3., III.C.1., III.C.2., III.C.4., III.D.1., III.D.2., III.D.3., III.D.4., III.D.5., III.D.6., III.E.1., III.E.2., III.E.3., III.E.4., III.E.5., III.E.6., III.F.1., III.F.2., III.F.3., III.G.1., III.G.2., III.G.3., III.G.4., III.G.5., III.H.1., III.H.2., III.H.3., III.H.4., III.H.5., III.H.6., III.H.7., III.H.8., III.H.9., III.H.10., III.H.11., III.I.1., III.I.2. and III.J.1. to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items III.A.17., III.D.3., III.E.3., III.E.4., III.F.1. and III.G.4. to be material weaknesses.

The State of Connecticut's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State of Connecticut's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2009, and have issued our report thereon dated February 17, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Governor, Members of the General Assembly, State Comptroller, the Appropriations Committee of the General Assembly, the Legislative Committee on Program Review and Investigations, the Office of Policy and

Management, State agencies, and Federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

March 25, 2010
State Capitol
Hartford, Connecticut

Schedule of Expenditures of Federal Awards

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
			$
Department of Agriculture			
SNAP Cluster:			
Supplemental Nutrition Assistance Program (See Note 3)		10.551	351,325,318
ARRA-Supplemental Nutrition Assistance Program (See Note 3)	ARRA	10.551	13,211,174
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		10.561	29,138,737
ARRA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	ARRA	10.561	11,570
Total SNAP Cluster			393,686,799
Child Nutrition Cluster:			
School Breakfast Program		10.553	16,184,577
National School Lunch Program (See Note 3)		10.555	79,013,135
Special Milk Program for Children		10.556	351,552
Summer Food Service Program for Children		10.559	1,692,344
Total Child Nutrition Cluster			97,241,608
Miscellaneous Programs		10.000	2,993
Agricultural Research - Basic and Applied Research		10.001	748,735
Plant and Animal Disease, Pest Control, and Animal Care		10.025	897,008
Market Protection and Promotion		10.163	12,075
Specialty Crop Block Grant Program		10.169	115,714
Specialty Crop Block Grant Program - Farm Bill		10.170	26,109
Grants for Agricultural Research, Special Research Grants		10.200	188,079
Cooperative Forestry Research		10.202	162,106
Payments to Agricultural Experiment Stations Under Hatch Act		10.203	732,831
Higher Education Multicultural Scholars Program		10.220	60
Integrated Programs (See Note 13)		10.303	25,579
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers		10.443	3,450
Crop Insurance		10.450	134,764
Crop Insurance Education in Targeted States		10.458	112,235
Cooperative Extension Service (See Note 13)		10.500	2,800,177
ARRA-Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 7)	ARRA	10.557	1,716,250
Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 7)		10.557	58,959,131
Child and Adult Care Food Program		10.558	13,371,960
State Administrative Expenses for Child Nutrition		10.560	1,149,321
Emergency Food Assistance Program (Administrative Costs)		10.568	454,198
WIC Farmers' Market Nutrition Program		10.572	32,143
Fresh Fruit and Vegetable Program		10.582	789,412
Cooperative Forestry Assistance		10.664	547,117
Urban and Community Forestry Program		10.675	186
Forest Legacy Program		10.676	1,453,906
Forest Stewardship Program		10.678	1,556
Forest Health Protection		10.680	271,486
Rural Business Enterprise Grants		10.769	5,545
Resource Conservation and Development		10.901	89,695
Wildlife Habitat Incentive Program		10.914	123,184
Cochran Fellowship Program-International Training-Foreign Participant		10.962	(32)
Total Department of Agriculture			575,855,380
Department of Commerce			
Economic Development -Technical Assistance		11.303	71,365
Economic Adjustment Assistance (See Note 8)		11.307	1,091,095
Trade Adjustment Assistance for Firms		11.313	30,000
Anadromous Fish Conservation Act Program		11.405	26,081
Interjurisdictional Fisheries Act of 1986		11.407	21,913
Coastal Zone Management Administration Awards (See Note 13)		11.419	2,245,889
Atlantic Coastal Fisheries Cooperative Management Act		11.474	179,750
Fisheries Disaster Relief		11.477	2,146
Center for Sponsored Coastal Ocean Research_Coastal Ocean Program		11.478	12,201

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Cooperative Science and Education Program	11.555	933
Total Department of Commerce		3,681,373
Department of Defense		
Miscellaneous Programs (See Note 13)	12.000	10,446
Procurement Technical Assistance For Business Firms (See Note 13)	12.002	59,806
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	35,053
Basic and Applied Scientific Research (See Note 13)	12.300	75,379
Military Construction, National Guard	12.400	4,196,767
National Guard Military Operations and Maintenance (O&M) Projects	12.401	15,920,099
National Guard Civilian Youth Opportunities	12.404	169,875
Total Department of Defense		20,467,425
Department of Housing and Urban Development		
Section 8 Project-Based Cluster: (See Note 1)		
Section 8 Housing Assistance Payments Program	14.195	4,566,095
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	157,223
Total Section 8 Project-Based Cluster		4,723,318
Supportive Housing for Persons with Disabilities	14.181	1,440,145
Multifamily Housing Service Coordinators	14.191	293,323
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20,727,535
Emergency Shelter Grants Program	14.231	1,188,927
Supportive Housing Program	14.235	1,067,752
Shelter Plus Care	14.238	8,180,479
Home Investment Partnerships Program	14.239	10,801,843
Housing Opportunities for Persons with AIDS	14.241	261,540
Fair Housing Assistance Program-State and Local	14.401	132,073
Demolition and Revitalization of Severely Distressed Public Housing (See Note 13)	14.866	347
Section 8 Housing Choice Vouchers (See Note 1)	14.871	51,480,850
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	2,508,062
Total Department of Housing and Urban Development		102,806,194
Department of the Interior		
Fish and Wildlife Cluster:		
Sport Fish Restoration Program	15.605	3,349,487
Wildlife Restoration	15.611	1,708,966
Total Fish and Wildlife Cluster		5,058,453
Miscellaneous Programs (See Note 13)	15.000	146,536
Cultural Resource Management (See Note 13)	15.224	1,599
Cooperative Endangered Species Conservation Fund	15.615	25,417
Clean Vessel Act	15.616	877,132
Landowner Incentive Program	15.633	245,334
State Wildlife Grants	15.634	932,399
U. S. Geological Survey-Research and Data Collection	15.808	7,617
National Spatial Data Infrastructure Cooperative Agreements Program	15.809	697
Historic Preservation Fund Grants-In-Aid	15.904	702,371
Outdoor Recreation-Acquisition, Development and Planning	15.916	147,822
Rivers, Trails and Conservation Assistance (See Note 13)	15.921	40,186
Total Department of the Interior		8,185,563
Department of Justice		
Miscellaneous Programs	16.000	371,976
State Domestic Preparedness Equipment Support Program	16.007	(1,504)

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
Prisoner Reentry Initiative Demonstration (Offender Reentry)		16.202	276,875
Law Enforcement Assistance-FBI Crime Laboratory Support		16.301	892,348
Services for Trafficking Victims		16.320	66,179
Juvenile Accountability Block Grants		16.523	257,195
Juvenile Justice and Delinquency Prevention-Allocation to States		16.540	734,126
Part D-Research, Evaluation, Technical, Assistance and Training		16.542	419,480
Title V-Delinquency Prevention Program		16.548	83,125
State Justice Statistics Program for Statistical Analysis Centers		16.550	33,429
National Criminal History Improvement Program		16.554	320,793
National Institute of Justice Research, Evaluation, and Development Project Grants		16.560	750,596
Crime Victim Assistance		16.575	4,806,167
Crime Victim Compensation		16.576	820,749
Edward ByrneMemorial Formula Grant Program		16.579	777,085
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants		16.580	642,534
Violent Offender Incarceration and Truth in Sentencing Incentive Grants		16.586	332,856
Violence Against Women Formula Grants		16.588	916,152
Rural Domestic Violence, Dating Violence, Sexual Assault and Stalking Assistance Program		16.589	130,634
Grants to Encourage Arrest Policies and Enforcement of Protection Orders		16.590	52,206
Residential Substance Abuse Treatment for State Prisoners		16.593	89,761
State Criminal Alien Assistance Program		16.606	459,374
Bulletproof Vest Partnership Program		16.607	667
Community Prosecution and Project Safe Neighborhoods		16.609	56,174
Public Safety Partnership and Community Policing Grants		16.710	106,597
Enforcing Underage Drinking Laws Program		16.727	494,900
Special Data Collections and Statistical Studies (See Note 13)		16.734	397
Edward Byrne Memorial Justice Assistance Grant Program		16.738	1,024,520
Harold Rogers Precription Drug Monitoring Program		16.754	336,793
Total Department of Justice			15,252,184
Department of Labor			
Employment Service Cluster:			
ARRA-Employment Service/Wagner-Peyser Funded Activities (See Note 13)	ARRA	17.207	398,093
Employment Service/Wagner-Peyser Funded Activities (See Note 13)		17.207	6,463,802
Disabled Veterans' Outreach Program		17.801	993,749
Local Veterans' Employment Representative Program		17.804	726,865
Total Employment Service Cluster			8,582,509
WIA Cluster:			
WIA Adult Program		17.258	7,881,251
ARRA-WIA Adult Program	ARRA	17.258	318,300
WIA Youth Activities (See Note 13)		17.259	8,924,496
ARRA-WIA Youth Activities (See Note 13)	ARRA	17.259	2,541,719
WIA Dislocated Workers		17.260	12,719,685
ARRA-WIA Dislocated Workers	ARRA	17.260	400,248
Total WIA Cluster			32,785,699
Labor Force Statistics		17.002	1,795,332
Compensation and Working Conditions		17.005	142,838
Unemployment Insurance (See Note 1 and Note 9)		17.225	1,580,279,659
ARRA-Unemployment Insurance (See Note 1 and Note 9)	ARRA	17.225	120,679,019
Senior Community Service Employment Program		17.235	1,247,124
Trade Adjustment Assistance		17.245	4,742,273
Workforce Investment Act (See Note 13)		17.255	139,483
WIA Pilots, Demostrations, and Research Projects (See Note 13)		17.261	2,352,639
Work Incentive Grants		17.266	672,061
Incentive Grants -WIA Section 503		17.267	172,700
H-1B Job Training Grants (See Note 13)		17.268	184,348
Complex Humanitarian Emergency and War-Related Injury Public Health Activities		17.269	215,994
Occupational Safety and Health-State Program		17.503	614,000

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
Consultation Agreements		17.504	1,117,539
Mine Health and Safety Grants		17.600	56,094
Total Department of Labor			1,755,779,311
Department of Transportation			
Highway Planning and Construction Cluster:			
ARRA-Highway Planning and Construction	ARRA	20.205	71,448
Highway Planning and Construction		20.205	475,372,410
Recreational Trails Program		20.219	1,092,881
Total Highway Planning and Construction Cluster			476,536,739
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants		20.500	74,458,794
Federal Transit - Formula Grants		20.507	35,629,611
Total Federal Transit Cluster			110,088,405
Highway Safety Cluster:			
State and Community Highway Safety		20.600	2,510,882
Alcohol Impaired Driving Countermeasures Incentive Grants		20.601	1,247,397
Occupant Protection Incentive Grants		20.602	648,020
Safety Belt Performance Grants		20.609	945,538
State Traffic Safety Information System Improvement Grants		20.610	641,735
Incentive Grant Program to Increase Motorcyclist Safety		20.612	36,574
Total Highway Safety Cluster			6,030,146
Transit Services Programs Cluster:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities		20.513	1,384,432
Job Access-Reverse Commute		20.516	1,471,423
New Freedom Program		20.521	37,722
Total Transit Services Programs Cluster			2,893,577
Miscellaneous Programs		20.000	39,499
Airport Improvement Program		20.106	10,969,291
ARRA-Airport Improvement Program	ARRA	20.106	66,606
Highway Training and Education		20.215	236,921
National Motor Carrier Safety		20.218	2,785,330
Performance and Registration Information Systems Management		20.231	27,500
Fuel Tax Evasion-Intergovernmental Enforcement Effort		20.240	3,406
Federal Transit-Metropolitan Planning Grants		20.505	19,505
Formula Grants for Other Than Urbanized Areas		20.509	2,778,319
Public Transportation Research		20.514	8,721
Alcohol Open Container Requirements		20.607	2,901,129
Pipeline Safety Program Base Grants		20.700	399,982
Interagency Hazardous Materials Public Sector Training and Planning Grants		20.703	123,519
Disadvantaged Business Enterprises-Short Term Lending Program		20.905	116,233
Total Department of Transportation			616,024,828
Department of the Treasury			
Low Income Taxpayer Clinics		21.008	62,671
Office of Personnel Management			
Intergovernmental Personnel Act (IPA) Mobility Program		27.011	15,511
Equal Employment Opportunity Commission			
Employment Discrimination-State and Local Fair Employment Practices Agency Contracts		30.002	34,683
Federal Mediation and Conciliation Service			
Labor Management Cooperation (See Note 13)		34.002	4,127

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
General Services Administration		
Donation of Federal Surplus Personal Property (See Note 3)	39.003	63,426
Library of Congress		
Miscellaneous Programs (See Note 13)	42.000	7,500
National Aeronautics and Space Administration		
Miscellaneous Programs (See Note 13)	43.000	35,448
Aerospace Education Services Program (See Note 13)	43.001	14,538
Total National Aeronautics and Space Administration		49,986
National Endowment for the Arts		
Promotion of the Arts-Partnership Agreements	45.025	891,069
National Endowment for the Humanities		
Promotion of the Humanities-Federal/State Partnership (See Note 13)	45.129	250
Grants to States	45.310	1,923,709
Total National Endowment for the Humanities		1,923,959
Institute of Museum and Library Services		
National Leadership Grants	45.312	19,863
National Science Foundation		
Miscellaneous Programs	47.000	350,539
Mathematical and Physical Sciences (See Note 13)	47.049	289,804
Biological Sciences (See Note 13)	47.074	315,969
Social, Behavioral, and Economic Sciences	47.075	(1,394)
Education and Human Resources (See Note 13)	47.076	1,374,551
Polar Programs	47.078	192
Total National Science Foundation		2,329,661
Small Business Administration		
Miscellaneous Programs	59.000	76,461
Small Business Development Centers	59.037	878,925
Total Small Business Administration		955,386
Department Of Veterans Affairs		
Miscellaneous Programs	64.000	145,002
Grants to States for Construction of State Home Facilities	64.005	2,038,623
Veterans State Domiciliary Care	64.014	4,776,363
Veterans State Hospital Care	64.016	3,415,555
Burial Expenses Allowance for Veterans	64.101	165,300
All-Volunteer Force Educational Assistance	64.124	208,295
Total Department Of Veterans Affairs		10,749,138
Environmental Protection Agency		
Miscellaneous Programs	66.000	47,690
State Indoor Radon Grants	66.032	188,987
Ozone Transport Commission	66.033	8,193
Surveys Studies, Investigations Demonstrations and Special Purpose Activities-Clean Air Act	66.034	300,589
State Clean Diesel Grant Program	66.040	250,497
Congresionally Mandated Projects	66.202	491,984
State Public Water System Supervision	66.432	1,558,558
Surveys, Studies, Investigations, Demonstrations and Special Purpose Grants	66.436	34,170

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
Long Island Sound Program		66.437	2,330,359
Water Quality Management Planning		66.454	98,664
Nonpoint Source Implementation Grants		66.460	1,142,919
Regional Wetland Program Development Grants		66.461	4,493
Capitalization Grants for Drinking Water State Revolving Funds		66.468	3,942,659
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs		66.471	209,651
Beach Monitoring and Notification Program Implementation Grants		66.472	218,167
Water Protection Grants to the States		66.474	10,513
Office of Research and Development Consolidated Research/Training/Fellowships		66.511	16,206
Performance Partnership Grants		66.605	9,379,144
Environmental Information Exchange Network Grant Program and Related Assistance		66.608	78,234
Toxic Substances Compliance Monitoring Cooperative Agreements		66.701	210,689
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		66.707	251,835
Pollution Prevention Grants Program		66.708	115,614
Pesticide Environmental Stewardship Regional Grants		66.714	18,871
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		66.802	192,500
Underground Storage Tank Prevention, Detection and Compliance Program		66.804	248,626
Leaking Underground Storage Tank Trust Fund Corrective Action Program		66.805	716,511
Superfund State and Indian Tribe Core Program Cooperative Agreements		66.809	(54,428)
State and Tribal Response Program Grants		66.817	1,000,789
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	1,920
Total Environmental Protection Agency			23,014,604
Nuclear Regulatory Commission			
Miscellaneous Programs		77.000	9,181
Department of Energy			
National Energy Information Center		81.039	11,308
State Energy Program		81.041	520,904
ARRA-State Energy Program	ARRA	81.041	860
Weatherization Assistance for Low-Income Persons		81.042	3,217,355
ARRA-Weatherization Assistance for Low-Income Persons	ARRA	81.042	4,115
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training & Tech. Analysis		81.117	4,200
State Energy Program Special Projects		81.119	60,332
Total Department of Energy			3,819,074
Department of Education			
Special Education Cluster:			
Special Education-Grants to States		84.027	127,366,155
Special Education-Preschool Grants		84.173	4,939,724
ARRA-Special Education Grants to States, Recovery Act	ARRA	84.391	100,000
Total Special Education Cluster			132,405,879
TRIO Cluster:			
TRIO-Student Support Services		84.042	626,997
TRIO-Talent Search		84.044	285,934
TRIO-Upward Bound		84.047	584,881
Total TRIO Cluster			1,497,812
Miscellaneous Programs (See Note 13)		84.000	1,173,619
Adult Education-Basic Grants to States (See Note 13)		84.002	7,269,387
Title 1 Grants to Local Educational Agencies		84.010	117,406,474
Title 1 Program for Neglected and Delinquent Children		84.013	1,008,415
Higher Education-Institutional Aid		84.031	444,550
Career and Technical Education -- Basic Grants to States (See Note 13)		84.048	11,595,876
Leveraging Educational Assistance Partnership		84.069	900,426
Fund for the Improvement of Postsecondary Education (See Note 13)		84.116	581,169
Rehabilitation Services-Vocational Rehabilitation Grants to States		84.126	23,805,775
Rehabilitation Services_Client Assistance Program		84.161	114,930

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
Independent Living-State Grants		84.169	232,670
Javits Fellowships		84.170	42,945
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind		84.177	610,083
Special Education-Grants for Infants and Families		84.181	3,877,526
Safe and Drug-Free Schools and Communities -National Programs (See Note 13)		84.184	11,274
Byrd Honors Scholarships		84.185	467,750
Safe and Drug-Free Schools and Communities-State Grants		84.186	3,125,217
Supported Employment Services for Individuals with Severe Disabilities		84.187	271,368
Education for Homeless Children and Youth		84.196	479,450
Graduate Assistance in Areas of National Need		84.200	138,652
Even Start-State Educational Agencies		84.213	513,188
Fund for the Improvement of Education (See Note 13)		84.215	473,085
Assistive Technology		84.224	546,263
Program of Protection and Advocacy of Individual Rights		84.240	183,654
Tech-Prep Education		84.243	793,460
National Institute for Literacy		84.257	350
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training		84.265	115,476
Charter Schools		84.282	682,872
Twenty-First Century Community Learning Centers		84.287	7,466,269
Foreign Language Assistance		84.293	133,836
State Grants for Innovative Programs		84.298	284,471
Education Technology State Grants (See Note 13)		84.318	2,063,758
Special Education-State Personnel Development		84.323	855,982
Special Ed. -Personnel Development to Improve Services and Results for Children with Disabilities		84.325	1,967
Special Ed.-Tech Assist and Dissemination to Improve Services for Children with Disabilities (See Note 13)		84.326	205,450
Advanced Placement Program		84.330	568,797
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals		84.331	607,226
Gaining Early Awareness and Readiness for Undergraduate Programs		84.334	4,723,628
Assistive Technology-State Grants for Protection and Advocacy		84.343	65,215
Reading First State Grants		84.357	6,589,348
Early Reading First		84.359	648,020
English Language Acquisition Grants		84.365	5,502,597
Mathematics and Science Partnerships		84.366	1,127,528
Improving Teacher Quality State Grants		84.367	25,885,882
Grants for State Assessments and Related Activities		84.369	5,838,833
Statewide Data Systems		84.372	87,107
School Improvement Grants		84.377	2,283,128
College Access Challenge Grant Program		84.378	252,423
Total Department of Education (See Also Student Financial Assistance Cluster)			375,961,060
Elections Assistance Commision			
Help America Vote Act Requirements Payments		90.401	7,193,784
Help America Vote College Program		90.400	39,881
			7,233,665
Department of Health and Human Services			
Medicaid Cluster:			
State Medicaid Fraud Control Units		93.775	856,296
State Survey and Certification of Health Care Providers and Suppliers		93.777	4,994,714
Medical Assistance Program (See Note 12)		93.778	2,869,998,552
ARRA-Medical Assistance Program (See Note 12)	ARRA	93.778	368,867,517
Total Medicaid Cluster			3,244,717,079
Child Care Cluster:			
Child Care and Development Block Grant		93.575	13,632,204
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		93.596	36,499,685
ARRA-Child Care and Development Block Grant	ARRA	93.713	9,574,862
Total Child Care Cluster			59,706,751

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
Aging Cluster:			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers		93.044	4,388,185
Special Programs for the Aging-Title III, Part C-Nutrition Services		93.045	7,019,105
Nutrition Services Incentive Program		93.053	1,749,793
Total Aging Cluster			13,157,083
Miscellaneous Programs		93.000	2,382,794
Public Health and Social Services Emergency Fund		93.003	41,125
Special Programs for the Aging-Title VII, Chapter 3-Prevention of Elder Abuse, Neglect and Exploit.		93.041	55,392
Special Programs for the Aging-Title III Part D-Disease Prevention and Health Promotion Services		93.043	222,839
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects		93.048	1,067,954
National Family Caregiver Support, Title III, Part E		93.052	1,630,116
Laboratory Training, Evaluation, and Quality Assurance Programs		93.064	288,520
Public Health Emergency Preparedness		93.069	12,594,124
Healthy Marriage Promotion and Responsible Fatherhood Grants		93.086	800,280
Comprehensive Community Mental Health Services for Children with Serious Emotional Dist.		93.104	2,977,537
Maternal and Child Health Federal Consolidated Programs		93.110	849,813
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (See Note 3)		93.116	817,509
Emergency Medical Services for Children		93.127	124,825
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		93.130	136,329
Injury Prevention and Control Research and State and Community Based Programs		93.136	601,262
Protection and Advocacy for Individuals with Mental Illness		93.138	468,972
Projects for Assistance in Transition from Homelessness (PATH)		93.150	689,843
Grants to States for Loan Repayment Program		93.165	184,063
Research Related to Deafness and Communication Disorders (See Note 13)		93.173	5,161
Childhood Lead Poisoning Prevention Projects and Surveillance of Blood Levels in Children		93.197	639,502
Traumatic Brain Injury State Demonstration Grant Program		93.234	49,417
State Capacity Building		93.240	370,986
Mental Health Research Grants (See Note 13)		93.242	425,585
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (See Note 13)		93.243	10,158,492
Mental Health Clinical and AIDS Service-Related Training Grants (See Note 13)		93.244	6,780
Universal Newborn Hearing Screening		93.251	144,896
Occupational Safety and Health Program		93.262	180,770
Nurse Faculty Loan Program (See Note 5)		93.264	14,132
State Grants for Protection and Advocacy Services		93.267	54,122
Immunization Grants (See Note 3)		93.268	41,875,220
Alcohol Research Programs (See Note 13)		93.273	71,856
Substance Abuse and Mental Health Services-Access to Recovery		93.275	6,812,624
Drug Abuse and Addiction Research Programs		93.279	148,018
Centers for Disease Control and Prevention-Investigations and Technical Assistance (See Note 3)		93.283	9,362,332
State Partnership Grant Program to Improve Minority Health		93.296	216,472
Advanced Education Nursing Traineeships		93.358	52,277
Nurse Education, Practice and Retention Grants		93.359	77,537
Cancer Biology Research		93.396	77
Food Safety and Security Monitoring Project		93.448	415,038
Promoting Safe and Stable Families		93.556	3,009,936
Temporary Assistance for Needy Families		93.558	240,109,298
Child Support Enforcement (See Note 10)		93.563	48,610,433
ARRA-Child Support Enforcement (See Note 10)	ARRA	93.563	5,256,706
Refugee and Entrant Assistance-State Administered Programs		93.566	1,006,262
Low-Income Home Energy Assistance		93.568	106,100,523
Community Services Block Grant		93.569	7,512,360
Refugee and Entrant Assistance-Discretionary Grants		93.576	490,250
State Court Improvement Program		93.586	335,804
Community-Based Child Abuse Prevention Grants		93.590	344,438
Grants to States for Access and Visitation Programs		93.597	98,387
Chafee Education and Training Vouchers Program (ETV)		93.599	113,463
Head Start		93.600	158,281
Voting Access for Individuals with Disabilities-Grants for Protect and Advocacy Systems		93.618	51,893
Developmental Disabilities Basic Support and Advocacy Grants		93.630	954,666

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
Children's Justice Grants to States		93.643	294,241
Child Welfare Services-State Grants		93.645	1,928,990
Social Services Research and Demonstration		93.647	83,664
Adoption Opportunities		93.652	88,707
Foster Care-Title IV-E		93.658	62,181,885
ARRA-Foster Care-Title IV-E	ARRA	93.658	2,641,749
Adoption Assistance		93.659	31,611,038
ARRA-Adoption Assistance	ARRA	93.659	1,981,950
Social Services Block Grant		93.667	46,795,758
Child Abuse and Neglect State Grants		93.669	429,719
Family Violence Prevention and Services/Grants for Battered Woman's Shelters Grants States, Ind. Tribes		93.671	1,360,863
Chafee Foster Care Independence Program		93.674	2,047,364
Children's Health Insurance Program		93.767	24,099,919
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities		93.768	4,875,772
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		93.779	2,228,500
Money Follows the Person Rebalancing Demonstration		93.791	1,048,544
Biomedical Research and Research Training		93.859	10,308
Medical Library Assistance		93.879	75,530
Health Care and Other Facilities		93.887	94,352
National Bioterrorism Hospital Preparedness Program		93.889	5,061,816
Alcohol Research Center Grants		93.891	73,128
Grants to States for Operation of Offices of Rural Health		93.913	138,337
HIV Care Formula Grants (See Note 11)		93.917	20,334,108
Cooperative Agreements to Support School Health Educ. to Prevent AIDS		93.938	501,871
HIV Prevention Activities-Health Department Based		93.940	7,619,974
HIV Demonstration, Research, Public and Professional Education Projects		93.941	72,697
Research, Treatment and Education Programs on Lyme Disease in the United States		93.942	192,822
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	803,831
Block Grants for Community Mental Health Services		93.958	4,714,682
Block Grants for Prevention and Treatment of Substance Abuse		93.959	18,396,353
Preventive Health Services-Sexually Transmitted Diseases Control Grants (See Note 3)		93.977	1,100,937
Cooperative Agreements for State-Based Diabetes Control Programs (See Note 3)		93.988	224,713
Preventive Health and Health Services Block Grant		93.991	1,596,253
Maternal and Child Health Services Block Grant to the States		93.994	5,090,529
Total Department of Health and Human Services (See Student Financial Assistance Cluster)			4,078,549,108
Corporation for National and Community Service			
State Commissions		94.003	136,965
Learn and Serve America-School and Community Based Programs		94.004	175,359
AmeriCorps (See Note 13)		94.006	959,830
Planning and Program Development Grants		94.007	29,851
Training and Technical Assistance		94.009	90,282
Total Corporation for National and Community Service			1,392,287
Social Security Administration			
Miscellaneous Programs		96.000	243,737
Social Security-Disability Insurance		96.001	18,615,484
Social Security-Work Incentives Planning and Assistance Program		96.008	316,144
Total Social Security Administration			19,175,365
Department of Homeland Security			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program		97.004	1,179,089
Homeland Security Grant Program		97.067	9,376,792
Total Homeland Security Cluster			10,555,881

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Urban Areas Security Initiative	97.008	559,195
Boating Safety Financial Assistance	97.012	1,507,209
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	284,658
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	273,413
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,157,382
National Dam Safety Program	97.041	35,787
Emergency Management Performance Grants	97.042	2,788,767
Assistance to Firefighters Grant	97.044	26,722
Pre-Disaster Mitigation	97.047	13,503
Port Security Grant Program	97.056	971,032
Competitive Training Grants	97.068	383,723
National Explosives Detection Canine Team Program	97.072	82,727
State Homeland Security Program	97.073	5,948
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	15,950
Rail and Transit Security Grant Program	97.075	221,992
Buffer Zone Protection Plan (BZPP)	97.078	176,578
Real ID Program	97.089	56,622
Disaster Housing Assistance Grant	97.109	8,752
Citizenship Education and Training	97.110	3,833
Total Department of Homeland Security		19,129,674
United States Agency For International Development		
Miscellaneous Programs (See Note 13)	98.000	16,692
Total United States Agency For International Development		16,692
Miscellaneous Programs		
Other Federal Assistance	99.125	60,617
Oil Company Overcharge Recoveries	99.136	374,145
		434,762
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
Department of Education		
Federal Supplemental Educational Opportunity Grants (See Note 13)	84.007	2,401,076
Federal Family Education Loans (See Note 6)	84.032	231,661,222
Federal Work-Study Program	84.033	3,210,199
Federal Perkins Loan Program-Federal Capital Contributions (See Note 4)	84.038	27,322,269
Federal Pell Grant Program	84.063	66,433,327
Federal Direct Student Loans	84.268	38,628,486
Academic Competitiveness Grant	84.375	1,423,145
National Science and Mathematics Access to Retain Talent Grant	84.376	508,145
Teacher Education Assistance for College and Higher Education Grants	84.379	16,077
Total Department of Education		371,603,946
Department of Health and Human Services		
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantage (See Note 5)	93.342	1,091,022
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	121,000
Total Department of Health and Human Services		1,212,022
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		372,815,968
TOTAL NON RESEARCH AND DEVELOPMENT GRANTS		**8,016,710,678**

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
RESEARCH AND DEVELOPMENT CLUSTER:		
UNIVERSITY OF CONNECTICUT RESEARCH GRANTS (SEE NOTE 2 AND NOTE 13)		
Department of Agriculture		
Agricultural Research Service	10.RD	1,617,296
Animal and Plant Health Inspection Service	10.RD	12,793
National Institute of Food and Agriculture	10.RD	3,345,396
Food and Nutrition Service	10.RD	(16,233)
Foreign Agriculture Service	10.RD	624
Forest Service	10.RD	69,839
Rural Business - Cooperative Service	10.RD	9,942
Miscellaneous Programs	10.RD	28,478
Total Department of Agriculture		5,068,135
Department of Commerce		
National Oceanic and Atmospheric Administration	11.RD	3,737,404
National Institute of Standards and Technology	11.RD	62,574
Miscellaneous Programs	11.RD	39,324
Total Department of Commerce		3,839,302
Department of Defense		
Department of the Navy, Office of the Chief of Naval Research	12.RD	3,002,666
U.S. Army Medical Command	12.RD	160,439
U.S. Army Materiel Command	12.RD	551,610
Office of the Secretary of Defense	12.RD	47,927
Department of the Air Force, Materiel Command	12.RD	299,008
National Security Agency	12.RD	10,505
Miscellaneous Programs	12.RD	2,477,875
Total Department of Defense		6,550,030
Department of the Interior		
U. S. Geological Survey	15.RD	261,297
Miscellaneous Programs	15.RD	115,528
Total Department of Interior		376,825
Department of Justice		
National Institute of Justice	16.RD	56,914
Miscellaneous Programs	16.RD	76,058
Total Department of Justice		132,972
Department of Labor		
Employment and Training Administration	17.RD	109,844
Total Department of Labor		
Department of Transportation		
Federal Highway Administration	20.RD	152,319
Federal Railroad Administration	20.RD	101,769
Pipeline and Hazardous Materials Safety Administration	20.RD	57,985
Research and Special Programs Adminsitration	20.RD	283,342
Miscellaneous Programs	20.RD	26,208
Total Department of Transportation		621,623
Office of Personnel Management	27.RD	138,434
Library of Congress	42.RD	43,472
National Aeronautics and Space Administration	43.RD	1,691,331

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
National Endowment for the Humanities		45.RD	(179)
National Science Foundation		47.RD	14,951,790
Department of Veterans Affairs		64.RD	2,248
Environmental Protection Agency			
Office of Water		66.RD	396,668
Office of Research and Development		66.RD	340,611
Office of Administration		66.RD	15,433
Office of Solid Waste and Emergency Response		66.RD	15,518
Miscellaneous Programs		66.RD	105,473
Total Environmental Protection Agency			873,703
Department of Energy		81.RD	2,375,179
Department of Education			
Office of Special Education and Rehabilitative Services		84.RD	1,144,230
Office of Elementary and Secondary Education		84.RD	105,393
Office of Educational Research and Improvement		84.RD	3,215,966
Office of Postsecondary Education		84.RD	602,658
Miscellaneous Programs		84.RD	64,456
Total Department of Education			5,132,703
Department of Health and Human Services			
Office of the Secretary		93.RD	1,600,643
Centers for Disease Control and Prevention		93.RD	1,104,669
Substance Abuse and Mental Health Services Administration		93.RD	181,797
National Institutes of Health		93.RD	18,513,659
ARRA-National Institutes of Health	ARRA	93.RD	4,743
Miscellaneous Programs		93.RD	567,342
Total Department of Health and Human Services			21,972,853
Department of Homeland Security		97.RD	525,978
United States Agency for International Development		98.RD	384,873
TOTAL RESEARCH GRANTS - UNIVERSITY OF CONNECTICUT			**64,791,116**
UNIV. OF CONNECTICUT HEALTH CENTER RESEARCH GRANTS (SEE NOTE 2 AND NOTE 13)			
Department of Agriculture			
National Institute of Food and Agriculture		10.RD	125,292
Food and Nutrition Service		10.RD	101,298
Miscellaneous Programs		10.RD	18,122
Total Department of Agriculture			244,712
Department of Defense			
U.S. Army Medical Command		12.RD	1,958,535
U.S. Army Materiel Command		12.RD	280,884
Total Department of Defense			2,239,419
Department of Justice			
National Institute of Justice		16.RD	(20,648)
Office of Juvenile Justice and Delinquency Prevention		16.RD	329,187
Bureau of Prisons		16.RD	18,420
Total Department of Justice			326,959

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
National Science Foundation			
Engineering Grants		47.RD	111,424
Biological Sciences		47.RD	207,528
Total National Science Foundation			318,952
Environmental Protection Agency			
Office of Air and Radiation		66.RD	116
Total Environmental Protection Agency			116
Department of Education			
Office of Special Education and Rehabilitative Services		84.RD	472,870
Total Department of Education			472,870
Department of Health and Human Services			
Office of the Secretary		93.RD	85,533
Substance Abuse and Mental Health Services Administration		93.RD	256,343
National Institutes of Health		93.RD	56,844,330
ARRA-National Institutes of Health	ARRA	93.RD	19,665
Health Resources and Services Administration		93.RD	1,610,170
Centers for Disease Control and Prevention		93.RD	1,684,852
Administration For Children And Families		93.RD	769,162
Centers for Medicare and Medicaid Services		93.RD	4,612
Miscellaneous Programs		93.RD	1,098,477
Total Department of Health and Human Services			62,373,144
Social Security Administration		96.RD	70,978
TOTAL HEALTH CENTER RESEARCH GRANTS			**66,047,150**
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**130,838,266**
TOTAL FEDERAL ASSISTANCE			**$ 8,147,548,944**

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note 1 – Summary of Significant Accounting Policies

Reporting Entity:
The accompanying Schedule of Expenditures of Federal Awards includes Federal assistance incurred for all Federal programs administered by the State of Connecticut except for any Federal assistance that is subject to separate audits in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Federal assistance, which is included in the State of Connecticut's basic financial statements, that is subject to separate audits incurred for the following Federal programs: the Department of Housing and Urban Development's (HUD) *Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation* (CFDA #14.856); HUD's *Interest Reduction Payments – Rental and Cooperative Housing for Lower Income Families* (CFDA #14.103); the Environmental Protection Agency's (EPA) *Capitalization Grants for Clean Water State Revolving Funds* (CFDA #66.458); and EPA's *Capitalization Grants for Drinking Water State Revolving Funds* (CFDA #66.468) programs. During the fiscal year ended December 31, 2008, the Connecticut Housing Finance Authority expended $64,220,763 and $1,055,390 in Federal awards under CFDA #14.856 and CFDA #14.103, respectively. The State of Connecticut expended $18,998,366 and $6,527,567 in Federal awards under CFDA #66.458 and CFDA #66.468, respectively, during the fiscal year ended June 30, 2009.

Basis of Accounting:
The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting, except for the *Supportive Housing for Persons with Disabilities*, (CFDA #14.181), *Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation* (CFDA #14.856), *Section 8 Housing Assistance Payments Program-Special Allocation* (CFDA #14.195), and *Section 8 Housing Choice Voucher*s (CFDA #14.871) programs. The total presented for these programs represent the net Annual Contributions Contract subsidy received for the State's fiscal year ended June 30, 2009. The net Annual Contribution Contract subsidy for the fiscal year is being reported as the Federal awards expended per Accounting Brief #10 issued by the Department of Housing and Urban Development's Real Estate Assessment Center.

The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the State's basic financial statements. Such information, however, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Note 2 – Research Programs at the University of Connecticut

Federally funded research programs at the University of Connecticut and its Health Center have been reported as discrete items. The major Federal departments and agencies providing research assistance have been identified. The research programs at the University and its Health Center are considered one Major Federal Financial Assistance Program for purposes of compliance with the Federal Single Audit Act.

Note 3 – Non-cash Assistance

Non-cash Federal Financial Assistance reported on this Schedule was provided to Connecticut by the following Federal agencies:

Department of Agriculture:	
Food Stamps (CFDA #10.551)	$351,325,318
ARRA-Food Stamps (CFDA #10.551)	13,211,174
Food Donation (CFDA #10.555)	11,131,511

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Department of Health and Human Services:	
Immunization Grants (CFDA #93.268)	37,790,637
Preventive Health Services - Sexually Transmitted Diseases Control Grants (CFDA #93.977)	121,218
Cooperative Agreement for State Based Diabetes Control Program (CFDA #93.988)	208,791
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (CFDA #93.116)	107,621
General Services Administration:	
Donation of Federal Surplus Personal Property (CFDA #39.003) *	63,426

* The fair market value was estimated to be 23.3 percent of the property's original acquisition value. Revenue was not recognized when the property was received, and expenditures were not recognized when the property was donated.

Note 4 – Federal Perkins Loan Program

The total presented for the U.S. Department of Education's Perkins Loan Program (CFDA #84.038) represents the Federal contributions to the loan pool, administrative cost allowances and loans outstanding. Total loans outstanding at June 30, 2009, were $27,322,269.

Note 5 – Health Professions Student Loans and Nurse Faculty Loan Program

<u>Health Professions Student Loans</u>
The total presented for the U.S. Department of Health and Human Services' Health Professions Student Loans, Including *Primary Care Loans/Loans for Disadvantaged Students program* (CFDA #93.342) represents the Federal contributions to the loan pool and loans outstanding. Total loans outstanding at the fiscal year ended June 30, 2009, were $1,091,022.

<u>Nurse Faculty Loan Program</u>
New loans issued at June 30, 2009, of $14,132 were made to faculty at University of Connecticut under the U.S. Department of Health and Human Services' *Nurse Faculty Loan Program* (CFDA #93.264).

Note 6 – Federal Family Education Loan Program

New loans made to students at the State Colleges and Universities under the U.S. Department of Education's Federal *Family Education Loan Program (FFELP)* (CFDA #84.032) during the fiscal year ended June 30, 2009, totaled $231,661,222.

Note 7 – WIC Program Rebates and Use of Fines and Penalties

The total amount presented for the WIC Program includes cash rebates received from, infant formula and cereal manufacturers in the amount of $11,855,759 on the sales of formula and cereal to participants in the *U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants and Children (WIC)* program (CFDA #10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16 Subpart E as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. In addition, the WIC program collected $18,593 in fines and penalties that were subsequently used to increase WIC Program expenditures and is included in the total amount presented for the WIC program.

In addition, the ARRA-WIC program (CFDA #10.557) also collected rebates received from infant formula and cereal manufactures in the amount of $354,086 on the sales of formula and cereal to participants in the WIC program. Total WIC and ARRA-WIC rebates collected are $12,209,845

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note 8 – Economic Adjustment Assistance Program (New)

The total amount presented for the *Economic Adjustment Assistance Program* (CFDA #11.307) includes the Revolving Loan Fund (RLF) loans outstanding at the end of the fiscal year in the amount of $230,787, cash and investment balance in the RLF at the end of the fiscal year in the amount of $735,592 and administrative expenses paid out of $124,716 for a total of $1,091,095.

Note 9 – State Unemployment Insurance Funds

State Unemployment Taxes and the government and non-profit contributions in lieu of State taxes must be deposited to the Unemployment Trust Fund in the U.S. Treasury and may only be used to pay benefits under the federally approved State Unemployment law. In accordance with OMB Circular A-133 Compliance Supplement, State Unemployment Insurance Funds, as well as Federal Funds, shall be included in the Schedule of Expenditures of Federal Awards with CFDA #17.225. The State Funds expended from the Federal Unemployment Trust Fund amounted to $1,106,540,882. Total expenditures from the Federal portion of the Unemployment Trust Fund equaled $524,356,060 which includes $120,679,019 of ARRA funding. The $70,061,736 in Unemployment Insurance program administrative expenditures was financed by the U.S. Department of Labor.

Note 10 – Child Support Enforcement

During the fiscal year ended June 30, 2009, the Department of Social Services expended a total of $53,867,139 (Federal share) to accomplish the goals of the *Child Support Enforcement Program* (CFDA #93.563). However, the State received $19,747,570 of the $53,867,139 through withholding of a portion of various collections received by the State through the process of implementing the Child Support Enforcement Program. The other $34,119,569 of the Federal share of expenditures is reimbursed to the State directly from the Federal government.

Note 11 – HIV Care formula Grants

During the fiscal year ended June 30, 2009, the State expended a total of $20,334,108 for the *HIV Care Formula Grants* (CFDA #93.917). This included $7,931,119 in HIV rebates provided by private pharmaceutical companies. The rebates are authorized by the AIDS Drug Assistance Program (ADAP) manual Section 340B rebate option as a cost savings measure.

Note 12- ARRA – American Recovery and Reinvestment Act

Under the provisions of the American Recovery and Reinvestment act of 2009, recovery expenditures were separately identified by (ARRA) along with the CFDA number. During the year ended June 30, 2009, a grand total of $527,866,594 was expended, which includes $527,842,186 of non-research grants and $24,408 research grants.

Note 13- Pass - Through Grants

This type of assistance included on the pass-through schedule is reported as Federal revenue on the State's basic financial statements. Federal assistance received by the State from non state pass-through grantors is identified by CFDA Number, Grantor, Grantor ID and Expenditure Amount, and presented on the following pages.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS				
Department of Agriculture				
Cooperative State Research, Ed. & Ext. Service				
10.303	UOC	University of Rhode Island	081605/0000826	25,579
10.500	UOC	Auburn University	08-HHP-374648-004	4,040
10.500	UOC	University of Delaware	17034	12,599
10.500	UOC	University of Hawaii	2007-46887-03988	15,939
10.500	UOC	University of Vermont	SNE08-17	10,929
10.500	UOC	University of Vermont	SNE08-17	27,325
10.500	UOC	Cornell University	54187-8605	4,821
10.500	UOC	Kansas State University	S09036	5,025
10.500	UOC	Cornell University	54647-8569	4,201
10.500	UOC	Cornell University	54647-8569	6,317
10.500	UOC	University of Vermont	PDP07-001	9,039
Total Cooperative State Research, Rd & Ext. Service				125,814
Total Department of Agriculture				125,814
Economic Development Administration				
11.313	CCSU	Bicron Electronics	#99-26-07623	30,000
National Oceanic and Atmospheric Administration				
11.419	UOC	University of New Hampshire	SUBAWARD NO. 08-041	109,887
11.478	UOC	Woods Hole Oceanographic Institution	PO M212152	12,201
Total Department of Commerce				122,088
Department of Defense				
Department of the Navy, Office of the Chief of Naval Research				
12.300	UOC	Science Application International Corp.	#P010005361	16,879
Miscellaneous Programs				
12.000	UOC	South Dakota School of Mines and Technology	AG070860	10,446
Total Department of Defense				27,325
Department of Housing and Urban Development				
Office of Public and Indian Housing				
14.866	UOC	City of Stamford , Housing Authority	AG060476	347
Total Department of Housing and Urban Development				347
Department of the Interior				
Bureau Of Land Management				
15.224	ECSU	Montana State University	G108-08-W0094	1,599
National Park Service				
15.921	CCSU	Farmington River Watershed Association	H4507070013	37,450
Miscellaneous Programs				
15.000	UOC	Environmental Concern Inc.	AG080466	4,993
Total Department of the Interior				44,042

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
Department of Justice				
Bureau Of Justice Statistics				
16.734	CCSU	Justice Research and Statistics Association	CT23-2009-001	397
Total Department of Justice				397
Department of Labor				
Employment and Traning Administration				
17.255	CCC	Greater Waterbury Workforce Inv. Board	Y-04-002	5
17.255	CCC	Northwest Regional Investment Board	ISY-08-001	135,372
17.255	CCC	Northwest Regional Investment Board	ISY-09-001	554
17.255	CCC	Northwest Regional Investment Board	LTR 6-15-07	3,552
17.259	CCC	Northwest Regional Investment Board	LTR 6-15-07	7,853
17.259	CCC	Northwest Regional Investment Board	OSY-07-001	19,323
17.259	CCC	Northwest Regional Investment Board	OSY-08-003	247,923
17.261	CCC	The Workplace Inc.	AGR 3-19-07	865,368
17.261	CCC	The Workplace Inc.	X297-4-9-7-W/DRG	66,040
17.268	CCC	CT Business & Industry Association	AGR 3-25-08	108,829
17.268	CCC	CT Business & Industry Association	AGR 4-28-08	71,519
17.268	CCC	CT Institute of Prof. Builders and Development	LTR 10-27-06	4,000
Total Department of Labor				1,530,338
Federal Mediation and Conciliation Service				
34.002	CCSU	GrowJobs CT	N/A	4,127
Library of Congress				
42.000	ECSU	University of Hartford	NNX06AC31H subaward 303116	7,500
National Aeronautics and Space Administration				
43.000	CCSU	University of Hartford	Fund # 303116	12,611
43.001	CCSU	University of Hartford	N/A	7,089
43.001	CCC	University of Hartford	AGR 1-15-08	3,000
43.001	SCSU	University of Hartford	NGT5-40093	(1,453)
43.001	SCSU	University of Hartford	NGT5-40093	5,902
Total National Aeronautics and Space Administration				27,149
National Endowment for the Humanities				
45.129	UOC	CT Humanities Council	P-0207 G-0207	250
National Science Foundation				
47.049	SCSU	Yale University		223,333
47.074	UOC	New York State Museum Institute	AG050672	33,261
47.076	CCSU	University of Hartford	NSF # DUE- 0716338	7,507
47.076	UOC	University of Massachusetts	UM# 05-003146 B 00	70,246
47.076	UOC	University of Massachusetts	06-003554-A 01	54,072
47.076	UOC	University of Massachusetts	06-003554-A 01	627
Total National Science Foundation				389,046
Department of Education				
Office of Vocational and Adult Education				
84.002	CCC	Education Connection	LTR 8-25-08	22,520
84.048	CCSU	Consolidated School District of New Britain, CT	N/A	104,141
Total Office of Vocational and Adult Education				126,661

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
Office of Special Education and Rehabilitative Services				
84.326	UOC	University of S. Florida	5830-1242-00-A	33,008
84.326	UOC	University of Oregon	223561A	110,983
84.326	UOC	University of North Carolina	PREAWARD	61,459
Total Office of Special Education and Rehabilitative Services				205,450
Office of Elementary & Secondary Education				
84.184	UOC	Hartford Public Schools	AG060617	1,767
84.184	CCSU	Norwalk Public Schools	Q184B050079	7,029
84.215	CCSU	Newington Public Schools	U215X050260	205,151
84.215	UOC	Capitol Region Education Council	AG070583	31,202
Total Office of Elementary & Secondary Education				245,149
Office of Post Secondary Education				
84.116	CCC	CT Distance Learning Consortium	N/A	3,009
84.116	CCSU	Bridgewater State College	N/A	20,658
84.116	ECSU	FIPSE	P116Z080237	3,603
Total Office of Post Secondary Education				27,270
Miscellaneous Programs				
84.000	CCSU	National Writing Project Corporation	U928A050001	63,679
84.000	UOC	National Writing Project Corporation	92-CT01	65,404
Total Miscellaneous Programs				129,083
Total Department of Education				733,613
Department of Health and Human Services				
Substance Abuse And Mental Health Services Administration				
93.243	ECSU	CT Youth Suicide Prevention	07 MHA 2210AA	3,562
93.243	UOC	Wheeler Clinic	SO1255SA	4,559
93.243	UOC	Wheeler Clinic	SO1255CH	12,424
94.243	CCSU	Wheeler Clinic	N/A	4,109
93.244	SCSU	Wheeler Clinic	N/A	6,780
Total Substance Abuse and Mental Health Services Administration				31,434
National Institutes of Health				
93.173	SCSU	Yale University	N/A	1,330
93.242	SCSU	Yale University	N/A	(17,168)
93.273	CCSU	Yale University	R01AA016599-01A2	71,856
93.396	CCSU	Wesleyan University	N/A	77
Total National Institutes of Health				56,095
Total Department of Health and Human Services				87,529
Corporation for National and Community Service				
94.006	UOC	Jump Start Inc.	830200	28,453
94.006	UOC	Jump Start Inc.	830200	53,712
Total Corporation for National and Community Service				82,165
United States Agency for International Development				
98.000	UOC	American Council On Education	AEG-A-00-05-00007-00	4,480
98.000	UOC	University of California - Davis	841458-CRSP04	12,212
Total United States Agency for International Development				16,692

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
TOTAL NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS				**3,228,422**
RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS				
UNIVERSITY OF CONNECTICUT RESEARCH GRANTS: (SEE NOTE 2)				
Department of Agriculture				
National Institute of Food and Agriculture				
10.RD	UOC	Cornell University	54039-8584	28,238
10.RD	UOC	Csrees-Freunds Farm, Inc.	AG070604	29,645
10.RD	UOC	N.Eastern Regional Aquaculture Ctr	Q239901	3,531
10.RD	UOC	N.Eastern Regional Aquaculture Ctr	Z520303	25,371
10.RD	UOC	N.Eastern Regional Aquaculture Ctr	Z514703	26,337
10.RD	UOC	University of California- Davis	08-000954-01	30,741
10.RD	UOC	University of Maine	UM-S569	2,679
10.RD	UOC	University of Maine	UM-S703	5,040
10.RD	UOC	University of New Hampshire	PZ07020	44,258
10.RD	UOC	University of Rhode Island	100605/0000516-A	26,690
10.RD	UOC	University of Rhode Island	101408/0001946	37,584
10.RD	UOC	University of Rhode Island	121707/0001542	85
10.RD	UOC	University of Vermont	ONE08-080	5,053
10.RD	UOC	University of Vermont	Coordinator 06	30,584
10.RD	UOC	University of Vermont	Coordinator 08	6,876
10.RD	UOC	Yale University	M00081(M06M00477)	13,911
10.RD	UOC	Geremia Greenhouse	AG050015-01	7,146
10.RD	UOC	Evergren Biotechnologies, Inc.	AG060623	5,884
Total National Institute of Food and Agriculture				329,651
Rural Business-Cooperative Service				
10.RD	UOC	University of Wisconsin	013K705	9,942
Forest Service				
10.RD	UOC	Yale University	Y-07-0002	84
Miscellaneous Programs				
10.RD	UOC	University of Massachusetts	UM# 02-529029C00	(187)
10.RD	UOC	University of Florida	75865	28,665
Total Miscellaneous Programs				28,478
Total Department of Agriculture				368,155
Department of Commerce				
National Oceanic and Atmospheric Administration				
11.RD	UOC	NOAA Sea Grant	NA16RG2253	255
11.RD	UOC	NOAA Sea Grant	NA16RG2253	14
11.RD	UOC	Oregon State University	NA108H-B	4,574
11.RD	UOC	Pacific Shellfish Institute	AG060855	6,845
11.RD	UOC	University of Louisiana	Subcontract #07-0397	13,928
11.RD	UOC	Rutgers - State University of New Jersey	S952046	125,756

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
11.RD	UOC	University of New Hampshire	08-048	122,955
11.RD	UOC	University of Rhode Island	011807/0001224	99,034
11.RD	UOC	University of Rhode Island	012606/0000848	84,095
11.RD	UOC	Univ Corporation for Atmospheric Research	Subaward # S08-67963	201,637
11.RD	UOC	Woods Hole Ocean Graphic Institution	A100555	183,016
11.RD	UOC	Woods Hole Ocean Graphic Institution	A100567	51,440
Total National Oceanic and Atmospheric Administration				893,549
Miscellaneous Programs				
11.RD	UOC	University of Massachusetts	05-003280 A 00	4,099
11.RD	UOC	Bridgewater Education Consulting, LLC	AG080273	9,601
11.RD	UOC	Skidaway Institution of Oceanography	469/0000300030	25,624
Total Miscellaneous Programs				39,324
Total Department of Commerce				932,873
Department of Defense				
Department of the Air Force, Materiel Command				
12.RD	UOC	Advanced Virtual Engine Test Cell, Inc	AV07-U-003	163
12.RD	UOC	Connecticut Center for Advanced Technology Inc	07-N04	42,207
12.RD	UOC	Dartmouth College	221	57,664
12.RD	UOC	University of Michigan	3000989534	35,307
12.RD	UOC	University of Pennsylvania	3344-UC-USA-0051	(633)
12.RD	UOC	Purdue University	531-0737-01	22,938
Total Department of the Air Force, Materiel Command				157,646
Department of the Navy, Office Of the Chief Of Naval Research				
12.RD	UOC	Naval Postgraduate School	N00244-08-1-0032	96,209
Miscellaneous Programs				
12.RD	UOC	Agiltron, Inc	AG070810	2,983
12.RD	UOC	Agiltron, Inc	AG080169	179,847
12.RD	UOC	Alcatel-Lucent	LGS071021G	600
12.RD	UOC	Alcatel-Lucent	PO GOV0005274	53,918
12.RD	UOC	Aptima, Inc.	0510-1440	41,833
12.RD	UOC	Aptima, Inc.	0464-1412	3,507
12.RD	UOC	Connecticut Center for Advanced Technology, Inc.	07-N05	18,433
12.RD	UOC	Connecticut Center for Advanced Technology, Inc.	07-N06	(1)
12.RD	UOC	Connecticut Center for Advanced Technology, Inc.	07-N07	94,648
12.RD	UOC	Connecticut Center for Advanced Technology, Inc.	08-N02	91,687
12.RD	UOC	Connecticut Center for Advanced Technology, Inc.	08-N02	7,540
12.RD	UOC	Cornell University	46668-8659	12,933
12.RD	UOC	Ensign-Bickford Industries Inc.	PO# 9776	105,703
12.RD	UOC	Ensign-Bickford Industries Inc.	AG070085-01	13,080
12.RD	UOC	General Electric Company	PO 700187216	99,550
12.RD	UOC	Giner, Inc.	AG-091010	2,422
12.RD	UOC	Lockheed Martin	PO# 906900S	25,656
12.RD	UOC	Milsys Technologies, LLC	MILSYS-07-0116	2,852
12.RD	UOC	National Security Innovations, Inc.	8005-01	19,999
12.RD	UOC	National Security Innovations, Inc.	FA8650-02	31,578
12.RD	UOC	OPEL, Inc.	OSP 06/005	2,082
12.RD	UOC	Pratt & Whitney	21153 TASK #56	499
12.RD	UOC	Qualtech Systems, Inc	QSI-DSC-09-002	3,551

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
12.RD	UOC	Ratheon Company	4400234029	686,900
12.RD	UOC	Spectral Energies, LLC	SB07-012	24,718
12.RD	UOC	Structured Materials Industries, Inc.	SMI 41705-071607-01	269
12.RD	UOC	Structured Materials Industries, Inc.	PO 41752-092508-01	59,940
12.RD	UOC	Technology Service Corporation	36066	1,361
12.RD	UOC	Technology Service Corporation	TSC 1002 38210	9,439
12.RD	UOC	TPL Inc.	AD42-2006-01	722
12.RD	UOC	Universal Technology Corporation	08-S568-0011-C2	85,514
12.RD	UOC	Universal Technology Corporation	09-S590-0014-02-C1	10,000
12.RD	UOC	University of New Mexico	PO# P0027495	40,554
12.RD	UOC	U.S. Army	AG070085	16,168

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
12.RD	UOC	Vectraxx, Inc	A-009	86,348
12.RD	UOC	VeroModo Inc.	AG-050876	33,778
12.RD	UOC	VeroModo Inc.	AG-070852	17,680
12.RD	UOC	Yardney Technical Products Inc.	586281	5,995
12.RD	UOC	Yardney Technical Products Inc.	PO#0889235	1,610
Total Miscellaneous Programs				1,895,893
Total Department of Defense				2,149,748
Department of the Interior				
Geological Survey				
15.RD	UOC	The Polistes Foundation	AG080455	126,177
Miscellaneous Programs				
15.RD	UOC	Heritage Corridor, Inc	GV1 Uconn 09	115,528
Total Department of the Interior				241,705
Department of Justice				
National Institute of Justice				
16.RD	UOC	Pennsylvania Coalition Against Domestic Violence	AG070633	36,294
Total Department of Justice				36,294
Department of Labor				
Employment and Training Administration				
17.RD	UOC	WA - State Workforce Train & Ed	IAA-724-07	109,844
Total Department of Labor				109,844
Department of Transportation				
Federal Highway Administration				
20.RD	UOC	New England Transportation Consortium	MOU-N0401P2-0-2008-5	68,160
20.RD	UOC	New England Transportation Consortium	MOU-N0507P2-0-2007-4	426
20.RD	UOC	New England Transportation Consortium	MOU-N0603-0-2008-2	41,671
20.RD	UOC	New England Transportation Consortium	MOU-N0206P2-0-2008-4	16,379
Total Federal Highway Administration				126,635
Research and Special Program Administration				
20.RD	*UOC*	N. E. University Transportation Center	5710001977	740
20.RD	*UOC*	N. E. University Transportation Center	571002468	40,908
Total Research and Special Program Administration				41,648
Miscellaneous Programs				
20.RD	UOC	Transportaion Research Board	NCHRP-141	2,584
20.RD	UOC	Transportaion Research Board	SHRP-R-06(B)	868
20.RD	UOC	Transportaion Research Board	SHRP-R-06(B)	9,232
Total Miscellaneous Programs				12,685
Total Department of Transportation				180,967
Office of Personnel Management				
27.RD	UOC	Massachusetts Institute of Tech	5710001978	4,354
27.RD	UOC	Massachusetts Institute of Tech	5710002122	62,780
27.RD	UOC	Massachusetts Institute of Tech	5710002467	50,000
27.RD	UOC	Massachusetts Institute of Tech	Advance	21,300

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
Total Office of Personnel Management				138,434
Library of Congress				
Miscellaneous Programs				
42.RD	UOC	University of Michigan	F012178	43,472
Total Library of Congress				43,472
National Aeronautics and Space Administration				
43.RD	UOC	Ciencia	141205	
43.RD	UOC	Honeybee Robotics Spacecraft Mechanisms Corp	219.SubCon.001	1,840
43.RD	UOC	Marine Biological Laboratory	35640	29,412
43.RD	UOC	Marine Biological Laboratory	35640	32,501
43.RD	UOC	Wet Labs, Inc.	AG070872	15,093
43.RD	UOC	Qualtech Systems, Inc.	QSI-DSC-08-001	12,568
43.RD	UOC	United Technologies- Pratt & Whitney	21153 Task #53	287
43.RD	UOC	University of Hartford	OSP 05/132	(69)
43.RD	UOC	University of Hartford	303116	25,000
43.RD	UOC	University of Hartford	303116	1,504
43.RD	UOC	University of Illinois	2009-00783-01/A3327	48,552
Total National Aeronautics and Space Administration				166,686
Institute of Museum and Library Services				
45.RD	UOC	Newberry Library	AG070902	(179)
Total National Endowment for the Humanities				(179)
National Science Foundation				
47.RD	UOC	Boston College	Subaward No. 930-3	18,364
47.RD	UOC	Boston College	Subaward No. 930-3	15,237
47.RD	UOC	Ciencia	803210	1,843
47.RD	UOC	Thoughtventions Unlimited, LLC	AG080012	5,664
47.RD	UOC	Florida State University	R00283	5,209
47.RD	UOC	Innovative Technology Inc.	P.O.#2650-C	20,604
47.RD	UOC	Iowa State University	420-40-18-A	12,146
47.RD	UOC	Joint Oceanographic Institutions	JSA-29 P.O. T315A29	30,618
47.RD	UOC	Joint Oceanographic Institutions	JSA-29.410 T315A29	10,352
47.RD	UOC	Massachusetts Institute of Technology	5710002196	19,017
47.RD	UOC	New England Board of Higher Ed	LTR 9/24/03	(9,604)
47.RD	UOC	Smithsonian Institution	06SUBC440-0000083232	2,047
47.RD	UOC	Southwest Sciences	AG071060	27,813
47.RD	UOC	Northeastern University	532460P520107	1,508
47.RD	UOC	University of California at Riverside	S-00000154	9,993
47.RD	UOC	University of Maryland	Z479501	88,100
47.RD	UOC	University of Massachusetts	07-004407 A02	57,091
47.RD	UOC	University of Massachusetts	08-004807 A 00	2,271
47.RD	UOC	University of Massachusetts	S52100000001079	26,442
47.RD	UOC	University of Missouri	C00021585-1	1,941
47.RD	UOC	University of Puerto Rico	534042	50,444
47.RD	UOC	University of Puerto Rico	AG060221	23,769
47.RD	UOC	University of Puerto Rico	AG-060505	9,289
47.RD	UOC	Washington University, St. Louis	PO#29510P	34,290
47.RD	UOC	Washington University, St. Louis	WU-HT-09-07/2905086N	1,490
47.RD	UOC	Woods Hole Oceanographic Institute	A100424	106,392
Total National Science Foundation				572,329

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
Department of Environmental Protection				
Office of Research and Development				
66.RD	UOC	University of Nevada	UNR-08-29(PO 18GC000	19,684
Office of Solid Waste and Emergency Response				
66.RD	UOC	Town of Sprague, CT	AG070891	15,518
Miscellaneous Programs				
66.RD	UOC	Fuss & O'Neill, Inc.	AG-080963	1,064
66.RD	UOC	National Center for Healthy Housing	NCHH-08-1121	4,821
66.RD	UOC	University of Massachusetts	06-003268 E 04	80,150
Total Miscellaneous Programs				86,036
Total Department of Environmental Protection				121,238
Department of Energy				
81.RD	UOC	Fuelcell Energy Inc	PO 31827-000	(617)
81.RD	UOC	Rohn and Hass Company & BASF Catalyst LLC	AG060583-01	(1,100)
81.RD	UOC	North Carolina State University	2008-1923-02	226
81.RD	UOC	United Technologies- Fuel Cell Center	4997	2,650
81.RD	UOC	Battelle Memorial Institute	84049	3,938
81.RD	UOC	Battelle Memorial Institute	87944	4,514
81.RD	UOC	Radiation Monitoring Devices	AG060291	5,238
81.RD	UOC	Yardney Technical Products, Inc.	AG071021	5,702
81.RD	UOC	Yardney Technical Products, Inc.	PO#0889236	2,144
Total Department of Energy				22,697
Department of Education				
Office of Special Education and Rehabilitation Services				
84.RD	UOC	Marquette University	H133E020729	38,615
84.RD	UOC	Mashentucket Pequot Tribal Nation	OSP 04/76	8,999
84.RD	UOC	Texas A&M Research Foundation	S060054	207,953
84.RD	UOC	University of Oregon	222841J	213,123
Total Special Education and Rehabilitation Services				468,691
Office of Elementary and Secondary Education				
84.RD	UOC	Area Cooperative Educational Services	AG070924	25,147
84.RD	UOC	Hartford Public Schools	AG050754	(13,499)
Total Elementary and Secondary Education				11,648
Office of Educational Research and Improvement				
84.RD	UOC	Center for Implied Linguistics	AG070063	172,033
Miscellaneous Programs				
84.RD	UOC	Advanced Fuel Research Inc.	ED-07CO-0037	64,456
Total Department of Education				716,828
Center For Disease Control and Preventation				
93.RD	UOC	Association for Prevention,Teaching & Research	TS-1402	30,238
93.RD	UOC	Family Planning Council	RSH11001	17,040

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
93.RD	UOC	University of Massachusetts	S51110000009667	95,139
Total Center For Disease Control				142,417
National Institutes of Health				
93.RD	UOC	Beth Israel Medical Center	AG031124	48,231
93.RD	UOC	Beth Israel Medical Center	AG031122	15,098
93.RD	UOC	Beth Israel Deaconess Medical Center	AG031126	4,403
93.RD	UOC	Brandeis University	4-01217	3,589
93.RD	UOC	Ciencia, Inc	723205	8,696
93.RD	UOC	Ciencia, Inc	783101- Uconn	5,112
93.RD	UOC	Ciencia, Inc	783102- Uconn	25,821
93.RD	UOC	Ciencia, Inc	733102- Uconn	7,891
93.RD	UOC	Dartmouth College	461	76,541
93.RD	UOC	Duke University	08-SC-NIH-1089	14,366
93.RD	UOC	Evergen Biotechnologies, Inc	AG070447	41,860
93.RD	UOC	Fordham University	AG080334	21,228
93.RD	UOC	Fordham University	AG080334	29,804
93.RD	UOC	Franklin University of Medicine & Science	R01 DC007905	6,665
93.RD	UOC	Hartford Hospital	123249	57,851
93.RD	UOC	Iowa State University	430-21-03	4,193
93.RD	UOC	Mashantucket Pequot Tribal Nation	AG070286	3,281
93.RD	UOC	Massachusetts General Hospital	OSP 05/083	4,771
93.RD	UOC	Massachusetts General Hospital	R24RR018934/207916	21,901
93.RD	UOC	Miriam Hospital	TMH 710-7207	13,283
93.RD	UOC	Mount Sinai School of Medicine	0255-7432-4609	28,433
93.RD	UOC	Northeastern University	542650P823700	98,338
93.RD	UOC	Promiliad Biopharma, Inc	AG060409	15,713
93.RD	UOC	Promiliad Biopharma, Inc	AG060772	103,361
93.RD	UOC	State University of New York College	580-45702	93,351
93.RD	UOC	University of Chicago	30180	34,992
93.RD	UOC	University of Colorado	1544069 SPO#00064218	42,612
93.RD	UOC	University of Florida	UF05104	72,928
93.RD	UOC	University of Florida	UF08115	1,073
93.RD	UOC	University of Massachusetts	PO# 0001254189	71,484
93.RD	UOC	University of Minnesota	N643751402	16,442
93.RD	UOC	University of Mississippi	67351-01	20,978
93.RD	UOC	University of North Carolina	UNC-CH 5-50114	41,058
93.RD	UOC	University of North Carolina	UNC-CH#5-34143	23,251
93.RD	UOC	University of North Carolina	P.O. #82315	45,143
93.RD	UOC	University of South Carolina	08-1546/PO#82337	30,335
93.RD	UOC	Wadsworth Center	3269-01	(7,868)
93.RD	UOC	Washington University	HT-08-05	34,808
93.RD	UOC	Yale University	A06724 (M-07-335)	19,244
93.RD	UOC	Yale University	A06516	45,147
93.RD	UOC	Yale University	A07355(M09A10153)	8,100
93.RD	UOC	Yale University	A06534 (M-07-00648)	56,991
93.RD	UOC	Yale University	A07296 (M09A10181)	82,774
Total National Institutes of Health				1,393,272
Miscellaneous Programs				
93.RD	UOC	Afasci	AG-090341	1,675
93.RD	UOC	Makscientific, LLC	1R43DA023737-01	40,769
93.RD	UOC	National Institute for Pharmaceutical Tech and Educ.	AG-090025	3,600
93.RD	UOC	National Institute for Pharmaceutical Tech and Educ.	AG-090495	4,547
93.RD	UOC	Physical Sciences, Inc	SC41559-2986	2,888
93.RD	UOC	Psychological Applications, LLC	AG040886	1,385

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
93.RD	UOC	Ciencia Inc.	752202	(82)
Total Miscellaneous Programs				54,783
Total Department of Health and Human Services				1,590,473
Department of Homeland Security				
97.RD	UOC	University of North Carolina	UNC-CH #5-36441	43,472
97.RD	UOC	CTC Inc.	AG-090333	62,652
97.RD	UOC	Sonalysts, Inc.	07OEM0375	111,095
Total Department of Homeland Security				217,219
United States Agency for International Development				
98.RD	UOC	Oregon State University	RD011G-E	278,812
98.RD	UOC	University of Missouri	C00014171-1	373
98.RD	UOC	University of Missouri	C00018393-1	22,108
98.RD	UOC	University of Missouri	C00023238-11	29,794
98.RD	UOC	University of Georgia	RC710-025/3842128	48,743
Total United States Agency for International Development				379,828
TOTAL UNIVERSITY OF CONNECTICUT PASS-THROUGH RESEARCH GRANTS				**7,988,611**
UNIV. OF CONNECTICUT HEALTH CENTER RESEARCH GRANTS: (SEE NOTE 2)				
U.S. Army Materiel Command				
12.RD	UHC	Eastern Carolina University	2008-0109-UCHC	4,135
Department of Education				
Office of Special Education and Rehabilitative Services				
84.RD	UHC	SRI International	SRI 51-000498	7,901
Department of Health and Human Services				
Administration for Children and Families				
93.RD	UHC	California Tech	102-1083874	(3,031)
Centers for Medicare and Medicaid Dervices				
93.RD	UHC	UMASS	36844	2,043
93.RD	UHC	UMASS	6100365/900041	2,569
Total Centers for Medicare and Medicaid Dervices				4,612
Centers for Disease Control				
93.RD	UHC	Assoc For Prevention Teaching & Research	APTR	(112)
93.RD	UHC	Mary Imogene Bassett Hospital	5 U50OH07542-08	13,590
93.RD	UHC	Mary Imogene Bassett Hospital	2U50OH007542-09	(9,691)
93.RD	UHC	Mary Imogene Bassett Hospital	MIBH 383	75,979
93.RD	UHC	UMASS	S5111000009667	394,262
93.RD	UHC	Worcester Memorial Hospital	RFS700070	28,908
93.RD	UHC	Worcester Memorial Hospital	6082712/RFS800026	12,382
Total Centers for Disease Control				515,318

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
Health Resources and Services Administration				
93.RD	UHC	City of Hartford	3769K	(747)
93.RD	UHC	City of Hartford	3769H	(14)
93.RD	UHC	City of Hartford	HHS8020Q	49,755
93.RD	UHC	City of Hartford	HHS8020R	87,450
93.RD	UHC	City of Hartford	HHS9066R	31,652
93.RD	UHC	City of Hartford	HHS9066Q	13,912
93.RD	UHC	CT Primary Care Assoc	CPCA RWIV FY07-08	52,207
93.RD	UHC	CT Primary Care Assoc	CPCA RWIV FY08-09	139,675
93.RD	UHC	Hospital for Special Care	HOSP SPEC CARE 1000	3,976
93.RD	UHC	UMASS	6083441/ETC 13	3,602
93.RD	UHC	UMASS	RFS800060	40,546
93.RD	UHC	UMASS	6100059/ETC-13	11,331
93.RD	UHC	UMASS	MCHB PROJECT	1,183
93.RD	UHC	Worcester Memorial Hospital	RFS800009	1,033
Total Health Resources and Services Administration				435,561
Substance Abuse and Mental Health Services Administration				
93.RD	UHC	Child Health & Development Institute	08DCF6431AA	60,967
Total Substance Abuse and Mental Health Services Administration				60,967
National Institutes of Health				
93.RD	UHC	Brigham & Women's Hospital	101499	12,866
93.RD	UHC	Brown University	00000221	5,242
93.RD	UHC	California Institute of Technology	102-1083874	73,413
93.RD	UHC	Case Western	RES502603	55,443
93.RD	UHC	CT Children's Medical Center	07-179576-08	(21,144)
93.RD	UHC	CT Children's Medical Center	06-179101-01	(1,435)
93.RD	UHC	CT Children's Medical Center	06-179136-01	28,256
93.RD	UHC	CT Children's Trust Fund	08-179194-01	7,578
93.RD	UHC	Duke University	128358-1	(5,329)
93.RD	UHC	Harvard University	148239.1706	209,328
93.RD	UHC	Jackson Lab	AR45433-08	(1,331)
93.RD	UHC	Jackson Lab	DHHS 5R01AR53853-02	114,477
93.RD	UHC	John Hopkins University	2000-10327	14,945
93.RD	UHC	LAVAX	8-R3AI068528-1	67,042
93.RD	UHC	Medical University of South Carolina	DHHS R01DA19708	348,964
93.RD	UHC	Mercer University	420610-01	62,401
93.RD	UHC	Nanoprobes Inc.	R44CA124190-01	40,254
93.RD	UHC	Nanoprobes Inc.	1R44CA130225-01A2	3,834
93.RD	UHC	Nanoprobes Inc.	1R43DE016794-01	(1,306)
93.RD	UHC	Nanoprobes Inc.	1 R43CA134074-01	14,603
93.RD	UHC	Nanoprobes Inc.	1 R43DK000522-01A1	4,039
93.RD	UHC	Nanoprobes Inc.	51-000498	119,965
93.RD	UHC	Penn State University	5-46643	(78)
93.RD	UHC	SUNY-Brooklyn	1009189/44241	119,547
93.RD	UHC	SUNY-Brooklyn	4794-4009189	568,284
93.RD	UHC	SUNY-Buffalo	R263976	60,483
93.RD	UHC	SUNY-Syracuse	28503	1,121
93.RD	UHC	Tufts University	595-010-010	37,918
93.RD	UHC	UMASS	RFS500079	(3,503)
93.RD	UHC	UMASS	UMA6067664/RFS700042	(17,942)
93.RD	UHC	University of California-Berkeley	6823740	203,180
93.RD	UHC	University of Florida	UF06034	7,223
93.RD	UHC	University of Georgia	RR274-346/3503278	16,490

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.	STATE AGENCY*	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:				
93.RD	UHC	University of Illinois	MH68455	33,208
93.RD	UHC	University of New Jersey	DHHS R01CA116399	7,765
93.RD	UHC	University of New Mexico	048828-8786	(2,820)
93.RD	UHC	University of New Mexico	048826874E	24,884
93.RD	UHC	University of Pennsylvania	551082	28,208
93.RD	UHC	University of Rochester	413332-G	21,765
93.RD	UHC	University of Southern California	H37982	29,085
93.RD	UHC	University of Texas	109-043	25,071
93.RD	UHC	University of Utah	2302132	13,632
93.RD	UHC	University of Wisconsin	644F770	4,908
93.RD	UHC	Vanderbuilt University	VUMC30617-R	65,943
93.RD	UHC	Vanderbuilt University	VUMC30617-R	174,427
93.RD	UHC	Yale University	A06106	280,040
93.RD	UHC	Yale University	A06212	4,606
93.RD	UHC	Yale University	A06469	4,678
93.RD	UHC	Yale University	A06534	233,510
93.RD	UHC	Yale University	AO6601-M08A0800	47,188
93.RD	UHC	Yale University	A06916	22,471
93.RD	UHC	Yale University	A07247	7,251
93.RD	UHC	Yale University	A07432	17,481
93.RD	UHC	Yale University	AA11197-09	30,179
93.RD	UHC	Yale University	2R01AA011330-09A2	2,893
93.RD	UHC	Yale University	A07228-M05A0241	468,330
Total National Institutes of Health				3,689,533
Miscellaneous Programs				
93.RD	UHC	Onconova	HL085034-01	
93.RD	UHC	The Forsyth Institute	1R21DE018310	39,445
93.RD	UHC	UMASS	N01DK2326	89,869
93.RD	UHC	University of Michigan	DE014261	5,095
93.RD	UHC	University of Virginia	GC11572.128511	19,214
93.RD	UHC	University of Virginia	GC11729.131108	209,680
Total Miscellaneous Programs				363,302
Total Department of Health and Human Services				5,066,262
TOTAL HEALTH CENTER PASS-THROUGH RESEARCH GRANTS				**5,078,298**
TOTAL PASS-THROUGH GRANTS				**16,295,331**

	Identification of State Agencies:
UOC	University of Connecticut
UHC	University of Connecticut Health Center
CCSU	Central Connecticut State University
ECSU	Eastern Connecticut State University
SCSU	Southern Conncecticut State University
CCC	Connecticut Community Colleges

Schedule of Findings and Questioned Costs

STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2009
INDEX OF SCHEDULE OF FINDINGS AND QUESTIONED COSTS

		Status	Page
Section I.	**Summary of Auditors' Results**		F-5
Section II.	**Financial Statement Related Findings Required to be Reported in Accordance with *Government Auditing Standards***		F-7
Section III.	**Findings and Questioned Costs for Federal Awards**		F-9

A. Department of Social Services

		Status	Page
1.	Special Tests and Provisions – ADP Risk Analysis and System Security Reviews (Medicaid and ARRA-Medicaid)	B,H	F-9
2.	Eligibility – Medicaid Eligibility Quality Control System (Medicaid)	B,H	F-10
3.	Allowable Cost/Cost Principles – School Based Child Health Program (Medicaid and ARRA-Medicaid)	B,H	F-11
4.	Eligibility – Social Security Numbers (Medicaid and ARRA-Medicaid)	B,H	F-15
5.	Allowable Costs/Costs Principles – Duplicate Payments (Medicaid and ARRA-Medicaid)	B,D,H	F-16
6.	Special Tests and Provisions – Hospitals and Long-Term Facilities Audits (Medicaid and ARRA-Medicaid)	B,H	F-18
7.	Allowable Costs/Cost Principles – Overpayments (Medicaid and ARRA-Medicaid)	A,D,H	F-21
8.	Reporting: (Medicaid, ARRA-Medicaid and CHIP)	B,D	F-23
9.	Special Tests and Provisions – Provider Eligibility (Medicaid and ARRA-Medicaid)	B	F-26
10.	Activities Allowed or Unallowed – Non-qualified Aliens (Medicaid and ARRA-Medicaid)	B,D	F-28
11.	Reporting – Inconsistencies in Expenditure Amounts Reported (ARRA-Medicaid)	B	F-30
12.	Reporting – TANF ACF 196 Report (TANF)	B,H	F-32
13.	Special Tests and Provisions – Penalty for Refusal to Work (TANF)	B	F-33
14.	Eligibility – Felons (TANF)	B	F-36
15.	Allowable Costs/Cost Principle – Judicial Department Monitoring of Vendors (TANF)	B,H	F-38
16.	Special Tests and Provisions – Controls Over Income and Eligibility Verification System Related to Wage Matches (Medicaid, ARRA-Medicaid, TANF, SNAP and SNAP-ARRA)	B,H	F-40

		Status	Page
17.	Subrecipient Monitoring (TANF, CCDF, SSBG*, and LIHEAP)	A,B,C,H,J	F-41
18.	Earmarking – Temporary Assistance for Needy Families Transfers (SSBG)	B,H	F-45
19.	Cash Management – Subrecipient Cash Balances (SSBG)	B,H	F-47
20.	Activities Allowed or Unallowed – Utility Allowances (Section 8)	B,D	F-48
21.	Activities Allowed or Unallowed – Improper Transfer of Funds (Section 8)	B,D	F-49
22.	Eligibility – Ineligible Client and Inadequate Documentation (Nonmajor Program) (CHIP)	B	F-50
23.	Reporting – Federal Cash Transactions Report (Child Support, ARRA-Child Support, and ARRA-CCDF)	B	F-53
24.	Allowable Costs/Cost Principles – Cost Allocation Plan (Medicaid, TANF, CCDF, Child Support, ARRA-Child Support, SNAP, Section 8 and LIHEAP)	B,H	F-56
25.	Allowable Costs/Cost Principles – Expenditure Transactions (Medicaid, TANF, CCDF, Child Support, ARRA-Child Support, SNAP, Section 8 and LIHEAP)	B,D,H	F-60
26.	Allowable Costs/Cost Principles – Altered Timesheets (Medicaid, TANF, CCDF, and SNAP)	B,G	F-64

B. Department of Transportation

1.	Davis-Bacon Act – Certified Payrolls	B	F-67
2.	Matching Requirements – Federal Billing in Excess of the Authorized Participation Rate	B,D	F-68
3.	Period of Availability – Expenditures Charged After the Period of Availability Expired	B,D	F-70

C. Department of Labor

1.	Performance Reporting (WIA)	B	F-73
2.	Allowable Costs (Unemployment Insurance)	B,D	F-74
3.	Eligibility (Unemployment Insurance)	D	F-75
4.	Reporting (Unemployment Insurance)	B,H	F-77

D. Department of Public Health

1.	Allowable Costs/Cost Principles – Personnel Costs	B,D,E,H	F-79
2.	Cash Management – Monitoring of Subrecipient Cash Balances	B,H	F-81
3.	Cash Management – Timing and Calculation of Agency Cash Requirements	B,C,H	F-83
4.	Period of Availability, Cash Management, and Financial		

	Status	Page
Reporting – Coding Errors and Adjustments	B,H	F-84
5. Financial Reporting – Overspending and Timeliness over Financial Reports	B	F-86
6. Subrecipient Monitoring – Review of Subrecipient Schedules of Expenditures of Federal Awards	B,H	F-87
E. Department of Children and Families		
1. Allowable Costs/Cost Principles - Cost Allocation Plan	B,D	F-89
2. Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallowable Activities/Unsupported Payments (Foster Care)	B,D,H	F-90
3. Eligibility – Improper Payments/Inadequate Documentation (Foster Care)	A,B,C,D,H	F-93
4. Eligibility– Inadequate Documentation (Adoption Assistance)	A,B,C,D,H	F-96
5. Allowable Costs/Cost Principles (TANF)	B,D,H	F-98
6. Reporting/Allowable Costs/Cost Principles: Case Management Claims (TANF)	B	F-100
F. Department of Education		
1. Subrecipient Monitoring – Schedules of Expenditures of Federal Awards	A,B,C,H	F-103
2. Special Tests and Provisions – Access to Federal Funds for New and Significantly Expanded Charter Schools	B	F-105
3. Special Test – Comparability	B	F-107
G. University of Connecticut System		
1. Subrecipient Monitoring (University of Connecticut)	B,H	F-110
2. Special Tests and Provisions – Key Personnel (University of Connecticut)	B	F-112
3. Allowable Costs/Cost Principles - Time and Effort Reporting (University of Connecticut Health Center)	B,H	F-115
4. Subrecipient Monitoring (University of Connecticut Health Center)	A,B,C	F-116
5. Procurement and Suspension and Debarment (University of Connecticut Health Center)	B,H	F-117
H. Federal Student Financial Assistance – State Colleges and Universities		
1. Student Eligibility – Academic Competitiveness Grant	B,D	F-120
2. Student Eligibility – Cost of Attendance Inaccuracies	B,H	F-120
3. Student Eligibility – Components of Cost of Attendance	B,H	

		Status	Page
	Budgets		F-121
4.	Student Eligibility – Federal Work-Study	B	F-123
5.	Reporting – Pell Grant Disbursement Transmissions to the Common Origination and Disbursement System	B	F-124
6.	Special Tests: Verification	B,H	F-125
7.	Special Tests: Disbursements – Requirements Related to FFEL and Perkins Loan Funds	B,H	F-126
8.	Special Tests: Return of Title IV Funds	B	F-129
9.	Special Tests: Student Status Changes	B,H	F-130
10.	Special Tests: Student Loan Repayments	B	F-132
11.	Special Tests: Student Loan Repayments – Defaulted Students	B	F-133

I. Department of Administrative Services

		Status	Page
1.	Allowable Cost/Cost Principles - Billing Rates Adjustment Method	B	F-135
2.	Allowable Cost/Cost Principles - No Verification Methodology for Employees Charged to the Revolving Fund	B	F-136

J. Department of Information Technology

		Status	Page
1.	Allowable Cost/Cost Principles – Unallowable Costs in Revolving Fund Rate Structure	B	F-138

STATUS

A. Material instances of non-compliance with Federal requirements
B. Reportable conditions of internal control process deficiencies
C. Material weaknesses of the internal control process
D. Known or likely questioned costs which are greater than $10,000 for a type of compliance requirement for a major program
E. Known questioned costs which are greater than $10,000 for a Federal program which is not audited as a major program
F. Circumstances resulting in other than an unqualified opinion unless such circumstances are otherwise reported as an audit finding under code A. above
G. Known fraud affecting a Federal award
H. Repeat of a prior year finding
I. Instances resulting from audit follow-up procedures that disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.
J. Material instance of non-compliance with the Federal requirements of the major Federal program(s) included in the finding that resulted in a qualified opinion on compliance to the particular major Federal program(s) that are identified by an asterisk.

STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2009
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Reportable condition(s) identified that are not considered to be material weakness(es)?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified opinion on all major programs except for *Foster Care-Title IV-E* (CFDA #93.658), *Adoption Assistance* (CFDA #93.659), and *Social Services Block Grant* (CFDA #93.667) which are qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.551 and 10.561	SNAP Cluster (Includes ARRA)
10.553, 10.555, 10.556 and 10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (Includes ARRA)
14.871	Section 8 Housing Choice Vouchers
17.225	Unemployment Insurance (Includes ARRA)
17.258, 17.259, 17.260	WIA Cluster (Includes ARRA)
20.205 and 20.219	Highway Planning and Construction Cluster (Includes ARRA)
20.500 and 20.507	Federal Transit Cluster
84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379 93.342 and 93.925	Student Financial Assistance Cluster
84.010	Title 1 Grants to Local Educational Agencies
84.027, 84.173 and 84.391	Special Education Cluster (Includes ARRA)
84.367	Improving Teach Quality State Grants
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement (Includes ARRA)
93.568	Low-Income Home Energy Assistance
93.575, 93.596 and 93.713	Child Care Cluster (Includes ARRA)
93.658	Foster Care-Title IV-E (Includes ARRA)
93.659	Adoption Assistance (Includes ARRA)
93.667	Social Services Block Grant
93.778, 93.775 and 93.777	Medicaid Cluster (Includes ARRA)
N/A	Research and Development Cluster (Includes ARRA)

Dollar threshold used to distinguish between Type A and Type B programs: $24,442,647

Auditee qualified as a low risk auditee? No

SECTION II

FINANCIAL STATEMENT RELATED FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

There were no financial statement related findings required to be reported in accordance with *Government Auditing Standards*.

THIS PAGE LEFT INTENTIONALLY BLANK

SECTION III

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. DEPARTMENT OF SOCIAL SERVICES

III.A.1. Special Tests and Provisions – ADP Risk Analysis and System Security Reviews

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-08505CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Background: There are four main Automatic Data Processing (ADP) installations used to administer Health and Human Service (HHS) programs at the Department of Social Services. The Eligibility Management System (EMS) provides automated eligibility determinations for the Medicaid program, issues benefit and service payments to clients and providers, and provides management support for program administration. The Medicaid Management Information System (MMIS) is used to process payments for medical services and provides other critical administrative functions in the operation of the Medicaid program. Advanced Information System (AIM/Client Server) is used to process payments for primarily pharmaceutical claims in the operation of the Medicaid program. The Connecticut Child Support Enforcement System (CCSES) is used in the child support enforcement process where child support orders are maintained, billings are established, and collections are recorded.

The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Criteria: Title 45 Code of Federal Regulations Part 95 Section 621 specifies that the State shall review the ADP system security of installations involved in the administration of Health and Human Service (HHS) programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures and personnel practices. The State shall maintain reports of their biennial ADP system security reviews.

Condition: The Department has not performed ADP system security reviews for all installations that are involved in the administration of HHS programs.

Effect: The Department's assurance that its ADP installations are secure is lessened.

Cause: The Department has not finalized its plan to perform the review of the MMIS and AIM/Client Server system.

Recommendation: The Department of Social Services should implement procedures to perform Automatic Data Processing system security reviews on a biennial basis as required by Federal regulations.

Agency Response: "The Department agrees with this finding. Once CMS certifies the new MMIS "Interchange" system, the Department will begin the process to procure the services of a contractor to perform the required system review."

III.A.2. Eligibility – Medicaid Eligibility Quality Control System

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

Background: States are required to operate a Medicaid Eligibility Quality Control System (MEQC) in accordance with requirements established by the Centers for Medicare and Medicaid Services (CMS). The MEQC system redetermines eligibility for individual sampled cases of beneficiary eligibility made by State Medicaid agencies, or their designees. Statistical sampling methods are used to select claims for review and project the number and dollar impact of incorrect payments to ineligible beneficiaries.

Criteria: Title 42 Code of Federal Regulations Part 431 Section 832 provides that, except when CMS authorizes less stringent reporting, states must submit a summary report on findings for all reviews in the six-month sample by the end of the third month following the scheduled completion of reviews for that six-month period and other data and reports as required by CMS.

Per Department of Health and Human Services letter dated March 15, 1996, states must submit a Certification of MEQC System Payment Error Rate that was calculated for the first six-month review period of the Federal fiscal year (October – March) by the end of the first full week in December. The second six-month review period (April – September) must be submitted by the end of the first full week in June.

Condition: Our review disclosed that the Certification of MEQC System Payment Error Rate was submitted in March 2009 for the six-month review period April 2007 – September 2007. The Department should have submitted the report in June 2008.

Effect: Title 42 Code of Federal Regulations Part 431 Section 832 establishes rules and procedures for disallowing Federal financial participation in erroneous medical assistance payments due to eligibility and beneficiary liability errors, as detected through the MEQC program. This Section provides that the State must, for each annual assessment period, have a payment error rate no greater than three percent or be subject to a disallowance of Federal financial participation. Without the error rate certifications, the Department of Health and Human Services cannot make a determination for disallowing Federal financial participation.

Cause: The Department informed us that the reports have not been submitted in a timely manner because of staffing constraints.

Recommendation: The Department of Social Services should submit the required Medicaid Eligibility Quality Control reports to the Department of Health and Human Services in a timely manner in accordance with Federal regulations.

Agency Response: "The Department agrees with this finding. The Department has instructed the Quality Control Division to increase the staffing resources dedicated to performing these eligibility reviews. The Department anticipates improvement in the timeliness of the reviews."

III.A.3. Allowable Cost/Cost Principles – School Based Child Health Program

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-08505CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Background: The Department of Social Services is responsible for administering the School-Based Child Health Program (SBCHP). The SBCHP services are reimbursable under the Medicaid program in accordance with the approved Medicaid State Plan and are provided by or through a local education agency (LEA) to students with special health related service needs identified in their Individual Education Plan (IEP). SBCHP services are only claimed for Medicaid eligible children. Services provided include speech, occupational, and physical therapy. In April 2002, the Department set interim rates for treatment services and evaluations, which were the rates used during the State fiscal year ended June 30, 2009. The Department calculated a fixed rate of $275 for treatment services and a fixed rate of $2000 for evaluations. Those rates are paid monthly on behalf of a child that was provided any of these services during the month. Those rates included using a 35 percent indirect cost rate factor that was applied against the base of total Medicaid eligible costs incurred by the schools. During the fiscal year ended June 30, 2009, the Department claimed for Federal reimbursement $69,996,684 ($34,998,342 at the 50 percent Federal reimbursement rate) in SBCHP costs.

The Department of Health and Human Services Office of the Inspector General issued an audit in May 2003 entitled "Review of Rate Setting Methodology – Medicaid School-Based Child Health Program Costs Claimed by the Connecticut Department of Social Services – July 1997 through June 2001." One of the conditions noted in this report was that the LEA indirect costs used in calculating the rates did not take into account that a SBCHP student's normal school day includes regular education and non-SBCHP special education services, as well as SBCHP services. The allocation of these indirect costs was based on the LEA cost of operating the school district, including costs related to the superintendent and school principals' offices, maintenance and other operating costs of the school districts, costs related to building and land acquisitions, and debt service costs. The State agency determined the percentage of SBCHP students to total students in the LEAs' districts and applied that percentage to the indirect costs of the school districts.

The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Criteria: The Office of Management and Budget (OMB) Circular A-87 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. The OMB Circular A-87 also states that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

The Centers of Medicare and Medicaid Services (CMS) issued the Medicaid and School Health: A Technical Assistance Guide, in August 1997. The purpose of this guide is to provide information and technical assistance regarding the specific Federal Medicaid requirements associated with implementing a school health services program and seeking Medicaid funding for school health services. CMS issued the Medicaid School-Based Administrative Claiming Guide in May 2003. The purpose of this guide is to inform schools and State Medicaid agencies of the appropriate methods for claiming Federal reimbursement for the costs of Medicaid administrative activities performed in the school setting.

The Medicaid State Plan provides that rates for rehabilitation services provided in accordance with an Individual Education Program on behalf of LEAs will be based upon annual audited cost and audited utilization filings made by the LEAs.

Condition:

Our current review of the SBCHP treatment and evaluation rates disclosed that the Department continues to use the same rates as noted in our previous audit and the following conditions still exist:

- The Department did not have adequate documentation to support the indirect cost rate that was used as part of the calculation of its SBCHP rate. As a result we cannot determine whether the indirect costs included in the total costs used to calculate the SBCHP rates are allowable.

- The Department did make an adjustment to its SBCHP rates as a result of the audit report issued by the Office of the Inspector General. However, based on the limited documentation that the Department provided to us and the amount of indirect costs used by the Department to calculate the SBCHP rates, it still appears that the Department's SBCHP rates do not account for the fact that a SBCHP student's normal school day includes regular education and non-SBCHP special education services, as well as SBCHP services. According to Medicaid regulations, funds are intended to reimburse LEAs for costs of providing health care services to eligible recipients and not for costs associated with their basic education. Thus, the rate setting process should recognize only those costs related to the provision of Medicaid eligible services. Consequently, we believe that an additional allocation step down is needed to account for only the time that an eligible recipient receives SBCHP services during the school day.

- Our review also disclosed that the rates developed by the Department were based on 1998-1999 cost reports submitted by seven LEAs. The Department has not updated these rates in accordance with the Medicaid State Plan. The State Plan requires the rates to be based upon annual audited cost and audited utilization filings made by LEAs.

Effect: The Department could be including in its SBCHP rates costs that are not allowable for Federal reimbursement. We did not determine total questioned costs because of the amount of time and effort that would be needed to review the documentation that would be necessary to calculate an appropriate amount of questioned costs.

Cause: The Department is in the process of finalizing the approval of new rates with CMS. However, as of December 2009, the new rates have not been approved.

Recommendation: The Department of Social Services should continue its negotiations with the Centers of Medicare and Medicaid Services to have new rates approved for claiming school-based health costs under the Medicaid program.

Agency Response: "The Department agrees with this finding. The Department received clarification from the Centers for Medicare & Medicaid Services (CMS) with regard to the required changes to the SBCH rate setting methods. CMS has requested that the Department sun-set the current bundled rate method by a mutually agreed to date (9/30/2010 initial CMS proposal). CMS suggests that the Department adopt a cost-based per service rate system comparable to the Massachusetts SBCH program. Under the new reimbursement methodology, service specific (i.e. group speech therapy) interim rates would be issued. Final reimbursement would then be based upon actual Medicaid – allowed expenditures that have been certified using revised Local Educational Agency (LEA) SBCH cost reports and random moment time studies.

Con and Rate setting staff are in the process of analyzing the Massachusetts State Plan, cost reports and random moment time studies. A new Connecticut method will be developed and submitted for approval within the CMS required time frames."

III.A.4. Eligibility – Social Security Numbers

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-08505CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Background: The Department provided us with a detailed listing of fee-for-service benefit payments that were made during the fiscal year ended June 30, 2009. This data included the clients' names and Social Security Numbers. The total number of clients in which a fee-for-service transaction was processed during the fiscal year was 483,294, and the payments made on behalf of these clients totaled $4,575,291,229.

We used audit software to extract all clients who did not have Social Security Numbers listed. Clients under the age of three were excluded from our review to account for any time delay that would occur while obtaining a Social Security Number for a newborn. Our review disclosed that a Social Security Number was not listed for 7,602 out of the 483,294 clients. The payments made on behalf of these 7,602 clients totaled $25,625,487. We selected ten clients to determine whether the Social Security Numbers were included in EMS as a verification of the file obtained from the Department. The total payments made on behalf of these ten clients were $13,110.

The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Criteria: Title 42 United States Code Section 1320b-7 requires, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish his or her social security account number (SSN) and the State shall utilize the SSN in the administration of the program. This Section also requires the Department to use the income and eligibility verification system (IEVS) to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration, and the Internal Revenue Service to verify income eligibility and the amount of eligible benefits.

Title 42 Code of Federal Regulations Part 435 Section 910 provides that the Department must not deny or delay services to an otherwise eligible applicant pending issuance or verification of the individual's SSN by the Social Security Administration (SSA).

Condition: Our review disclosed that the SSN was not entered into EMS in nine of the ten cases tested. However, four of the clients were non-qualified aliens who are allowed to receive emergency medical services per Section 3211.10 of the State Medicaid Manual issued by the Centers of Medicare and Medicaid Services. Further review of the case files of the five clients in which a SSN was not entered into EMS did disclose that the SSN was included on the clients' applications.

Effect: Our review disclosed that the SSNs were not entered into EMS in five of the ten cases tested. Without entering the SSN into EMS, the Department is not able to use the IEVS to verify eligibility using wage information as required by Federal regulations.

Cause: The errors appeared to be oversights by the Department's eligibility workers.

Recommendation: The Department of Social Services should ensure that it obtains the Social Security Numbers of all Medicaid clients and enters the Social Security Numbers into its Eligibility Management System.

Agency Response: "The Department agrees with the finding and recommendation. We will advise regional office management that they review the findings and discuss the importance of entering the Social Security Number in EMS with eligibility staff. We have requested assistance from our Information Technology department to assist with reports and notices to our eligibility workers. In addition, the training for eligibility staff will be enhanced in regard to obtaining Social Security Numbers."

III.A.5. Allowable Costs/Costs Principles – Duplicate Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-08505CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Background: The State of Connecticut submitted a proposal under Section 1915(b) of the Social Security Act to provide comprehensive medical and social services to the State's Medicaid population. The State was approved to operate a managed care program for children and families receiving Medicaid.

The Department provided to us a monthly file of individual capitated payments made to the managed care organizations (MCOs) on behalf of clients who meet the Medicaid eligibility requirements. We reconciled the total payments recorded on this file to the amount of expenditures claimed for Federal reimbursement. We performed procedures using audit software to review the validity of the data included in the file. This file had 402,558 unique client identification numbers. The Department assigns each client an identification number at the time of eligibility. We extracted from the file payments for each service month made on behalf of clients with the same first and last name and same birth date. These three fields were the only fields on this file that we were able to use to perform this review. There were 87 such clients in which managed care payments totaled $130,359. Each of these 87 clients had at least two different client identification numbers. Further review was performed on five clients in which managed care payments totaled $2,739.

The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Criteria: The Office of Management and Budget (OMB) Circular A-87 includes factors affecting allowability of costs. To be allowable under Federal awards, costs must be necessary and reasonable for the performance and administration of Federal awards.

Title 42 Code of Federal Regulations Part 435 Section 910 provides that the State has 60 days from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 60 days, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectible.

Condition: Our review of five managed care clients who had similar names and birth dates disclosed three of these clients were listed on the file more than once. As a result, our review disclosed that the monthly payments made to the MCOs during the fiscal year ended June 30, 2009, included duplicate payments totaling $554. These duplicate payments were claimed under Medicaid and ARRA-Medicaid. Some of the payments tested consisted of monthly capitated rates paid for medical services and administrative costs, and some of the payments tested were monthly capitated rates paid only for administrative costs.

The Department was aware of two of the duplicate clients for which $180 of duplicate payments were made. However, the Department did not credit the Federal government for these overpayments.

Effect: Based on the Medicaid 50 percent and the ARRA-Medicaid 10.19 percent Federal financial participation rates, our sample had questioned costs totaling $333 of which $56 was attributable to ARRA-Medicaid.

Cause: The duplicate client identification numbers appear to be oversights by the Department's eligibility workers. In addition, the Department has no process in place to refund overpayments made to managed care organizations.

Recommendation: The Department of Social Services should establish procedures to ensure that duplicate payments are not being made on behalf of Medicaid clients who are in managed care. In addition, overpayments discovered by the Department should be returned to the Federal government.

Agency Response: "The Department agrees with this finding. The Department continues to generate the Duplicate SSN Recipient Report to the regional offices on a monthly basis. The report is used to identify when a duplicate Client ID is assigned to the same client. In addition, the Department will be developing a data query that compares managed care encounter data with fee for service claims data. The purpose of this query will be to identify duplicate payments and initiation of the recoupment process."

III.A.6. Special Tests and Provisions – Hospitals and Long-Term Facilities Audits

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Criteria: Title 42 Code of Federal Regulations Part 447 Section 253 requires that the State Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers. The State Medicaid agency must provide for the filing of uniform cost reports for each participating provider. These cost reports are used to establish payment rates. The State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements should be established by the State Plan.

The audit requirements of Long-Term Care Facilities (LTCFs) are contained on Page 23 in Attachment 4.19-D of the State Plan. The State Plan provides that the per diem rate of payment established for LTCFs shall be determined by desk review of the submitted annual report which shall subsequently be verified and authenticated by field audit procedures which are approved by the United States Department of Health and Human Services. Facilities shall generally be audited on a biennial basis. This audit cycle may be changed based upon audit experience.

The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Condition: The Department did not obtain audited cost reports for the State's inpatient hospitals during the audited period. The last audited reports received were more than five years old. In addition, the State Plan does not include the Department's procedures related to periodic audits of financial and statistical records of hospital providers. We were informed that a revised State Plan will be submitted to the Department of Health and Human Services.

We noted that the Department does not perform field audits of all LTCFs. The Department performs field audits of LTCFs based on risk. However, our audit disclosed instances in which field audits of some facilities have not been done for over ten years.

Effect: For inpatient hospitals, the Department has lessened its assurance that rates used to pay for inpatient hospital services are based on cost information that is complete, accurate and reasonable.

For LTCFs, the Department is not complying with the State Plan and the Department has lessened its assurance that appropriate rates are used to pay for long term care services.

Cause: The Department did not amend the State Plan to establish audit procedures for inpatient hospital providers. In addition, the Department did not consider the need to obtain audited cost reports.

We were informed that there are not enough audit hours available for an outside consultant to conduct field audits of all LTCFs. Further, the Department did not consider the need to amend the State Plan to include its current audit procedures.

Recommendation: The Department of Social Services should amend the Medicaid State Plan to establish and implement audit procedures for inpatient hospitals, and also should obtain audited cost reports from inpatient hospital providers. In addition, the Department should comply with, or amend, the Long-Term Care Facility auditing procedures in the Medicaid State Plan.

Agency Response: "The Department agrees and disagrees with this finding. Regarding hospitals, the Department submitted Medicaid State Plan 09—21 (SPA 09-021) to revise hospital inpatient rate setting. In addition to eliminating the rate year 2010 and 2011 inflation adjustments, it included hospital cost report provisions.

With regard to long term care audits, Attachment 4.19 D of the Medicaid State Plan states that, "Facilities shall generally be audited on a biennial basis." However, it further states that, "This audit cycle may be changed based upon audit experience." The facility audit selection process that the department employs for long term care facilities is consistent with the plan."

Auditors' Concluding Comments:

As indicated in the condition, our audit disclosed instances in which field audits of some facilities have not been done for over ten years. As the time between audits increases, the results of the last audit are less likely to reflect current conditions. This results in increased risk that cost information is not complete, accurate and reasonable.

III.A.7. Allowable Costs/Cost Principles - Overpayments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Background: We sampled 80 fee-for-service payments totaling $33,020 made to providers. The total amount of fee-for-service payments made during the fiscal year ending June 30, 2009, totaled $3,046,656,483. We separated the total population into four strata and randomly selected 20 transactions from each of the four different strata as follows:

Strata	Population Amount	Sample Amount
Pharmaceuticals	$ 424,170,996	$ 2,762
Medical Durable Goods	43,533,338	6,101
Home Care	402,920,609	9,881
All Other	2,176,031,540	14,276
Total	$ 3,046,656,483	$ 33,020

The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Criteria: The Office of Management and Budget (OMB) Circular A-87 requires that costs charged to Federal programs should be necessary and reasonable.

Condition: Our review disclosed three errors totaling $2,524 related to the Medical Durable Goods stratum and one error totaling $50 related to the All Other stratum:

Medical Durable Goods:

- The appointment scheduled with one provider to obtain documentation was canceled. We did go to the provider's location indicated in MMIS without the appointment but the building was vacant. We attempted to make additional phone calls to the provider to schedule an appointment but the phone number was subsequently disconnected. As a result, we could not obtain documentation to support the durable goods billed to the Department. The total payment was $2,328. This expenditure was claimed under Medicaid and ARRA-Medicaid.

- One provider did not have documentation that supports $60 in durable goods that were billed to the Department. In addition, we also noted that the provider billed the Department for the incorrect type of durable goods resulting in a $30 overpayment. This expenditure was claimed under Medicaid and ARRA-Medicaid.

- One provider did not have documentation that supports $106 in durable goods that were billed to the Department. This expenditure was claimed only under Medicaid.

All Other:

- One provider billed the Department for the dental services that were not provided resulting in a $50 overpayment. This expenditure was claimed under Medicaid and ARRA-Medicaid.

Effect: Medical Durable Goods:
Our sample had errors in three claims totaling $2,524. Based on the Medicaid 50 percent and the ARRA-Medicaid 10.19 percent Federal financial participation rates, our sample had questioned costs totaling $1,504 of which $242 was attributable to ARRA-Medicaid.

All Other:
Our sample had one error in the amount of $50. Based on the Medicaid 50 percent and the ARRA-Medicaid 10.19 percent Federal financial participation rates, our sample had questioned costs totaling $30 of which $5 was attributable to ARRA-Medicaid.

Cause: Providers did not maintain adequate documentation to support the claims.

Recommendation: The Department of Social Services should recoup the improper payment made to the four Medicaid providers. The Department should consider performing quality reviews of these four providers to determine whether errors noted were isolated instances or the result of significant deficiencies.

Agency Response: "The Department agrees with this finding and will recoup the payments identified in the review. In addition, the audit history of the providers will be reviewed and full-scale audits will be scheduled if determined appropriate."

III.A.8. Reporting

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Children Health Insurance Program (CHIP) (CFDA #93.767)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5021 and 05-0905CT5021

Background: Title 42 Code of Federal Regulations Part 457 Section 630 provides that the Centers for Medicare and Medicaid Services (CMS) makes quarterly grant awards to the State to cover the Federal share of expenditures for services, training, and administration. The amount of the quarterly grant is determined on the basis of information submitted by the State agency (in quarterly estimate and quarterly expenditure reports) and other pertinent documents.

The Federal financial participation rates for allowable medical expenditures under the Medicaid program are 50 percent, 65 percent or 90 percent depending on the type of expenditure. The 65 percent and 90 percent rates are used for specific types of expenditures; for example, breast and cervical cancer expenditures are reimbursed at 65 percent and family planning is reimbursed at 90 percent. The 50 percent rate, which is used for the majority of the expenditures, is for all other activities.

In addition, the provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate was increased by 10.19 percent.

The Federal financial participation rate for allowable medical expenditures under CHIP is 65 percent.

The Medicaid Management Information System (MMIS) is used to process medical claims for providers of medical care and services furnished to clients under the Medicaid and CHIP programs. MMIS is also used to process medical claims for State funded medical programs. The Department uses the monthly and quarterly medical expenditures reports generated by MMIS to prepare the quarterly Federal claims.

Criteria: Title 42 Code of Federal Regulations Part 430 Section 30 provides that the Department must submit Form CMS-37 (Medicaid Program Budget Report State Estimate of Quarterly Grant Awards) and Form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program) to CMS. The Form CMS-64 is the State's accounting of actual recorded expenditures.

Title 42 Code of Federal Regulations Part 457 Section 630 provides that the Department must submit Form CMS-21B (Children Health Insurance Program Budget Report for the Title XXI Program State Expenditure Plan) and Form CMS-21 (Quarterly Children Health Insurance Program Statement of Expenditures for Title XXI) to CMS. The Form CMS-21 is the State's accounting of actual recorded expenditures.

CMS computes the Medicaid and CHIP grant awards based on the estimate of expenditures for the ensuing quarter and the amounts by which that estimate is increased or decreased because of an underestimate or overestimate for prior quarters. The grant awards authorize the State to draw Federal funds as needed to pay the Federal share of Medicaid and CHIP disbursements.

Conditions: The Department implemented a new MMIS in February 2008. The system is not providing reliable information. Our review disclosed the following discrepancies in the reports generated by MMIS:

- The Department reconciles disbursements made to medical providers from its localized checking account to the MMIS FIN-PY-13 reports. However, our review of the reconciliations disclosed differences in each month during the 2008-2009 State fiscal year except for June 2009.

- The Department uses the MMIS FIN-PY-04 to report the expenditure amounts on the various lines on the CMS-64 and CMS-21 reports. However, we noted that the gross amounts of all paid Federal and State medical services reported on the MMIS FIN-PY-13 report did not agree with the amounts reported on the MMIS FIN-PY-04. At the time the Medicaid and CHIP claims were prepared and submitted to the Federal government for quarter ended September 30, 2008, the total amount reported on the MMIS FIN-PY-13 for all Federal and State medical programs administered by the Department was $986,602,165; however, the total amount reported on the MMIS FIN-PY-04 was $997,650,628.

- Per our request, the Department generated expenditure reports from the MMIS that lists all individual fee-for-service payments made for services provided under Federal and State programs during the fiscal year ended June 30, 2009. This report was provided to us in September 2009. The total expenditure amount recorded on the report provided does not agree to the MMIS reports that the Department used to prepare the claims for the Medicaid and CHIP programs. We were informed that the reports generated for our audit were more accurate then the reports used to prepare the claims. The total disbursement on the report provided to us for the quarter ending September 30, 2008, was $993,490,334; however, the disbursements reported on the MMIS FIN-PY-04 report used to prepare the claim totaled $997,650,628.

Effect:

The Federal financial reports prepared for the Medicaid and CHIP programs are not adequately supported. As a result, CMS could be incorrectly computing the grant award, which authorizes the State to draw Federal funds as needed to pay its Federal share of Medicaid and CHIP disbursements.

Based on the MMIS report provided to us in September 2009, the following differences were noted in total cost of medical services provided solely under the Medicaid program during the quarter ended September 30, 2009:

Federal Financial Participation (FFP) Rates	Total Medicaid medical costs reported on CMS-64	Total Medicaid medical costs per Revised MMIS Reports	Amount reimbursed under Medicaid per CMS64 based on FFP	Amount that should have been reimbursed under Medicaid based on FFP
50 percent	$906,340,152	$901,798,494	$453,170,076	$450,899,247
65 percent	1,006,889	1,018,843	654,478	662,248
90 percent	25,465	1,619,377	22,919	1,457,439
Total	$907,372,506	$904,436,714	$453,847,473	$453,018,934

As a result the Department overstated the total medical costs reported on the CMS-64 report by $2,935,792. Based on the various Federal participation rates, the Department overclaimed $828,539 in Federal reimbursement.

For CHIP, there were no differences in the total expenditure amounts reported on the report provided to us and the report used to prepare the claim.

However, there was a difference in how an expenditure type was classified on each report. As a result, the Department overstated the amount claimed under CHIP by $8,808. Based on the Federal participation rate, the Department overclaimed $5,725 in Federal reimbursement.

Cause: The MMIS is not providing reliable information at the time the Federal claims are prepared for the Medicaid and CHIP programs and there were no subsequent adjustments being made as a result of new expenditure information.

Recommendation: The Department of Social Services should ensure that the claims submitted for Federal reimbursement under Medicaid and the Children Health Insurance Program are supported by actual expenditures.

Agency Response: "The Department agrees with this finding. All previous PY-13 and PY-01 through 04 reports were revised in January 2009 to address several issues identified since the implementation of the interchange. Our CMS-64 and CMS-21 reports were prepared based upon the reports available at the time."

III.A.9. Special Tests and Provisions – Provider Eligibility

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Background The Department of Social Services claims for Federal reimbursement services provided by the Department of Developmental Services provided under the DDS Waiver.

The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Criteria: Title 42 Code of Federal Regulations (CFR) Section 455 Subpart B provides that a Medicaid agency must require each Medicaid provider (other than an individual practitioner or group of practitioners) or a fiscal agent to disclose the following information before entering into a contract or agreement to participate in the program:

- The name and address of each person with an ownership or control interest in the disclosing entity or in any subcontractor in which the disclosing entity has direct or indirect ownership of 5 percent or more;
- Whether any of the persons named above is related to another as spouse, parent, child, or sibling;
- The name of any other disclosing entity in which a person with an ownership or control interest in the disclosing entity also has an ownership or control interest; and
- The identity of any person who has ownership or control interest in the provider, or is an agent or managing employee of the provider and has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the Title XX services program since the inception of those programs.

Condition: The Department did not request applicable providers of the DDS Waiver to disclose all information that is required under Title 42 CFR Section 455 Subpart B prior to enrolling them to participate in the Medicaid Program.

Effect: The Department is not in compliance with Title 42 CFR Section 455 Subpart B.

Cause: The Department does not require DDS Waiver performing providers to re-enroll. Therefore, the only documentation on hand for such providers is from the providers' initial enrollments and these forms do not always include the necessary disclosures and information needed to comply with Federal requirements.

Recommendation: The Department of Social Services should ensure that all required disclosures are obtained from providers providing services under the DDS Waiver.

Agency Response: "The Department agrees with this finding. The Department has formed a provider enrollment task force to review and improve all enrollment functions, including enrollment of providers under the DDS waivers."

III.A.10. Activities Allowed or Unallowed – Non-qualified Aliens

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-08505CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Background: Our audit population of fee-for-service payments disclosed that a Social Security Number was not listed for 7,602 clients who were over three years old. The total payments made on behalf of these 7,602 clients were $25,625,487. We selected ten clients that did not have Social Security Numbers. The total payments made on behalf of these ten clients were $13,110. Of these ten clients, there were four clients who were non-qualified aliens in which there were payments totaling $6,656 that were made for medical services provided on six different service periods.

The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Criteria: Section 3211.11 of the State Medicaid Manual issued by the Centers for Medicare and Medicaid Services provides that aliens who meet certain requirements will be eligible for Medicaid only for treatment of medical conditions as follows:

- Such care and services are necessary for the treatment of an emergency medical condition of the alien, provided such care and services are not related to either an organ transplant procedure or routine prenatal or post-partum care.

- The alien has, after sudden onset, a medical condition (including emergency labor and delivery) manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in:

  - Placing the patient's health in serious jeopardy,

- Serious impairment to bodily functions, or
- Serious dysfunction of any bodily organ or part.

Condition: Client eligibility information is entered into the Department's Eligibility Management System (EMS). The Department utilizes the Medicaid Management Information System (MMIS) to process Medicaid claims. The MMIS claim information is downloaded to EMS. The EMS is used to generate payments to providers. Our review disclosed lack of controls concerning non-emergency services provided to non-qualified aliens.

We reviewed six services provided to four non-qualified aliens to determine whether the payments were for only emergency medical services as defined in the State Medicaid Manual. Our review disclosed two payments totaling $896 that appear to have been paid on behalf of one non-qualified alien for services that do not meet the medical condition description defined in the State Medicaid Manual. The services that were paid for were for allergy tests and subsequent consultation.

Our review of the Department's internal control process disclosed that if a non-qualified alien receives emergency services, the client would be entered into Eligibility Management System (EMS) as being Medicaid eligible at the time the service was provided so that a payment could be made to the hospital for that service. However, EMS allows the client to be Medicaid eligible for the remainder of the month. Our review also disclosed that there are no controls in MMIS to prevent the processing of Medicaid claims for non-emergency services provided to non-qualified aliens.

Effect: Two payments totaling $896 were made for services provided to a non-qualified alien for a medical condition that does not meet the description defined in the State Medicaid Manual. Based on the Medicaid 50 percent and the ARRA-Medicaid 10.19 percent Federal financial participation rates, our sample had questioned costs totaling $539 of which $91 was attributable to ARRA-Medicaid.

Cause: The EMS or MMIS do not have adequate controls in place to prevent the claiming of Federal reimbursement for non-emergency medical services provided to non-qualified aliens.

Recommendation: The Department of Social Services should establish procedures to ensure that payments made for non-emergency medical services provided to non-qualified aliens are not claimed for Federal reimbursement under the Medicaid program.

Agency Response: "The Department agrees with this finding. Currently, our EMS and

Interchange claims systems support Medicaid eligibility for full calendar months, including situations when non-citizens qualify solely on the basis of a medical emergency. This could potentially allow a payment of non-emergency medical claim incurred in the same month as the covered medical emergency. The Department will research the feasibility of adding edits to our systems."

III.A.11. Reporting – Inconsistencies in Expenditure Amounts Reported

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Criteria: The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Medicaid program in Federal fiscal year 2008-2009. The Medicaid Federal medical assistance rate generally was increased by 10.19 percent from 50 percent to 60.19 percent.

Title 42 Code of Federal Regulations Part 430 Section 30 provides that the Department must submit Form CMS-37 (Medicaid Program Budget Report State Estimate of Quarterly Grant Awards) and Form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program) to Department Centers of Medicare and Medicaid Services (CMS). The Form CMS-64 is the State's accounting of actual recorded expenditures, including expenditures made under ARRA. CMS computes the Medicaid and grant award based on the estimate of expenditures for the ensuing quarter and the amounts by which that estimate is increased or decreased because of an underestimate or overestimate for prior quarters. The grant awards authorize the State to draw Federal funds as needed to pay the Federal share of Medicaid disbursements.

Condition: Our review of the CMS-64 reports submitted for the quarters ended December 31, 2008, March 31, 2009, and June 30, 2009, disclosed inconsistencies in how collections and prior period adjustments were reported on Lines 6 and 9 of the reports to calculate the amount expended under ARRA. We noted the following inconsistencies:

- Prior period adjustments that would decrease the claim were reported under ARRA for the quarter ended June 30, 2009; however, they were not reported under ARRA for the quarters ended December 31, 2008, and March 31, 2009.

- Prior period adjustments that would increase the claim were reported under ARRA for the quarters ended December 31, 2008 and June 30, 2009; however, they were not reported under ARRA for the quarter ended March 31, 2009.

- Collections – Some collection items were reported under ARRA for all three quarters; however, there were some other collection items that were reported under ARRA for the quarter ended June 30, 2009, but were not reported under ARRA for the quarters ended December 31, 2008, and March 31, 2009.

Effect: The amounts for collections and prior period adjustments used to determine the ARRA-Medicaid claim were not reported on a consistent basis on the Federal financial reports. As a result, CMS could be incorrectly computing the ARRA-Medicaid grant award, which authorizes the State to draw Federal funds as needed to pay its Federal share of ARRA-Medicaid disbursements.

Cause: CMS has been developing guidance that has been changing from quarter to quarter concerning which expenditures can or cannot be claimed for Federal reimbursement under ARRA-Medicaid. Further, the Department is in the process of developing reports, based on the most current CMS guidance, that would provide the collection and prior period adjustment amounts that should be reported to determine the appropriate ARRA-Medicaid claim.

Recommendation: The Department of Social Services should continue its efforts to obtain guidance from Centers of Medicare and Medicaid Services for determining the appropriate prior adjustment and collection amounts that should be reported under ARRA-Medicaid on the CMS-64. In addition, the Department should revise its Federal reports based on any new information or guidance that the Department has obtained.

Agency Response: "The Department agrees with this finding. Federal guidance and direction on reporting for Medicaid ARRA has been evolving over time and has resulted in changes in our approach. This has led to certain inconsistencies and the need for adjustments through the reporting periods involved. In addition, it has created the need for new reports from our information systems in order to meet these evolving requirements. We are working with our information system contractor to develop the required reports and will complete any remaining adjustments."

III.A.12. Reporting – TANF ACF 196 Report

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTTANF and G0901CTTANF

Criteria: Title 45 Code of Federal Regulations Part 265 Section 3 requires that the State must file quarterly expenditure data on the State's use of Federal TANF funds, State TANF expenditures, and State expenditures of maintenance of effort (MOE) funds in separate State programs. The instructions for the preparation of the TANF ACF-196 Financial Report require that all amounts reported must be actual expenditures or obligations made in accordance with all applicable statutes or regulations.

Condition: A review of the TANF ACF-196 Financial Report for the quarter ended September 30, 2008, disclosed that the Department reported the incorrect administrative cost amounts, as follows:

- The sum of the amounts reported under the Federal TANF Expenditures (Column A) and State MOE Expenditures in TANF (Column B) on Line 6j – "Administration" was $33,856,353 but should have been $33,799,172 for a difference of $57,181.
- The sum of the amounts reported under the Federal TANF Expenditures (Column A) and State MOE Expenditures in TANF (Column B) on Line 6k – "Systems" was $622,907 but should have been $621,816 for a difference of $1,091.

Effect: The Department overstated the amounts reported on Lines 6j and 6k by a total of $58,272.

Cause: The overstatement was due to a clerical error made during the calculation of Federal fiscal year end adjustments to the claim.

Recommendation: The Department of Social Services should ensure that the amounts claimed on the TANF Financial Report are reported correctly.

Agency Response: "We agree with this finding. A clerical error was made when the second revision to cost allocation was released and the changes between revision 1 and 2 were not made."

III.A.13. Special Tests and Provisions – Penalty for Refusal to Work

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTTANF and G0901CTTANF

Criteria: Title 45 Code of Federal Regulations Part 261 Section 10 provides that a parent or caretaker relative receiving assistance must engage in work activities when the State has determined that the individual is ready to engage in work or when he or she has received assistance for a total of 24 months, whichever is earlier, consistent with Section 407(e)(2) of the Act. The State must define what it means to engage in work for this requirement.

Title 45 Code of Federal Regulations Part 261 Section 14 provides that if an individual refuses to engage in work required under Section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish.

Title 42 United States Code Section 602 provides that a family must meet the State's eligibility requirements as provided in the TANF State Plan. Section B Part III of the TANF State Plan states that "Connecticut's objective criteria for delivery of benefits and determination of eligibility for Temporary Family Assistance include standards of promptness for the determination of eligibility, periodic reviews of eligibility, standards of verification, determination of good cause for not complying with employment services requirements, and treatment and limits on income and resources." These criteria are described in official policies and regulations.

The TANF State Plan provides that upon entering the time-limited program, all adult recipients must participate in work activities unless specifically exempted by State regulations. The program attempts to direct clients to employment sufficient to move them off assistance within 21 months. If a family member refuses to participate in employment services activities the family is penalized through grant reduction. Employment services and benefits to support required activities are provided through Connecticut's Department of Labor, which administers Jobs First Employment Services (JFES).

Section 8530.55 of the Department's Uniform Policy Manual outlines the penalties for noncompliance with employment services participation requirements. This Section provides that, for assistance units that are not in an extension of the 21 month time limit, benefits should be reduced by 25 percent for a three month period for the first violation and by 35 percent for a three month period for the second violation. For the third and all subsequent violations, the entire assistance unit is ineligible for assistance for a three month period. Assistance units that are in the extension of the 21 month limit are ineligible for cash assistance for the remainder of the extension and any future extensions.

Condition:

We randomly selected 40 benefit payments totaling $16,581 made on behalf of TANF recipients from a total of 218,308 claims totaling $89,137,546. Of this $89,137,546, $10,896,452 (or 12 percent) was paid as direct Federal Only expenditures and $78,241,095 (or 88 percent) was claimed as Commingled Federal/State funds. The Department does not identify which clients are being paid with TANF funds and which clients are being claimed under Commingled funds. Out of the 40 transactions tested to determine whether clients were eligible to receive TANF assistance, there were 30 who were not engaged in work activities.

We reviewed these 30 cases to ascertain if benefits should have been reduced or denied because the clients did not comply with the program's work participation requirements. Our review noted the following:

1. A client was identified as a mandatory participant for employment services upon being granted Temporary Financial Assistance in July 2008. The individual was referred by the Department of Social Services to the Department of Labor (DOL) for Jobs First Employment Services (JFES) and attended JFES orientation in July 2008. However, the individual was not notified by the DOL to participate in any future work activities. As a result, this individual, who was identified as a mandatory participant, was not engaged in work activities as required under Title 45 Code of Federal Regulations Part 261 Section 10.

2. A penalty for a second violation of the failure to comply with employment services participation requirements was imposed on a client for a four month period when, under the State TANF plan grant reduction policy, penalties are to be imposed for a three month period. As a result of the assistance unit being penalized for an additional month, an underpayment of $202 was made.

Effect:

1. The client was not properly enrolled in the Connecticut Works Business System and as a result was not notified to participate in future work activities. We cannot determine the amount of any sanction that should have been imposed since it cannot be determined whether the client would have participated in required work activities if the client had been notified to participate.

2. An underpayment of $202 was made due to a penalty that was imposed incorrectly.

In addition, penalties could result for States that do not properly impose penalties for failure to participate in work requirements.

Cause:

1. The Department of Social Services did not have procedures in place to verify that the client was properly enrolled in the Connecticut Works Business System.

2. A penalty for non-compliance with employment services participation requirements was improperly imposed on a client.

Recommendation: The Department of Social Services should ensure that all applicable clients are engaged in work activities or are properly penalized for noncompliance.

Agency Response: "We agree with the findings in part and the recommendation**.** We agree with your finding in item #2 and remedied this situation by issuing an underpayment. We will advise staff of the need to review the procedures regarding sanction penalties. We disagree with the "effect and cause" as drafted for your finding #1. Our Department complied with our responsibility to grant the TFA assistance and we do have proper procedures in place to monitor our staff performance. The Connecticut Department of Labor (DOL) is responsible for engaging mandatory TFA recipients into work activities."

Auditors' Concluding Comments: The Department of Social Services has procedures to refer TANF clients to the Department of Labor (DOL) for Jobs First Employment Services and sanction those clients identified by DOL as not participating. However, DSS does not have procedures to ensure that all TANF clients who should participate were properly enrolled in the Connecticut Works Business System (CTWBS), and therefore, those clients that are not participating would not be identified to DSS. As a result DSS, which is ultimately responsible to ensure that TANF clients are eligible, would not be aware that a mandatory participant is not participating with employment services requirements and should potentially be sanctioned.

III.A.14. Eligibility – Felons

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTTANF and G0901CTTANF

Criteria: Title 42 United States Code Section 608(a)(9)(A) provides that the State may not provide Temporary Assistance to Needy Families (TANF) to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or an attempt to commit a felony (i.e. fleeing felons), or who is violating a condition of probation or parole imposed under Federal or State law.

Title 21 United States Code Section 862a provides that an individual convicted under Federal or State law of any offense which is classified as a felony and which involves the possession, use, or distribution of a controlled substance is ineligible for TANF if the conviction was based on conduct occurring after August 22, 1996. A State shall require each individual applying for TANF to state in writing whether the individual or any member of their household has been convicted of such a felony involving a controlled substance. However, the State may by law enacted after August 22, 1996, exempt any or all individuals from this prohibition or limit the time period that this prohibition applies to any or all individuals.

Section 8540.20 of the Department's Uniform Policy Manual provides that, a person who has been convicted of any drug related felony under Federal or State law on or after August 22, 1996, is disqualified from TANF until such person, either: (a) has completed a sentence imposed by any court of competent jurisdiction, (b) is satisfactorily serving a sentence of probation, or (c) is in the process of completing, or has completed, a court sentence of mandatory participation in a substance abuse treatment or testing program.

Condition: The Department does not have a procedure in place to verify that all TANF recipients are not fleeing felons, probation or parole violators, or individuals convicted of drug related felonies who are not complying with the Department's applicable requirements for eligibility.

Effect: Ineligible individuals may be receiving benefits.

Cause: Law enforcement information is self-declared by applicants on either the Department's Eligibility Application or Redetermination document or on the Law Enforcement Information Form W-1129, which contain a series of questions for the applicants to respond to related to the law enforcement requirements. A monthly match is performed by the Department against the Judicial Department's record of outstanding warrants for a failure to appear; however, violators of probation, parole and other requirements are not considered.

Recommendation: The Department of Social Services should establish a procedure to verify that Temporary Assistance for Needy Families recipients are not fleeing felons or in violation of probation, parole and other requirements and therefore ineligible for any assistance.

Agency Response: "We agree with the finding in part and recommendation**.** At present DSS conducts a monthly Fleeing Felon match with the Judicial Department. The data captured on this match covers all currently active recipients of TANF, SNAP, State Supplement and SAGA that have outstanding Failure to Appear Warrants. These warrants are issued for defendants who have not appeared for a scheduled court date related to an ongoing criminal case. Data obtained in this match is forwarded to the DSS Central Processing Unit for processing and results in the removal of the individuals from all active programs noted above. The individual is not eligible until he/she provides either an "Appearance Bond Form" or a "Promise to Appear Form" from the Court that the failure to appear warrant has been satisfied.

While DSS currently receives information on individuals with Failure to Appear Warrants it does not capture those in violation of their probation. To differentiate, individuals who are in violation of their probation have had their criminal cases adjudicated and have complied with all court appearance dates. However, they are not complying with the terms of their probation as ordered by the court. Individuals with Failure to Appear warrants have failed to appear for a court appearance that may dispose their criminal case and order probationary terms.

DSS is now working with the Judicial Department to expand the Fleeing Felon Match to include all individuals actively on the programs noted above who have outstanding Violation of Probation Warrants. This type of warrant involves defendants who are not in compliance with their Court ordered probation terms.

Individuals who are fleeing felons or in violation of their probation from jurisdictions outside Connecticut cannot be detected in the data matches noted above. Information identifying those individuals is maintained in a database made available solely to law enforcement officials, the National Crime Information Center database. DSS cannot gain access to this database since we are not considered law enforcement officials."

III.A.15. Allowable Costs/Cost Principle – Judicial Department Monitoring of Vendors

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTTANF and G0901CTTANF

Background: Title 45 Code of Federal Regulations Part 205 Section 100 provides that the Department of Social Services (DSS) has been designated Connecticut's single State agency to administer TANF.

As part of the operations of the State's Judicial Department, costs incurred for the Alternative Incarceration (AIC), Multi-systemic Therapy (MST), and Court Based Juvenile Assessment Services (CBJAS) programs were determined to be eligible for Federal TANF reimbursement.

The providers of AIC, MST, and CBJAS programs are responsible for compiling the TANF eligibility information of clients recommended to them by the Judicial Department. The providers are not contracted to determine the TANF eligibility rate upon intake but are doing so at the request of the Judicial Department. The providers submit quarterly TANF Summary Reports to the Judicial Department, which show the number of eligible, ineligible, unknown, and total clients, as well as a calculated TANF eligibility rate. The Judicial Department's current procedure is to recalculate the TANF eligibility rate on the form and submit the information to DSS for reimbursement purposes.

Criteria: Subsection (f) of Section 210 of the Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations provides that the auditee's compliance responsibility for vendors is only to ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements. Program compliance requirements normally do not pass through to vendors. However, the auditee is responsible for ensuring compliance for vendor transactions which are structured such that the vendor is responsible for program compliance or the vendor's records must be reviewed to determine program compliance.

Condition: Five out of five providers tested were not monitored by the Judicial Department for TANF eligibility determination. The Department only verifies that the calculated rates submitted to them by the providers are correct.

Effect: Inaccuracies in TANF eligibility determination can result in over or under claims of reimbursement reported to DSS.

Cause: The Judicial Department does not review the providers' records of TANF eligibility to verify whether the eligibility for the clients was determined accurately.

Recommendation: The Judicial Department should establish procedures to monitor the providers' determinations of Temporary Assistance for Needy Families eligibility of clients.

Agency Response: **Response provided by the Judicial Department:**
"We do not agree with this finding.

The finding indicates that the Judicial Branch/CSSD staff does not monitor the TANF eligibility forms in order to verify client eligibility. The implication involved in this finding is that it is the responsibility of the Judicial Branch/CSSD to undertake this verification.

The verification of client eligibility for TANF reimbursement is specifically not a requirement of the Judicial Branch/CSSD under the current DSS guidelines delineating the procedures to be followed for this program. In addition, the Memorandum of Agreement between the Judicial Branch/CSSD and the Department of Social Services, specifically states that "…the parties agree that CSSD makes no claim as to the validity of the eligibility criteria for TANF reimbursement of expenditures for any client. Such determination is strictly made by DSS."

The Judicial Branch/CSSD has stringently followed all of the guidelines set forth by DSS, the responsible agency, for the collection of eligibility information and the compilation of the associated fiscal reports. In addition the Judicial Branch/CSSD has adhered to the requirements of the process as set forth in the Memorandum of Agreement between the two agencies regarding the verification of the eligibility information."

Response provided by the Department of Social Services:
"As the Judicial Department has direct responsibility and oversight of their program, we are unable to comment directly on the finding at this time. The Department of Social Services will review existing MOA and TANF Claim Procedures manuals with the Judicial Department to ensure that State is appropriately documenting and verifying the eligibility of TANF clients being served by the Judicial Department."

III.A.16. Special Tests and Provisions – Controls Over Income and Eligibility Verification System Related to Wage Matches

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0905CTARRA

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTTANF and G0901CTTANF

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture (USDA)
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: 4CT400400

ARRA-Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture (USDA)
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: 4CT400400

Criteria: Title 42 United States Code (USC) Section 1320b-7 requires that the State have in effect an Income and Eligibility Verification System (IEVS) for the Medicaid, TANF and SNAP programs. The IEVS provides for matches involving the Department of Labor (DOL) wage information, Social Security wage and earning files, and Internal Revenue Services (IRS) unearned income files.

Condition: Our review of three alert codes displayed on the Department's Eligibility Management System (EMS) disclosed problems. As of December 3, 2009, 1,900 alerts for the Medicaid, TANF and SNAP programs that were generated during the quarter ended September 30, 2008, have not been dispositioned (investigated, resolved and removed as appropriate). The dates that these alerts were due to be dispositioned ranged from July 14, 2008 to

November 10, 2008. Each alert is assigned a specific due date generated by the system. It should be noted that the report dated December 3, 2009, that was provided to us only includes those alerts that were originally generated during the quarter ended September 30, 2008, that have not been dispositioned as of the report date. Those alerts that have been dispositioned are no longer on this report. Based on the alert report dated October 3, 2008, that was provided to us, the total number of alerts generated during the quarter ended September 30, 2008, was at least 16,018.

Our review of 25 alerts generated during the quarter ended September 30, 2008, that have not been dispositioned as of December 3, 2009, did not disclose any clients who no longer met the eligibility requirements of the aforementioned programs.

Effect: Conditions exist that allow Department determinations of eligibility and benefit amounts for applicants and beneficiaries of public assistance programs to be completed without an adequate and thorough review of all available income and eligibility information.

Cause: Matches routinely performed cause numerous system alerts, many of which are based on out-dated information. Because of these large numbers, proper review and disposition of alerts is not taking place. The alert errors were due to the system not filtering the matches that it obtains to eliminate invalid information.

Recommendation: The Department of Social Services should provide the necessary resources and institute procedures to ensure that all information resulting from eligibility and income matches is used to ensure that correct payments are made to, or on behalf of, eligible clients.

Agency Response: "We agree with the finding and recommendation**.** The Department will again advise staff of the need to review the IEVS match alerts and to assure, at a minimum, that all such alerts are reviewed and cleared at time of application and redetermination of eligibility."

III.A.17. Subrecipient Monitoring

Temporary Assistance to Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G-0801CTTANF and G-0901CTTANF

Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care & Development Fund (CCDF) (CFDA #93.596)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTCCDF and G0901CTCCDF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G-080CTCOSR and G-0901CTSOSR

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G08B1CTLIEA and G09B1CTLIEA

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 26, which applies to the Temporary Assistance for Needy Families (TANF) program and the Child Care and Development Block Grant and the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF) program, and 45 CFR 96.31, which applies to the Social Services Block Grant (SSBG) and Low-Income Home Energy Assistance program (LIHEAP), provides that grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 and the revised Office of Management and Budget (OMB) Circular A-133 and that states shall determine whether subgrantees spent Federal assistance funds provided in accordance with applicable laws and regulations.

The Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, Subpart D - Section 400 (d) states that a pass-through entity shall perform the following for the Federal awards it makes:

(1) Identify Federal awards made by informing each subrecipient of Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, award year, if the award is Research and Development, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

(2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as

any supplemental requirements imposed by the pass-through entity.

(3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

(4) Ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition: Our review of the Department of Social Services' procedures related to monitoring its subrecipients disclosed the following:

SSBG program:
We noted that two out of the five SSBG subrecipients tested were not provided with all the required Federal information. In addition, we noted that the Department's contracts with the subrecipients did not require that they pass through Federal program requirement information to their subcontractors.

Further, we noted that some financial status, programmatic and statistical, or monitoring reports, required by the contracts, were not on file for two out of five subrecipients tested. We also noted that the Department did not have the required audit report for one of the five subrecipients tested and did not make a written request to obtain the report from the subrecipient. In addition, desk reviews of two of the four audit reports received were not performed.

TANF program:
We noted that the Department did not have the required audit report for one of the five subrecipients tested and did not make a written request to obtain the report from the subrecipient. In addition, desk reviews of the four audit reports received were not performed.

Child Care program:
We noted that the Department did not have the required audit reports for two of the five subrecipients tested and did not make a written request to obtain the reports from the subrecipients. In addition, desk reviews of the three financial audit reports received were not performed. For one subrecipient, the audit report contained audit findings but the Department did not issue a

management decision within six months after receipt of the audit report and a corrective action plan was not requested.

LIHEAP program:
Desk reviews of the financial audit reports received were not performed for the four subrecipients tested.

Effect: The Department is not meeting its responsibility for monitoring subrecipients who receive Federal funds. In addition, the Department's monitoring procedures do not provide reasonable assurance that Federal funds are used for allowable activities.

Cause: The Department does not have procedures in place to include the Federal award information in all the contracts for which SSBG funds are provided. Further, the Department did not obtain and review audit reports for all the aforementioned programs listed in the condition.

Recommendation: The Department of Social Services should implement procedures to comply with OMB Circular A-133, Subpart D - Section 400 (d), concerning its responsibilities as a pass-through entity and to ensure that subrecipients are properly monitored.

Agency Response: "The Department agrees in part with the finding. The Department began including the CFDA #in all of its contracts with sub recipients in FFY [Federal fiscal year] 2009 and is now compliant with the requirement to provide its subrecipients with the required federal information.

The Department has expanded its contract section (Federal Requirements – see below) and now identifies the CFDA number in each grant that it awards to its subrecipients. All new SSBG contracts contain the following language:

Federal block grant funding has been provided for this contract as follows:
Catalog of Federal Domestic Assistance (CFDA) Title: Social Services Block Grant
CFDA Number: 93.667
Award Name: Social Services Block Grant (SSBG)
Award Number: 75-1534-0-1-506
Award Year: 2009
Research and Design: No
Name of Federal Agency Awarding: Administration for Children and Families,
Department of Health and Human Services

The Department has increased its efforts to ensure that the program financial reports, statistical and narrative program reports are received and on file for each grant it issues. These reports are normally due within 30 days after the close of the quarter. Staff now track receipt of each report and if not received by the due date, send out an email to the grantee reminding it that the report is overdue. The department's longstanding policy is to withhold payment until each grantee is fully compliant.

The corrective action to be taken is that the Department will not reimburse a contract until all reports are received.

The Department will increase its efforts to monitor each sub recipient as time permits and as additional staffing becomes available, monitoring will improve.

The Department is also improving its oversight to ensure that subrecipients expending $500,000 or more in Federal awards have met the audit requirements and that required management decisions on audit findings are issued timely."

III.A.18. Earmarking – Transfers from TANF to SSBG

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G-080CTCOSR and G-0901CTSOSR

Background: The State may transfer up to ten percent of its Temporary Assistance for Needy Families (TANF) funds for a given fiscal year to carry out programs under the Social Services Block Grant (SSBG). During the fiscal year ended June 30, 2009, the Department drew down TANF funds totaling $25,978,309 that were to be used to carry out programs under SSBG.

Criteria: Title 42 United States Code Section 604(d)(3)(A) and 9902(2) provides that the State shall use all of the amount transferred into the Social Services Block Grant (SSBG) from the Temporary Assistance for Needy Families (TANF) program only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by the Department of Health and Human Services.

Condition: Our review disclosed that the Department of Social Services did not have procedures in place to provide reasonable assurance that the portion of TANF funds expended on behalf of administering the SSBG program were for programs and services to children or their families whose income is less than

200 percent of the official poverty guideline, as revised annually by the Department of Health and Human Services.

Effect: TANF funds transferred to the SSBG program could have been expended for programs and services that were not allowed. We could not, however, determine the amount of funds that might have been improperly used.

Cause: The Department does not perform any analysis to determine whether the TANF funds transferred to the SSBG program were used for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline.

Recommendation: The Department of Social Services should implement procedures to ensure that Temporary Assistance for Needy Families funds transferred to the Social Services Block Grant are used for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline.

Agency Response: "The Department agrees with this finding in part, as the Department acknowledges that formalized procedures must be defined to ensure uniform management serves the target population. Below are action steps that the Department will implement to ensure that the recommendation is carried out.

Steps:
Require all contractual documents identify the portion of SSBG-TANF monies, projected target number, and identify specific reporting documents required to capture SSBG-TANF population. (Current contractual language requires that CFDA is identified in federal reporting section.)

Develop/revise existing reporting documentation to support contractual requirements.

Identify SSBG-TANF contact individuals within the Department of Social Services/other State agencies that receive SSBG-TANF funding to ensure that they are properly trained and apprised of the revised requirements.

Develop departmental procedure for programs/other State agencies that receive SSBG-TANF funding to follow."

III.A.19. Cash Management – Subrecipient Cash Balances

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G-080CTCOSR and G-0901CTSOSR

Criteria: Title 31 Code of Federal Regulations Part 205 Section 33 provides that states should exercise sound cash management in the transfer of funds to subgrantees. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

Condition: The Department of Social Services provides a majority of its SSBG funding to subrecipients. Our review disclosed that the Department normally advances SSBG funds to subrecipients on a quarterly basis. As a result subrecipients of SSBG funds could have excess cash on hand on various occasions throughout the year that exceeded their average weekly disbursements.

Effect: The Federal government incurs interest costs because money is advanced to subrecipients before the subrecipients need the money to support expenditures.

Cause: The Department of Social Services has not established adequate internal controls to minimize the subrecipients' cash on hand.

Recommendation: The Department of Social Services should develop controls to ensure that sound cash management is being used for advances made to subrecipients of the Social Services Block Grant program.

Agency Response: "The Department agrees with the finding. For the SSBG program, the Department, at this time, cannot advance cash to its subrecipients on a weekly basis. However, the Department has developed internal controls in which a subrecipient is not advanced cash unless financial and program reports are on file to ensure that expenditures have been incurred by the subrecipient."

III.A.20. Activities Allowed or Unallowed – Utility Allowances

Section 8 Housing Choice Vouchers (CFDA #14.871)
Federal Award Agency: U.S. Department of Housing and Urban Development
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: ACC CT 901 VO

Background: Utility allowances are paid to Section 8 Housing Choice Vouchers participants who must pay for their own utilities and is calculated for each family based on the dwelling's number of bedrooms and the Department's schedule of average utility consumption.

Criteria: Title 24 Code of Federal Regulations Part 982 Section 517 provides that the Department must maintain an up-to-date utility allowance schedule. The cost of each utility and housing service category must be stated separately. The utility allowance schedule must be determined based on the typical cost of utilities and services paid by energy-conservative households that occupy housing of similar size and type in the same locality. Public Housing Agencies (PHAs) must use the appropriate utility allowance for the size of the dwelling unit actually leased by the family. At redetermination of eligibility, the PHA must use the current utility allowance schedule.

Condition: A total of 65,348 Housing Assistance Payments (HAP) amounting to $58,176,889 were made during the fiscal year ended June 30, 2009. We selected a random sample of 40 HAP totaling $33,062. Our review disclosed the following:

1. In one case, the incorrect utility allowance was paid. The utility allowance was based on oil heating but should have been based on gas heating. This resulted in an overpayment of $28 in the utility allowance paid.

2. In one case, during the client's redetermination of eligibility on January 25, 2009, the utility allowance was calculated based on the utility allowance schedule for the period December 1, 2007 through November 30, 2008. However, the new utility allowance schedule was available for the period December 1, 2008, through November 30, 2009, and should have been used to calculate client's utility allowance. This error resulted in understatement of $4 in the utility allowance paid.

3. In one case, the utility allowance amount calculated for the HAP paid for the August 2008 lease was based on the utility allowance schedule for the period December 1, 2007, through November 30, 2008. Our prior audit disclosed errors in some of the amounts included on this schedule. The

utility allowance that was paid was based on one of the utility amounts that was in error. This resulted in an underpayment of $2 in the utility allowance paid. The Department was cited for this erroneous utility allowance schedule during the last audit period and issued corrective action that resulted in no errors in the allowance schedule for the period December 1, 2008, through November 30, 2009.

Effect: The incorrect utility allowances calculated resulted in a net overpayment of $24 in housing assistance payments. We consider this net overpayment to be questioned costs.

Cause: The incorrect calculations of utility allowances were due to clerical errors.

Recommendation: The Department of Social Services should use the correct utility allowance to determine the Housing Assistance Payment.

Agency Response: "The Department agrees with this finding. The three (3) errors were found in the random sample of forty (40) files. The incorrect utility allowances resulted in a net overpayment of $24.00. The Department and its contractor have improved controls and will continue to monitor accurate compliance."

III.A.21. Activities Allowed or Unallowed – Improper Transfer of Funds

Section 8 Housing Choice Vouchers (CFDA #14.871)
Federal Award Agency: U.S. Department of Housing and Urban Development
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: ACC CT 901 VO

Criteria: Part 4 of the OMB Circular A-133 Compliance Supplement issued in March 2009 includes compliance requirements for Activities Allowed or Unallowed for the Section 8 Housing Choice Vouchers program (HCPV). One of the requirements listed provides that Housing Assistance Payment (HAP) funding can only be used to support the payment of HAP expenses. Transfers of HAP and administrative fees, even temporarily, to support another program or use are not allowed.

Condition: Section 8 Housing Choice Vouchers funds totaling $16,000 were transferred to support the Federal program Supporting Housing with Persons with Disabilities CFDA #14.181.

Effect: Funds were used for activities that are not allowed.

Cause: The Department misunderstood the U.S. Department of Housing and Urban Development (HUD) policy related to the prohibition against transferring HCPV funds to another Federal program.

Recommendation: The Department of Social Services should not transfer Section 8 Housing Choice Vouchers to support other Federal programs.

Agency Response: "The Department agrees with this finding. We will ensure future expenditures are aligned with the appropriate Section 8 funding source."

III.A.22. Eligibility – Ineligible Client and Inadequate Documentation (Non Major Program)

Children Health Insurance Program (CHIP) (CFDA #93.767)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5021 and 05-0905CT5021

Background: In conjunction with administering the Children Health Insurance Program (CHIP), the Department contracts with Managed Care Organizations (MCOs). The MCOs are paid a monthly capitation rate for each child that is receiving medical services. In addition, the Department contracts with a vendor (ACS) to perform the eligibility determinations of families applying for services under CHIP.

For the capitation months July 2008 and August 2008, the Department paid the MCOs $18 a month for their administrative costs associated with administering CHIP. The Department would reimburse to the providers costs of medical services provided to the clients on a fee-for-service basis. For the months September 2008 to December 2008, the Department began to transition to a monthly capitated rate of $130 that pays for the administrative and medical services costs of a client. During this time period, the Department could have paid an MCO either $18 or $130 on behalf of a client depending on whether the client transitioned to the new process or was still part of the old process. For the months January 2009 to June 2009, the Department transitioned completely to the new monthly rate of $130 for all CHIP clients.

Criteria: Title 42 United States Code Section 1397bb provides that the State's child health plan shall include a description of eligibility standards. In general, the plan shall include a description of the standards used to determine the eligibility of targeted low-income children for child health assistance under the plan. Such eligibility standards (i) shall, within any defined group of covered targeted low-income children, not cover such children with higher family income without covering children with a lower family income, and (ii) may not deny eligibility based on a child having a preexisting medical condition.

The State Plan provides that client eligibility is based on the client's calculated applied income. Based on the client's income level, the client would be placed into one of three different bands. There is no cost to any clients assigned to Band 1. Clients in Band 2 will reimburse the State, depending on the number of children, a $30 monthly premium up to a maximum of $50. Clients in Band 3 will be required to pay to the State a premium charged by the selected managed care organizations. It should be noted that the State does not claim for Federal reimbursement any costs associated with clients in Band 3.

Condition: The audit population of monthly capitated payments made under the Children Health Insurance Program during the fiscal year ended June 30, 2009, totaled $12,016,258. The Department also claimed for Federal reimbursement $22,874,496 in fee-for-service payments made for medical services provided to clients. This fee-for-service amount is net of collections totaling $1,240,632.

We randomly selected 40 monthly capitated payments totaling $2,707 to verify client eligibility. Our review disclosed the following conditions:

1. In one case the vendor excluded the overtime earnings from the income calculation at the time the eligibility determination was made. Based on including the overtime earnings in the client's calculation of income, the client should have been in Band 3. However, the client was placed in Band 1. As a result, the Department improperly claimed for Federal reimbursement the monthly capitated amount of $18.

2. In two cases, based on the income information that was available at the time the eligibility determination was made, the clients were placed in Band 1. However, the clients' eligibility status changed due to the client earning more income at the time the monthly capitated payments were paid than at the time when the eligibility determinations were originally made. This change was noted in wage files maintained in the Department's Eligibility Management System. In both instances, the clients' band assignment should have been in Band 3 at the time the monthly capitated payments were paid. As a result, the Department incorrectly claimed for Federal reimbursement monthly capitated payments totaling $148 made on behalf of these two clients.

3. In one case, the vendor did not include the unearned income in the calculation of the client's total income. Based on the client's income calculated by the vendor, the client was placed in Band 1. However, if the unearned income had been correctly used in the income calculation, the client should have been placed in Band 2. As a result, the client did not reimburse the State the $30 monthly premium.

Effect: As a result of Conditions 1 and 2, the Department improperly claimed, based on the 65 percent Federal financial participation rate, monthly capitated payments totaling $108. Also, any expenditure incurred for medical services that were provided to the clients included in Conditions 1 and 2 should not have been claimed for Federal reimbursement.

As a result of Condition 3, the Department did not properly credit the Federal claim by $30.

Cause: For Conditions 1 and 3, the vendor's staff did not follow procedures established by the Department.

For Condition 2, the Department has not established procedures to verify the wage information throughout the client's eligibility period.

Recommendation: The Department of Social Services should establish procedures to perform ongoing monitoring of the performance of the vendor performing the eligibility determinations for the Children Health Insurance Program. The Department should also consider utilizing its Income and Eligibility Verification System, which provides for matches of income information involving the Department of Labor wage information, Social Security wage and earning files, and Internal Revenue Services unearned income files, to determine client eligibility.

Agency Response: "The Department agrees with this finding [and] is sensitive to the recommendation regarding ensuring that procedures are adequately in place by ACS when performing eligibility determinations. The Department has weekly meetings both at the Department of Social Services and at ACS to monitor and discuss operational and administrative issues, including eligibility processing and related policies and procedures. The Department also intervenes in daily eligibility inquiries that come from within and outside the department and coordinates with ACS to ensure appropriate eligibility determinations are made. The Department will also evaluate the feasibility and potential benefit of implementing an IEVS."

III.A.23. Reporting – Federal Cash Transactions Report

Child Support Enforcement (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 0804CT4004 and 0904CT4004

ARRA-Child Support Enforcement (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 0904CT4002

ARRA – Child Care and Development Block Grant (CFDA #93.713)
Federal Awarding Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: G0901CTCCD7

Criteria: Title 45 Code of Federal Regulations Part 92 Section 41 provides that the Department submit the Standard Form 272, Federal Cash Transactions Report, and when necessary, its continuation sheet, Standard Form 272A, unless the terms of the award exempt the grantee from this requirement. These reports will be used by the Federal agency to monitor cash advanced to grantees and to obtain disbursement or outlay information for each grant from grantees.

DHHS Manual for Recipients Financed under the Payment Management System (PMS) provides recipients guidance and instructions for completing the required Federal Cash Transactions Reports. This Manual defines Federal share of net disbursements as actual payments made to the program (i.e., checks, warrants, or cash payments). Also, the amounts reported should not exceed award authorizations which were in effect during the period.

Condition: Our review of the Department's PSC-272A Federal Cash Transactions Report filings for the quarter ended June 30, 2009, disclosed that the Department did not report the correct disbursement amount. Our review of the report filed for the quarter ended September 30, 2009, disclosed that the discrepancies noted in the June 30, 2009, filing were not resolved. The following is a summary of discrepancies noted:

<u>Child Support Enforcement:</u>
For the June 30, 2009, quarterly report, the Department included disbursements made from ARRA-Child Support Enforcement awards during the quarters ended March 31, 2009, and June 30, 2009, as part of the disbursements made from the Child Support Enforcement program. In

addition, the Department did not report the disbursements made from the incentive awards received under the Child Support Enforcement program. Our review of the September 30, 2009, quarterly report disclosed that the errors that were made on the June 30, 2009, quarterly report were not corrected. Our review of the September 30, 2009, report disclosed that disbursements made from ARRA-Child Support Enforcement were not removed from the disbursement amount reported for Child Support Enforcement and the disbursements made from incentive awards were not properly reported. We also noted an additional error in which a portion of the disbursements reported was improperly based on the State's share of disbursements.

<u>ARRA-Child Support Enforcement:</u>
The Department reported no disbursements made from the ARRA-Child Support Enforcement award. The total disbursements made for the quarter ended June 30, 2009, were $5,256,706. However, the amount that should have been reported was $792,000, which was the authorized award for this period. Per the DHHS Manual, disbursements reported should not exceed award authorization. Our review of the September 30, 2009, report disclosed that the disbursement amount reported was $792,000. However, the total disbursements that should have been reported were $5,256,706, which were the total disbursements made up to the authorized award for this period.

<u>ARRA – Child Care and Development Block Grant:</u>
The Department reported $10,100,000 as the disbursement amount on the June 30, 2009, report. However, the disbursement amount per agency expenditure reports should be $9,574,862. Our review of the September 30, 2009, report disclosed that the error noted was not corrected.

Effect: Disbursements reported to the Division of Payment Management are inaccurate.

Cause: The errors appear to be clerical.

Recommendation: The Department of Social Services should report the proper disbursement amount on the Federal Cash Transactions Reports (PSC 272A).

Agency Response: "**<u>Child Support</u>**
We disagree with this finding. There were many unresolved issues; both on the Federal and State levels, involving Child Support ARRA and Incentive funding at the start of FFY 2009. Firstly, due to the quick start-up and timing of the ARRA initiative, the revised Child Support OCSE-396 forms that included ARRA costs were not released until 3/09. As a result, the State had already submitted projections and received awards for the first three quarters

of FFY 2009 prior to the release of the new format. The State did not receive its first ARRA award until 3/31/09, when ACF manually calculated the amount based on our actual submission of the OCSE-396 report for the QE 12/08. The OCSE-396 was not revised to include ARRA costs until the QE 3/09; and the supplemental award for that quarter was not received until 7/23/09. Prior to receiving that supplemental award, the State was not aware that a separate grant award (apart from the regular Child Support grant) would be issued for ARRA funds.

There was also a second issue involving FFY 2009 Child Support Incentive funds for the QE's 6/09 and 9/09. Under instructions from ACF, the State was advised not to file Incentive Payment claims on the OCSE-396 for the QE's 6/09 and 9/09. ACF reversed their directive in a letter dated 10/9/09, issuing $2,300,000 in Incentive Payments for the QE's 6/09 and 9/09 on 9/30/09. Therefore, they were not included on the 272 report.

Finally, there were other contributing factors to our draw process for the ARRA funds. Although we received $792,000 in ARRA funding on 3/31/09, and an additional $4,464,706 in July 2009, we were at the time seeking instructions from OPM on how to handle these funds. In the QE 9/09 it was decided that we should draw the $792,000 and deposit those funds into the new SID 29034 "ARRA Child Support Enforcement". Shortly after those funds were drawn down, the Department sought approval from OPM on use of ARRA funding to upgrade the Child Support CCSES system, which they received in 11/09. Given the treatment of these funds as revenue diversion, similar to other diversion accounts, this further complicated our draw process.

CCDF – ARRA

We agree with this portion of finding. The amount that was expended out of Core-CT (to fund the cashbook) in the QE 6/30/09 was $10,100,000. Therefore, our initial draw down against this Core-CT posting was $10,100,000. Of this amount, $9,574,862 was expended out of the cashbook leaving a balance of $525,138. Since we stopped using these funds after SFY 2009, we should have returned them to Core-CT so that our drawn amount would have been corrected. We have made this adjustment and no further action is required."

Auditor's Concluding Comments:

The condition noted errors in the amount reported for disbursements and not to the authorized award or drawdown amounts. As indicated in the condition, the Department did not correct the errors related to the reported disbursements noted in the June 30, 2009, quarterly report in the subsequent September 30, 2009, quarterly report. Further the September 30, 2009, quarterly report was prepared in November 2009, which is subsequent to the information included in the Department's response that could affect the amount reported as disbursements in the September 30, 2009, quarterly report.

III.A.24. Allowable Costs/Cost Principles – Cost Allocation Plan

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTTANF and G0901CTTANF

Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care & Development Fund (CCDF) (CFDA #93.596)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTCCDF and G0901CTCCDF

Child Support Enforcement (Title IV-D) (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 0804CT4004 and 0904CT4004

ARRA-Child Support Enforcement (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 0904CT4002

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: 4CT400400

Section 8 Housing Choice Vouchers (CFDA #14.871)
Federal Award Agency: U.S. Department of Housing and Urban Development
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: ACC CT 901 VO

Low-Income Home Energy Assistance (CFDA #93.568)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G08B1CTLIEA and G091CTLIEA

Background: The administrative costs incurred in operating the Department of Social Services (DSS) are allocable to Federal and State programs in accordance with benefits received, as specified in the Department's Federally approved Cost Allocation Plan (CAP). Each expenditure transaction is assigned an expenditure code. The State's accounting system accumulates the expenditures by the recorded expenditure codes and generates the reports that DSS uses to record the expenditures in various cost pools. The costs accumulated in these cost pools are allocated to Federal and State programs as specified in the Department's Federally approved Cost Allocation Plan. Costs are allocated to programs based on the allocation basis assigned to the respective cost pools. The Department contracted a vendor to develop the Cost Allocation Plan.

The Department of Social Service's Cost Allocation Plan provides that, as part of its Random Moment Time Study, the Department will be reviewing ten percent of worker-selected program and activity combinations along with the comment provided by the employee being sampled. The results of the review will be used to review the continuing appropriateness of valid program/activity combinations and monitor worker understanding of appropriate program/activity selection to assess the need for further clarification and/or training.

Criteria: The Office of Management and Budget (OMB) Circular A-87 includes factors affecting allowability of costs. For a cost to be allowable under Federal awards they must meet the following general criteria.

- Be allocable to Federal awards under the provisions of OMB Circular A-87. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Be adequately documented.

Title 45 Code of Federal Regulations Part 95 Section 517 provides that for the State to claim Federal financial participation for costs associated with a program it must do so only in accordance with its approved cost allocation plan.

Condition: Our review of some of the allocation bases used in the Department's Cost Allocation Plan disclosed the following:

1) The administrative overhead costs (for example, utilities and office lease) accumulated by some of the Department's Regional Offices were not being allocated to all benefiting Federal and State programs. The Department has employees working under the Ombudsman Unit and the Rehabilitation Services Unit at some of the Regional Offices. The administrative overhead costs related to these Regional Offices are not being allocated to the Ombudsman Unit or the Rehabilitation Unit. Costs accumulated in these units would be subsequently allocated to Federal and State programs based on these units respective assigned allocation bases.

2. The Department's Cost Allocation Plan consists of a two-step process to allocate Department costs. The costs for certain organization units are first allocated to all units and programs. The costs that were allocated to each unit during the first step are then allocated to Federal and State programs. The allocation of the costs in the second step is affected by the hierarchy of the units. For example, a unit listed second in the hierarchy would receive costs from the first unit listed in the hierarchy but would not receive costs from the unit listed third in the hierarchy. Our review disclosed that the hierarchy used in the Department's CAP did not provide an equitable basis for allocating costs to benefiting programs.

3. The Department provided us a report of the Random Moment Time Study conducted by the Department for the quarter ended September 30, 2008. This report consisted of 3,931 responses received from applicable Department employees. This report listed the time of the observation, the Department employee, comments, client case number, and the program code. The comments, the client case number, and the program code were provided by the employee. We performed an analytical review to determine whether the program codes provided by the report were appropriate based on the comments provided by the employees. Our review disclosed six observations in which the program and/or activity code did not appear reasonable because the program and/or activity code did not coincide with the services received by the client.

Effect: Some costs are not being allocated to Federal awards in accordance with the relative benefits received. The above errors did not have a significant effect on the gross expenditures made under the Federal programs administered by the Department. The effect, for the most part, is a reassignment of costs from one Federal program to another.

Cause: For Conditions 1 and 2, the errors were related to the Department's automated cost allocation process developed by the vendor. For Condition 3, it appears that the employees made clerical errors in recording the correct program code.

Recommendation: The Department of Social Services should use statistics that would provide a proper base for distributing costs to benefiting programs that will produce an equitable result in consideration of relative benefits derived.

Agency Response: "1. We agree with this finding regarding the Ombudsman Unit. Effective July 28, 2009, all remaining Long Term Ombudsman were re-coded from Central Office to Regional Office, and therefore will be allocated indirect costs through the Regional Office Department Allocation Basis from this date forward. We consider corrective action to be complete and no further corrective action is anticipated.

We disagree with this finding regarding the Rehabilitation Services Unit. As a result of SSA/OIG Audits A-15-03-23041 and A-15-07-16034, the Department of Social Services does not allocate certain indirect costs to the Vocational Rehabilitation and Disability Determination Service Programs. Since costs relating to mailing and duplicating are directly charged to the Vocational Rehabilitation and Disability Determination Services Programs, Central Office and Regional Office costs for Production Services, which include mailing and duplicating costs, System Planning, Actuarial Services and Conference Fees are allocated by the Department Allocation Modified Basis, excluding Vocational Rehabilitation and Disability Determination Services. No corrective action is anticipated.

2. We agree with this finding in part. The Department is currently reviewing this condition and is testing the cost allocation software to determine if a more equitable allocation of Department costs can be attained within the framework of the software. We expect to have comparative results by March 31, 2010, and will determine if corrective action is necessary based on our analysis.

4. We agree with this finding. In the Public Assistance Cost Allocation Plan for FY 2010, submitted on December 31, 2009, with an effective date of July 1, 2009, we modified RMS procedures and added the following to Attachment C-1, Random Moment Sampling Operations: "Monthly reports identifying any inconsistencies between

program/activity selections and comments, which are identified through the quality assurance process, will be shared with the Regional Administrators for appropriate follow-up." Our intent for appropriate follow-up is that through the Regional Administrators and their staff, the sample respondents receives any necessary supervision/training/ instruction to ensure that future inconsistent responses do not occur. We would also point out that the sample size was in the past increased from 3000 to 4000 samples per quarter to provide assurance that the RMS results are statistically valid and we do not believe that these few inconsistent responses would adversely impact sample validity or cost allocation."

Auditors' Concluding Comments: There are costs other than mailing and duplicating costs incurred at the Regional Offices that can be allocated to the Rehabilitation Services Unit. As indicated in the Condition, these costs would consist of costs associated with utilities and office lease that would incur at those Regional Offices that house the Rehabilitation Services Unit.

III.A.25. Allowable Costs/Cost Principles – Expenditure Transactions

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTTANF and G0901CTTANF

Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care & Development Fund (CCDF) (CFDA #93.596)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTCCDF and G0901CTCCDF

Child Support Enforcement (Title IV-D) (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 0804CT4004 and 0904CT4004

ARRA-Child Support Enforcement (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 0904CT4002

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: 4CT400400

Section 8 Housing Choice Vouchers (CFDA #14.871)
Federal Award Agency: U.S. Department of Housing and Urban Development
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: ACC CT 901 VO

Low-Income Home Energy Assistance (CFDA #93.568)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G08B1CTLIEA and G091CTLIEA

Background: The administrative costs incurred in operating the Department of Social Services (DSS) are allocable to Federal and State programs in accordance with benefits received, as specified in the Department's Federally approved Cost Allocation Plan (CAP). Each expenditure is assigned an expenditure code. The State's accounting system accumulates the expenditures by the recorded codes and generates the reports that DSS uses to record the expenditures in various cost pools. The costs accumulated in these cost pools are allocated to the programs as specified in the Cost Allocation Plan.

Criteria: The Office of Management and Budget (OMB) Circular A-87 includes factors affecting allowability of costs. For a cost to be allowable under Federal awards, they must meet the following general criteria:

- Be allocable to Federal awards under the provisions of OMB Circular A-87. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award

as an indirect cost.
- Be adequately documented.

Condition: We sampled 40 non-payroll transactions totaling $212,124 and examined all 23 transactions that exceeded $1,000,000, which totaled $37,018,968. These samples were selected from expenditure transactions totaling $125,245,129 made during the fiscal year ended June 30, 2009. These payments were allocated to State and Federal programs through the Department's Cost Allocation Plan. Our test of the 40 transactions disclosed the following:

1) One expenditure for newspaper advertisements included $54 paid for past due interest, which represented a 1.5 percent finance charge on the unpaid past due balance as calculated by the vendor. According to the Connecticut's State Account Manual, interest is calculated at one per cent per month on the amount. The difference between what was paid in interest and what was allowable per the State Accounting Manual totaled $18.

2) One expenditure transaction was not assigned the proper expenditure code, which resulted in the expenditure being allocated to the incorrect cost pool. The Department miscalculated the vehicle charges for two expenditure codes. As a result, one expenditure code was undercharged $387, and the other expenditure code was overcharged $387.

3) Two expenditures totaling $6,072 were for charges of mobile phone devices assigned to various Department employees. The users of these devices that incurred the costs were not required to certify that the services were received.

4) In addition, there were four expenditures totaling $34,727 for office supplies, security services, janitorial services and rent accumulated by some of the Department's Regional Offices that were not allocated to all benefiting Federal and State programs. The Department has employees working under the Ombudsman Unit and the Rehabilitation Services Unit at some of the Regional Offices. The administrative overhead costs related to these Regional Offices are not being allocated to the Ombudsman Unit or the Rehabilitation Unit. Costs accumulated in these units would be subsequently allocated to Federal and State programs based on these units respective assigned allocation bases.

5) Our tests of the 23 transactions that exceeded $1,000,000 disclosed that the cost of one expenditure transaction for $1,890,263 was assigned to four expenditure codes based on the amounts budgeted to these codes and

not based on relative benefits received. The costs would be subsequently allocated to Federal and State programs based on the allocation bases assigned to the expenditure codes.

Effect: The Department's controls are not always providing reasonable assurance that allowable costs are being claimed under the proper Federal programs. We determined that the improper allocation amount and the net questioned costs charged to Federal programs for Conditions 1 to 3 to be as follows:

Program	Net Improper Allocation	Net Questioned Costs
CCDF	$30	$0
Child Support Enforcement	$612	$404
SNAP	$1,191	$595
LIHEAP	$38	$38
Medicaid	$2,111	$1,056
Section 8	$11	$11
TANF	$438	$87
Misc. State and Federal Grants	$1,659	N/A
Net Total	$6,090	$2,187

The questioned costs are based on the Federal programs' financial participation rates except for the TANF, which is based on the Department claiming for Federal reimbursement only 20 percent of the administrative expenditures during the audit period. CCDF did not claim any administrative expenditures for Federal reimbursement during the audit period. Also, of the $404 in questioned costs identified under the Child Support Enforcement program, $40 is attributable to the ARRA-Child Support Enforcement program.

We cannot determine the amount of questioned costs as a result of Condition 4 because the Department has not identified an allocation basis that should be used (see Condition 1 of Recommendation III.A.24. for additional information).

We cannot determine the amount of questioned costs for Condition 5 because the Department has not identified a basis that should be used to distribute the costs among the four expenditure codes.

Cause: The Department did not have adequate procedures in place to ensure that expenditure transactions are properly coded and that only allowable expenditures are charged to Federal awards.

Recommendation: The Department of Social Services should ensure that expenditures claimed under Federal awards are only allocated to benefiting Federal programs in accordance with the provisions of Office of Management and Budget Circular A-87.

Agency Response: "We agree with this finding. Payment requests should include appropriate documentation for each payment to insure the amount of the payment and coding is correct. The Division of Financial Management and Analysis reviews the purchase order, spending plan and available balances in each funding source prior to approving the purchase order for payment. The spending plan and purchase order, which includes the amounts to be paid, and coding strings, should be determined in accordance with the terms of the contract and services performed. We will review the contract of the vendor in item # 5 by March 31, 2010, to determine the appropriate coding that best allocates costs to benefiting programs."

III.A.26. Allowable Costs/Cost Principles – Altered Timesheets

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 05-0805CT5028 and 05-0905CT5028

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTTANF and G0901CTTANF

Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care & Development Fund (CCDF) (CFDA #93.596)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G0801CTCCDF and G0901CTCCDF

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Number: 4CT400400

Criteria: The Office of Management and Budget (OMB) Circular A-87 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Condition: We were informed that an employee was paid salary costs for days in which the employee was not actually at work. This employee charged on her timesheets either sick, vacation, or personal leave time for these days in which she was not at work. The employee's supervisor approved the timesheets with the recorded leave time. The employee had access to these timesheets subsequent to the supervisor's signature and prior to the employee responsible for entering the information on the timesheets into the payroll system. The employee in question altered her approved timesheets so that her absences would not be recorded. As a result, the information entered into the payroll system was based on the altered timesheets.

The Department determined that the employee altered her timesheets an estimated 102 occasions at eight hours per day during the period May 2007 and December 2009. Our review of the employee's leave accrual balances as of December 31, 2009, disclosed that the employee had a total balance of 51.96 days at eight hours per day of unused sick leave, vacation leave, and personal leave. These 51.96 days of unused leave accruals could have been used for some of the days in which the employee's timesheets indicated that she was at work when in fact she wasn't. As a result, the employee was paid for 50.04 days in which the employee was not at work and did not have any unused leave balance that could have been used.

Effect: The employee was improperly paid an estimated $10,462 in salary during the period May 2007 and July 2009. In addition, the related fringe benefit costs are estimated to be $6,278. These costs were allocated to Federal and State programs per the Department's Cost Allocation Plan. We determined that the improper allocation amount and the net questioned costs charged to Federal programs to be as follows:

Program	**Net Improper Allocation**	**Net Questioned Costs**
CCDF	$ 7	$ 0
SNAP	6,182	3,091
Medicaid	9,260	4,630
TANF	2,919	577
Misc. State and Federal Grants	(1,628)	N/A
Net Total	$ 16,740	$ 8,342

The questioned costs are based on the Federal programs' financial participation rates except for the TANF, which is based on the Department claiming for Federal reimbursement only 20 percent of the administrative expenditures during the audit period. CCDF did not claim any administrative expenditures for Federal reimbursement during the audit period.

Cause: The controls in place did not prevent the employee in question from having access to her timesheets after they were signed by her supervisor and prior to being entered into the payroll system.

Recommendation: The Department of Social Services should establish appropriate procedures so that employees are not able to alter approved timesheets prior to being posted into the payroll system.

Agency Response: "The Department agrees with this finding. In response, a memorandum will be issued to management staff reminding of the need to ensure that payroll documents are properly secured, transmitted and processed."

B. DEPARTMENT OF TRANSPORTATION

III.B.1. Davis-Bacon Act – Certified Payrolls

Highway Planning and Construction (CFDA #20.205)
Federal Award Agency: Department of Transportation (Federal Highway Administration (FHWA))
Award Year: State Fiscal Year Ended June 30, 2009
Federal Project Number: 0032(178)
State Project: DOT00420289CN

Criteria: 29 CFR sections 5.5 and 5.6 require that contractors or sub-contractors submit certified payrolls for each week in which any contract work is performed. The prime contractor is responsible for the submission of the certified payrolls by all subcontractors.

Condition: We tested ten projects for compliance with the Davis-Bacon Act. Our review disclosed that for one of the ten projects, certified payrolls were not on file for the months of August 2008 through April 2009, for both the prime contractor and the sub-contractors. The Department has procedures in place designed to monitor compliance with the Davis-Bacon Act requirements; however, for this project they were not followed.

Effect: The exception results in an increased risk of non-compliance with the prevailing wage laws.

Cause: We did not determine the cause; however, it appears that a lack of communication between the contractor and the district and field offices contributed to the exception.

Recommendation: The Department should monitor the submission of certified payrolls more effectively.

Agency Response: "The Department agrees with this finding in part.

Due to a lack of documentation (i.e. Project Payroll/Wage Check Monthly Summaries) submitted from the field forces on State Project DOT00420289CN, the District Office was unaware at the time of the audit that certified payrolls were outstanding for the months of August 2008 through April 2009. Many of the certified payroll statements had been delivered by the contractor directly to the field office and had not been correctly submitted by the contractor to the District Office. The District has subsequently received copies of the certified payrolls for the noted period.

It will be recommended that:

(1) District Engineers review the importance of following and documenting the wage checks on a regular basis at District level supervisors and staff meetings throughout the year and,
(2) The topic be addressed during the open forum presentation at the annual winter supervisors and inspectors schools.

In addition to the submission of monthly summaries, the Districts conduct "Project Site Record Reviews" for each project. The methods utilized to review the documentation submitted for this review reveal if payrolls are missing for the contractor or sub-contractors employed on the project.

The Construction Manual is clear on the process for performing and documenting the required labor wage checks in project records. In addition, the Manual requires the Chief Inspector to complete monthly summaries of the wage checks performed each month. The Project Engineer is required to review and sign each summary. The District EEO Coordinator logs the monthly summaries. District Management is tasked with ensuring that summaries are accurate, complete and submitted monthly."

III.B.2. Matching Requirements – Federal Billing in Excess of the Authorized Participation Rate

Highway Planning and Construction (CFDA #20.205)
Federal Award Agency: Department of Transportation (Federal Highway Administration (FHWA))
Award Years: State Fiscal Years Ended June 30, 2008 and 2009
Federal Project Number: Various
State Project: Various

Background: The Department participates in projects which are funded using in-kind contributions from Towns in addition to the Federal participation. For these projects, a "rate plan" is entered into the billing system instead of a "rate set." A rate plan is used so that the billing system is able to recognize the unusual funding arrangement and properly calculate the amount to bill the Federal Government. The matching requirement is fulfilled by the in-kind contribution.

Criteria: 23 USC 120 sets the Federal share allowed for Federal highway projects. The State is generally required to pay a portion of the project costs. Portions vary according to the type of funds authorized and are stated in project agreements.

Condition: Our expenditure review consisted of 88 transactions and disclosed one instance in which the Department overbilled the Federal Government because of an incorrect Federal participation rate being applied. We noted that the exception related to a project for which a rate plan was assigned. When a rate plan is used and a Town performs the work, the Department reimburses the Town for the total Federal participating amount, and the amount paid to the Town is entered into the billing system as a Federally participating expenditure. Normally, the billing system would allocate the expenditure based on the Federal participation rate and calculate the amount to bill. However, when a rate plan is used, the system is set up to bill the full amount of the expenditure entered, since it would have already been reduced by the matching portion. We noted that for some of these types of projects there are instances in which the Department makes payments directly to consultants. These payments are entered into the billing system at the actual amount paid, and since they relate to a project with a rate plan, the payment amount entered is that which is billed. When this occurs and the project is not 100% Federally funded, the State is not meeting its matching requirement and the Federal Government gets overbilled. For the exception noted in our testing, the Federal Government was overbilled by $506. Because this exception applied to a project that is not funded like most, we analyzed others like it, and noted that the Department overbilled for several of them. Our expanded review covered the fiscal years ended June 30, 2008 and June 30, 2009, because the fiscal year ended June 30, 2008, was the first year that the Department used the current billing system.

Effect: The Department overbilled the Federal Government by at least $21,620 for the fiscal years ended June 30, 2008 and June 30, 2009, as summarized below:

- There were 187 projects that were like the project for which we noted the exception. We reviewed the 17 largest projects.
- The projects we reviewed covered $20,983,818 of the $31,215,047 that was billed for the 187 projects over the two-year period.
- The Department overbilled the FHWA for eight of the 17 projects we reviewed. The total overbilled amount we identified was $21,620 through June 30, 2009.
- We applied an exception percentage rate based on the dollars reviewed and estimate the overbilled amount through June 30, 2009, to be $32,161.

Cause: The Department did not allocate the State share of certain expenditures before entering them into the billing system.

Recommendation: The Department should implement internal controls to prevent overbilling for projects that are set up in the billing system with rate plans. Also, the

Department should analyze all projects with rate plans to determine the total overbilled amount.

Agency Response: "The Department agrees with this finding.

The system currently in place for the Federal billing of projects that are 80 percent Federally funded and 20 percent "In Kind," is to use a "rate plan." This enables the Department to properly account and bill for work performed by a municipality for this type of project. This system was jointly established by the Department and the Core-CT team at the implementation of the Core-CT Projects module and does not properly account for work being performed by consultants hired by the Department. (Generally, this is limited to lab testing being performed during the construction phase of a project.) An automated solution to this issue has not yet been identified. As a result, a manual solution has been put in place to eliminate the Federal overbilling which has occurred in the past.

All consultant assignments are currently submitted to the Division of Financial Management and Support (FMS) staff. They will review the assignment and associated project(s) in the Core-CT Project Costing Module to determine if the project is a Town "In Kind" project utilizing a "rate plan." Next, the Project Analysis Worksheet created by the Capital Services Division will be checked, as well as Core-CT Commitment Control, to review the budget lines and available funding. If a budget line utilizing Special Identifier (SID) 30361 exists, it will be chosen as the funding source to encumber the funding for the assignment being reviewed. If a budget line utilizing SID 30361 is absent from Commitment Control, then FMS staff will e-mail the appropriate Capital Services staff requesting a SID 30361 budget line to be added. Once the SID 30361 budget line is available, FMS will encumber 100 percent of the assignment amount against SID 30361. Upon completion of payment for the assignment, FMS staff will Spread Sheet Journal (SSJ) 100 percent of the SID 30361 expenditures over to the Federal SID 22108 (analysis type MSA), which will create a Federal billing for the appropriate amount."

III.B.3. Period of Availability – Expenditures Charged After the Period of Availability Expired

Highway Planning and Construction (CFDA #20.205)
Federal Award Agency: Department of Transportation (Federal Highway Administration (FHWA))
Award Years: State Fiscal Years Ended June 30, 2007 and June 30, 2008
Federal Project Numbers: 0001(044) and 0001(045)
State Projects: DOT07079998PL, DOT07089997RE and DOT07089998PL

Criteria: 49 CFR 18.23 (a) states that "Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted..."

Condition: The FHWA provides funding for transportation planning and research projects. The funding is for specific periods that are identified in the Federal contracts. Our expenditure review consisted of 88 transactions and disclosed one instance in which the Department billed the FHWA for an expenditure that was incurred after the funding period expired. This exception related to Federal contract #0001(045), which was for expenditures incurred from July 1, 2007 through June 30, 2008. Further review of the expenditures charged to that contract disclosed that the Department received Federal reimbursements for additional expenditures that were incurred after June 30, 2008. We also reviewed the transportation planning and research Federal contract that expired June 30, 2007 (Federal contract #0001(044)), and noted that the Department continued to bill against it after June 30, 2007. The contracts each consist of several projects which must be kept open after the funding period ends to allow for expenditures that were incurred during the funding period to be properly charged. The combo codes, which allow payroll charges to be recorded against a project, can be deactivated at any time; however, these remained open subsequent to the expiration of the contracts. Since the projects remained open and the required combo codes were still active, employees continued to charge payroll, as well as other project related expenditures, to them. Certain of the expenditures should have been charged to the projects that were set up under the Federal contract applicable to the period in which the expenditures were incurred.

Effect: We identified $462,022 in Federal reimbursements that the Department received from the FHWA for expenditures incurred after the expiration dates of the Federal contracts indicated above. Based on the error rate of the transactions we tested, we estimate the Federal reimbursements received after the funding periods expired to be $493,590 as summarized below:

- For payments made to vendors, there was $2,648,997 in Federal reimbursements with a transaction date in the billing system that was after the periods of availability expired.
- We reviewed the original vendor invoices for $1,856,539 of the $2,648,997, and noted exceptions totaling $73,957.
- We applied an exception percentage rate based on the dollars reviewed and estimate the amount of Federal reimbursements received after the periods of availability expired, applicable to vendor payments, to be $105,525.
- In addition, there were payroll charges billed for expenditures incurred after the periods of availability expired, totaling $388,065, applicable to both the known and estimated exception amounts.

Cause: The internal control procedures failed to detect that there were expenditures being charged to incorrect projects. Since these projects were set up in the billing system, the expenditures were included in Federal billings and Federal reimbursement was received.

Recommendation: The Department should improve internal controls over grant awards that have specified funding periods to ensure that Federal billings are made only for expenditures that are incurred during the allowed period.

Agency Response: "The Department agrees with this finding.

Written correspondence will be sent to all payroll time approvers notifying them that the effected payroll codes will be deactivated and providing them with the dates of the final pay period that these payroll codes can be utilized. It is the responsibility of the payroll time approvers to ensure the payroll codes for deactivated projects are not utilized. If deactivated codes are utilized and approved, the Office of the Comptroller notifies the Department's Payroll unit and a request is made for the timesheet to be corrected.

The Federal Highway Administration (FHWA) Statewide Planning and Research (SPR) is a two-year program. All non-payroll expenditures in the SPR Program can be incurred in the first and second fiscal years and payments can be made until the end of the third fiscal year. At times, there have been some exceptions to this and FHWA has granted approval to extend these payments beyond the period of availability. To ensure non-payroll expenditures are not made beyond the period of availability, all outstanding encumbrances will be analyzed to determine if a time extension is required. If a time extension is required, the Department will seek written approval from FHWA and if required, a time extension modification will be executed.

Also, at the time of final voucher, any charges that are determined to be beyond the period of availability or is not an approved exception and not eligible for FHWA reimbursement, they will be removed from the project with an SSJ. The Department's Capital Services office works very closely with Federal Billing to determine any ineligible charges."

C. DEPARTMENT OF LABOR

III.C.1. Performance Reporting

Workforce Investment Act (WIA) Adult Program (CFDA #17.258)
WIA Youth Activities (CFDA #17.259)
WIA Dislocated Workers (CFDA #17.260)
Federal Awarding Agency: Department of Labor
Award Year: Program Year 2007
Federal Award Number: AA-16019-07-55-A-9

Criteria: The Department is required to submit an ETA-9091 Annual Performance Report to the U.S. Department of Labor. That report contains tables to reflect education, earnings and employment information for targeted populations.

The ETA-9091 is due each October first and is to be based on WIA Standardized Record Data (WIASRD). Within two weeks after the Report is due, the Department must submit the WIASRD to the U.S. Department of Labor. The WIASRD contains information on individual participants, is submitted in support of tables in the ETA-9091, and, is based on information compiled by the Department's grantees.

The U.S. Department of Labor requires the Department to perform Data Element Validation for the purpose of ensuring that the data elements in the grantee records used to calculate aggregate reports are accurate.

Condition: For the Annual Performance Report dated October 2008, the Department cannot provide sufficient documentation to evidence that it has adequately reviewed the underlying data supporting the Annual Performance Report.

Effect: It cannot be determined if the data included in the Annual Performance Report was reviewed and verified as accurate.

Cause: For the Data Element Validation (DEV) the Department reviews client information maintained by the grantees; however, the Department neither creates a summary report of clients reviewed during the DEV process, nor makes a comparison between the data validated and the Annual Performance Report. Therefore it cannot be determined if the Department reviewed the underlying data included in the Annual Performance Report.

Recommendation: The Department should document the review of data included in the Annual Performance Report.

Agency Response: "We do not agree with this finding. The Agency conforms to all U.S. Department of Labor requirements for Data Element Validation (DEV) for WIA Performance Reporting. This includes Federal submittal of Report Validation, WIASRD data submittal, and Data Element Validation review/submittal. Our PY07 Performance Report submittal passed a three-pronged test:

1. Calculations were verified using a USDOL supplied tool.
2. The data elements passed a number of edit checks performed by USDOL with no less than 100% success.
3. Our Data Element Validation reviews 40% of the clients who comprise the Annual Performance measures for 13 of the 15 measures.

The Agency does document a summary report of Data Element Validation results on the State level and a version on the regional level."

Auditors' Concluding Comments: An adequate system of internal controls should include the documentation to evidence that the Agency verified information incorporated into its reports. The Agency did not have a detailed list of individual participant files reviewed and what elements were validated that would support information incorporated into the WIA Annual Performance Report.

III.C.2. Allowable Costs

Unemployment Insurance (CFDA #17.225)
Federal Awarding Agency: Department of Labor
Award Years: Federal Award Years 2007-2008, 2008-2009
Federal Award Numbers: UI-1637-08-55-A-9, UI-18011-09-55-A-9

Criteria: Office of Management and Budget Circular A-87 requires as a basic guideline, that for a cost to be an allowable charge to a Federal program, that cost must be authorized or not prohibited under State laws and regulations.

For unionized employees, the State follows the provisions of the contracts negotiated between the State and the unions. Certain union contracts require that for specified classes of employees, overtime cannot be paid. Instead, those employees are to receive compensatory time. The Department may receive approval from the State's Office of Policy and Management for exceptions to that rule. If exceptions are granted, the Department can pay employees for approved overtime.

Condition: We identified unauthorized payments of overtime totaling $663,852. Of this amount $128,499 was charged to the 2007-2008 funding and $535,353 was charged to the 2008-2009 funding.

Effect: The Unemployment Insurance (UI) program was overcharged for employee overtime.

Cause: We were informed that the Department submitted requests to the Office of Policy and Management (OPM) for the approval of overtime, but OPM did not provide the approval. We were also informed that the Department decided to pay the overtime anyway because the work needed to be done to process the increased UI program activity.

Recommendation: The Department should receive any required approval from OPM before paying employees for overtime worked.

Agency Response: "We agree in part with this finding. On June 30, 2008, Federal law created the Emergency Unemployment Compensation (EUC08) Program. This law extended unemployment benefits for an additional 13 weeks to individuals who had exhausted their state benefits. In order to implement this critical federally funded benefit extension program (as well as additional extension programs passed throughout FY 2009), the Department's program and technology staff needed to work extensive overtime hours. In accordance with the overtime provisions of union contracts, it was determined that the granting of compensatory time off would have created a hardship for the Agency in light of the extraordinarily high volume of unemployment compensation claims filed during this period. The Department submitted approval requests for the payment of overtime for certain exempt employees to the Office of Policy and Management (OPM). These overtime exemption requests covered the period July 21, 2008 through April 3, 2009, and totaled approximately $485,000. While the Department did not receive written approval, the Agency did inform OPM that it would proceed with its overtime plans in order to ensure the timely payment of benefits required by Federal law. "

III.C.3. Eligibility

Unemployment Insurance (CFDA #17.225)
Federal Awarding Agency: Department of Labor
Award Year: Not Applicable
Federal Award Number: Not Applicable

ARRA-Unemployment Insurance (CFDA #17.225)
Federal Awarding Agency: Department of Labor
Award Year: Not Applicable
Federal Award Number: Not Applicable

Criteria: Regulations of Connecticut State Agencies Section 31-236-46(a) requires that wages in lieu of notice or dismissal payments be allocated to the week(s) immediately following separation from employment, thereby delaying the start of benefit payments.

Condition: We reviewed eligibility determinations for a sample of 40 claimants. One of those claimants was paid by his former employer for 52 weeks of wages in lieu of notice. However, in the determination of eligibility for this individual, this was not allocated against the weeks immediately following separation from employment.

Effect: One claimant was paid benefits earlier than allowable. As a result, as of June 30, 2009, this claimant was overpaid a total of $27,243. Of this amount, $1,503 was paid in the 2007-2008 fiscal year, and $25,740 was paid during the 2008-2009 fiscal year. This person met other eligibility requirements and was entitled to benefit payments beginning several weeks before the end of the 2008-2009 fiscal year.

Cause: The Agency neglected to allocate the wages paid in lieu of notice.

Recommendation: The Department of Labor should comply with Regulations Section 31-236-46(a) in the allocation of wages during the eligibility calculations.

Agency Response: "We agree with this finding. We have reviewed the specific case, which is one of over 40,000 cases adjudicated by the administrator on the issue of allocation of wages. The claimant separated from … [his employer] on May 23, 2008, and filed a subsequent claim for benefits. A master decision was completed by the Office of Program Policy for all separating employees of … [that employer] on June 6, 2008, and sent to all Adjudication Offices. In the decision, it was determined that all wages in lieu of notice would be allocated immediately, severance pay would be non-allocable and vacation pay would be allocable immediately.

In the report on June 9, 2008, the adjudicator noted the decision from Program Policy, allocated the vacation pay, but inadvertently skipped the allocation of the wages in lieu of notice causing an overpayment of benefits.

Our Agency allocates all wages in lieu of notice in accordance with Connecticut Regulations Section 31-236-46(a). In the instant case, we set up a master decision to promote conformity of all decisions with this employer; however, the adjudicator missed this one issue even though it was recognized in the body of his report for vacation and severance pay."

III.C.4. Reporting

Unemployment Insurance (UI) (CFDA #17.225)
Federal Awarding Agency: Department of Labor
Award Year: State Fiscal Year 2008-2009
Federal Award Number: UI-18011-09-55-A-9

Criteria: The Department is required to submit to the U.S. Department of Labor Overpayment Detection and Recovery Activities Reports ETA 227.

The UI Reports Handbook No. 401, ETA 227 Overpayment Detection and Recovery Activities, Section D. General Reporting Instructions states that all applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the State's financial accounting system.

Condition: We obtained the ETA 227 report for the quarter ended June 30, 2009. Our findings follow:

- Section E:

We were informed that the amounts reported could not be verified to the Department's records.

- Sections A through D:

When we originally asked for detailed support for the numbers reported it was not readily available. As a result of audit inquiries the Agency did obtain lists of individual clients/cases that support a few of the smaller numbers reported. We were informed that Agency staff would have to develop a query to obtain from the automated system the detail for the other amounts reported, and, staff did not have the time to do that for this audit.

Effect: The amounts reported on the Department's ETA 227 report could be incorrect.

Cause: The Department's system does not provide an adequate audit trail for the accounting for receivables from overpayments.

We were informed that the information for Report Sections A through D is on the Agency's automated system; and that a query is done that identifies the cases that are to be reported on and summarizes the totals required in the report. We were also informed that due to time constraints Agency staff could not provide the support for the larger numbers reported.

Recommendation: The Department's recordkeeping system should accurately account for, in detail, overpayment detection and recovery activity reported on the ETA 227 report.

Agency Response: "We agree with this finding. In the year 2000, Benefit Payment Control (BPC) and Information Technology (IT) staff worked on and completed the programming of Sections A through D of the ETA 227 report. The Department has an accurate, detailed record keeping of Sections A, B, C and D of the ETA 227 report. However, our IT staff was unable to retrieve this information as the result of time restraints caused by their implementation of multiple extensions of the unemployment compensation program."

D. DEPARTMENT OF PUBLIC HEALTH

III.D.1. Allowable Costs/Cost Principles – Personnel Costs

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA #10.557)
Federal Award Agency: United States Department of Agriculture
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 4CT700700

Public Health Emergency Preparedness (PHEP)(CFDA #93.069) Non Major Program
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2007-2008
Federal Award Number: U90TP116996-09

Criteria: OMB Circular A-87 requires that the distribution of charges for the salaries and wages of employees working on multiple activities or cost objectives be supported by "at-least" monthly personnel activity reports or equivalent documentation of an after-the-fact distribution of the actual activity of each employee and the total activity for which they are compensated. The Department has established policies for such documentation.

OMB Circular A-87 requires that costs charged to a Federal award be necessary and reasonable to carry out the Federal award.

Condition: The following questioned costs relating to charges for payroll, on-call and overtime payments to employees were either not supported by documentation of the employees' actual activities or were not supported by the awards' budgets.

Activity Reports: Payroll charges to the WIC grant for an employee's time were not based on periodic personnel activity reports. As a result of our inquiry, the Department created a new certificate that documented fewer hours than were originally charged to the grant. As of December 31, 2009, the Department had not made any adjustments to correct the charges. We question the following payroll, fringe benefit and indirect costs.

CFDA #	Population	Sample	Questioned Costs
10.557	$ 1,825,812	$ 9,457	$ 1,164

On-call payments: Six employees received on-call payments that were not supported by the budget of the PHEP grant award. We question the following on-call pay, along with the related fringe benefits and indirect costs.

CFDA #	Population (on-call)	Sample	Questioned Costs
93.069	$ 71,582	$ 71,582	$ 48,011

Overtime charges: Only the overtime worked by an employee was charged to the PHEP grant. These charges are not included in the detailed grant budget and are the result of a non-Federal contract between the Department and the State police. We question the following overtime payments, along with the related fringe benefits and indirect costs.

CFDA #	Population	Sample	Questioned Costs
93.069	$ 1,825,812	$ 4,777	$ 4,777

Effect: Total questioned payments to employees along with the related fringe benefit, and indirect costs are as follows:

CFDA #/ Contract #	Questioned Costs
10.557	$ 1,164
93.069	52,788

Cause: A lack of program oversight appears to have contributed to the conditions. With the support of the Department's management, program management's use of Federal funds was inefficient and not in accordance with grant budgets.

Recommendation: The Department should comply with OMB Circular A-87 by only charging Federal awards for necessary and reasonable costs that are included by the Federal awards' budgets and are supported by periodic personnel activity reports or equivalent documentation.

Agency Response: "We agree in part with the finding. The Department has chosen to address these problems by utilizing the projects module of Core-CT. The agency began migrating grants to projects beginning July 1, 2008. This function allows the accountant to eliminate the users' ability to access prior periods funding. Furthermore, by granting more people 'view only' access, any errors should be picked up earlier and corrected. In addition, the corresponding draws will match what is in Core-CT.

The Department feels that it is in compliance with OMB Circular A-87; the charges for the activity reports are being investigated. As to the reference for the on-call payments, the program has on-call listed in the budget with one specific staff person listed as being on call for a 24/7 period of time. This individual is the head of the unit responsible for the on call charges and it was felt that since individual personnel may vary, that any time for on-call would be reported under that line item. Under overtime, the budget reads that staff would be available to perform certain duties which include duties performed that result in on-call pay. Since not every employee is entitled to on-call pay, these services are budgeted as overtime charges. The agency will put a State funded person on a team to perform Federally funded activities and this includes work performed as overtime. Although names are included in the budget, the transfer of personnel occurs on an as needed basis and personnel are added to the team per the program directors' written request. This allows the optimum maximization of personnel utilization. …"

Auditors' Concluding Comments:

We question the on-call charges because the grant budgets do not generally include on-call pay. The budget for the PHEP award only provides on-call pay for one supervisory employee and specifically overtime for all staff, "to accept, process, and analyze suspect biological and chemical samples…." The Department's definition of overtime as including on-call pay is not supported by the grant award. On-call pay may be a means for the Department to enhance some employees' pay.

III.D.2. Cash Management – Monitoring of Subrecipient Cash Balances

Immunization and Vaccine Grants for Children (IMM) (CFDA #93.268)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2006-2007 and 2007-2008
Federal Award Numbers: CCH122525-05 and 2H23IP122525-06

Criteria: 31 CFR 205 specifies that States should time the transfer of funds to subrecipients, to the maximum extent practicable, with the subrecipients' actual immediate funding requirements to carry out the program or project. 45 CFR 92.20(b)(7) requires that grantees monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees. 45 CFR 92.21(c) provides that subgrantees shall be paid in advance, provided they demonstrate the ability to minimize the time elapsing between the transfer of funds and their subsequent disbursement. 45 CFR 92.21(e) provides that if a grantee cannot meet the criteria for advance payments under 45 CFR 92.21(c), an awarding agency shall advance cash to a grantee to cover its estimated disbursement needs for an initial period with subsequent payments made to reimburse actual cash disbursements.

Condition: The Department of Public Health has established different policies and procedures for compliance with Federal cash management requirements based on whether or not a contract meets a $200,000 threshold. For those contracts that exceed the threshold, the Department's policy provides advance funding for an initial period with subsequent payments based on bi-monthly estimates of cash need. For those contracts that are below the threshold, advance funding is also provided for an initial period, but subsequent payments are based on contractually established benchmarks, without consideration of the subrecipients' actual cash needs. Regardless of whether the payments were above or below the threshold, the Department's policies do not comply with the requirements.

In our sample of 43 payments from various Federal awards against contracts totaling $4,119,219 we noted that 11 payments totaling $1,481,354, did not comply with cash management guidelines.

Effect: There were no questioned costs as a result of our testing. Three of the subrecipients in our sample returned $139,022 in excess funds. Our review of the Department's records found that during the 2009 State fiscal year there were 87 deposits from subrecipients who returned a total of $821,579 in excess funds.

Cause: The Department has not implemented sufficient policies and procedures to adequately determine and monitor its subrecipients' cash needs.

Recommendation: The Department of Public Health should establish policies and procedures that minimize the time elapsing between the transfer of funds and their subsequent disbursement by subrecipients in compliance with Federal requirements.

Agency Response: "We agree in part with this finding. 31 CFR 205 requires in part that to the maximum extent practicable, funding to subrecipients will be for actual - immediate funding requirements to carry out the program or project. The Department chooses to carry out the mission of ensuring health services through local organizations that are our healthcare partners. These organizations and the health departments in Connecticut are the first line providers of services and education to clients. To ensure these organizations are ready and able we provide funding to them via contracts and payment schedules. This manner of funding the first line providers is our best effort of cash management that meets both the goal of minimizing cash draw timeframes and remains consistent with program purposes. The Department's resources are such that improvements to this area will be difficult to achieve without a redirect of time away from delivery of services to clients. This is not a choice we are prepared to make. We will continue to look for opportunities in both policy and procedural areas to improve on this finding."

III.D.3. Cash Management – Timing and Calculation of Agency Cash Requirements

Immunization and Vaccine Grants for Children (IMM) (CFDA #93.268)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2006-2007 and 2007-2008
Federal Award Numbers: CCH122525-05 and 2H23IP122525-06

Criteria: Title 31 Code of Federal Regulations Part 205 Section 33 provides that the State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

Condition: During State fiscal year 2009, the Department began implementing the Project Accounting module in Core-CT. Although our tests did not note any reportable exceptions regarding Federal draws that were made based on this module, exceptions continue to be noted for those awards that are not included in the module. The Department's internal controls are not sufficiently designed to prevent and detect errors in calculating the amounts of those Federal draws. Generally, draws are calculated based on the Department's cumulative expenditures since the last draw was made. These calculations do not consistently include credits and adjustments, resulting in occasional clerical errors. In addition, the Department does not detect these errors because it does not reconcile cumulative expenditures (net of credits and adjustments) to the cumulative cash drawn for each award. The following table summarizes the population and audit exception noted by our analytical review.

CFDA #	Population and Sample of Draws	Audit Exceptions Net Liability Federal/(State)	
93.268	$ 3,516,770	$ 350,255	*

* - A receivable of $109,383 that was included in the 2008 Statewide Single Audit report was still outstanding at January 25, 2010.

Effect: Ineffective controls over drawdowns of Federal cash can result in excessive Federal or State liabilities. The IMM grant had a net Federal liability of $350,255 at June 30, 2009.

Cause: The Department's method for calculating cash draws does not include reconciling cumulative expenditures (net of credits and adjustments) to the cumulative cash drawn for each award. Delays in posting accounting corrections contributed to some of these errors and are also addressed in our finding III.D.4.

Recommendation: The Department of Public Health should improve its policies and procedures over cash management.

Agency Response: "We agree with this finding. While the majority of the Department's effort in cash control has been aimed at the Department's transition to the Project's Module and the billing component which now drives the cash draws, we recognize the need to revisit the previously submitted financial reports and balance to the cash drawn for records that were used prior to the implementation of projects. In regards to the $350,255 dollar outstanding draw noted for 93.268, we are currently working to reconcile that account with the Federal Agency governing the account due to some differences between the State's records and the Federal Government's records. These variances are due to carry forwards requested by the State Agency that have influenced the cash records of the Federal Agency. Once the Federal and State records are reconciled by the Federal Agency, the Department will be able to process the draw."

III.D.4. Period of Availability, Cash Management, and Financial Reporting – Coding Errors and Adjustments

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA #10.557)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Year 2006-2007 and 2007-2008
Federal Award Number: 4CT700700

State Survey and Certification of Health Care Providers and Suppliers (Medicaid) (CFDA #93.777)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 05-0705-CT-5000

Criteria: 7 CFR 246.16(b)(3) and 45 CFR Part 92.23 require that only costs resulting from obligations of a funding period may be charged to that award. A grantee must liquidate all obligations incurred under an award not later than 90 days after the end of the funding period. This is referred to as the period of availability.

45 CFR 92.20 (a) and (b) indicate, in part, that effective internal control and accountability must be maintained for all grantee and subgrantee assets, assuring its use solely for authorized purposes in accordance with State laws

and procedures for expending and accounting for its own funds.

The State Accounting Manual establishes the Comptroller's records as the official accounting records of the State of Connecticut. A centralized information system (Core-CT) is used to maintain those records. It is the responsibility of the Chief Fiscal Officer of each State agency to reconcile the agency's records with those of the Comptroller. Any error discovered in this reconciliation (other than one that affects only the agency records) should be reported.

Condition: The Department began implementing project accounting during the audit period. As a result, the number of budget reference coding errors noted by our audit has decreased; however until all of the Department's awards are accounted for through the projects module, it is likely that errors will continue to occur. Accounting errors and the timing and accuracy of their correction affect the Department's ability to comply with Federal period of availability, cash management, and financial reporting requirements.

Financial Reporting: Adjustments that were reflected in various financial reports were not posted to Core-CT at the time of our audit. In some cases the Department did not record or update the correct CFDA #s in Core-CT resulting in errors that required adjustments to the State's Schedule of Expenditures of Federal Awards.

Payroll Transactions: Personnel related costs of the WIC program were charged to grant years that were no longer available, resulting in the need for subsequent adjustments. Adjustments to correct these miscoded transactions require increased effort on the part of staff. Our audit of salary costs noted that proper adjustments were reflected in financial reports; however, these adjustments were not always recorded in Core-CT in a timely manner.

Effect: There were no questioned costs noted. Failing to record transactions against the correct grant award at the time of the initial entry creates inefficiencies and increases the risk that errors will not be detected. A subsequent delay in posting corrections increases the risk for errors and further reduces the efficiency of staff. In addition, the errors and delays in recordkeeping have affected the Department's ability to estimate their cash needs accurately; they have made it more difficult to prepare accurate financial status reports in a timely manner; and have made monitoring for compliance with Federal period of availability requirements more difficult.

Cause: Clerical errors and employee turnover may have contributed to some of these findings.

Recommendation: The Department of Public Health should comply with Federal cash management, period of availability and financial reporting requirements by improving controls designed to ensure that transactions are recorded in the proper grant award, and that adjustments are properly made in a timely manner.

Agency Response: "We agree with this finding.

The agency expects that the use of the Project Module in Core-CT will preclude the need for the majority of adjustments, since the personnel are charging their time to the project that they are working on in 'real time' and old year's accounts are made unavailable, ensuring that charges are made to the proper grant year. The use of the Project Module is already reducing the need for corrections and has enhanced the agency's ability to comply with Federal periods of availability, cash management, and financial reporting requirements.

The CFDA numbers were changed on grant awards without notice and the agency had to set up new SIDs and then move the expenditures to the new SID, as well as create personnel action forms to move all of the personnel. The agency worked in conjunction with the Comptroller's Office on these and efforts have been made to avoid this problem in the future."

III.D.5. Financial Reporting – Overspending and Timeliness over Financial Reporting

Immunization and Vaccines for Children Grants (IMM) (CFDA #93.268)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2007-2008
Federal Award Number: 2H23IP122525-06

Criteria: Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, Part 3 - Section L states that, "Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency."

The Center for Disease Controls (CDC) terms and conditions state that a financial status report (FSR) should be filed within 90 days after the end of the grant period. In this instance an amendment was issued stating "this amendment is an administrative action to correct the previously over awarded amount of $91,112 in carryover in 2008. The award has been revised to reduce funding by that amount. A revised FSR reflecting the total awarded amount of $3,912,792 is due September 30, 2009." This modification was issued on August 14, 2009, eight months after the award ended. The previous grant award letter in the Department of Public Health's file was for a total of $4,003,904 dated September 9, 2008.

Condition: The Department of Public Health does not consistently file financial status reports by their deadlines. Such delays have contributed to a disagreement between the Federal Awarding Agency and the Department. As a result, a recent financial report for the IMM grant presents $3,912,792 in expenditures; however actual expenditures totaled $4,023,126. The difference of $110,334 is comprised of indirect costs that cannot be charged to the award due to the decrease in Federal funding.

Effect: Not filing a complete and timely financial report can cause the Federal awarding agencies to withhold funding going forward.

Cause: Delays in posting accounting corrections contributed to the reporting delays. These delays are also addressed in our finding III.D.4.

Disagreements about carry over funds from prior years contributed to the delay in filing and the overspending for CFDA #93.268. These disagreements were between program and finance personnel from both the CDC and the Department.

Recommendation: The Department of Public Health should submit timely Financial Status Reports.

Agency Response: "We agree with this finding. With the conversion to the Projects Module we are confident that reports will be submitted timely."

III.D.6. Subrecipient Monitoring – Review of Subrecipient Schedules of Expenditures of Federal Awards

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA #10.557)
Federal Award Agency: United States Department of Agriculture
Award Year: Federal Fiscal Year 2007-2008
Federal Award Number: 4CT700700

Criteria: In order to determine if programs funded by the Department of Public Health receive adequate coverage during the audits of subrecipients, Department staff must examine the audited Schedules of Expenditures of Federal Awards (SEFA) for completeness.

Condition: In our sample of five Departmental reviews of subrecipients' SEFA reports, we noted exceptions regarding four of them. One of the four SEFA reports had not been reviewed at all. The staff responsible for reviewing the SEFA reports for the three other subrecipients appeared to sufficiently identify errors in those reports; however, there was only an initial effort to follow-up on the variances for two of the contractors and no final resolution was reached for either of them.

Effect: There is an increased risk that funding provided by the Department of Public Health may not have received the intended audit coverage.

Cause: A turnover in staff contributed to the condition.

Recommendation: The Department of Public Health should follow-up on material discrepancies between the amounts reported on subrecipients' Schedules of Expenditures of Federal Awards and the amounts on the Department's records. An inventory of completed reviews should be made to identify those reports with variances and the necessary follow-up should be made.

Agency Response: "We agree with this finding. The Department had a complete turnover of personnel in this area. The Unit is now active with two full time staff members and we are working on the extensive backlog of reports that need review."

E. DEPARTMENT OF CHILDREN AND FAMILIES

III.E.1. Allowable Costs/Cost Principles – Cost Allocation Plan

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008, 2008-2009
Federal Award Numbers: 0801CT1401, 0901CT1401

Adoption Assistance (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008, 2008-2009
Federal Award Numbers: 0801CT1407, 0901CT1407

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008, 2008-2009
Federal Award Numbers: G0801CTTANF, C0901CTTANF

Medical Assistance Program (Medicaid Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008, 2008-2009
Federal Award Numbers: 05-0805CT5028, 05-0905CT5028

Criteria: Title 45 Code of Federal Regulations Section 95.507 requires states to submit a cost allocation plan to the Director, Division of Cost Allocation (DCA), Department of Health and Human Services. The plan shall conform to the accounting principles and standards prescribed in OMB Circular A-87. OMB Circular A-87 requires that to be allowable under Federal awards, costs must be adequately documented.

Condition: Our review of the Department's Public Assistance Cost Allocation plan (PACAP) disclosed that total expenditures that were allocated through the PACAP were overstated by $168,134, $174,072, and $152,709 for the quarters ended September 30, 2008, December 31, 2008, and March 31, 2009, respectively.

Effect: There is non-compliance with OMB Circular A-87. The overstatement of costs resulted in questioned costs of $29,033, $12,184, $43,818 and $1,625 charged to the Foster Care Title IV-E, Adoption Assistance, TANF and Medicaid programs, respectively.

Cause: A different individual became responsible for running the trial balance used in preparing the Department's PACAP. The employee reported certain fringe benefit account codes in both the fringe benefits and other expenditures columns of the PACAP supporting worksheets in error. In addition, there were variances between the Department's trial balance and the General Ledger.

Recommendation: The Department should strengthen internal controls to ensure that the proper expenditure amounts are allocated through the cost allocation process.

Agency Response: "We agree with this finding. The error in reporting fringe benefits for the three quarters identified has been corrected with financial adjustments posted in the June 2009 IV-E Claim. In addition, starting with the December 2009 IV-E Claim, fringe benefits will be reported from Core-CT General Ledger Reporting rather than Core-CT EPM Reporting, thereby eliminating the remaining small variances in the Department's trial balance."

III.E.2. Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallowable Activities/Unsupported Payments

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 0801CT1401 and 0901CT1401

ARRA-Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 0901CT1402

Background: The percentage of Federal funding in Foster Care maintenance payments is based on the Federal medical assistance percentage. The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Foster Care program in Federal fiscal year 2008-2009. The Foster Care funding rate generally was increased by 6.2 percent from 50 percent to 56.2 percent.

Criteria: Funds may be expended for Foster Care maintenance payments on behalf of eligible children. Title 42 United States Code Section 675(4)(A) defines the term "foster care maintenance payments" as payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation. Title 42

United States Code Section 672(b) requires that Foster Care maintenance payments shall be limited so as to include in such payments only those items which are included in the term "foster care maintenance payments" as defined in Section 675(4).

Title 45 Code of Federal Regulations Section 1356.60(c)(3) states that allowable administrative costs do not include the costs of social services provided to the child, the child's family or foster family which provide counseling or treatment to ameliorate or remedy personal problems, behaviors or home conditions.

OMB Circular A-87 requires that to be allowable under Federal awards, costs must be adequately documented.

Condition: We reviewed a sample of 40 Foster Care maintenance payments totaling $64,134 (or $35,160 net Federal Financial Participation (FFP)) for compliance with the Federal Activities Allowed or Unallowed/Allowable Costs, Cost Principles requirements. Our sample was randomly selected from a universe of $57,871,697 of which $31,577,601 was claimed for Federal reimbursement during the State fiscal year ended June 30, 2009. We could not determine the number of transactions included in our audit universe.

Our review disclosed that for one transaction in the amount of $273, the Department paid for therapeutic foster care on behalf of a child, but there was no evidence to support that the child required this higher level of care. This resulted in the Department overclaiming $188 in Federal reimbursement, which is the difference between the therapeutic foster care rate and the standard foster care rate for the child's age. We found additional maintenance payments that were not part of our sample, which totaled $32,330, made on behalf of the child to the same provider for therapeutic foster care during the State fiscal year ended June 30, 2009, which resulted in the Department overclaiming an additional $22,305 for Federal reimbursement.

We identified one transaction in the amount of $552 which was claimed twice for Federal reimbursement in error. We noted an additional eleven payments totaling $3,050 for the same child that were claimed twice in error during the State fiscal year ended June 30, 2009, that were not part of our sample.

We reviewed an additional transaction in the amount of $5,542 that was not part of our random sample in order to follow-up on the prior audit condition and found that the transaction contained charges for respite and consultative services, which resulted in the Department overclaiming $63 for Federal reimbursement. We found that additional maintenance payments made on behalf of the child to the same provider during the State fiscal year ended June 30, 2009, which totaled $43,443 (of which $23,727 was claimed for Federal reimbursement), also contained charges for unallowed activities which resulted in the Department overclaiming an additional $490 for Federal reimbursement.

Effect: One payment in our sample where the child's need for therapeutic foster care was unsupported represents $106 (net FFP) of questioned costs. We identified additional payments that were not part of our sample where this higher level of care was unsupported representing questioned costs of $12,294 (net FFP).

Duplicate claims represent $2,003 (net FFP) in questioned costs.

One payment outside of our sample that contained charges for unallowed activities represents $35 (net FFP) of improper payments. In addition, we identified additional payments that contained charges for unallowed activities resulting in improper payments of $268 (net FFP).

Cause: The Department's practice had been to pay the therapeutic foster care rate for both children in a sibling group even if only one of the children required the higher level of care in order to keep the siblings together.

The Department's eligibility system contained two case numbers for one child which resulted in two claims for each payment made on behalf of the child.

The Department's claiming process is not adequately designed to accurately identify costs of unallowable services included in certain per diem rates. The error identified was coded to a special foster care rate service code in which rates calculated for these service codes combine multiple service categories, which include both allowed and unallowed activities under the Foster Care program, to arrive at a single per diem rate for the provider. The per diem rate calculated for this provider was based on annualized costs of providing multiple services to a child. For claiming purposes, the Department decreased the claim by 7.7 percent to adjust for unallowed activities, such as respite and consultative services. However, the per diem rate paid on behalf of the child in our sample included 8.74 percent in respite and consultative costs.

Recommendation: The Department of Children and Families should establish internal controls that accurately calculate the costs of unallowable services included in provider per diem rates and should strengthen internal controls to ensure all amounts claimed for reimbursement are adequately supported.

Agency Response: "We agree with this finding. A financial adjustment of $12,400 FFP will be posted to the December 2009 IV-E Claim to exclude unallowed IV-E claims for the child placed with a sibling in a higher level of care. In addition, a system error that erroneously included duplicate payments for 3 children was identified and corrective action was taken to eliminate all duplicate transactions and adjustments were systematically applied to the September 2009 IV-E Claim. The third finding is the result of the Department not being able to apply a child specific IV-E rate to a provider. A new eligibility system is currently being developed that will allow for the use of child specific rates. Until the new system is completed, we will modify and reduce the percentage claimed to Title IV-E retroactive to the beginning of SFY 2009. Retroactive adjustments related to this change will be systematically applied to the December 2009 IV-E Claim."

III.E.3. Eligibility – Improper Payments/Inadequate Documentation

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 0801CT1401 and 0901CT1401

ARRA-Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 0901CT1402

Background: The percentage of Federal funding in Foster Care maintenance payments is based on the Federal medical assistance percentage. The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Foster Care program in Federal fiscal year 2008-2009. The Foster Care funding rate generally was increased by 6.2 percent from 50 percent to 56.2 percent.

Criteria: Foster care benefits may be paid on behalf of a child and claimed for Federal reimbursement only if the following requirements are met.

Title 45 Code of Federal Regulations Section 1356.21(d) states that judicial determinations regarding contrary to the welfare, reasonable efforts to prevent removal, and reasonable efforts to finalize the permanency plan in effect, including judicial determinations that reasonable efforts are not required, must be explicitly documented and must be made on a case-by-case basis and so stated in the court order.

Title 42 United States Code 672(a) requires that foster care maintenance payments may be made on behalf of a child who has been removed from the home of a specified relative into foster care if the child, while in the home, would have met the AFDC eligibility requirement as in effect on July 16, 1996.

Title 42 United States Code Section 672(b) requires that foster care maintenance payments may be made only on behalf of a child who is in the foster family home of an individual or in a child care institution. Title 42 United States Code Section 672(c) defines a foster family home for children or child-care institution as one which is licensed by the State in which it is situated or has been approved, by the agency of such State having responsibility for licensing home of this type, as meeting the standards established for such licensing.

Title 42 United States Code Section 671(a)(20)(A), as amended by Public Law 109-248 Section 152(c), requires that the State plan provide procedures for criminal records checks, including fingerprint-based checks of national crime information databases, for any prospective foster parent before the foster parent may be finally approved for placement of a child regardless of whether foster care payments are to be made on behalf of the child under the State plan.

Title 45 Code of Federal Regulations Section 1356.30 further states that the State must provide documentation that criminal records checks have been conducted with respect to prospective foster parents and that the State may not claim Federal financial participation (FFP) for any foster care maintenance payments made if the State finds that the prospective foster parent has been convicted of a felony involving child abuse or neglect, spousal abuse, or a crime involving violence or if the prospective foster family has been convicted within the last five years of a felony involving physical assault, battery, or a drug-related offense.

Title 42 United States Code Section 671(a)(20)(C), as amended by Public Law 109-248 Section 152 (c), requires that the State shall check any child abuse and neglect registry maintained by the State for information on any prospective foster parent and on any other adult living in the home of such a prospective parent before the prospective foster parent may be finally approved for placement of a child, regardless of whether foster care maintenance payments are to be made on behalf of the child under the State plan.

Condition: We reviewed a sample of 40 Foster Care maintenance payments totaling \$64,133 (or \$35,160 at the Federal Financial Participation (FFP) rate) for compliance with Federal eligibility requirements. Our sample was randomly selected from an audit universe of \$57,871,697 of which \$31,577,601 was claimed for Federal reimbursement during the State fiscal year ended June 30, 2009. Of the forty transactions selected, twenty were specifically selected from those cases in which the eligibility determination was performed during the audit period. We could not determine the audit universe of payments for which the eligibility determination was performed during our audit period or the number of transactions included in our audit universe.

Our review disclosed that for a total of 17 transactions, totaling \$15,388, one or more of the Federal eligibility criteria was not met or was unsupported as follows:

- For one transaction, the child did not meet the required AFDC eligibility criteria in effect on July 16, 1996.
- For one transaction, judicial determinations supporting the child's removal from the home were not on hand.
- For two transactions, a valid license was not in the licensing file and documentation supporting safety considerations for the applicable dates of service were not on hand.
- For 14 transactions, the criminal background checks were not adequately documented.

For the first instance listed above, we found that additional payments, totaling \$3,371, were inappropriately claimed for Federal reimbursement during the fiscal year ended June 30, 2009. These payments were not part of our sample.

Effect: One payment in our sample in the amount of \$448 (net FFP) and payments totaling \$1,894 (net FFP) that were not part of our sample, made on behalf of an ineligible child, represent improper payments.

Sixteen payments in our sample totaling \$8,084 (net FFP) lacking adequate supporting documentation represent questioned costs.

Cause: The Department did not adequately review, document, and/or retain all available information during the eligibility determination or redetermination process. We could not determine whether the provider's license and relicensing documents were misplaced or if the Department did not perform relicensing procedures.

We could not determine whether the supporting records for the criminal history background checks were misplaced or if the Department did not obtain the required documentation to support that the criminal history background checks were performed.

Recommendation: The Department of Children and Families should improve its system of controls to ensure that payments claimed for reimbursement under the Foster Care Title IV-E program are made only for eligible children and are adequately documented prior to filing such claims with the Federal government.

Agency Response: "We agree with the finding. The Office of Foster Care and Adoption Services [OFAS] Social Work Supervisors and Program Supervisors have been directed to conduct quality control checks. Social Work Supervisors will review 10 cases per month for adherence to policy. If errors continue to be found in the cases being reviewed, Office of Foster Care and Adoption Services supervisors and managers will utilize LINK reports to better identify problematic functional areas and/or staff. They will then address the concerns with specific individuals and their supervisors, and direct supervisors to provide targeted refreshers. Failure to comply with the directive included in the 9/1/09 OFAS Memorandum which was disseminated to all Office of Foster Care and Adoption Services staff and directed them to enter in the SACWIS [Statewide Automated Child Welfare Information Systems] timely and accurate data regarding both the safety checks and the dates they were requested and returned, along with the results, will result in progressive discipline in accordance with departmental policy and collective bargaining agreements.

The twenty IV-E determinations will be corrected. The adjustments will be reflected in the March 2010 claim."

III.E.4. Eligibility– Inadequate Documentation

Adoption Assistance (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 0801CT1407 and 0901CT1407

ARRA-Adoption Assistance (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: 0901CT1403

Background: The percentage of Federal funding in Adoption Assistance subsidy payments is based on the Federal medical assistance percentage. The provisions of Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA, Public Law 111-5, enacted February 17, 2009), authorizes a temporary increase in the Federal medical assistance percentage to fund the State's Adoption Assistance program in Federal fiscal year 2008-2009. The Adoption Assistance funding rate generally was increased by 6.2 percent from 50 percent to 56.2 percent.

Criteria: In accordance with Title 45 Code of Federal Regulations Section 1355.21, the Department of Children and Families administers the Title IV-E Program for the State's Adoption Assistance Program. Public Law 105-89 and Title 45 Code of Federal Regulations Section 1356.30 require that the State must provide documentation that criminal record checks have been conducted with respect to prospective adoptive parents. Title 42 United States Code Section 671(a)(20)(A), as amended by Public Law 109-248 Section 152, requires that the State plan provide procedures for criminal records checks including fingerprint based checks of national crime information databases for any prospective adoptive parents before the adoptive parent may be finally approved for placement of a child regardless of whether adoption assistance payments are to be made on behalf of the child under the State plan.

Condition: We reviewed a sample of 40 Adoption Assistance payments totaling $37,173 (or $20,467 net Federal financial participation (FFP)) for compliance with Federal eligibility requirements. Our sample was randomly selected from an audit universe of $42,275,560, of which $23,119,726 was claimed for Federal reimbursement during the State fiscal year ended June 30, 2009. Of the forty transactions selected, 20 were specifically selected from those cases in which the eligibility determination was performed during the audit period. We could not determine the audit universe of payments for which the eligibility determination was performed during our audit period or the number of transactions included in our audit universe.

Our review disclosed that for ten transactions totaling $8,632 a complete satisfactory criminal background check on the prospective adoptive parents was not documented. For seven transactions, one or more of the components of the criminal background checks was not in the provider file and in three cases, the background check was supported only by a checklist with no supporting documentation. In all three cases, the checklist was also incomplete.

Effect: The Department's Adoption Assistance claims included $8,632 ($4,747 net Federal reimbursement) in costs that we questioned as lacking adequate documentation at the time of the audit. There are inadequate controls in the

Department's ability to maintain required documentation to support compliance with Federal requirements.

Cause: The Department either failed to obtain the required documents or subsequently misplaced the content of the case files. In addition, it appears that the practice in some of the Department's offices is to complete a checklist without maintaining the supporting documentation.

Recommendation: The Department should improve internal controls to ensure that all documents supporting the eligibility of Adoption Assistance are obtained and maintained.

Agency Response: "We agree with the finding. The Office of Foster Care and Adoption Services staff have been directed to consistently update SACWIS [Statewide Automated Child Welfare Information Systems] with timely and accurate data regarding both the foster home safety checks and the dates they were requested and returned, along with the results. On September 1, 2009, a memorandum was disseminated to all Office of Foster Care and Adoption Services staff, directing them to enter in the SACWIS timely and accurate data regarding both the safety checks and the dates they were requested and returned, along with the results. Social Work Supervisors and Program Supervisors were directed to ensure compliance and conduct quality control checks. The ten adoption assistance cases claimed for IV-E will be corrected and the adjustments reflected in the March 2010 claim."

III.E.5. Allowable Costs/Cost Principles

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2007-2008
Federal Award Number: G0801CTTANF

Background: Title 45 Code of Federal Regulations Part 205 Section 100 provides that the Department of Social Services has been designated Connecticut's single State agency to administer TANF.

As part of the operations of the State's Department of Children and Families (DCF), certain services provided to clients were claimed for Federal reimbursement under TANF purpose number one, which is to provide assistance to needy families so that children may be cared for in their homes or in the homes of relatives.

DCF requires its providers to complete a TANF Eligibility Determination/Re-Determination Form for each client. These forms are used to compile statistical data to support the amount that is claimed for reimbursement. Each quarter DCF prepares a worksheet that identifies the payments made to providers that are claimable under TANF.

Criteria: OMB Circular A-87 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Condition: We reviewed five provider payments totaling $492,389. Of this amount $486,825 was claimed for Federal reimbursement under the TANF program for the quarter ended September 30, 2008, based on eligibility statistics compiled by the providers. Our review disclosed that for three transactions in the amounts of $93,117, $7,405, and $269,591, the eligibility determination forms did not match the eligibility rates reported and there were no detailed listings identifying all of the individual clients served and those that were determined eligible and ineligible to support the eligibility rate. In two instances, the number of eligibility determination forms was greater than the number of clients reported as served and we could not determine which clients received service during the period under review. In a third instance, the eligibility rate was calculated based on 21 clients, of which 12 were eligible for TANF. However, the supporting documentation only included 10 eligibility determination forms, of which 7 clients were determined TANF eligible. We could not determine whether the eligibility rate was miscalculated or whether eligibility determination forms were missing.

We compared total expenditures of $1,364,882 for family preservation services reported by DCF of which $836,612 was claimed for the quarter ended September 30, 2008, to reports generated from the Statewide Core-CT accounting system. Our review disclosed one transaction in the amount of $225,651 that was claimed for Federal reimbursement that was not paid to the provider during the quarter ended September 30, 2008.

Effect: Without accurate records of eligible expenditures and supporting documentation of TANF eligibility determination forms for all clients served, there is a lack of assurance that costs of DCF that were claimed under TANF are allowable. We are considering $595,764 to be questioned costs.

Cause: The Department of Children and Families did not properly monitor its providers to ensure that the eligibility statistics were properly calculated and supported by TANF Eligibility Determination/Re-Determination Forms. The Department relied on summary figures electronically submitted by the vendors.

The Department generated summary expenditure reports for Federal reimbursement that were not based on the state-wide Core-CT accounting system.

Recommendation: The Department of Children and Families should strengthen its internal controls to ensure that accurate statistics are used to calculate costs eligible for Federal TANF program reimbursement and that amounts claimed are adequately supported. In addition, the Department of Social Services should adjust its claim for the quarter ended September 30, 2008, for questioned costs totaling $595,764.

Agency Response: "We agree with this finding. Responsibility for TANF claiming was moved from the Federal Grants Unit to the Contract Management Unit beginning July 1, 2008. The over reporting of payments to one provider was a clerical error in the first report sent by the contract unit. An additional level of review is conducted before the report is sent.

Issues with discrepant eligibility reporting were brought to our attention for the first time in November 2008. The communication of eligibility information to the persons responsible for TANF claiming at the Department of Social Services was accomplished through various means: some programs sent information directly to DSS, some was sent to DCF where it was aggregated before being sent on to DSS. In January 2009, a communication was sent to all providers receiving funding for TANF claimed programs instructing them to assess eligibility individually at the time of intake and after 6 months for clients continuing to receive service. They were also instructed to retain the eligibility forms in a file separate from client files so that forms could be provided to DCF when requested. In June 2009, these instructions were repeated when the new income eligibility limits and eligibility forms were sent out to providers. Beginning July 1, 2009, all contracts for programs that are claimed under TANF had the requirements for eligibility determination added to their contract language and their TANF funding status is noted on the program face page. The Contract Management Unit plans to conduct it own audit of providers regarding eligibility form completion."

III.E.6. Reporting/Allowable Costs/Cost Principles: Case Management Claims

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2007-2008
Federal Award Number: G0801CTTANF

Background: Title 45 Code of Federal Regulations Part 205 Section 100 provides that the

Department of Social Services (DSS) has been designated Connecticut's single State agency to administer TANF.

The DSS claimed Federal reimbursement under TANF for expenditures of in-home and out-of-home case management services for the Department of Children and Families (DCF). The case management expenditures incurred by DCF were allocated to TANF as specified in DCF's Federally-approved Cost Allocation Plan. DSS makes changes to the numbers so that the costs can be claimed on the appropriate lines of the TANF claim (ACF-196).

For TANF in-home case management, the amount claimable under TANF is the result of the TANF eligibility rate multiplied by the total costs claimable under TANF, which is reduced by ten percent to account for retroactive changes in amounts allocated to IV-E.

For TANF out-of-home case management, the amount claimable under TANF is the result of the percentage of cases less than one year multiplied by the total costs claimable to TANF, which is reduced by ten percent to account for retroactive changes in amounts allocated to IV-E.

To claim such reimbursements, the DCF Revenue Enhancement Processing Technicians complete TANF determination forms for all new placement cases and assign appropriate eligibility codes. The data is summarized and used to calculate the TANF eligibility rate and the percentage of cases less than one year. Both detailed and summary reports are generated to support the reductions in the claims.

Criteria: OMB Circular A-87 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Title 45 Code of Federal Regulations Section 265.3(c) requires that the State file quarterly expenditure data on the State's use of Federal TANF funds, State TANF expenditures, and State expenditures of maintenance of effort funds in separate State programs on the TANF Financial Report.

Condition: For the quarter ended September 30, 2008, DSS claimed $10,072,434 and $4,240,967 in-home and out-of-home case management services, respectively.

The total amount reported for in-home case management services after a ten percent reduction was based on an eligibility rate of 84.28 percent. We compared the summary reports used to compute the eligibility rate to the detailed reports for four of the fifteen codes used to calculate the eligibility rate and noted significant variances in the number of children determined eligible, ineligible, and not determined that could not be explained by the Department for three out of four of the codes reviewed.

The total amount reported for out-of-home case management services after a ten percent reduction was based on a rate of 43.98 percent for cases less than one year old. We compared the summary reports used to compute the rate of cases less than one year old to the detailed reports for all thirteen codes for the month of September and judgmentally selected three codes for the months of July and August. Our review disclosed discrepancies between the number of children per the summary reports and detailed reports for all codes reviewed.

Effect: Without accurate records and supporting documentation of TANF eligibility rates and percentages of cases less than one year, there is a lack of assurance that allocated costs of DCF that were claimed under TANF are allowable and accurately reported.

Cause: The ACF-196 report was prepared based on the summary reports provided by DCF without any review or comparison of the detailed reports. Both the detailed and summary reports are prepared by an outside consultant who could not provide an immediate explanation for the discrepancies because the individuals responsible for creating the claiming system are no longer employed by the consultant. DCF personnel do not have an adequate understanding of the reporting results provided by the consultant.

Recommendation: The Department of Children and Families should strengthen its internal controls to ensure that accurate and supported statistics are used to calculate costs eligible for Federal TANF program reimbursement.

Agency Response: "We agree with this finding. The Department will work with DSS to determine proper reporting requirements for TANF eligibility and will modify reporting to comply with requirements."

F. DEPARTMENT OF EDUCATION

III.F.1. Sub-recipient Monitoring – Schedules of Expenditures of Federal Awards

Title 1, Part A Improving Basic Grants (CFDA #84.010)
Federal Award Agency: U.S. Department of Education
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: S010A070007 and S010A080007

Special Education – Grants to States (IDEA Part B) (CFDA #84.027)
Federal Award Agency: U.S. Department of Education
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: H027A070021 and H027A080021

Special Education–Preschool Grants (IDEA Preschool) (CFDA #84.173)
Federal Award Agency: U.S. Department of Education
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: H173A070024 and H173A080024

Improving Teacher Quality State Grants (CFDA #84.367)
Federal Award Agency: U.S. Department of Education
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: S367A070006 and S367A080006

School Breakfast Program (CFDA #10.553)
National School Lunch Program (CFDA #10.555)
Federal Award Agency: U.S. Department of Agriculture
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: 2008IN109844 and 2009IN109844

Temporary Assistance to Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: G081CTTANF and G0901CTTANF

Background: Pursuant to Section 402 of the Social Security Act, the Department of Social Services has been designated to administer the Temporary Assistance for Needy Families (TANF) program. The Department of Social Services claimed for Federal reimbursement under TANF, expenditures incurred by the State Department of Education.

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 26, provides that grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 and revised Office of

Management and Budget (OMB) Circular A-133 and that State governments shall determine whether subgrantees spent Federal assistance funds provided in accordance with applicable laws and regulations.
The Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-profit Organizations, Subpart D-Section 400 (d) state that a pass-through entity shall perform the following for the Federal awards it makes:

(1) Identify Federal awards made by informing each subrecipient of the Catalog of Federal Domestic Assistance title and number, award name and number, award year, if the award is Research and Development, and name of the Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

(2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

Condition: We observed that the Department's process for examining the Schedule of Expenditures of Federal Awards (SEFA's) submitted by grant subrecipients was inadequate, in that we found the following:

- The Department's monitoring process had failed to disclose and resolve lacking or erroneous identification of Federal programs in 8 of the 15 (53 percent) SEFA's selected for testing.

- We also found that the Department is not informing its subrecipients that some of the funds provided to them are Federal funds awarded under the TANF program. Further, the contracts between the Department and its subrecipients do not include provisions that advise the subrecipients of the Federal requirements imposed on them. Also, the subrecipients may not be providing audits to the Department in accordance with OMB Circular A-133.

Effect: This condition served to lessen the value of the Department's subrecipient monitoring process and increased the risk that funding provided through the Department may not have been appropriately expended or accounted for.

The Department of Social Services cannot ensure that expenditures made by other agencies and claimed for Federal reimbursement were used for allowable activities.

Cause: The State Department of Education does not have a formal review process that entails the selection of an appropriate sample of submitted audited SEFA's for testing.

The Department of Social Services and the Department of Education have not worked together to ensure that the Department of Education is informing its subrecipients that some of the funds provided to them are Federal funds awarded under the TANF program.

Recommendation: The State Department of Education should develop and implement formal controls specifically designed to prevent the recurrence of the above-noted conditions and should ensure that audit data on the SEFA matches data on Form ED-141, as this will provide even greater accountability and verifiability over Federal programs and Federal funds.

The State Department of Education and the Department of Social Services should work together to ensure that the State Department of Education is informing it's subrecipients that some of the funds provided to them are used as matching funds for the TANF program.

Agency Response: "We agree with the finding. While the agency has developed formal procedures for reviewing Schedules of Expenditures of Federal Awards that are targeted to be implemented in early 2010 for FY 2009 end-of–year expenditure reporting, we will ensure that this monitoring process will identify material erroneous information and we will seek to verify the pertinent facts of the reported Federal programs in order to increase accountability over the monitoring of expenditures. Further, the Department will take steps to inform its subrecipients that they may be receiving Federal funds awarded under the Temporary Assistance for Needy Families (TANF) program and thus advising the subrecipients of the Federal requirements imposed on them."

III.F.2. Special Tests and Provisions – Access to Federal Funds for New and Significantly Expanded Charter Schools

Title 1, Part A Improving Basic Programs Grants (CFDA #84.010)
Federal Award Agency: U.S. Department of Education
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: S010A070007 and S010A080007

Special Education – Grants to States (IDEA Part B) (CFDA #84.027)
Federal Award Agency: U.S. Department of Education
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: H027A070021 and H027A080021

Improving Teacher Quality State Grants (CFDA #84.367)
Federal Award Agency: U.S. Department of Education
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: S367A070006 and S367A080006

Criteria: Pursuant to 34 CFR Part 76, Subpart H, State Education Authorities (SEA) "must implement procedures that ensure that the charter school Local Educational Authority (LEA) receives the proportionate amount of funds for which the charter school LEA is eligible under each covered program." The allocation of such funds for significantly expanded schools may not be based solely on prior year allocations.

Although the SEA is permitted great flexibility in the development of its procedures, such procedures must be reasonable and must not treat all expansions as insignificant.

Condition: During our review, we noted that the State Board of Education approved enrollment increases for six charter schools. Of the six, four enrollment increases were due to the addition of grade levels. Two of the approved enrollment increases due to the addition of grade levels appeared to be of sufficient volume and proportion to potentially qualify as "significantly expanded."

We asked for the Department's procedure for determination of significance and allocation of funds to charter schools that would qualify as significantly expanded. The Department was unable to provide the requested documentation. We were informed that funds for all existing charter schools were allocated based on prior year actual enrollment data.

As the Federal regulations afford the SEA with great flexibility in setting the criteria for its determination of significance, in the absence of a procedure any attempt at quantification of potential under or over allocations would be conjecture. Additionally, the impact of any changes would not be easy to quantify within the scope of this testing due to the complexity of the calculation required.

Effect: The Department is not compliant with the requirement to have developed and implemented a procedure to ensure that each charter school receives the proportionate amount of funds for which it is eligible. Furthermore, the Department is at increased risk that Federal funds for significantly expanded charter schools have been incorrectly allocated.

Cause: The Department has not developed or implemented procedures to ensure that charter schools receive the proportionate amount of funds for which each school is entitled under the programs subject to this Federal requirement.

Recommendation: The Department should develop and implement procedures to ensure that charter schools receive the proportionate amount of funds for which each school is entitled under the programs subject to this Federal requirement. The Department should apply the procedures they develop to the payments made for the audited period and make any appropriate adjustments.

Agency Response: "We agree with the finding. The Department is currently developing procedures for reviewing charter school expansions which will be in place prior to the next Title I calculation. The procedures are being developed with input from the Bureau of Choice Programs, Bureau of Grants Management, Office of Internal Audit and the Bureau of Teaching and Learning to ensure that not only are the procedures reasonable but that they can be applied to all charter schools which vary greatly not only in enrollment but grade levels offered."

III.F.3. Special Test – Comparability

Title 1, Part A Improving Basic Grants (CFDA #84.010)
Federal Award Agency: U.S. Department of Education
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009
Federal Award Numbers: S010A070007 and S010A080007

Background: The Department of Education operates the Connecticut Technical High School System (CTHSS). As such, the Department of Education is not only the State Educational Authority (SEA) for the Title I program on a State-wide basis but also acts as a Local Educational Authority (LEA) for the CTHSS.

Criteria: In accordance with the OMB Circular A-133 Compliance Supplement, "A LEA may receive funds under Title I, Part A and the MEP (Title I, Part C) only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A or MEP funds. A LEA is considered to have met the statutory comparability requirements if it filed with the SEA a written assurance that such LEA has implemented (1) a LEA-wide salary schedule; (2) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and (3) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

A LEA may also use other measures to determine comparability, such as comparing the average number of students per instructional staff or the average staff salary per student in each school receiving Title I, Part A or MEP funds with those in schools that do not receive Title I, Part A or MEP funds.

Each LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. The LEA must maintain records that are updated biennially documenting compliance with the comparability requirements."

Condition: In its role as a Local Educational Authority for the CTHSS, the Department performed an analytical review of teacher staffing for its technical schools to determine whether the comparability requirement had been met. That analysis compared student/teacher ratios by subject matter for technical schools with and without Federal funding. As a result of the analysis, a number of recommendations were proposed to transfer staff between technical schools to ensure that the student/teacher ratios by subject matter were comparable for those schools with and without Federal funding. We noted the following concerning the Department's analytical process:

- The Department did not implement the proposed staffing changes that they identified as necessary to meet the comparability compliance requirement.

- The Department's methodology was not supported by a written policy. In the absence of an established policy, it was not possible to determine the rationale applied by the Department for its comparability testing criteria.

- The analytical procedures used by the Department compared student/teacher ratios on a subject matter basis rather than on a school to school basis as indicated in the OMB A-133 Compliance Requirement for Comparability. In the absence of a written policy, we were not able to determine whether this measure of comparability was useful and appropriate to the Department's circumstances.

Effect: The Department is at an increased risk that its determinations of comparability do not meet Federal compliance requirements.

Cause: The Department has not devised and fully implemented a formal policy for its comparability determinations.

Recommendation: The Department should take the necessary steps to formalize and implement its policy with regard to the determination of comparability for the Connecticut Technical High School System.

Agency Response: "We agree with the finding. The Connecticut Technical High School System (CTHSS) will take steps to develop a written policy that is consistent with OMB A-133 Compliance Requirement for Comparability. CTHSS plans to incorporate clearly, the rationale and methodology to be applied for comparability determinations in order to meet Federal requirements."

G. UNIVERSITY OF CONNECTICUT SYSTEM

III.G.1. Subrecipient Monitoring (University of Connecticut)

Federal Award Agency: Department of Agriculture
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:
Grants for Agricultural Research_Competitive Research Grants (10.206):
Account # 524288 – "Role of Glycosylation of Classical Swine Fever Virus Envelope Proteins on Virus" – 2006-35204-17417 from the National Institute of Food and Agriculture, project period August 1, 2006 through July 31, 2010
Account # 524406 – "Measurement and Modeling of Agriculture Field Emissions at Local and Regional" – 2007-55112-17849 from the National Institute of Food and Agriculture, project period January 15, 2007 through January 14, 2011

Federal Award Agency: Department of Defense
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:
Miscellaneous Program (CFDA 12.000):
Account # 524366 – Sub award for "Engineered Nano-Composite Oxides for High Durability Missile Domes" identified by the grantor, Raytheon Integrated Defense Systems as subcontract # 4400234029 under prime contract # N00017-07-C-0337 from the Office of Naval Research dated May 10, 2007

Federal Award Agency: Department of Education
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:
Education Research, Development and Dissemination (84.305):
Account # 523905 – "Reading Comprehension and Reading Scale-up Research" – R305G050154 from the Institute of Education Sciences, project period July 1, 2005 through December 31, 2009
Account # 524285 – "Goal Four: The National Research Center on the Gifted and Talented" – R305A060044-07 from the Institute of Education Sciences, project period July 1, 2006 through June 30, 2011

Federal Award Agency: Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:
Mental Health Research Grants (93.242):
Account # 524228 – "Language Functioning in Optimal Outcome Children with a History of Autism" – 5 R01 MH076189-02 from the National Institutes of Health, project period July 1, 2006 through May 31, 2010

Account # 524373 – "Integrating HIV Prevention into Clinical Care for PLWHA in South Africa" – 5 R01 MH077524-03 from the National Institutes of Health, project period November 1, 2006 through December 31, 2011

Aging Research (93.866):

Account # 524672 – "Putative Drosophila Uncoupling Proteins and Aging" – 5K01AG021068-07 from the National Institutes of Health, project period May 1, 2004 through April 30, 2010

Criteria: OMB Circular A-133, Subpart D, Section .400, subsection (d), part (3) requires that a pass-through entity monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are met. Review and approval of invoices submitted by subrecipients prior to payment, by the Principal Investigator responsible for the project, is an integral component of the University's subrecipient monitoring policy.

Condition: We tested the University's monitoring of eleven payments, totaling \$584,056, to ten subrecipients during the fiscal year ended June 30, 2009. We noted that nine of the eleven, totaling \$548,565, were not approved by the principal investigator prior to payment.

Effect: This condition lessens the assurance that the work contracted for by the University was properly performed.

Cause: Though this control was established, it was not operating effectively during the audited period. Staff responsible for processing payments did so without obtaining the principal investigators' approval.

Recommendation: The University should not process payments to subrecipients until the responsible principal investigator approves the invoices.

Agency Response: "We agree with this finding. In order to insure that the authorization of the appropriate Principal Investigator is obtained on subrecipient invoices prior to payment, the following corrective actions will be taken:

1. The Office for Sponsored Programs will release an updated Subrecipient Monitoring Policy effective February 25, 2010. This policy requires that the Principal Investigator approve payments to subrecipients by signing the actual invoice. Further, it states that the responsibility cannot be delegated.

2. For verification purposes, the responsible Principal Investigator's name and specimen signature is listed on the systems utilized by Accounts

Payable. This will enable Accounts Payable personnel to verify Principal Investigator responsibility and signature prior to processing subrecipient invoices for payment.

Effective March 1, 2010, the Accounts Payable Department will not process any subrecipient invoices for payment unless the invoice is signed by the responsible Principal Investigator."

III.G.2. Special Tests and Provisions – Key Personnel (University of Connecticut)

Federal Award Agency: Department of Commerce
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:
Coastal Services Center (11.473):
Account # 523623 – "Long Island Sound Costal Observing System" – NA04NOS4730256 from the National Oceanic and Atmospheric Administration, project period August 1, 2004 through January 31, 2009

Federal Award Agency: Environmental Protection Agency
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:
Science To Achieve Results (STAR) Research Program (66.509):
Account # 523792 – "Introduction of HABs Via Shellfish Transport" – RD-83170401-2 from the Office of Research and Development, project period January 1, 2005 through December 31, 2008

Federal Award Agency: Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:
Mental Health Research Grants (93.242):
Account # 523682 – "Gender Violence and HIV Risk Reduction in South Africa" – 5R01MH071160-4 from the National Institutes of Health, project period August 1, 2004 through January 31, 2009

Criteria: Applications/proposals include staffing proposals that describe who will work on the project and the extent of their planned involvement. The institution may change the staffing mix and level of involvement from that set forth in the application/proposal, but cannot change key personnel specifically identified in the grant agreement without Federal awarding office approval. Though grant agreements typically do not specify the level of effort to be devoted to the project by key personnel, as key personnel they must spend some identifiable time working on the project.

Condition: We reviewed the time and effort reports for eight researchers identified as key personnel on five awards. Four of those researchers were identified as key personnel on one award (# 5R01MH071160-4); a single researcher was identified as the key person on each of the remaining four awards. We were unable to obtain time and effort reports for two of the four researchers identified as key personnel on award # 5R01MH071160-4. The time and effort reports on file for the remaining two researchers identified as key personnel on that award indicated that they devoted no effort to the project.

The time and effort reports on file for three of the remaining four researchers documented that they had devoted time and effort to the projects. However, the time and effort reports on file for the other researcher documented that he devoted no effort to the project during the academic year.

Further, the time and effort report for one researcher charged to award # RD-83170401-2 indicated that the researcher devoted 100 percent of his effort to Federal projects. This raises questions regarding the accuracy of the percentages of the researcher's time allocated to the projects, as it does not include any provision for administrative activities.

Effect: The time and effort reporting system should document that key personnel devote the required effort to the related projects. However, for a large percentage of the awards tested, it documented that they did not. This appears to reflect shortcomings in the time and effort reporting system.

Cause: Though the time and effort reports produced by the system present the percentages of effort devoted to various projects by each researcher, these percentages are calculated by dividing the amount of the employee's compensation charged to each account by the researcher's total compensation for the period. Though those responsible for certifying the reports are given the opportunity to change these percentages, they did not do so in the instances noted above.

We noted the instructions on the time and effort reports state that charges to the accounts must be adjusted accordingly if the percentages are changed. This may have given researchers the impression that they could not adjust the stated percentages to reflect their true allocation of time and effort without triggering unwanted cost transfers.

Recommendation: The University's time and effort system should reflect a reasonable estimate of the percentage of effort devoted to projects by researchers identified as key personnel.

Agency Response: "We disagree with the finding. Our specific concerns are explained below. We have organized our response to correspond with the format of the finding.

[In regard to the] Criteria [section of the finding, we note that]Principal Investigators and other key personnel expend some level of effort on all sponsored activities. However, whether or not that effort must be documented and attested to on their effort report depends on whether or not they have committed effort to the sponsor. Unless an individual commits to a specific level of effort in a proposal to the sponsoring agency, any effort expended is considered to be voluntary uncommitted cost sharing. This is defined as faculty and senior researcher effort above that which is committed and/or budgeted for a sponsored agreement. This is further explained by OMB Clarification Memo #M-01-06 dated January 5, 2001, which states that "Voluntary uncommitted cost sharing should be treated differently from committed effort and should not be included in the organized research base for computing the F&A rate or reflected in any allocation of F&A costs. Furthermore, such faculty effort is excluded from the effort reporting requirement in section J.8."

[In regard to the] Condition, we disagree with the condition regarding an individual with 100% effort to a Federal project. The individual in question works half-time (50%) as a research professor, and will attest to the fact that she works on proposal development outside of her University activities, i.e. outside of what constitutes 100% under the Federal regulations.

[In regard to the] Effect, we disagree with the sentence that states "The time and effort reporting system should document that key personnel devote the required effort to the related projects". For the reasons previously provided, there is no "required" level of effort if no effort was committed in the proposal.

[In regard to the] Cause, we disagree with the second paragraph which states that "Though those responsible for certifying the reports are given the opportunity to change these percentages, they did not do so in the instances noted above." This implies that these individuals should have changed the reported percentages. Based on the evidence provided, we don't know that this is the case.

We agree with the observation that the portion of the instructions that state "charges to the accounts must be adjusted accordingly if the percentages are changed" is misleading and agree to revise it accordingly.

[In regard to the] Recommendation, we disagree with the recommendation, and maintain that the University's time and effort system does provide a mechanism for researchers identified as key personnel to record and attest to their percentage of effort devoted to projects."

Auditors' Concluding Comments: We believe that the University is taking certain guidance presented in OMB Clarification Memo #M-01-06 out of context. Note that OMB Clarification Memo #M-01-06, also states that "most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort" and that "such committed faculty effort shall not be excluded from the organized research base by declaring it to be voluntary uncommitted cost sharing."

Researchers identified as key personnel in grant agreements are, by virtue of their designation as key personnel, required to devote some effort to the projects. They cannot function as key personnel while devoting no effort to the projects. Accordingly, this effort is not voluntary.

With respect to the contention that the researcher presented as devoting 100 percent of their effort to Federal awards worked on proposal development on their own time, the total amount of effort expended by a researcher to accomplish their professional activities is 100 percent – regardless of the actual number of hours expended on those activities. This includes all effort expended on institution related research, administration, etc., including proposal development.

III.G.3. Allowable Costs/Cost Principles - Time and Effort Reporting (University of Connecticut Health Center)

Federally-Sponsored Research and Development Programs

Federal Award Agency: Various Federal Agencies
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:

Criteria: OMB Circular A-21 establishes the methods available for verifying charges for personal services. Such methods require that "After the Fact Activity Records", also known as time and effort reports, be verified by responsible persons in a timely manner.

Condition: We reviewed the time and effort reports for 43 employees who received compensation from Federally funded grants. For eight of the 43 employees, the time and effort reports were not verified by responsible persons within 90 days after the end of the reporting period.

Effect: Time and effort reports were not verified in a timely manner.

Cause: Persons verifying time and effort reports have not made the verification of such reports a priority.

Recommendation: The Health Center should continue to emphasize the importance of timely verification of time and effort reports.

Agency Response: "Management agrees with this recommendation, in part. In a review of the 8 effort reports not filed timely, 4 were late due to pending labor redistributions, 2 others were late due to principal investigators being out of the country, and 1 was certified after Research Finance took steps to freeze the principal investigator's grant because of failure to certify effort reports.

Overall, the Health Center feels it does an adequate job in meeting its effort reporting requirements (including taking appropriate disciplinary measures), but agrees that continued emphasis on the importance of this function and process improvements in the routing of labor distribution changes are needed.

Toward those ends, in fiscal 2010, the institution implemented a new effort reporting system. Comprehensive, mandatory training for department administrators was conducted that stressed the need for administrators and principal investigators to review and certify effort timely. The new system also embeds the labor distribution change process in effort reporting so future effort reports will not be delayed by these retroactive changes."

III.G.4. Subrecipient Monitoring (University of Connecticut Health Center)

Federally-Sponsored Research and Development Programs

Federal Award Agency: Various Federal Agencies
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:

Criteria: OMB Circular A-133, Subpart D-Section 400 (d) requires that a pass-through entity monitor the activities of subrecipients and that such monitoring include ensuring that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have obtained an audit.

Condition: Although the Health Center maintained a list of 35 subrecipients and ensured that such subrecipients had obtained the appropriate audits, the list was not comprehensive. As such, Health Center personnel failed to properly monitor 13 subrecipients who did not appear on their list.

Effect: The Health Center has not complied with the subrecipient monitoring requirements of OMB Circular A-133.

Cause: During the audited period new personnel were assigned the task of preparing the list of subrecipients. The process used to prepare this list failed to properly identify all subrecipients.

Recommendation: The Health Center should revise the process used to prepare their list of subrecipients to assist in ensuring that their list is comprehensive.

Agency Response: "We agree with the finding. A change in staffing led to a redistribution of subrecipient monitoring duties. The methodology utilized to develop the list failed to consider all subrecipient activity during Fiscal Year 2009.

The Health Center has since reviewed these additional subrecipients and determined they were in compliance with Circular A-133.

The Health Center has revised the techniques used to identify a comprehensive list of subrecipients for Fiscal Year 2010; management will continue to monitor subrecipient activity as necessary."

III.G.5. Procurement and Suspension and Debarment (University of Connecticut Health Center)

Federally-Sponsored Research and Development Programs

Federal Award Agency: Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2009
Research and Development Programs:
University Centers for Excellence in Developmental Disabilities Education Research and Service (CFDA 93.632):
Account #523162 – "University Centers for Excellence" –90DD0510/01 from the National Institute of Justice, project period July 01, 2003 through June 30, 2013

Criteria: OMB Circular A-110 sets forth standards for use by recipients in establishing procedures for procuring goods and services with Federal funds. These standards call for all procurement transactions to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Section 10a-151b of the General Statutes, which governs purchases by the State's constituent units of higher education, prescribes procedures that address this requirement. Per Section 10a-151b, all purchases greater than $10,000 must be based, when possible, on at least three competitive quotations.

Condition: We conducted a review of five personal service contracts funded from restricted grant accounts to determine if they were awarded under a process that complied with the requirements of Section 10a-151b of the General Statutes. During that review we noted one contract in the amount of $22,000 and another in the amount of $27,500, that had been awarded noncompetitively.

It should be noted that effective May 27, 2009, the Health Center amended their contract awarding procedures in an effort to prevent this condition from occurring in the future.

Effect: The Health Center was not in compliance with the standards set forth in OMB Circular A-110 and Section 10a-151b of the General Statutes, which are intended to ensure that materials and services are obtained in a cost effective manner, and in compliance with the provisions of applicable laws and regulations.

Cause: It appears that confusion existed regarding the applicability of Section 10a-151b as it applies to procurements funded from grant funds.

Recommendation: The Health Center should take steps to ensure that new procedures, implemented in an effort to comply with Section 10a-151b of the General Statutes, are effective.

Agency Response: "We agree in part. The prior year's (FY 2008) A-133 single audit noted a similar finding when issued in January 2009. At that time, the Health Center revised policies and procedures to correct the noted deficiencies in procurement and reported this completed as of May 27, 2009. As soon as Health Center management was notified, steps were immediately taken to rectify the situation successfully.

The personal service contracts noted in this finding were executed by management on September 16, 2008 and December 5, 2008; both within the 2009 fiscal year but prior to the issuance of the prior fiscal year's 2008 SWSA single audit report to management on January 19, 2009. This was when we first became aware of the procurement issue. Management believes this to be a timing issue."

H. FEDERAL STUDENT FINANCIAL ASSISTANCE - DEPARTMENTS OF EDUCATION AND HIGHER EDUCATION - STATEWIDE

Federal Student Financial Assistance awards were made individually to the following institutions during the fiscal year ended June 30, 2009:

Institution	Entity Number
University of Connecticut	1060772160A1
University of Connecticut School of Medicine	1066000798D4
University of Connecticut School of Dental Medicine	1066000798G4
Manchester Community-Technical College	1066000798B8
Northwestern Community-Technical College	1066000798C3
Norwalk Community-Technical College	1066000798C4
Housatonic Community-Technical College	1066000798B6
Middlesex Community-Technical College	1066000798C1
Capital Community-Technical College	1066000798B4
Naugatuck Valley Community-Technical College	1066000798B9
Gateway Community-Technical College	1066000798E6
Tunxis Community-Technical College	1066000798D2
Three Rivers Community-Technical College	1066000798C2
Quinebaug Community-Technical College	1066000798C7
Asnuntuck Community-Technical College	1066000798G5
Central Connecticut State University	1066000798A2
Western Connecticut State University	1066000798D7
Southern Connecticut State University	1066000798C9
Eastern Connecticut State University	1066000798F2
Bullard Havens Regional Vocational-Technical School	1066000798J1
Henry Abbott Regional Vocational-Technical School	1066000798H8
H.H. Ellis Regional Vocational-Technical School	1066000798H9
H. C. Wilcox Regional Vocational-Technical School	1066000798K8
Ella T. Grasso Regional Vocational-Technical School	1066000798K9
Eli Whitney Regional Vocational-Technical School	1066000798H4
A.I. Prince Regional Vocational-Technical School	1066000798I6
Howell Cheney Regional Vocational-Technical School	1066000798K4
Vinal Regional Vocational-Technical School	1066000798L6
Platt Regional Vocational-Technical School	1066000798K6
E.C. Goodwin Regional Vocational-Technical School	1066000798L2
Emmett O'Brien Regional Vocational-Technical School	1066000798L1
Oliver Wolcott Regional Vocational-Technical School	1066000798L9
Norwich Regional Vocational-Technical School	1000318651A1
J.M. Wright Regional Vocational-Technical School	1066000798H5
W.F. Kaynor Regional Vocational-Technical School	1066000798I9
Windham Regional Vocational-Technical School	1066000798H6
Charter Oak State College	1066000798Z1

III.H.1. Student Eligibility – Academic Competitiveness Grant

Federal Academic Competitiveness Grant (CFDA #84.375)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Criteria: 34 CFR 691.15(b) establishes the particular eligibility requirements for a student to receive an Academic Competitiveness Grant (ACG). One of these requirements is that the student successfully completes a rigorous secondary program of study recognized by the Secretary under 34 CFR 691.16.

34 CFR 691.16 establishes the rigorous secondary program of study requirements, which requires that a student successfully complete a minimum of certain courses.

Condition: In total, we selected 121 recipients for eligibility testing from several State universities and colleges. Of the 121 in total selected, we selected 40 Title IV recipients from UConn. From this sample of 40, we noted one instance in which a student who received an ACG award was not eligible.

Effect: A student received $375 in an ACG award that she was ineligible to receive. We are treating this amount as a questioned cost. Total ACG awards in our sample were $375, while the total of ACG awards at UConn was $805,424.

Cause: The University's Admissions Office incorrectly determined that the student met the rigorous secondary program of study requirements.

Recommendation: The University should follow its internal procedures in the awarding of ACG in order to comply with the rigorous secondary school program requirements stipulated in 34 CFR 691.16.

Agency Response: *UConn:* "We agree with this finding."

III.H.2. Student Eligibility – Cost of Attendance Inaccuracies

Federal Supplemental Educational Opportunity Grant (CFDA #84.007)
Federal Family Education Loans (CFDA #84.032)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Academic Competitiveness Grant (CFDA #84.375)
Federal National Science and Mathematics Access to Retain Talent Grant (CFDA

84.376)
Federal Teacher Education Assistance for College and Higher Education Grants (CFDA #84.379)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Criteria: Adequate controls over the financial aid awarding process require that data be entered correctly and processed correctly by the institution's information system.

Condition: In total, we selected 121 recipients for eligibility testing from several State universities and colleges. Of the 121 in total selected, we selected 40 Title IV recipients from UConn. From this sample of 40, we noted three separate instances in which data entry errors resulted in an incorrect cost of attendance.

Effect: These situations resulted in inaccurate cost of attendance budgets.

Cause: Data entered erroneously have caused these conditions.

Recommendation: The University should ensure that the data entered and processed in the financial aid awarding process is accurate.

Agency Response: *UConn:* "We agree with this finding."

III.H.3. Student Eligibility – Components of Cost of Attendance Budgets

Federal Supplemental Educational Opportunity Grant (CFDA #84.007)
Federal Family Education Loans (CFDA #84.032)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Academic Competitiveness Grant (CFDA #84.375)
Federal National Science and Mathematics Access to Retain Talent Grant (CFDA #84.376)
Federal Teacher Education Assistance for College and Higher Education Grants (CFDA #84.379)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Background: Institutions establish student cost of attendance budgets which consist of various components, including tuition and fees, transportation costs, room and board, books, miscellaneous personal expenses, etc. The amounts used to support tuition and fees would be actual costs for the student's academic course load.

For items such as room and board, costs may vary depending on the student's enrollment and on whether the student is residing in University-provided housing, lives off campus, or with his/her parents. For University-provided housing, costs can be objectively determined. For students not living on campus, the cost should be based on expenses reasonably incurred by the student.

Criteria: Section 472 of the Higher Education Act of 1965 defines cost of attendance.

Condition: During our testing of eligibility at UConn, we noted that certain components of the cost of attendance budgets were not supported by reasonable costs. From our review, we noted the following:

- The Storrs Instate On/Off Campus budget component for transportation did not reasonably represent the student's cost of transportation.
- The School of Law budget component for the miscellaneous category included a health insurance fee which did not reasonably represent the students' health insurance cost.

In addition, we noted two instances in which a component of the cost of attendance budget exceeded the actual charge.

Effect: Certain cost of attendance budget components were not supported by reasonable costs and/or the costs exceeded the actual charges.

Cause: The transportation component for Storrs Instate Undergraduate On/Off Campus budget was overstated due to a clerical error in calculating an average travel budget.

The University of Connecticut requires all law students to maintain health insurance coverage. This requirement may be met in several ways, which have different costs. In determining the allowance for miscellaneous personal expenses, the University used the most expensive option rather than an average cost.

When the cost of attendance budgets were created, the major fee for business was approved at a "not to exceed basis" of $950 by the University Board of Trustees, which exceeded the actual cost by $30.

The Summer 2009 Direct Educational Expenses Fee Schedule for the

Activity and Enrollment Fees of $69 was not updated to reflect actual costs of $61, which exceeded the actual cost by $8.

Recommendation: The University should review the individual components of the student budgets to ensure that they are supported by reasonable costs of attendance and, where applicable, actual costs of attendance.

Agency Response: *UConn:* "We agree with this finding."

III.H.4. Student Eligibility – Federal Work Study

Federal Work-Study Program (CFDA #84.033)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Background: The College's established procedures are to award Federal Work-Study (FWS) to students to the extent that it does not exceed gross need. During the award year 2008-2009, the College's FWS funding was exhausted by the payroll period ended November 6, 2008. Once the FWS was exhausted, the College funded the award with a State grant.

Criteria: Awards must be coordinated among the various programs and with other Federal and non-federal aid to ensure that total aid is not awarded in excess of the student's financial need.

34 CFR 673.5 states that an institution may only award FWS employment to a student if the award, combined with the other estimated financial assistance the student receives, does not exceed the student's financial need.

Condition: In total, we selected 121 recipients for eligibility testing from several State universities and colleges. Of the 121 in total selected, we selected three Title IV recipients from Tunxis CC. From this sample of three, we noted one instance where a student received additional financial assistance that was recorded as FWS that exceeded his award and financial need.

Effect: The student's financial assistance exceeded need by $405.

Cause: The College did not monitor the earnings of individual FWS recipients during the award year.

Recommendation: The College should develop procedures to ensure that total financial assistance does not exceed need.

Agency Response: *Tunxis CC* "We agree with this finding. It should also be noted that we have applied the student's excess 2008-2009 need-based earnings as additional financial assistance in determining his student aid eligibility (including FWS) for the award year 2009-2010, as required by Federal regulation."

III.H.5. Reporting – Pell Grant Disbursement Transmissions to the Common Origination and Disbursement System (COD)

Federal Pell Grant Program (CFDA #84.063)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Background: When you disburse a Pell Grant, you must report through the Common Origination and Disbursement System (COD) certain disbursement records.

Criteria: Federal Register, Volume 70, Number 108, Pages 33134 – 33140, dated June 7, 2005, requires an institution to submit Pell Grant disbursement records no later than 30 days after making a Pell Grant disbursement or becoming aware of the need to adjust a student's previously reported Pell Grant disbursement.

In addition, the 2008-2009 Federal Student Aid Handbook states, "An institution must submit Federal Pell Grant…disbursement records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement."

Condition: We selected ten students, who received Pell Grant awards, from Eastern CSU for disbursement testing. From this sample, we noted that the Pell Grant disbursement transmission to COD for two of the students for the Spring 2009 semester was submitted late. In both these instances the delay was 131 days late.

Effect: The University was not in compliance with Federal requirements related to the timely submission of Pell Grant Payment Data.

Cause: The cause is unknown.

Recommendation: The University should implement procedures to ensure compliance with the Federal regulations related to the timely submission of Pell Grant Payment Data.

Agency Response: *Eastern CSU:* "We agree with this finding."

III.H.6. Special Tests: Verification

Federal Supplemental Educational Opportunity Grant (CFDA #84.007)
Federal Family Education Loans (CFDA #84.032)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Academic Competitiveness Grant (CFDA #84.375)
Federal National Science and Mathematics Access to Retain Talent Grant (CFDA #84.376)
Federal Teacher Education Assistance for College and Higher Education Grants (CFDA #84.379)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Criteria: 34 CFR 668.53 requires an institution to establish policies for verifying information contained in a student aid population.

The Financial Aid Office verifies student and parental income and household data by comparing financial data found on signed tax returns (if available) with that on the Institutional Student Information Record (ISIR) and household data found on the verification worksheet with that found on the ISIR.

Condition: From a sample of 12 students selected for verification testing at UConn, we noted one instance where the parent's adjusted gross income (AGI) amount on the income tax return did not agree with the reported amount on the Institutional Student Information Record (ISIR). In addition, it was noted that the investment net worth and worksheet B amounts reported on the ISIR did not agree with the University's internal income and expense forms.

From a sample of ten students selected for verification testing at Eastern CSU, we noted the following:

- In one instance, the income tax paid figure on the income tax return did not agree with the reported amount on the ISIR.
- In two instances, the amounts reported on the verification worksheets did not agree with the reported amount on the ISIR.

From a sample of ten students selected for verification testing at Southern CSU, we noted the following:

- In one instance the number of enrolled students reported on the verification worksheet did not agree with the reported number on the ISIR.

- In one instance, the student and parent's AGI amount and the income tax paid figure on the income tax returns did not agree with the reported amount on the ISIR.

From a sample of ten students selected for verification testing at Naugatuck Valley CC, we noted one instance where the income tax paid figure on the income tax return did not agree with the reported amount on the ISIR.

Effect: These institutions were not in compliance with verification requirements.

Cause: Established verification procedures were not followed.

Recommendation: These institutions should complete verification in accordance with Federal regulations.

Agency Response: *UConn:* "We agree with this finding."

Eastern CSU: "We agree with the finding."

Southern CSU: "We agree with the finding."

Naugatuck Valley CC: "We agree with the finding."

III.H.7. Special Tests: Disbursements – Requirements Related to FFEL and Perkins Loan Funds

Federal Family Education Loans (CFDA #84.032)
Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Background: Per the US Department of Education, it is the borrower of the loan who has all rights to the loan. In the case of PLUS loans to a dependent student, the parent is the borrower.

Criteria: Per 34 CFR 668.165(a)(2), if an institution credits a student's account at the institution with FFEL or Federal Perkins Loan Program funds, the institution must notify the student, or parent [in the case of PLUS loans] of – (i) The date and amount of disbursement; (ii) – The student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and (iii) The procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

34 CFR 668.167(b)(1) and (2) require FFEL funds to be disbursed by the institution to students or parents within three business days if the lender provided the funds by electronic funds transfer (EFT) or master check or to return those funds to the lender promptly but no later than ten business days after the date the institution is required to disburse the funds.

Condition: From 40 students selected for disbursement testing at UConn, 38 and two received FFEL and Perkins Loan Program Funds, respectively. Out of the 38 FFEL recipients, 18 received PLUS loans. From this sample, we noted the following:

- In four instances, the two students receiving Perkins Loan Funds were not notified of the date and amount of disbursement to the student's account, or the right to cancel all or a portion of the loan disbursement, and the procedures and time by which the University must be notified that the borrower wishes to cancel the loan or loan disbursement. After further review, it was noted that all students who received Federal Perkins Loans did not receive this notification, during the audited period.

- In 16 instances where students received PLUS loans, there was no evidence that the required notification letters were sent to the parent borrowers.

- In two instances where students received PLUS loans, there was no evidence that the required notification letter was sent to either the student and/or parent borrower.

- In one instance where a student received FFEL funds, there was no evidence that the required loan notification letter was sent to the student.

- In 11 instances FFEL funds received via EFT by the University were disbursed to the students late. The delays ranged from one to seven business days.

From ten students selected for disbursement testing at Southern CSU, nine received FFEL funds. Out of the nine FFEL recipients, three received PLUS loans. From this sample, we noted the following:

- In three instances where students received PLUS loans, the required notification letters were not sent to the parent borrowers.

- In one instance FFEL funds received via EFT by the University were disbursed to the student late. The delay was one business day.

Effect:

UConn:
- The University was not in compliance with disbursement requirements related to FFEL or Perkins Loan Program funds.

Southern CSU:
- Parent borrowers did not receive required loan notifications.

- The University was not in compliance with disbursement requirements related to FFEL funds.

Cause:

UConn:
- Due to a processing error, the University did not submit the required notification letter to any Perkins Loan fund recipient, during the audited period.

- The University's system does not provide an adequate audit trail to indicate that the parent borrower was notified of the credit of PLUS loan funds to the student's account; nor was there a trail to indicate that the parent borrower was notified of any rights available to them as the borrower.

- System errors were the cause for the remaining conditions.

Southern CSU:
- The University does not have a procedure in place to notify the parent borrower of the credit of PLUS loan funds to the student's account; nor was there any evidence that the parent borrower was notified of any rights available to them as the borrower.

- The cause of this condition is unknown.

Recommendation: The University of Connecticut and Southern Connecticut State University should comply with the requirements related to the FFEL and Perkins Loan funds. The University of Connecticut should provide an adequate audit trail to document compliance with disbursement requirements of Federal loan funds.

Agency Response: *UConn:* "We agree with these findings."

Southern CSU: "We agree with the finding."

III.H.8. Special Tests: Return of Title IV Funds

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Family Education Loans (CFDA #84.032)
Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Academic Competitiveness Grant (CFDA #84.375)
National Science and Mathematics Access to Retain Talent Grant (CFDA #84.376)
Teacher Education Assistance for College and Higher Education Grant (CFDA #84.379)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Criteria: Federal regulation 34 CFR 668.22 provides guidance regarding the treatment of Title IV funds when a student withdraws from an institution.

Condition: From a sample of ten students who had a Title IV Return of Funds Worksheet prepared at UConn, we noted the following:

- The University did not make all of the required notifications, in accordance with 34 CFR 668.22(h)(4)(ii), to one student whose worksheet indicated a Federal Pell Grant overpayment of $422.
- In two instances, the institutional charges were calculated incorrectly on the Return of Funds Worksheet.
- In one instance, an incorrect withdrawal date was used to calculate the return of funds.
- In one instance, the University returned $523 more than required to the Federal Pell Grant program. This amount should have been retained by the student.

Effect: The University is not in compliance with the Federal regulations governing the return of Title IV funds as follows:

The student who withdrew and owed a Title IV grant overpayment was not notified of her requirement to repay the overpayment or make satisfactory arrangements to repay it. The Federal Pell Grant overpayment of $422 is a questioned cost.

Where institutional charges or withdrawal dates were not entered correctly into the system, the return of Title IV funds was not properly calculated.

The University is returning more grant funds than required per the calculation when a credit balance remains on a student's account that was awarded and disbursed, resulting in the potential underpayment of grant funds to the student.

Cause: Students who owe a Title IV grant overpayment are not being notified of the amount owed, their eligibility for additional Title IV funds, the positive actions they can take, and the consequences of failure to take one of the positive actions within the required time period.

The Bursar's Office calculates the return of Title IV funds based on the information it receives on the separation notice from the student services offices of the various campuses. The PeopleSoft information system calculates the return of Title IV aid based on data within the system. If incorrect data is used, then the return of Title IV funds calculation will be erroneous.

The Bursar's Office procedures were to use the credit balance remaining on the student's account to reduce financial aid awarded to the student, including Title IV grants.

Recommendation: The University should review their procedures and provide training to those staff members responsible for processing the return of Title IV funds to ensure compliance with the Federal regulations.

Agency Response: *UConn:* "We agree with the finding."

III.H.9. Special Tests: Student Status Changes

Federal Family Education Loans (CFDA #84.032)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Background: These institutions establish a schedule of student enrollment data for each award year and submit that schedule to the National Student Clearinghouse (NSC).

Criteria: Per 34 CFR 682.610(c), changes in enrollment of Federal Family Education Loan (FFEL) recipients to less-than-half-time, graduated, or withdrawn, must be reported within 30 days. However, if a roster file is expected within 60 days, the data may be provided on that roster file.

Condition:

From a sample of 25 student borrowers who received FFEL program funds that separated from UConn, we noted the following:

- One student's change in enrollment status was not reported to the National Student Loan Data System (NSLDS) within 30 days (a roster file would not be expected within 60 days).
- Five students' changes in enrollment status and/or status date were not accurately reported to the NSLDS.

From a sample of 14 student borrowers who received FFEL program funds that separated from Southern CSU, we noted four students' changes in enrollment status were not reported to the NSLDS within 30 days (a roster file would not be expected within 60 days).

From a sample of ten student borrowers who received FFEL program funds that separated from Naugatuck Valley Community College, we noted three students' changes in enrollment status were not accurately reported to the NSLDS.

Effect:

Enrollment information for certain student borrowers was not provided to the loan community in a timely and/or accurate manner. Because student enrollment status determines the date a Federal loan borrower enters a grace or repayment period, the timing of the government's payment of interest subsidies and whether a borrower is eligible for in-school deferment privileges, timely reporting of enrollment data for Federal student loan borrowers is critical. Additionally, if a withdrawn rather than a graduated status is reported, then the government will not readily be able to identify individual student completion of programs of study.

Cause:

UConn:
The University did not report the change in enrollment status to the third-party servicer of a student that was known to be withdrawn, effective at the end of the spring semester, prior to the early registration/first of term submission.

Changes in enrollment status and/or status date were not correctly reported to the NSLDS. When the University reports graduated students with a status date subsequent to the date that the file is submitted, the third-party servicer's system can not validate this information.

Southern CSU:
The University submitted their end-of-term transmission prior to the end of the semester. These students withdrew immediately after the end-of-term transmission.

Naugatuck Valley CC:
Established procedures for reporting student status changes were not followed.

Recommendation: The University of Connecticut should work with and monitor the third-party servicer to ensure compliance with the reporting requirements related to student status changes.

Southern Connecticut State University should send student enrollment transmissions in accordance with the schedule that is established. In those instances in which a change in enrollment occurs but a roster file is not expected within 60 days, the University should develop procedures to report the change in enrollment to the lender/guarantor within 30 days.

Naugatuck Valley Community College should comply with the reporting requirements related to student status changes.

Agency Response: *UConn:* "We agree with this finding. The first case was an error related to a staff change in responsibilities due to the State's Retirement Incentive Program. In the second case, the students completed their degree requirements prior to the University's summer degree conferral date, August 24, 2009, and were reported to the National Student Clearinghouse as graduated effective August 24. We have since learned that the Clearinghouse is not able to process records with future effective dates."

Southern CSU: "We agree with this finding."

Naugatuck Valley CC: "We agree with this finding."

III.H.10. Special Tests: Student Loan Repayments

Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Criteria: 34 CFR 674.31(b)(2) states that repayment begins nine months after the borrower ceases to be at least a half-time regular student at the institution.

34 CFR 674.42(b) requires an institution to conduct exit counseling with the borrower either in person, by audiovisual presentation, or electronically before the student ceases to be enrolled on at least a half-time basis. If a borrower withdraws or fails to complete an exit counseling session, the institution must mail the exit counseling material to the borrower within 30 days after learning that the borrower did not complete the exit counseling.

Condition: From a sample of ten borrowers at Eastern CSU who entered repayment during the audited period, we noted that the change in enrollment status for one borrower was not reported to the University's service provider, in a timely manner. The University's service provider received notification of the change in status for this borrower five months later than required. In this instance, the borrower was not provided the exit counseling package and repayment schedule in a timely manner.

From a sample of ten borrowers at Southern CSU who entered repayment during the audited period, we noted that the change in enrollment status for all ten borrowers was not reported to the University's service provider, in a timely manner. The University's service provider received notification of the change in status for these borrowers two and four months later than required. In each of these instances, the borrower was not provided the exit counseling package and repayment schedule in a timely manner.

Effect: These Universities were not in compliance with Federal due diligence requirements.

Cause: Controls in place were not sufficient to prevent this from occurring.

Recommendation: These Universities should ensure that policies and procedures regarding changes in the enrollment status of Perkins Loan recipients are reported to the loan servicer in a timely manner.

Agency Response: *Eastern CSU:* "We agree with the finding."

Southern CSU: "We agree with the finding."

III.H.11. Special Tests: Student Loan Repayments – Defaulted Students

Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education
Award Year: 2008-2009

Criteria: 34 CFR 674.31(b)(2) states that repayment begins nine months after the borrower ceases to be at least a half-time regular student at the institution.

4 CFR 674.42(b) requires an institution to conduct exit counseling with the borrower either in person, by audiovisual presentation, or electronically before the student ceases to be enrolled on at least a half-time basis. If a borrower withdraws or fails to complete an exit counseling session, the institution must mail the exit counseling material to the borrower within 30 days after learning that the borrower did not complete the exit counseling.

34 CFR 674.42(c) requires an institution to ensure that the borrower was contacted three times (at 90, 150 and 240 days into the grace period) for loans with a nine month grace period.

34 CFR 674.43(b) requires an institution shall send a first overdue notice within 15 days after the due date for a payment when the institution has not received payment, a request for deferment or a request for postponement or for cancellation.

Condition: From a sample of ten defaulted loans at Southern CSU that went into default during the audited period, we noted the following:

- In nine instances, the change in the borrowers' enrollment status was not reported to the University's service provider, in a timely manner. In each of these instances, the borrower was not provided the exit counseling package and repayment schedule in a timely manner.

- In eight instances, one or more of the required contact letters, were not sent to the borrower. In three of these eight instances, the borrower was not provided any of the required contact letters.

- In one instance, the borrower was not sent the first overdue notice within 15 days after non-payment.

Effect: The University was not in compliance with Federal requirements.

Cause: Controls in place were not sufficient to prevent this from occurring.

Recommendation: The University should develop procedures to ensure compliance with Federal regulations.

Agency Response: *Southern CSU:* "We agree with the finding."

I. DEPARTMENT OF ADMINISTRATIVE SERVICES

III.I.1. Allowable Cost/Cost Principles - Billing Rates Adjustment Method

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009

Background: The Department operates an Internal Service Fund (Fund). The Fund is used to account for the revenues and expenditures related to several "fee for service" functions provided to other State agencies. The largest of those revenue functions are: Fleet Operations and Central Printing. Approximately 85 percent of the Fund revenue is generated by Fleet Operations. Central Printing generates approximately 1.7 percent of Fund revenues. The Department annually submits billing rate calculations for both Fleet Operations and Central Printing to the State Office of Policy and Management (OPM) for review and approval. However, OPM does not approve changes in the rates on an annual basis.

Criteria: OMB Circular A-87, Attachment C, Other Policies (4), states that, "Billing rates used to charge Federal awards shall be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs. These adjustments will be made through one of the following adjustment methods: (a) a cash refund to the Federal Government for the Federal share of the adjustment, (b) credits to the amounts charged to the individual programs, (c) adjustments to future billing rates, or (d) adjustments to allocated central service costs. Adjustments to allocated central services will not be permitted where the total amount of the adjustment for a particular service (Federal share and non Federal) share exceeds $500,000."

Condition: While the Department recalculated its billing rates for the period under review, the Office of Policy and Management did not approve the adjusted rates for use. Also, the Department did not apply one of the allowable adjustment methods required by OMB Circular A-87. For the year under review, no annual adjustment was made for the difference between the revenue generated by the billed services and the actual costs associated with those services (i.e. allowable costs). Billing rates that were several years old were used for the billing of current period service fees for Fleet Operations and Central Printing. In effect, the billing rates applied by the Department are static over time and do not properly match revenues and expenditures associated with the current operations of the Fund.

Effect: The application of unadjusted billing rates increases the risk that customer agencies are inaccurately (i.e. either over/under) charged for the services rendered. By extension, Federal programs used to pay for those billed services provided by the Department may bear a share of the unadjusted and potentially unallowable costs.

The State's current practice of adjusting the rates every few years may cause the billing rates to change significantly for a given period. Such changes may have a negative impact on the Department's customer agencies.

Cause: OPM does not approve the billing rate changes on an annual basis. The Department does not apply any of the adjustment methods required by OMB Circular A-87.

Recommendation: In accordance with OMB Circular A-87, the Department should develop and apply rates "based upon the estimated costs of providing services." Adjustments should be made for differences between the revenue and allowable costs using one of the approved adjustment methods allowed by OMB Circular A-87.

Agency Response: "We agree that billing rate adjustments should be done by one of the OMB Circular A-87 methods. DAS does not have final authority of rate approvals; therefore, DAS has no control over changing the conditions identified above."

Auditors' Concluding Comment: On an annual basis DAS, as administrator of the Revolving Fund, should resolve with OPM changes to billing rates necessary to charge customer agencies rates that reflect current operations of the Fund.

III.I.2. Allowable Cost/Cost Principles - No Verification Methodology for Employees Charged to the Revolving Fund

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009

Criteria: OMB Circular A-87, Attachment B, Section 8.h.1. requires that, "Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official (s) of the governmental unit."

OMB Circular A-87, Attachment B, Section 8.h.4. requires that, "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

Condition: The Department's Internal Service Fund (Fund) accounts for the direct and indirect service related efforts of approximately 95 personnel. The estimated fiscal year direct salary and fringe benefits for approximately 88 personnel was $7,135,000. The estimated fiscal year indirect salary and fringe benefits for approximately seven business office personnel was $684,000; that amount was allocated to the various service functions accounted for by the Fund.

The Department does not obtain personnel activity reports or equivalent documentation reflecting the actual activity of each employee charged to the Fund. The Department does not have a formal, periodic process in place to verify that the costs of the employees directly or indirectly charged to the Fund correlated to their actual efforts.

Effect: Employee costs could be charged to the Fund when, in fact, the employee's efforts were not associated with the operations of the Fund. As a result, some costs not assignable to the Fund may be born by the customer agencies through the application of overstated rates.

Cause: The Department doesn't have an internal control system in place to periodically verify and document that employees charged to the Fund work on Fund related activities.

Recommendation: The Department should take the necessary steps to develop and implement a system to periodically verify and document that employees charged to its Internal Service Fund work on Fund related activities.

Agency Response: "We agree that employee costs should be charged to the program to which they are assigned. Although DAS recognizes that this rule had not always been strictly followed in the past, DAS has been working – and will continue to work – diligently toward rectifying this situation."

J. DEPARTMENT OF INFORMATION TECHNOLOGY

III.J.1. Allowable Cost/Cost Principles - Unallowable Costs in Revolving Fund Rate Structure

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2007-2008 and 2008-2009

Background: The State Department of Information Technology (DoIT) administers a Revolving Fund for purposes of tracking and allocating expenses of the Agency which are recovered via direct-billed central services costs. These costs are commonly known as "Section 2 costs" when referring to the State's Statewide Cost Allocation Plan (SWCAP). In addition, the State General Fund incurs some of the operating expenses of DoIT, and these costs (commonly known as "Section 1 costs") are used to arrive at a statewide indirect cost rate to be applied to most grant-funded programs.

"Section 2 costs" include the costs of the particular service being provided, as well as an overhead component comprised of costs that are clearly attributable to DoIT's data processing operations but not applicable to any particular service. These costs are distributed through an overhead rate applied to the cost of each service provided.

Criteria: In accordance with Office of Management and Budget Circular A-87, all allocated costs distributed by an overhead rate should be supported by formal accounting records and be properly allocable to Federal awards. In order to be properly allocable, costs should be allowable, necessary and relevant to the data processing function and should be net of all credits.

The actual Revolving Fund costs from the 2008 fiscal year were used to set the DoIT Revolving Fund overhead rate for the 2009 fiscal year.

Condition: Our review of the overhead costs allocated to the 2008 Data Processing Revolving Fund included costs that we deemed to be unrelated to the direct function of providing data processing services:

The salary of an administrative assistant was charged to the Revolving Fund, despite the fact the employee's supervisor was assigned to the General Fund. While the supervisor managed a group of staff that were charged to both the General and Revolving Funds, time and effort reports were not available to support splitting the costs, so we have questioned the entire salary and fringe benefit cost of $91,296. Approximately fifty percent of this amount ($45,648) could have been charged in part to various Federal programs.

Effect: The costs comprising DoIT's overhead allocation were overstated, resulting in an overhead rate that was slightly higher than it should have been. The exact monetary impact and the specific Federal programs affected by this rate were not immediately known.

Cause: We were unable to determine a cause for the above condition.

Recommendation: The Department of Information Technology should increase its efforts to ensure that the salary costs incurred by the Data Processing Revolving Fund are properly allocable to the data processing function.

Agency Response: "The Department agrees with this finding. The fiscal division of DoIT will reduce the salary and fringe costs of the administrative assistant that was included in the overhead rate for FY2009. We will calculate the effect it would have on the two State agencies that receive reimbursement from the Federal government for data processing services.

The exact monetary impact will be included in the mitigation plan for FY 2009. We will be contacting the two State agencies as well as the U.S. Department of Health and Human Services to finalize the approach for the credit of this impact. Either a credit applied to a current invoice or a refund paid directly to them will be considered. The fiscal impact will be minimal.

The Department of Information Technology has been switched to a General Fund appropriation for the 2010 fiscal year and this situation no longer exists."