State of Connecticut
Single Audit Report

For the Fiscal Year Ended June 30, 2011

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

STATE OF CONNECTICUT

Single Audit Report

For the Year Ended June 30, 2011

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Letter of Transmittal

STATE OF CONNECTICUT

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

JOHN C. GERAGOSIAN

ROBERT M. WARD

March 30, 2012

Governor Dannel P. Malloy
Members of the General Assembly

We have conducted the Statewide Single Audit of the State of Connecticut for the fiscal year ended June 30, 2011.

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 $10,280,000,000 in federal financial assistance during the fiscal year ended June 30, 2011. Of this amount, the state expended more than $1,196,000,000 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 the 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, 2011.

Respectfully submitted,

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

State of Connecticut
Financial Statements

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
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JOHN C. GERAGOSIAN | ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
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, 2011, 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 67 percent of the assets and 39 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 93 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 56 percent of the assets and 89 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 64 percent of the assets and 39 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, Drinking Water Fund, Clean Water Fund, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Development Authority, Capital City Economic Development Authority, 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 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) in 2008. 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 within the two year window permitted by GASB 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. Our audit also disclosed that the Annual OPEB Cost and Net OPEB Obligation reported on Note 14 of the financial statements and the Net OPEB Obligation reported as Other Long Term Liabilities on Note 17 of the financial statements presented data as of June 30, 2010.

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, 2011, 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 24, 2012, 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 of Connecticut Single Audit Report for the Fiscal Year Ended June 30, 2011*, and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 25 to the financial statements, the State of Connecticut implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended June 30, 2011.

The management's discussion and analysis 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, as listed in the table of contents, 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 data in 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.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 24, 2012
State Capitol
Hartford, Connecticut

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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, 2011. 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, 2011, the State had a combined net asset deficit of $9.9 billion, an increase of $502 million when compared to the prior year ending deficit balance. This increase resulted mainly from an increase of $410 million in the net asset deficit of governmental activities.

Fund Level:
The governmental funds had a total fund balance of $1.4 billion at year end. Of this amount, $2.6 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation and $1.8 billion represents unassigned fund balance deficit. The General Fund's share of the deficit is $1.7 billion, which increased by $351 million this fiscal year.

The Enterprise funds had total net assets of $4.2 billion, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt:
Total long-term debt was $26.8 billion for governmental activities, of which $18.6 billion was bonded debt.

Total long-term debt was $2.9 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 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, 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 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.

Starting in fiscal year 2011, governmental fund balance (difference between assets and liabilities) is classified as nonspendable, restricted, and unrestricted (committed, assigned or unassigned).

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 5.4 percent to $9.9 billion. In comparison, last year the combined net asset deficit increased 58 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010*	2011	2010	2011	2010*
ASSETS:						
Current and Other Assets	$ 4,228	$ 4,601	$ 4,236	$ 4,051	$ 8,464	$ 8,652
Capital Assets	10,924	10,570	3,468	3,382	14,392	13,952
Total Assets	15,152	15,171	7,704	7,433	22,856	22,604
LIABILITIES:						
Current Liabilities	3,824	4,417	787	792	4,611	5,209
Long-term Liabilities	25,378	24,394	2,724	2,356	28,102	26,750
Total Liabilities	29,202	28,811	3,511	3,148	32,713	31,959
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	4,905	4,910	2,819	2,671	7,724	7,581
Restricted	1,810	1,778	1,152	1,264	2,962	3,042
Unrestricted	(20,765)	(20,328)	222	350	(20,543)	(19,978)
Total Net Assets (Deficit)	$ (14,050)	$ (13,640)	$ 4,193	$ 4,285	$ (9,857)	$ (9,355)

***** Restated for comparative purposes. See Note 23.

The net asset deficit of the State's governmental activities increased $410 million (3.0 percent) to $14.1 billion during the current fiscal year. Of this amount, $4.9 billion was invested in capital assets (buildings, roads, bridges, etc.) and $1.8 billion was restricted for specific purposes, resulting in an unrestricted net asset deficit of $20.8 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 issued in the amount of $5.7 billion to finance various municipal grant programs (e.g., school construction) and $2.3 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of $8.2 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB obligations and compensated absences).

Net assets of the State's business-type activities decreased $91 million (2.1 percent) to $4.2 billion during the current fiscal year. Of this amount, $2.8 billion was invested in capital assets and $1.2 billion was restricted for specific purposes, resulting in unrestricted net assets of $0.2 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

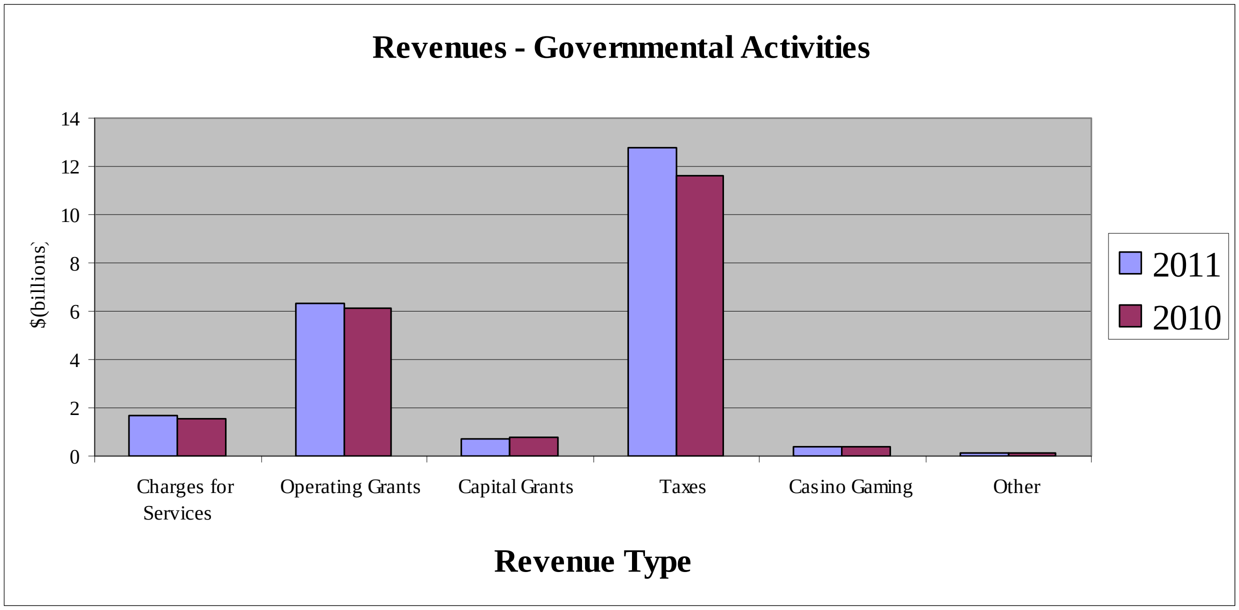
Changes in net assets for the years ended June 30, 2011 and 2010 were as follows:

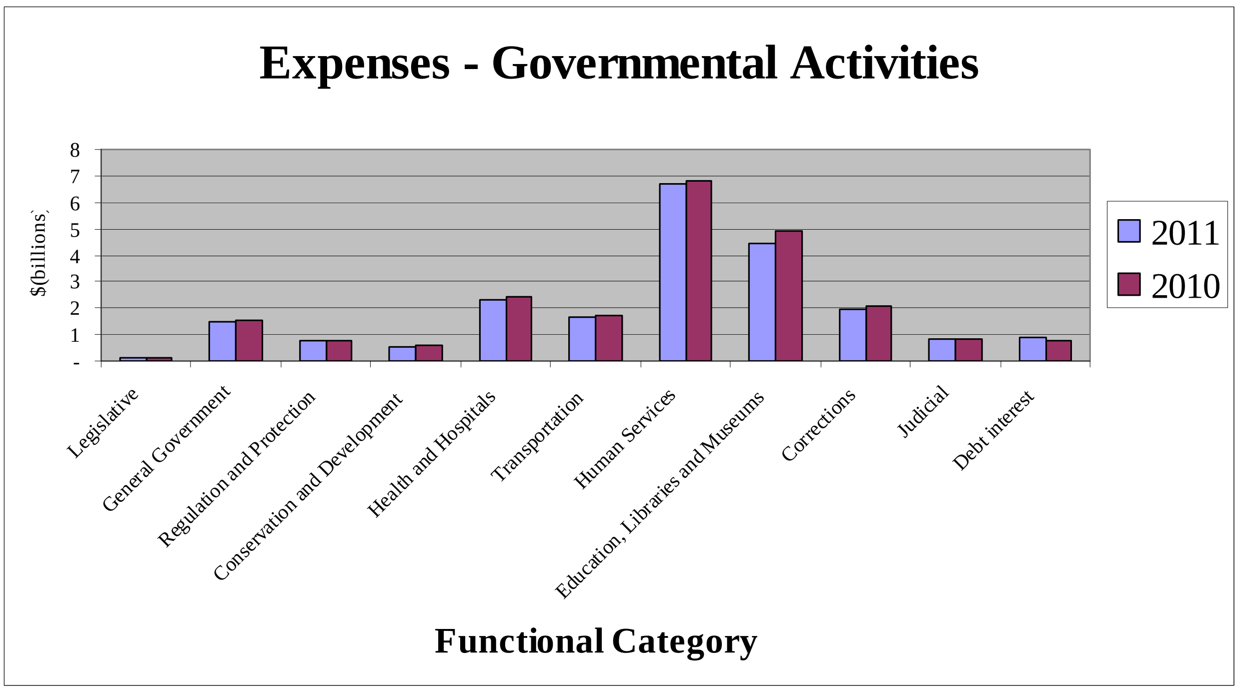
State of Connecticut's Changes in Net Assets (Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		%change
	2011	2010*	2011	2010	2011	2010*	11-10
REVENUES							
Program Revenues							
Charges for Services	$ 1,647	$ 1,522	$ 3,416	$ 3,223	$ 5,063	$ 4,745	6.7%
Operating Grants and Contributions	6,350	6,113	1,790	1,885	8,140	7,998	1.8%
Capital Grants and Contributions	725	766	40	18	765	784	-2.4%
General Revenues							
Taxes	12,788	11,583	-	-	12,788	11,583	10.4%
Casino Gaming Payments	360	384	-	-	360	384	-6.3%
Other	141	156	32	40	173	196	-11.7%
Total Revenues	22,011	20,524	5,278	5,166	27,289	25,690	6.2%
EXPENSES							
Legislative	100	106	-	-	100	106	-5.7%
General Government	1,509	1,566	-	-	1,509	1,566	-3.6%
Regulation and Protection	780	796	-	-	780	796	-2.0%
Conservation and Development	529	566	-	-	529	566	-6.5%
Health and Hospitals	2,301	2,443	-	-	2,301	2,443	-5.8%
Transportation	1,638	1,741	-	-	1,638	1,741	-5.9%
Human Services	6,676	6,830	-	-	6,676	6,830	-2.3%
Education, Libraries and Museums	4,463	4,921	-	-	4,463	4,921	-9.3%
Corrections	1,932	2,083	-	-	1,932	2,083	-7.2%
Judicial	828	828	-	-	828	828	0.0%
Interest and Fiscal Charges	874	793	-	-	874	793	10.2%
University of Connecticut & Health Center	-	-	1,807	1,703	1,807	1,703	6.1%
State Universities	-	-	652	650	652	650	0.3%
Bradley International Airport	-	-	68	69	68	69	-1.4%
CT Lottery Corporation	-	-	738	723	738	723	2.1%
Employment Security	-	-	2,307	2,701	2,307	2,701	-14.6%
Clean Water	-	-	45	53	45	53	-15.1%
Other	-	-	543	527	543	527	3.0%
Total Expenses	21,630	22,673	6,160	6,426	27,790	29,099	-4.5%
Excess (Deficiency) Before Transfers and Special Items	381	(2,149)	(882)	(1,260)	(501)	(3,409)	-85.3%
Special Items	-	21	-	(21)	-	-	0.0%
Transfers	(791)	(1,062)	791	1,062	-	-	0.0%
Increase (Decrease) in Net Assets	(410)	(3,190)	(91)	(219)	(501)	(3,409)	-85.3%
Net Assets (Deficit) - Beginning (as restated)	(13,640)	(10,450)	4,284	4,504	(9,356)	(5,946)	57.3%
Net Assets (Deficit) - Ending	$ (14,050)	$ (13,640)	$ 4,193	$ 4,285	$ (9,857)	$ (9,355)	5.4%

**Restated for comparative purposes. See note 23.*

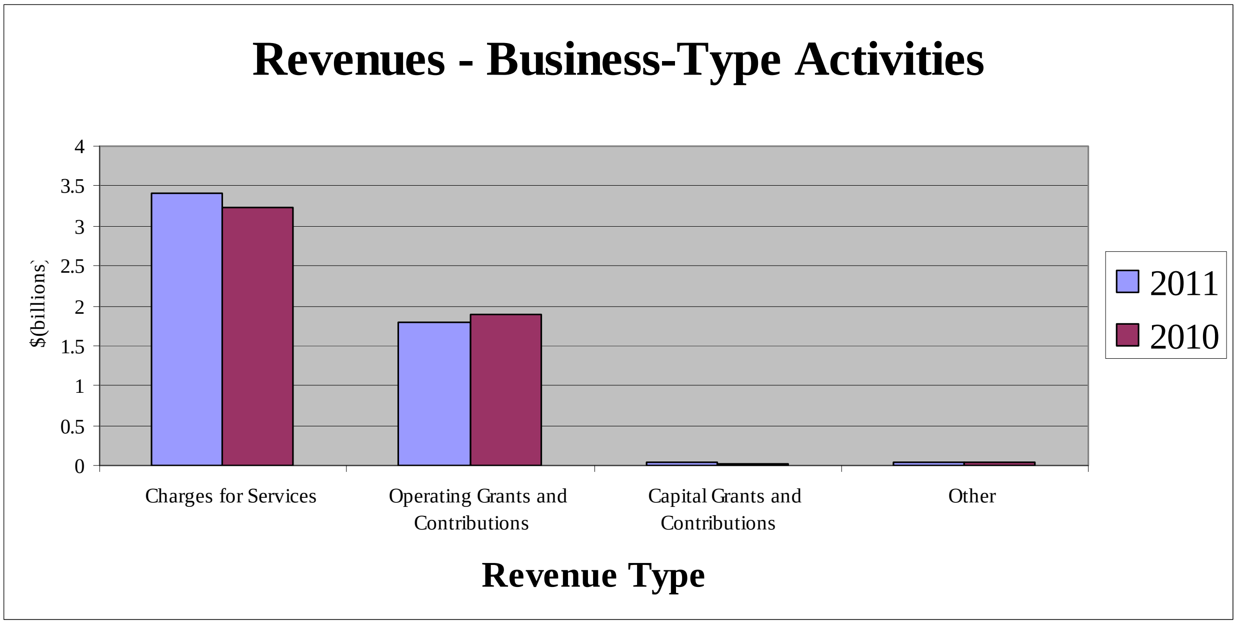
GOVERNMENTAL ACTIVITIES
The following charts provide a two-year comparison of governmental activities revenues and expenses.

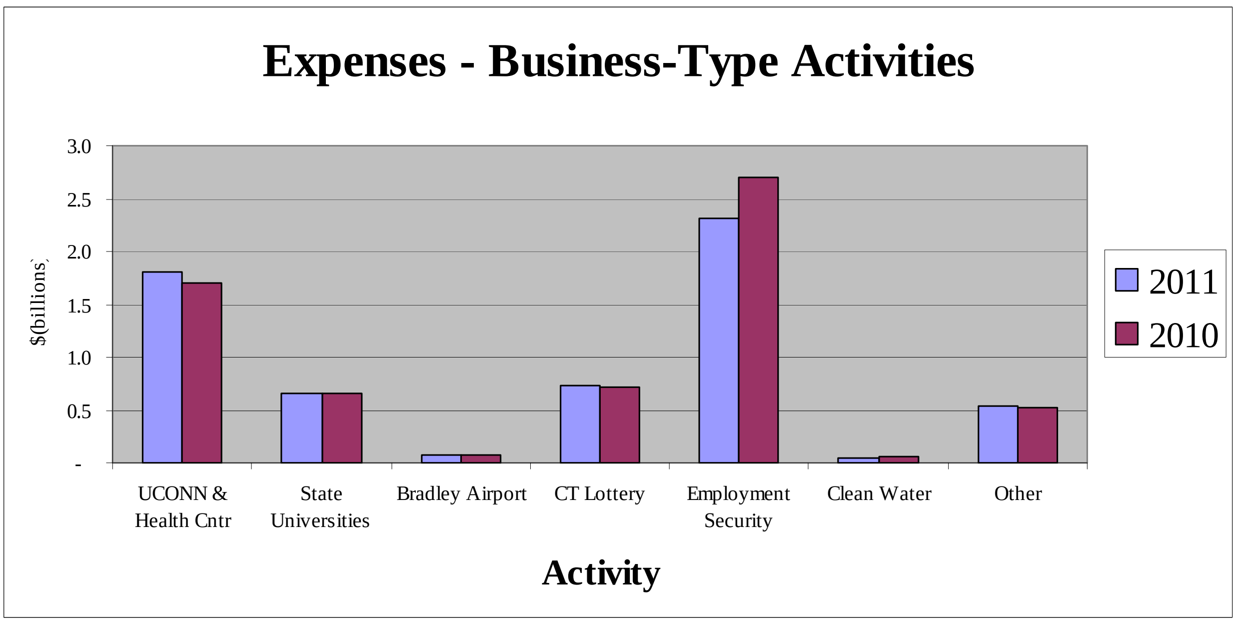




During the year, total revenues of governmental activities increased 7.2 percent to $22.0 billion, while total expenses decreased 4.6 percent to $21.6 billion. In comparison, last year total revenues and expenses increased 3.7 percent and 1.3 percent, respectively. The increase in total revenues ($1.5 billion) was due mainly to an increase in taxes of $1.2 billion or 10.4 percent. The decrease in total expenditures ($1.0 billion) was due mainly to a decrease in education, libraries, and museum expenditures of $458 million or 9.3%. Although, total revenues exceeded total expenses by $381 million, this excess was reduced by transfers of $791 million, resulting in a decrease in net assets of $410 million.

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 increased 2.2 percent to $5.3 billion, while total expenses decreased 4.1 percent to $6.2 billion. In comparison, last year total revenues and expenses increased 24.3 percent and 21.9 percent respectively. The decrease in total expenses ($266 million) was due mainly to a decrease in Employment Security expenses of $394 million or 14.6 percent. Although, total expenses exceeded total revenues by $882 million, this deficiency was reduced by transfers of $791 million, resulting in a decrease in net assets of $91 million.

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, unassigned 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, 2011, the State's governmental funds had fund balances of $1.4 billion, remaining unchanged when compared to the prior year ending fund balances. Of the total governmental fund balances, $2.6 billion represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $0.4 billion represents fund balance that is committed or assigned for specific purposes by the Legislature and $1.8 billion represents unassigned fund balance deficit.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2011, the General Fund had a fund balance deficit of $1.3 billion. Of this amount, $0.4 billion represents fund balance that is committed or assigned for specific purposes by the Legislature, leaving a deficit of $1.7 billion in unassigned fund balance. Fund balance decreased by $351 million during the current fiscal year.

Debt Service Fund

As of June 30, 2011, the Debt Service Fund had a fund balance of $709 million, all of which was restricted. Fund balance increased by $21 million during the current fiscal year.

Transportation Fund

As of June 30, 2011, the Transportation Fund had a fund balance of $170 million. Of this amount, $28 million was in nonspendable form and $142 million was restricted for specific purposes. Fund balance increased by $6 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2011, the Restricted Grants and Accounts Fund had a fund balance of $444 million, all of which was restricted for specific purposes. Fund balance decreased by $177 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, 2011, the net assets of the State's Fiduciary funds totaled $25.8 billion, an increase of $3.0 billion when compared to the prior year ending net asset balance.

Budgetary Highlights-General Fund

The General Fund had an estimated budget surplus of $0.2 million at the start of the fiscal year. During the first quarter of the year, the fund had an estimated budget deficit of $45 million, instead, as the State's economy continued to experience a slow recovery. However, due to deficit reduction measures adopted by the State legislature in prior years, the fund had a final estimated budget surplus of $159 million at the end of the fiscal year.

Although actual fund expenditures exceeded revenues by $138 million, this deficiency was reduced by other financing sources of $375 million (including a transfer of 2010 fiscal year surplus of $450 million), resulting in an actual budget surplus of $237 million for the fiscal year.

Actual revenues were almost the same as originally budgeted for the fiscal year. Final budgeted appropriations were greater than originally budgeted by $391 million for the fiscal year. This increase resulted mainly from an increase in human services appropriations of $278 million, specifically Medicaid appropriations increased by $651 million.

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, 2011 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 $440 million, due mainly to an increase in governmental activities' capital assets of $354 million or 3.3 percent.

Major capital asset events for governmental activities during the fiscal year included the following:

- Additions to equipment and infrastructure of $1.0 billion
- Depreciation expense of $846 million

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	
	2011	2010	2011	2010	2011	2010
Land	$ 1,595	$ 1,562	$ 65	$ 60	$ 1,660	$ 1,622
Buildings	1,476	1,453	2,515	2,530	3,991	3,983
Improvements Other than Buildings	176	201	247	254	423	455
Equipment	154	44	346	344	500	388
Infrastructure	5,183	5,591	-	-	5,183	5,591
Construction in Progress	2,340	1,719	295	194	2,635	1,913
Total	$ 10,924	$ 10,570	$ 3,468	$ 3,382	$ 14,392	$ 13,952

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 $20.2 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)
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	$ 13,794	$ 13,593	$ -	$ -	$ 13,794	$ 13,593
Transportation Related Bonds	3,358	3,030	-	-	3,358	3,030
Revenue Bonds	-	-	1,556	1,498	1,556	1,498
Long-Term Notes	916	1,144	-	-	916	1,144
Premiums and deferred amounts	526	527	51	41	577	568
Total	$ 18,594	$ 18,294	$ 1,607	$ 1,539	$ 20,201	$ 19,833

The State's total bonded debt increased by $368 million (1.9 percent) during the current fiscal year. This increase resulted mainly from an increase in transportation related bonds of $328 million.

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 October 2011, the State had a debt incurring margin of $6.9 billion.

Other Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Net Pension Obligation	$ 2,447	$ 2,262	$ -	$ -	$ 2,447	$ 2,262
Net OPEB Obligation	4,603	4,441	-	-	4,603	4,441
Compensated Absences	560	523	155	147	715	670
Workers Compensation	511	461	-	-	511	461
Lottery Prizes	-	-	162	181	162	181
Federal Loan Payable	-	-	810	499	810	499
Other	122	130	183	194	305	324
Total	$ 8,243	$ 7,817	$ 1,310	$ 1,021	$ 9,553	$ 8,838

The State's other long-term obligations increased by $715 million (8.1 percent) during the fiscal year. This increase was due mainly to an increase in Federal loan payable (Business-Type activities) of $311 million or 62.3 percent.

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

The national economy as measured by real GDP grew at a moderate rate of just over 2 percent during the first two quarters of fiscal year 2011 before slowing sharply in the second half of the fiscal year. Second half growth was about half of the first half level. This is consistent with Connecticut's job performance, which expanded by 15,200 payroll jobs during fiscal year 2011 with most of the gain coming during the first six months of the fiscal year.

In fiscal year 2011, Connecticut weekly earnings increased at a 3.3 percent rate. The State's personal income has been growing at a rate in excess of 4 percent.

The stock market realized double-digit gains over the course of the fiscal year. The DOW increased by 25 percent as recessionary pressures eased. Historic growth was posted in corporate profits in calendar year 2010 with solid results continuing into the first quarter of 2011.

Retail sales were strong throughout fiscal year 2011 growing by more than 8 percent. The personal savings rate declined steadily during most of fiscal year. The higher store sales helped to boost Connecticut's fiscal year 2011 sales tax revenues by 4.7 percent from a year ago.

The State's housing sector continued to struggle in fiscal year 2011. New housing permits declined 5 percent from already depressed levels and existing home sales fell 19 percent during the fiscal year with quarterly sales at about half of the 2005 level.

After declining in 2009, Connecticut's export sector rebounded with solid growth in 2010 continuing into 2011 with double-digit growth.

For fiscal year 2012, the budget for the General Fund had an estimated $80.9 million surplus at the start of the fiscal year. Budgeted revenues were expected to increase 3.9 percent to $18.8 billion, while budgeted appropriations were expected to increase 1.3 percent to $18.7 billion. During the second quarter of the fiscal year, the estimated budget surplus was reduced to $1.4 million due to a decline in forecasted revenue of $83 million.

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.

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Basic Financial Statements

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Statement of Net Assets

June 30, 2011
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 815,474	$ 748,818	$ 1,564,292	$ 144,574
Deposits with U.S. Treasury	-	337,799	337,799	-
Investments	382,068	67,705	449,773	362,106
Receivables, (Net of Allowances)	2,130,295	796,021	2,926,316	45,394
Due from Primary Government	-	-	-	12,988
Inventories	45,134	13,907	59,041	4,086
Restricted Assets	-	68,785	68,785	1,414,128
Internal Balances	(248,768)	248,768	-	-
Other Current Assets	19,305	18,256	37,561	2,924
Total Current Assets	3,143,508	2,300,059	5,443,567	1,986,200
Noncurrent Assets:				
Cash and Cash Equivalents	-	340,739	340,739	-
Due From Component Units	19,026	-	19,026	-
Investments	-	193,618	193,618	41,085
Receivables, (Net of Allowances)	250,035	706,424	956,459	170,387
Restricted Assets	710,880	644,657	1,355,537	4,598,791
Capital Assets, (Net of Accumulated Depreciation)	10,924,298	3,468,078	14,392,376	417,573
Other Noncurrent Assets	104,590	50,098	154,688	11,154
Total Noncurrent Assets	12,008,829	5,403,614	17,412,443	5,238,990
Total Assets	15,152,337	7,703,673	22,856,010	7,225,190
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	807,239	294,994	1,102,233	68,652
Due to Component Units	12,988	-	12,988	-
Due to Other Governments	202,451	1,965	204,416	-
Current Portion of Long-Term Obligations	1,458,847	194,414	1,653,261	309,473
Amount Held for Institutions	-	-	-	364,483
Deferred Revenue	12,949	227,814	240,763	-
Medicaid Liability	525,733	-	525,733	-
Liability for Escheated Property	578,709	-	578,709	-
Other Current Liabilities	224,762	68,112	292,874	27,862
Total Current Liabilities	3,823,678	787,299	4,610,977	770,470
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	25,378,369	2,723,138	28,101,507	4,631,975
Total Noncurrent Liabilities	25,378,369	2,723,138	28,101,507	4,631,975
Total Liabilities	29,202,047	3,510,437	32,712,484	5,402,445
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,905,025	2,818,635	7,723,660	276,804
Restricted For:				
Transportation	82,785	-	82,785	-
Debt Service	663,880	28,989	692,869	22,765
Federal Grants and Other Accounts	452,836	-	452,836	-
Capital Projects	445,499	115,071	560,570	-
Clean Water and Drinking Water Projects	-	760,007	760,007	-
Bond Indenture Requirements	-	2,250	2,250	936,984
Loans	-	4,500	4,500	-
Permanent Investments or Endowments:				
Expendable	1,668	-	1,668	91,401
Nonexpendable	97,485	12,472	109,957	274,653
Other Purposes	65,720	229,380	295,100	50,982
Unrestricted (Deficit)	(20,764,608)	221,932	(20,542,676)	169,156
Total Net Assets (Deficit)	$ (14,049,710)	$ 4,193,236	$ (9,856,474)	$ 1,822,745

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

Statement of Activities

For The Fiscal Year Ended June 30, 2011
(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	$ 99,542	$ 2,677	$ 169	$ -
General Government	1,508,994	498,045	117,937	-
Regulation and Protection	780,363	595,692	221,250	-
Conservation and Development	529,292	169,483	91,957	-
Health and Hospitals	2,300,369	73,980	178,263	-
Transportation	1,637,847	55,552	-	725,080
Human Services	6,675,895	77,153	4,800,112	-
Education, Libraries, and Museums	4,463,129	32,822	814,611	-
Corrections	1,932,375	9,439	115,291	-
Judicial	828,124	132,468	10,477	-
Interest and Fiscal Charges	873,847	-	-	-
Total Governmental Activities	21,629,777	1,647,311	6,350,067	725,080
Business-Type Activities:				
University of Connecticut & Health Center	1,806,815	982,949	222,290	1,989
State Universities	651,513	366,009	64,950	17,263
Bradley International Airport	68,415	63,076	-	6,001
Connecticut Lottery Corporation	738,397	1,016,697	-	-
Employment Security	2,306,715	809,364	1,367,271	-
Clean Water	45,473	20,460	23,838	-
Other	542,184	157,323	111,348	14,846
Total Business-Type Activities	6,159,512	3,415,878	1,789,697	40,099
Total Primary Government	$ 27,789,289	$ 5,063,189	$ 8,139,764	$ 765,179
Component Units				
Connecticut Housing Finance Authority (12-31-10)	$ 243,109	$ 194,748	$ -	$ -
Connecticut Health and Educational Facilities Authority	7,870	6,788	-	-
Other	262,950	176,850	11,286	885
Total Component Units	$ 513,929	$ 378,386	$ 11,286	$ 885

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
Transfers-Internal Activities
Total General Revenues, Contributions, 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	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
$ (96,696)	$ -	$ (96,696)	$ -
(893,012)	-	(893,012)	-
36,579	-	36,579	-
(267,852)	-	(267,852)	-
(2,048,126)	-	(2,048,126)	-
(857,215)	-	(857,215)	-
(1,798,630)	-	(1,798,630)	-
(3,615,696)	-	(3,615,696)	-
(1,807,645)	-	(1,807,645)	-
(685,179)	-	(685,179)	-
(873,847)	-	(873,847)	-
(12,907,319)	-	(12,907,319)	-
-	(599,587)	(599,587)	-
-	(203,291)	(203,291)	-
-	662	662	-
-	278,300	278,300	-
-	(130,080)	(130,080)	-
-	(1,175)	(1,175)	-
-	(258,667)	(258,667)	-
-	(913,838)	(913,838)	-
(12,907,319)	(913,838)	(13,821,157)	-
-	-	-	(48,361)
-	-	-	(1,082)
-	-	-	(73,929)
-	-	-	(123,372)
6,327,263	-	6,327,263	-
726,090	-	726,090	-
3,365,250	-	3,365,250	-
1,655,594		1,655,594	-
477,411	-	477,411	-
237,242	-	237,242	-
359,582	-	359,582	-
121,422	-	121,422	-
18,434	31,580	50,014	117,450
-	-	-	30,299
(790,851)	790,851	-	-
12,497,437	822,431	13,319,868	147,749
(409,882)	(91,407)	(501,289)	24,377
(13,639,828)	4,284,643	(9,355,185)	1,798,368
$ (14,049,710)	$ 4,193,236	$ (9,856,474)	$ 1,822,745

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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, 2011
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 119,062	$ 77,956	$ 610,314	$ 807,332
Investments	278,228	-	-	-	103,840	382,068
Securities Lending Collateral	-	-	-	-	18,681	18,681
Receivables:						
Taxes, Net of Allowances	1,011,100	-	42,457	-	-	1,053,557
Accounts, Net of Allowances	270,123	-	10,408	8,436	36,990	325,957
Loans, Net of Allowances	3,419	-	-	2,072	244,544	250,035
From Other Governments	553,065	-	-	183,988	13,189	750,242
Interest	-	116	77	-	-	193
Other	-	-	-	-	3	3
Due from Other Funds	19,581	-	116	320,659	674,250	1,014,606
Due from Component Units	19,026	-	-	-	-	19,026
Inventories	13,572	-	27,733	-	-	41,305
Restricted Assets	-	708,645	-	-	2,235	710,880
Other Assets	-	-	-	-	292	292
Total Assets	$ 2,168,114	$ 708,761	$ 199,853	$ 593,111	$ 1,704,338	$ 5,374,177
Liabilities and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	$ 365,049	$ -	$ 24,861	$ 120,137	$ 78,993	$ 589,040
Due to Other Funds	1,015,957	116	-	2,568	185,866	1,204,507
Due to Component Units	-	-	-	324	12,664	12,988
Due to Other Governments	186,931	-	-	15,520	-	202,451
Deferred Revenue	586,963	-	5,175	10,447	45,713	648,298
Medicaid Liability	525,733	-	-	-	-	525,733
Liability For Escheated Property	578,709	-	-	-	-	578,709
Securities Lending Obligation	-	-	-	-	18,681	18,681
Other Liabilities	206,081	-	-	-	-	206,081
Total Liabilities	3,465,423	116	30,036	148,996	341,917	3,986,488
Fund Balances						
Nonspendable:						
Inventories/Long-Term Receivables	36,017	-	27,733	-	-	63,750
Permanent Fund Principal	-	-	-	-	97,485	97,485
Restricted For:						
Debt Service	-	708,645	-	-	-	708,645
Transportation Programs	-	-	142,084	-	-	142,084
Federal Grant and State Programs	-	-	-	444,115	-	444,115
Other	-	-	-	-	1,257,497	1,257,497
Committed For:						
Continuing Appropriations	178,649	-	-	-	-	178,649
Budget Reserve Fund	48	-	-	-	-	48
Assigned To:						
Surplus Transfer to Fiscal Year 2012	236,923	-	-	-	-	236,923
Other	-	-	-	-	13,971	13,971
Unassigned	(1,748,946)	-	-	-	(6,532)	(1,755,478)
Total Fund Balances	(1,297,309)	708,645	169,817	444,115	1,362,421	1,387,689
Total Liabilities and Fund Balances	$ 2,168,114	$ 708,761	$ 199,853	$ 593,111	$ 1,704,338	$ 5,374,177

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, 2011
(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 1,387,689
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	3,275,731	
Equipment	1,790,182	
Infrastructure	12,655,722	
Other Capital Assets	4,405,723	
Accumulated Depreciation	(11,232,402)	10,894,956
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.		81,993
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.		635,349
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.		(51,052)
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	(2,447,084)	
Net OPEB Obligation	(4,602,759)	
Worker's Compensation	(511,413)	
Capital Leases	(42,995)	
Compensated Absences	(557,208)	
Claims and Judgments	(56,227)	(8,217,686)
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 and Notes Payable	(18,067,730)	
Unamortized Premiums	(712,896)	
Less: Deferred Loss on Refundings	186,784	
Accrued Interest Payable	(187,117)	(18,780,959)
Net Assets of Governmental Activities		$ (14,049,710)

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, 2011
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Revenues						
Taxes	$ 11,888,079	$ -	$ 713,936	$ -	$ -	$ 12,602,015
Assessments	-	-	-	-	28,444	28,444
Licenses, Permits and Fees	248,548	-	299,575	11,438	42,206	601,767
Tobacco Settlement	-	-	-	-	121,422	121,422
Federal Grants and Aid	4,878,669	-	9,360	2,254,614	99,181	7,241,824
Charges for Services	35,505	-	62,384	-	954	98,843
Fines, Forfeits and Rents	111,806	-	19,126	-	11,423	142,355
Casino Gaming Payments	359,582	-	-	-	-	359,582
Investment Earnings	-	4,334	1,096	1,367	11,829	18,626
Miscellaneous	184,624	-	7,004	399,191	121,647	712,466
Total Revenues	17,706,813	4,334	1,112,481	2,666,610	437,106	21,927,344
Expenditures						
Current:						
Legislative	96,234	-	-	3,755	-	99,989
General Government	1,157,346	-	1,119	246,962	96,589	1,502,016
Regulation and Protection	362,403	-	80,819	146,910	188,435	778,567
Conservation and Development	168,525	-	-	138,269	220,371	527,165
Health and Hospitals	2,039,074	-	-	221,893	10,108	2,271,075
Transportation	-	-	673,160	755,306	12,540	1,441,006
Human Services	6,008,019	-	-	562,699	8,001	6,578,719
Education, Libraries, and Museums	3,280,456	-	-	595,092	380,096	4,255,644
Corrections	1,897,355	-	-	19,078	3,746	1,920,179
Judicial	773,612	-	-	17,215	33,262	824,089
Capital Projects	-	-	-	-	464,023	464,023
Debt Service:						
Principal Retirement	1,001,948	271,330	-	-	-	1,273,278
Interest and Fiscal Charges	630,067	155,532	3,619	149,224	7,339	945,781
Total Expenditures	17,415,039	426,862	758,717	2,856,403	1,424,510	22,881,531
Excess (Deficiency) of Revenues Over Expenditures	291,774	(422,528)	353,764	(189,793)	(987,404)	(954,187)
Other Financing Sources (Uses)						
Bonds Issued	47,785	-	-	-	1,571,840	1,619,625
Premiums on Bonds Issued	1,137	19,748	-	-	53,698	74,583
Transfers In	518,020	446,775	111,884	40,956	93,783	1,211,418
Transfers Out	(1,213,584)	(4,422)	(459,615)	(28,000)	(300,313)	(2,005,934)
Refunding Bonds Issued	-	412,870	-	-	-	412,870
Payment to Refunded Bond Escrow Agent	-	(431,550)	-	-	-	(431,550)
Capital Lease Obligations	4,089	-	-	-	-	4,089
Total Other Financing Sources (Uses)	(642,553)	443,421	(347,731)	12,956	1,419,008	885,101
Net Change in Fund Balances	(350,779)	20,893	6,033	(176,837)	431,604	(69,086)
Fund Balances (Deficit) - Beginning (restated)	(949,605)	687,752	164,240	620,952	930,817	1,454,156
Changes in Reserves for Inventories & Loans Receivable	3,075	-	(456)	-	-	2,619
Fund Balances (Deficit) - Ending	$ (1,297,309)	$ 708,645	$ 169,817	$ 444,115	$ 1,362,421	$ 1,387,689

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, 2011

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ (69,086)
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	(1,619,625)	
Refunding Bonds Issued	(412,870)	
Premium on Bonds Issued	(74,583)	(2,107,078)
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	1,273,278	
Payments to Refunded Bond Escrow Agent	433,910	
Capital Lease Payments	2,796	1,709,984
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of activities		(4,089)
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	1,197,947	
Depreciation Expense	(836,178)	
Retirements	(16)	361,753
Loans issued during the year are reported as expenditures in the governmental funds. However, loans receivable are reported as an asset in the Statement of Net Assets. This is the amount of loans issued during the year.		3,419
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 consumption exceeded purchases of inventories.		(800)
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	(30,097)	
Decrease in Interest Accreted on Capital Appreciation Debt	43,255	
Amortization of Bond Premium	80,028	
Amortization of Loss on Debt Refundings	(23,928)	
Increase in Compensated Absences Liability	(36,924)	
Increase in Workers Compensation Liability	(50,817)	
Decrease in Claims and Judgments Liability	4,062	
Increase in Net Pension Obligation	(184,864)	
Increase in Net OPEB Obligation	(162,056)	(361,341)
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.		83,402
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.		(26,361)
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	8,429	
Amortization of Debt Issue Costs	(8,114)	315
Change in Net Assets of Governmental Activities		$ (409,882)

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, 2011

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 10,921,670	$ 11,976,000	$ 12,049,467	$ 73,467
Operating Transfers In	397,400	388,500	388,412	(88)
Casino Gaming Payments	365,800	359,600	359,581	(19)
Licenses, Permits, and Fees	235,400	250,400	250,442	42
Other	307,300	392,400	372,034	(20,366)
Federal Grants	4,256,000	4,214,000	4,235,178	21,178
Refunds of Payments	(900)	(1,900)	(1,875)	25
Operating Transfers Out	(61,800)	(61,800)	(61,800)	-
Transfer to the Resources of the General Fund	1,246,500	565,700	116,015	(449,685)
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	17,667,370	18,082,900	17,707,454	(375,446)
Expenditures				
Budgeted:				
Legislative	80,543	80,543	66,109	14,434
General Government	509,154	518,598	476,090	42,508
Regulation and Protection	277,931	292,614	261,670	30,944
Conservation and Development	133,030	133,398	123,919	9,479
Health and Hospitals	1,725,236	1,790,004	1,715,670	74,334
Transportation	609	609	-	609
Human Services	5,205,006	5,483,807	5,387,535	96,272
Education, Libraries, and Museums	4,084,068	4,084,412	4,060,466	23,946
Corrections	1,503,312	1,542,853	1,484,460	58,393
Judicial	552,508	567,008	559,912	7,096
Non Functional	4,013,592	3,981,566	3,709,293	272,273
Total Expenditures	18,084,989	18,475,412	17,845,124	630,288
Appropriations Lapsed	296,344	426,300	-	(426,300)
Excess (Deficiency) of Revenues Over Expenditures	(121,275)	33,788	(137,670)	(171,458)
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	121,475	121,475	121,475	-
Appropriations Continued to Fiscal Year 2012	-	-	(200,985)	(200,985)
Transfer of 2010 Fiscal Year Surplus	-	-	449,869	449,869
Miscellaneous Adjustments	-	4,233	4,234	1
Total Other Financing Sources (Uses)	121,475	125,708	374,593	248,885
Net Change in Fund Balance	$ 200	$ 159,496	236,923	$ 77,427
Budgetary Fund Balances - July 1			572,182	
Changes in Reserves			(366,964)	
Budgetary Fund Balances - June 30			$ 442,141	

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

Transportation Fund			
Budget			Variance with Final Budget positive
Original	Final	Actual	(negative)
$ 713,400	$ 713,700	$ 713,999	$ 299
107,600	107,600	107,550	(50)
-	-	-	-
362,500	361,100	355,597	(5,503)
15,000	5,500	5,506	6
5,800	9,300	9,360	60
(2,500)	(3,000)	(3,005)	(5)
(6,500)	(6,500)	(6,500)	-
-	-	-	-
(15,300)	(15,300)	(15,300)	-
1,180,000	1,172,400	1,167,207	(5,193)
-	-	-	-
2,717	2,717	1,078	1,639
67,795	67,795	54,500	13,295
-	-	-	-
-	-	-	-
531,390	544,575	532,631	11,944
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
627,958	614,773	578,421	36,352
1,229,860	1,229,860	1,166,630	63,230
11,000	22,800	-	(22,800)
(38,860)	(34,660)	577	35,237
41,977	41,977	41,977	-
-	-	(40,553)	(40,553)
-	-	-	-
41,977	41,977	1,424	(40,553)
$ 3,117	$ 7,317	2,001	$ (5,316)
		147,341	
		(1,423)	
		$ 147,919	

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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, 2011
(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	$ 368,800	$ 176,958	$ 30,491	$ 16,616
Deposits with U.S. Treasury	-	-	-	-
Investments	3,151	38,382	-	26,172
Receivables:				
Accounts, Net of Allowances	102,338	171,470	5,923	23,901
Loans, Net of Allowances	1,864	1,567	-	-
Interest	-	-	-	4,129
From Other Governments	-	2,225	1,526	-
Due from Other Funds	51,015	36,750	-	-
Inventories	13,907	-	-	-
Restricted Assets	53,730	-	15,055	-
Other Current Assets	12,362	3,462	131	2,021
Total Current Assets	607,167	430,814	53,126	72,839
Noncurrent Assets:				
Cash and Cash Equivalents	1,356	116,227	-	-
Investments	10,686	26,566	-	134,810
Receivables:				
Loans, Net of Allowances	10,481	9,864	-	-
Restricted Assets	8,058	-	101,837	-
Capital Assets, Net of Accumulated Depreciation	1,697,556	852,933	305,406	2,531
Other Noncurrent Assets	2,063	2,266	22,317	4,968
Total Noncurrent Assets	1,730,200	1,007,856	429,560	142,309
Total Assets	2,337,367	1,438,670	482,686	215,148
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	145,904	55,094	8,981	10,948
Due to Other Funds	11,502	3,261	3,151	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	54,166	20,506	13,290	26,888
Deferred Revenue	36,892	185,058	1,788	802
Other Current Liabilities	26,955	7,413	-	33,479
Total Current Liabilities	275,419	271,332	27,210	72,117
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	304,727	316,748	171,035	135,517
Total Noncurrent Liabilities	304,727	316,748	171,035	135,517
Total Liabilities	580,146	588,080	198,245	207,634
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	1,422,787	686,811	138,105	2,531
Restricted For:				
Debt Service	7,229	-	17,252	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	40,962	-	74,109	-
Nonexpendable Purposes	11,892	560	-	-
Bond Indentures	-	-	2,250	-
Loans	4,500	-	-	-
Other Purposes	22,023	41,414	-	7,514
Unrestricted (Deficit)	247,828	121,805	52,725	(2,531)
Total Net Assets (Deficit)	$ 1,757,221	$ 850,590	$ 284,441	$ 7,514

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

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Employment Security	**Clean Water**	**Other Funds**	**Total**	**Internal Service Funds**
	$ -	$ 2,014	$ 153,939	$ 748,818	$ 8,142
	337,799	-	-	337,799	-
	-	-	-	67,705	-
	185,777	-	13,513	502,922	151
	-	253,811	9,801	267,043	-
	-	8,419	370	12,918	-
	9,387	-	-	13,138	-
	2,196	-	177,606	267,567	2,172
	-	-	-	13,907	3,829
	-	-	-	68,785	-
	-	-	280	18,256	332
	535,159	264,244	355,509	2,318,858	14,626
	-	182,818	40,338	340,739	-
	-	21,556	-	193,618	-
	-	624,317	61,762	706,424	-
	-	453,596	81,166	644,657	-
	-	-	609,652	3,468,078	29,342
	-	16,334	2,150	50,098	-
	-	1,298,621	795,068	5,403,614	29,342
	535,159	1,562,865	1,150,577	7,722,472	43,968
	-	9,128	64,939	294,994	24,998
	885	-	-	18,799	66,931
	1,965	-	-	1,965	-
	-	70,687	8,877	194,414	112
	-	-	3,274	227,814	-
	-	-	265	68,112	-
	2,850	79,815	77,355	806,098	92,041
	809,876	818,045	167,190	2,723,138	2,979
	809,876	818,045	167,190	2,723,138	2,979
	812,726	897,860	244,545	3,529,236	95,020
	-	-	568,401	2,818,635	29,342
	-	-	4,508	28,989	-
	-	660,342	99,665	760,007	-
	-	-	-	115,071	-
	-	-	20	12,472	-
	-	-	-	2,250	-
	-	-	-	4,500	-
	-	-	158,429	229,380	-
	(277,567)	4,663	75,009	221,932	(80,394)
	$ (277,567)	$ 665,005	$ 906,032	$ 4,193,236	$ (51,052)

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For The Fiscal Year Ended June 30, 2011
(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	$ 862,814	$ 346,091	$ 46,445	$ 1,016,614
Assessments	-	-	-	-
Federal Grants, Contracts and Other Aid	185,926	46,791	-	-
State Grants, Contracts and Other Aid	35,732	15,241	-	-
Private Gifts and Grants	28,910	2,918	-	-
Interest on Loans	-	-	-	-
Other	68,605	16,957	-	78
Total Operating Revenues	1,181,987	427,998	46,445	1,016,692
Operating Expenses				
Salaries, Wages and Administrative	1,568,450	581,030	41,726	98,448
Lottery Prize Awards	-	-	-	620,134
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	120,410	51,471	17,861	452
Other	105,347	7,541	-	8,299
Total Operating Expenses	1,794,207	640,042	59,587	727,333
Operating Income (Loss)	(612,220)	(212,044)	(13,142)	289,359
Nonoperating Revenue (Expenses)				
Interest and Investment Income	1,198	1,295	990	11,097
Interest and Fiscal Charges	(12,608)	(11,471)	(8,828)	(11,064)
Federal Grants	-	-	-	-
Other	23,252	2,961	16,631	5
Total Nonoperating Revenues (Expenses)	11,842	(7,215)	8,793	38
Income (Loss) Before Capital Contributions, Grants, and Transfers	(600,378)	(219,259)	(4,349)	289,397
Capital Contributions	1,989	17,263	6,001	-
Federal Capitalization Grants	-	-	-	-
Transfers In	567,600	270,475	10,056	-
Transfers Out	(25,000)	(13,000)	-	(289,300)
Change in Net Assets	(55,789)	55,479	11,708	97
Total Net Assets (Deficit) - Beginning	1,813,010	795,111	272,733	7,417
Total Net Assets (Deficit) - Ending	$ 1,757,221	$ 850,590	$ 284,441	$ 7,514

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

Business-Type Activities				Governmental Activities
Enterprise Funds				Internal Service Funds
Employment Security	Clean Water	Other Funds	Totals	
$ -	$ -	$ 119,044	$ 2,391,008	$ 51,398
805,679	-	30,883	836,562	-
1,352,973	-	89,045	1,674,735	-
14,298	-	17,877	83,148	-
-	-	4,426	36,254	-
-	16,195	1,653	17,848	-
3,685	-	5,603	94,928	109
2,176,635	16,195	268,531	5,134,483	51,507
-	723	434,012	2,724,389	61,685
-	-	-	620,134	-
2,306,715	-	-	2,306,715	-
-	-	31,760	31,760	-
-	-	21,976	212,170	15,899
-	8,745	48,620	178,552	-
2,306,715	9,468	536,368	6,073,720	77,584
(130,080)	6,727	(267,837)	(939,237)	(26,077)
-	15,416	1,584	31,580	2
-	(36,005)	(5,816)	(85,792)	-
-	-	-		154
-	4,265	140	47,254	(440)
-	(16,324)	(4,092)	(6,958)	(284)
(130,080)	(9,597)	(271,929)	(946,195)	(26,361)
-	-	-	25,253	-
-	23,838	14,846	38,684	-
-	-	289,627	1,137,758	-
(5,739)	(2,812)	(11,056)	(346,907)	-
(135,819)	11,429	21,488	(91,407)	(26,361)
(141,748)	653,576	884,544	4,284,643	(24,691)
$ (277,567)	$ 665,005	$ 906,032	$ 4,193,236	$ (51,052)

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2011
(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	$ 874,701	$ 341,521	$ 46,109	$ 1,015,647
Payments to Suppliers	(560,883)	(186,148)	(24,323)	(89,655)
Payments to Employees	(1,067,381)	(412,808)	(16,928)	(15,355)
Other Receipts (Payments)	351,667	83,325	-	(620,600)
Net Cash Provided by (Used in) Operating Activities	(401,896)	(174,110)	4,858	290,037
Cash Flows from Noncapital Financing Activities				
Proceeds from Sale of Bonds	-	-	-	-
Retirement of Bonds and Annuities Payable	-	-	-	(31,166)
Interest on Bonds and Annuities Payable	-	-	-	(12,103)
Transfers In	461,762	245,786	10,056	-
Transfers Out	-	-	-	(289,300)
Other Receipts (Payments)	8,067	(9,583)	-	9,127
Net Cash Flows from Noncapital Financing Activities	469,829	236,203	10,056	(323,442)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant and Equipment	(137,635)	(57,441)	(13,413)	(316)
Proceeds from Capital Debt	-	41,045	152,380	-
Principal Paid on Capital Debt	(95,962)	(32,986)	(172,075)	-
Interest Paid on Capital Debt	(52,730)	(11,851)	(9,448)	-
Transfer In	127,907	40,995	-	-
Federal Grant	-	-	-	-
Capital Contributions	-	-	6,073	-
Other Receipts (Payments)	1,526	25	6,584	-
Net Cash Flows from Capital and Related Financing Activities	(156,894)	(20,213)	(29,899)	(316)
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	5,256	-	30,953
Purchase of Investment Securities	(18)	(30,739)	-	(11,027)
Interest on Investments	1,171	1,315	1,008	12,141
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	3,206	-	5,183	-
Net Cash Flows from Investing Activities	4,359	(24,168)	6,191	32,067
Net Increase (Decrease) in Cash and Cash Equivalents	(84,602)	17,712	(8,794)	(1,654)
Cash and Cash Equivalents - Beginning of Year	511,998	275,473	138,955	18,270
Cash and Cash Equivalents - End of Year	$ 427,396	$ 293,185	$ 130,161	$ 16,616
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (612,220)	$ (212,044)	$ (13,142)	$ 289,359
Adjustments not Affecting Cash:				
Depreciation and Amortization	120,410	51,471	17,861	452
Other	93,165	21	-	100
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(1,382)	(5,600)	(336)	(1,177)
(Increase) Decrease in Due from Other Funds	-	-	-	-
(Increase) Decrease in Inventories and Other Assets	2,965	-		(905)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(4,834)	(8,331)	475	2,208
Increase (Decrease) in Due to Other Funds	-	373	-	-
Total Adjustments	210,324	37,934	18,000	678
Net Cash Provided by (Used In) Operating Activities	$ (401,896)	$ (174,110)	$ 4,858	$ 290,037
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 368,800	$ 176,958	$ 30,491	
Cash and Cash Equivalents - Noncurrent	1,356	116,227	-	
Cash and Cash Equivalents - Restricted	57,240	-	99,670	
	$ 427,396	$ 293,185	$ 130,161	

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
$ 792,322	$ 81,870	$ 155,149	$ 3,307,319	$ 49,678
-	(8,745)	(88,550)	(958,304)	(29,098)
-	(691)	(357,197)	(1,870,360)	(13,536)
(782,830)	(111,131)	83,653	(995,916)	1,836
9,492	(38,697)	(206,945)	(517,261)	8,880
-	182,802	18,000	200,802	-
-	(67,310)	(5,810)	(104,286)	-
-	(32,724)	(2,141)	(46,968)	-
-	-	275,361	992,965	-
(5,739)	(2,812)	(10,056)	(307,907)	-
(3,753)	(31,554)	1,003	(26,693)	(440)
(9,492)	48,402	276,357	707,913	(440)
-	-	(6,708)	(215,513)	(8,591)
-	-	-	193,425	-
-	-	-	(301,023)	-
-	-	(3,378)	(77,407)	-
-	-	14,612	183,514	-
-	32,840	15,764	48,604	-
-	-	-	6,073	-
-	-	(74,970)	(66,835)	-
-	32,840	(54,680)	(229,162)	(8,591)
-	-	-	36,209	-
-	-	-	(41,784)	-
-	15,716	1,609	32,960	2
-	630	-	630	-
-	(61,298)	(13,651)	(66,560)	-
-	(44,952)	(12,042)	(38,545)	2
-	(2,407)	2,690	(77,055)	(149)
-	4,421	151,249	1,100,366	8,291
$ -	$ 2,014	$ 153,939	$ 1,023,311	$ 8,142
$ (130,080)	$ 6,727	$ (267,837)	$ (939,237)	$ (26,077)
-	-	21,976	212,170	15,899
-	-	(8,736)	84,550	154
(12,693)	(45,424)	(434)	(67,046)	95
(664)	-	-	(664)	(1,813)
(133,609)	-	45,939	(85,610)	1,703
311,423	-	2,147	303,088	18,919
(24,885)	-	-	(24,512)	-
139,572	(45,424)	60,892	421,976	34,957
$ 9,492	$ (38,697)	$ (206,945)	$ (517,261)	$ 8,880

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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, 2011

(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	$ 136,119	$ -	$ -	$ 127,292	$ 263,411
Receivables:					
Accounts, Net of Allowances	18,681	-	-	6,657	25,338
From Other Governments	1,276	-	-	-	1,276
From Other Funds	1,313	-	-	6,042	7,355
Interest	882	376	-	10	1,268
Investments	25,085,533	604,728	-	-	25,690,261
Inventories	-	-	-	13	13
Securities Lending Collateral	3,137,300	-	-	-	3,137,300
Other Assets	-	26	2,161	364,398	366,585
Total Assets	28,381,104	605,130	2,161	$ 504,412	29,492,807
Liabilities					
Accounts Payable and Accrued Liabilities	31,261	104	-	$ 22,702	54,067
Securities Lending Obligation	3,137,300	-	-	-	3,137,300
Due to Other Funds	1,463	-	-	-	1,463
Funds Held for Others	-	-	-	481,710	481,710
Total Liabilities	3,170,024	104	-	$ 504,412	3,674,540
Net Assets					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	25,086,280	-	-		25,086,280
Other Employee Benefits (Note 15)	124,800	-	-		124,800
Individuals, Organizations, and Other Governments	-	605,026	2,161		607,187
Total Net Assets	$ 25,211,080	$ 605,026	$ 2,161		$ 25,818,267

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, 2011
(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	$ 418,302	$ -	$ -	$ 418,302
State	1,957,473	-	-	1,957,473
Municipalities	51,126	-	-	51,126
Total Contributions	2,426,901	-	-	2,426,901
Investment Income	4,538,633	2,300	-	4,540,933
Less: Investment Expense	(93,585)	(164)	-	(93,749)
Net Investment Income	4,445,048	2,136	-	4,447,184
Escheat Securities Received	-	-	38,986	38,986
Transfers In	3,665	-	-	3,665
Other	2,076	-	-	2,076
Total Additions	6,877,690	2,136	38,986	6,918,812
Deductions				
Administrative Expense	3,063	-	-	3,063
Benefit Payments and Refunds	3,558,116	-	-	3,558,116
Escheat Securities Returned or Sold	-	-	56,955	56,955
Distributions to Pool Participants	-	2,137	-	2,137
Pool's Share Transactions	-	280,066	-	280,066
Other	3,482	-	1,968	5,450
Total Deductions	3,564,661	282,203	58,923	3,905,787
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	3,313,029	-	-	3,313,029
Individuals, Organizations, and Other Governments	-	(280,067)	(19,937)	(300,004)
Net Assets - Beginning	21,898,051	885,093	22,098	22,805,242
Net Assets - Ending	$ 25,211,080	$ 605,026	$ 2,161	$ 25,818,267

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

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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.

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Statement of Net Assets
Component Units

June 30, 2011

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-10)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 240	$ 144,334	$ 144,574
Investments	-	7,189	354,917	362,106
Receivables:				
Accounts, Net of Allowances	-	200	23,383	23,583
Loans, Net of Allowances	-	-	20,655	20,655
Other	-	-	1,156	1,156
Due From Primary Government	-	-	12,988	12,988
Restricted Assets	957,286	364,483	92,359	1,414,128
Inventories	-	-	4,086	4,086
Other Current Assets	-	120	2,804	2,924
Total Current Assets	957,286	372,232	656,682	1,986,200
Noncurrent Assets:				
Investments	-	-	41,085	41,085
Accounts, Net of Allowances	-	-	16,365	16,365
Loans, Net of Allowances	-	-	154,022	154,022
Restricted Assets	4,521,571	10,580	66,640	4,598,791
Capital Assets, Net of Accumulated Depreciation	3,680	188	413,705	417,573
Other Noncurrent Assets	-	-	11,154	11,154
Total Noncurrent Assets	4,525,251	10,768	702,971	5,238,990
Total Assets	5,482,537	383,000	1,359,653	7,225,190
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	29,766	4,181	34,705	68,652
Current Portion of Long-Term Obligations	283,930	-	25,543	309,473
Amount Held for Institutions	-	364,483	-	364,483
Other Liabilities	27,131	-	731	27,862
Total Current Liabilities	340,827	368,664	60,979	770,470
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	4,237,814	2,207	391,954	4,631,975
Total Noncurrent Liabilities	4,237,814	2,207	391,954	4,631,975
Total Liabilities	4,578,641	370,871	452,933	5,402,445
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,680	188	272,936	276,804
Restricted:				
Debt Service	-	-	22,765	22,765
Bond Indentures	936,984	-	-	936,984
Expendable Endowments	-	-	91,401	91,401
Nonexpendable Endowments	-	-	274,653	274,653
Other Purposes	-	5,373	45,609	50,982
Unrestricted (Deficit)	(36,768)	6,568	199,356	169,156
Total Net Assets	$ 903,896	$ 12,129	$ 906,720	$ 1,822,745

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/10)	$ 243,109	$ 194,748	$ -	$ -
Connecticut Health and Educational Facilities Authority	7,870	6,788	-	-
Other Component Units	262,950	176,850	11,286	885
Total Component Units	$ 513,929	$ 378,386	$ 11,286	$ 885

General Revenues:
Investment Income
Contributions to Endowments
Total General Revenues
and Contributions
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Connecticut Housing Finance Authority (12-31-10)	**Connecticut Health & Educational Facilities Authority**	**Other Component Units**	**Totals**
$ (48,361)	$ -	$ -	$ (48,361)
-	(1,082)	-	(1,082)
-	-	(73,929)	(73,929)
(48,361)	(1,082)	(73,929)	(123,372)
71,274	22	46,154	117,450
-	-	30,299	30,299
71,274	22	76,453	147,749
22,913	(1,060)	2,524	24,377
880,983	13,189	904,196	1,798,368
$ 903,896	$ 12,129	$ 906,720	$ 1,822,745

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Notes to the Financial Statements

June 30, 2011

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 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, 2010.

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 corporation 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.

In the governmental fund financial statements, fund balance (difference between assets and liabilities) is classified as nonspendable, restricted and unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constrains on the resources are externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints by formal action of the Legislature, such as appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific uses, but is neither restricted nor committed.

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 that are restricted for payment of 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 revenues that are restricted for the payment of budgeted appropriations of the Transportation and Motor Vehicles Departments.

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 Innovations, Incorporated.

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 taxes and other revenues to be available if the revenues are collected within 45 days after year-end. Exceptions to this policy are federal grant revenues, which are considered to be available if collection is expected within 12 months after year-end, and licenses and fees which 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.

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 2011 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 registered 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 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 designation (nonexpendable) 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 significant long-term obligations include the net pension and OPEB obligations, compensated absences, workers' compensation claims, and federal loans. 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. Interest Rate Swap Agreements

The State has entered into interest rate swap agreements to reduce borrowing costs on outstanding variable-rate bonds. These agreements are considered to be derivative instruments and are discussed in more detail in Note No. 19.

h. 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.

i. 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.

j. 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.

k. 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)	$ 236,923	$ 2,001
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	(18,121)	(6,714)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(100,394)	13,277
Salaries and Fringe Benefits Payable	4,397	(2,935)
Increase (Decrease) in Continuing Appropriations	79,510	(1,423)
Less Transfer of 2010 Fiscal Year Surplus	(449,869)	-
Less Transfer From Budget Reserve Fund	(103,225)	-
Fund Reclassification-Bus Operations	-	1,827
Net change in fund balances (GAAP basis)	$ (350,779)	$ 6,033

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 committed fund balance.

Note 3 Nonmajor Fund Deficits

The following funds have deficit fund/net assets balances at June 30, 2011, none of which constitutes a violation of statutory provisions (amounts in thousands).

Special Revenue	
Consumer Counsel Public Utility Control	$ 1,823
Capital Projects	
Transportation	$ 718
Enterprise	
Bradley Parking Garage	$ 25,950
Internal Service	
Administrative Services	$ 61,339

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 twelve 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, 2011, 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	$ 26,741	$ 26,741	$ -
Federal Agency Securities	1,003,403	982,899	20,504
US Treasuries	25,103	25,103	-
US Gov. Guaranteed Securities	335,980	308,310	27,670
Government Money Market Funds	95,785	95,785	-
Repurchase Agreements	200,000	200,000	-
Bank Commercial Paper	685,000	685,000	-
Total Investments	$ 2,372,012	$ 2,323,838	$ 48,174

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, 2011, the weighted average maturity of the STIF was 31 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, 2011, the amount of STIF's investments in variable-rate securities was $819 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, 2011, 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	A	Unrated
Floating Rate Notes	$ 26,741	$ -	$ -	$ 26,741
Federal Agency Securities	1,003,402	1,003,402	-	-
US Securities	25,103	25,103	-	-
US Gov. Guaranteed and Insured Secur	335,980	335,980	-	-
Government Money Market Funds	95,786	95,786	-	-
Repurchase Agreements	200,000	-	200,000	-
Bank Commercial Paper	685,000	-	685,000	-
Total Investments	$ 2,372,012	$ 1,460,271	$ 885,000	$ 26,741

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, 2011, 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
US Bank	$ 510,000
Federal Farm Credit	$ 386,304
Fannie Mae	$ 242,738
Freddie Mac	$ 211,396
Merrill Lynch	$ 200,000
Federal Home Loan Bank	$ 162,964
Rabo Bank	$ 175,000

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (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, 2011, $2,119,000 of the bank balance of STIF's deposits of $2,120,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,907,100
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	211,900
Total	$ 2,119,000

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's 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, 2011, 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
Corporate Notes	$ 14,980	$ 14,980	$ -
Asset Backed Securities	4,566	3,745	821
Total Investments	$ 19,546	$ 18,725	$ 821

Interest Rate Risk

STIF Plus's 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, 2011, the weighted average maturity of STIF Plus was 144 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, 2011, STIF Plus's investment in variable-rate securities was $18.7 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, 2011, STIF Plus's 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	A	B	CCC
Corporate Notes	$ 14,980	$ -	$ 14,980	$ -	$ -
Asset Backed Securities	4,566	3,328	-	753	485
Total	$ 19,546	$ 3,328	$ 14,980	$ 753	$ 485

Concentration of Credit Risk

STIF Plus's policy for managing this risk is to limit the amount it may invest in any single corporate entity or federal agency to 5 percent and 15 percent, respectively, at the time of purchase. As of June 30, 2011, 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
Merrill Lynch	$ 9,981
Goldman Sachs	$ 4,999
Granite Master	$ 1,393
Argent Securities	$ 1,113

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, 2011, 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	$ 97,485	$ 647	$ 25,085,533
Other Investments	284,583	67,058	604,728
Total Investments-Current	$ 382,068	$ 67,705	$ 25,690,261

As of June 30, 2011, 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	$ 942,957	$ 742,526	$ 2,222	$ -	$ 198,209
Asset Backed Securities	110,040	67	93,312	16,661	-
Government Securities	2,775,763	115,115	1,176,573	674,571	809,504
Government Agency Securities	992,775	9,865	35,374	57,610	889,926
Mortgage Backed Securities	242,806	719	39,861	6,399	195,827
Corporate Debt	1,693,275	83,014	558,677	758,238	293,346
Convertible Debt	42,898	2,857	17,567	11,349	11,125
Mutual Fund	325,767	-	-	-	325,767
Total Debt Instruments	7,126,281	$ 954,163	$ 1,923,586	$ 1,524,828	$ 2,723,704
Common Stock	12,448,537				
Preferred Stock	107,956				
Real Estate Investment Trust	189,027				
Mutual Fund	1,451,909				
Limited Liability Corporation	4,168				
Trusts	2,138				
Limited Partnerships	3,917,579				
Total Investments	$ 25,247,595				

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 Barclays 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, 2011, 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	$ 1,516,059	$ -	$ 65,293	$ 300,575	$ 873,075	$ 163,022	$ 114,094	$ -	$ -
Aa	241,933	-	8,991	67,290	-	11,583	154,069	-	-
A	424,358	-	661	191,572	-	4,348	227,729	48	-
Baa	595,952	-	-	247,697	-	6,184	342,062	9	-
Ba	304,777	-	-	119,018	-	2,351	178,115	5,293	-
B	373,176	-	-	49,812	-	-	318,503	4,861	-
Caa	139,050	-	-	1,420	-	6,724	130,906	-	-
Ca	5,205	-	-	-	-	-	5,205	-	-
C	877	-	-	-	-	877	-	-	-
MIG 1	3,353	-	-	3,353	-	-	-	-	-
Prime 1	46,090	46,090	-	-	-	-	-	-	-
Govt. Fixed Not Rated	1,914,726	-	-	1,795,026	119,700	-	-	-	-
Not Rated	1,560,725	896,867	35,095	-	-	47,717	222,592	32,687	325,767
Total	$ 7,126,281	$ 942,957	$ 110,040	$ 2,775,763	$ 992,775	$ 242,806	$ 1,693,275	$ 42,898	$ 325,767

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, 2011, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds

				Fixed Income Securities					Equities		
Foreign Currency	**Total**	**Cash**	**Cash Equivalent Collateral**	**Government Securities**	**Mutual Funds**	**Corporate Debt**	**Convertible Securities**	**Asset Backed**	**Common Stock**	**Preferred Stock**	**Real Estate Investment Trust**
Argentine Peso	$ 3,594	$ 273	$ -	$ 3,321	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	409,806	3,452	-	52,729	-	23,181	-	-	310,962	-	19,482
Brazilian Real	214,439	1,246	-	41,518	-	11,913	341	67	106,652	52,702	-
Canadian Dollar	120,666	1,450	-	502	-	-	-	-	118,668	-	46
Chilean Peso	8,734	31	-	1,821	-	-	-	-	6,882	-	-
Colombian Peso	17,459	-	-	9,267	-	6,729	-	1,463	-	-	-
Czech Koruna	16,549	-	-	-	-	-	-	-	16,549	-	-
Danish Krone	64,139	420	-	-	-	-	-	-	63,719	-	-
Egyptian Pound	11,721	963	-	144	-	-	-	-	10,614	-	-
Euro Currency	1,653,398	6,316	185	78,085	-	6,768	-	1,082	1,519,715	36,743	4,504
Ghana Cedi	843	-	-	843	-	-	-	-	-	-	-
Hong Hong Dollar	619,779	4,482	-	-	-	-	-	-	614,296	-	1,001
Hungarian Fornit	51,178	2	-	5,853	-	-	-	-	45,323	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-	-
Indian Rupee	3,385	-	-	3,385	-	-	-	-	-	-	-
Indonesian Rupiah	105,898	524	-	12,884	-	9,784	-	-	82,706	-	-
Israeli Shekel	10,274	61	-	278	-	-	-	-	9,935	-	-
Japanese Yen	989,240	7,252	-	495	-	-	-	-	977,250	-	4,243
Kazakhstan Tenge	551	-	-	-	-	551	-	-	-	-	-
Malaysian Ringgit	83,193	545	-	36,805	-	-	-	-	45,843	-	-
Mexican Peso	106,582	788	-	55,517	-	-	-	-	50,277	-	-
Moroccan Dirham	726	54	-	-	-	-	-	-	672	-	-
New Russian Rubel	4,628	13	-	2,441	-	1,812	-	-	362	-	-
New Taiwan Dollar	84,668	901	-	-	-	-	-	-	83,767	-	-
New Zealand Dollar	63,640	1,581	-	51,619	-	-	-	-	10,426	-	14
Norwegian Krone	56,828	233	-	16,991	-	-	-	-	39,604	-	-
Pakistan Rupee	169	169	-	-	-	-	-	-	-	-	-
Peruvian Nouveau Sol	1,963	9	-	1,954	-	-	-	-	-	-	-
Philippine Peso	26,032	73	-	2,518	-	-	-	-	23,441	-	-
Polish Zloty	98,067	3,513	-	47,661	-	-	-	-	46,893	-	-
Pound Sterling	1,037,326	4,780	-	18,907	686	1,866	-	-	1,004,549	-	6,538
Singapore Dollar	85,702	737	-	-	-	-	-	-	82,021	-	2,944
South African Rand	135,187	3,337	-	30,734	-	950	-	-	100,166	-	-
South Korean Won	507,644	2,128	-	352	-	-	-	-	495,720	9,444	-
Sri Lanka Rupee	664	-	-	-	-	-	-	-	664	-	-
Swedish Krona	113,665	676	-	-	-	-	-	-	112,989	-	-
Swiss Franc	353,870	1,899	-	-	-	-	-	-	351,971	-	-
Thailand Baht	111,074	481	-	8,779	-	-	-	-	101,814	-	-
Turkish Lira	104,729	729	-	21,284	-	-	-	-	79,326	-	3,390
Total	$ 7,278,012	$ 49,120	$ 185	$ 506,687	$ 686	$ 63,554	$ 341	$ 2,612	$ 6,513,776	$ 98,889	$ 42,162

Derivatives

As of June 30, 2011, the CIFS held the following derivative investments:

Derivative Investments	Fair Value
Asset Backed Securities	$ 110,040
Mortgage Backed Securities	65,752
Collateralized Mortgage Obligations	176,973
TBA's	242,923
Interest Only Securities	1,210
Options	608
Adjustable Rate Securities	619,870
Total	$ 1,217,376

The CIFS invest in derivative investments for trading purposes and to enhance investment returns. The credit exposure resulting from these investments is limited to their fair value at year end.

The CIFS also invest in foreign currency contracts. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIFS' investments against currency fluctuations. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms. As of June 30, 2011, the fair value of contracts to buy and contracts to sell was $4,111.0 million and $4,158.2 million, respectively.

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, 2011, the CIFS had deposits with a bank balance of $64.4 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, 2011, 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	$ 2,504	$ 2,504	$ -	$ -	$ -
State Bonds	36,585	1,672	1,917	10,986	22,010
U.S. Government Securities	129,290	4,708	115,415	6,450	2,717
Guaranteed Investment Contracts	260,050	19,943	31,830	99,611	108,666
Tax Exempt Proceeds Fund	11,892	11,892	-	-	-
Money Market Funds	6,062	6,062	-	-	-
Total Debt Investments	446,383	$ 46,781	$ 149,162	$ 117,047	$ 133,393
Annuity Contracts	160,982				
Endowment Pool	10,536				
Limited Partnership	150				
Total Investments	$ 618,051				

Credit Risk

As of June 30, 2011, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

	Fair	Quality Ratings			
Investment Type	Value	AAA	AA	A	Unrated
Repurchase Agreements	$ 2,504	$ 2,504	$ -	$ -	$ -
State Bonds	36,585	-	36,585	-	-
U.S. Government Securities	129,290	-	-	-	129,290
Guaranteed Investment Contracts	260,050	62,970	53,821	143,259	-
Tax Exempt Proceeds Fund	11,892	-	-	-	11,892
Money Market Funds	6,062	-	-	-	6,062
Total	$ 446,383	$ 65,474	$ 90,406	$ 143,259	$ 147,244

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, 2011, $257,584 of the bank balance of the Primary Government of $807,588 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 231,611
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	25,973
Total	$ 257,584

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 12-31-10 and 6-30-11, respectively (amounts in thousands):

Major Component Units

		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1-5	More Than 10
Collateralized Mortgage Obligations	$ 1,120	$ -	$ -	$ 1,120
Corporate Finance Bonds	5,411	-	5,411	-
Federal NIBP Money Market Funds	119,496	119,496	-	-
Federated Funds	736	736	-	-
Fidelity Funds	10,680	10,680	-	-
Fidelity Tax Exempt Fund	5,272	5,272	-	-
GNMA Program Assets	847,996	-	-	847,996
Guaranteed Investment Contracts	17,002	15	16,987	-
Mortgage Backed Securities	1,986	-	293	1,693
Municipal Bonds	6,000	-	-	6,000
U.S. Government and Agency Securities	1,799	996	-	803
Structured Securities	519	-	-	519
Money Market Funds	351,991	351,991	-	-
Total	$ 1,370,008	$ 489,186	$ 22,691	$ 858,131

The CHFA and the CHEFA own 73.0 percent and 27.0 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. The Federated and Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by 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 as follows: obligations issued or guaranteed by the U.S. Government, including FDIC; qualified money market funds investing in short-term securities as permitted by the Authority's enabling legislation; the State's Short-Term Investment Fund (STIF) provided it maintains a "AAA" rating by Standard and Poor's; and qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government.

CHFA's and CHEFA's investments were rated as of 12-31-10 and 6-30-11, respectively, as follows (amounts in thousands):

Component Units

Investment Type	Fair Value	Quality Ratings AAA	AA	BBB	D	Unrated
Collateralized Mortgage Obligations	$ 1,120	$ -	$ -	$ 1,120	$ -	$ -
Corporate Finance Bonds	5,411	-	-	5,411	-	-
Federal NIBP Money market Funds	119,496	119,496	-	-	-	-
Federated Funds	736	-	-	-	-	736
Fidelity Funds	10,680	-	-	-	-	10,680
Fidelity Tax Exempt Fund	5,272	-	-	-	-	5,272
GNMA Assets	847,996	-	-	-	-	847,996
Guaranteed Investment Contracts	17,002	-	15	-	-	16,987
Mortgage Backed Securities	1,986	-	-	-	-	1,986
Municipal Bonds	6,000	-	-	-	-	6,000
U.S Government and Agency Securities	1,799	-	-	-	-	1,799
Structured Securities	519	-	-	-	519	-
Money Market Funds	351,991	-	-	-	-	351,991
Total	$ 1,370,008	$ 119,496	$ 15	$ 6,531	$ 519	$ 1,243,447

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, 2010, 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.

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. 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 $3,358.0 million and $3,235.3 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

34.2 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, 2011, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,249,857	$ -	$ -
Accounts	1,079,334	592,719	23,784
Loans-Current Portion	-	267,043	22,896
Other Governments	750,242	13,138	-
Interest	193	12,918	1,156
Other (1)	195	-	-
Total Receivables	3,079,821	885,818	47,836
Allowance for Uncollectibles	(949,526)	(89,797)	(2,442)
Receivables, Net	$ 2,130,295	$ 796,021	$ 45,394

(1) Includes a reconciling amount of $192 from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2011 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 526,930	$ -	$ 526,930
Income Taxes	249,252	-	249,252
Corporations	100,078	-	100,078
Gasoline and Special Fuel		42,600	42,600
Various Other	330,997	-	330,997
Total Taxes Receivable	1,207,257	42,600	1,249,857
Allowance for Uncollectibles	(196,157)	(143)	(196,300)
Taxes Receivable, Net	$ 1,011,100	$ 42,457	$ 1,053,557

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2011, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 16,365
Loans	251,751	709,310	163,624
Total Receivables	251,751	709,310	179,989
Allowance for Uncollectibles	(1,716)	(2,886)	(9,602)
Receivables, Net	$ 250,035	$ 706,424	$ 170,387

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 $624.3 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 $104.3 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2011, 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	$ 708,645	$ -	$ -	$ -	$ 708,645
Environmental	2,235	-	-	-	2,235
Total-Governmental Activities	$ 710,880	$ -	$ -	$ -	$ 710,880
Business-Type Activities:					
Bradley International Airport	$ 99,670	$ 15,056	$ -	$ 2,166	$ 116,892
UConn/Health Center	57,240	-	-	4,548	61,788
Clean Water	154,996	298,600	-	-	453,596
Other Proprietary	53,895	27,271	-	-	81,166
Total-Business-Type Activities	$ 365,801	$ 340,927	$ -	$ 6,714	$ 713,442
Component Units:					
CHFA	$ 2,409	$ 1,658,234	$ 3,552,918	$ 265,296	$ 5,478,857
CHEFA	12,230	362,784	-	49	375,063
Other Component Units	114,931	38,977	-	5,091	158,999
Total-Component Units	$ 129,570	$ 2,059,995	$ 3,552,918	$ 270,436	$ 6,012,919

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2011, 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	$ 119,144	$ 245,905	$ -	$ -	$ 365,049
Transportation	10,882	13,979	-	-	24,861
Other Governmental	152,367	29,123	-	17,640	199,130
Internal Service	377	1,203	-	23,418	24,998
Reconciling amount from fund financial statements to government-wide financial statements	-	-	187,117	6,084	193,201
Total-Governmental Activities	$ 282,770	$ 290,210	$ 187,117	$ 47,142	$ 807,239
Business-Type Activities:					
UConn/Health Center	$ 27,691	$ 88,463	$ -	$ 29,750	$ 145,904
State Universities	9,335	43,859	1,900	-	55,094
Other Proprietary	16,741	34,759	17,073	25,423	93,996
Total-Business-Type Activities	$ 53,767	$ 167,081	$ 18,973	$ 55,173	$ 294,994
Component Units:					
CHFA	$ -	$ -	$ 21,283	$ 8,483	$ 29,766
Other Component Units	5,321	-	1,559	32,006	38,886
Total-Component Units	$ 5,321	$ -	$ 22,842	$ 40,489	$ 68,652

Note 10 Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated:				
Land	$ 1,562,050	$ 32,770	$ 16	$ 1,594,804
Construction in Progress	1,719,377	1,064,125	443,349	2,340,153
Total Capital Assets not being Depreciated	3,281,427	1,096,895	443,365	3,934,957
Other Capital Assets:				
Buildings	3,174,519	105,098	3,730	3,275,887
Improvements Other than Buildings	471,424	9,122	9,255	471,291
Equipment	1,650,639	332,520	75,633	1,907,526
Infrastructure	12,555,781	99,941	-	12,655,722
Total Other Capital Assets at Historical Cost	17,852,363	546,681	88,618	18,310,426
Less: Accumulated Depreciation For:				
Buildings	1,721,603	81,509	3,730	1,799,382
Improvements Other than Buildings	270,270	33,698	9,255	294,713
Equipment	1,606,963	222,838	75,633	1,754,168
Infrastructure	6,965,102	507,720	-	7,472,822
Total Accumulated Depreciation	10,563,938	845,765 *	88,618	11,321,085
Other Capital Assets, Net	7,288,425	(299,084)	-	6,989,341
Governmental Activities, Capital Assets, Net	$10,569,852	$ 797,811	$ 443,365	$ 10,924,298

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 6,331
General Government	50,086
Regulation and Protection	32,446
Conservation and Development	15,773
Health and Hospitals	14,719
Transportation	598,599
Human Services	2,196
Education, Libraries and Museums	42,117
Corrections	50,656
Judicial	23,253
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	9,589
Total Depreciation Expense	$ 845,765

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 59,627	$ 5,194	$ 151	$ 64,670
Construction in Progress	194,140	178,527	77,179	295,488
Total Capital Assets not being Depreciated	253,767	183,721	77,330	360,158
Capital Assets being Depreciated:				
Buildings	3,943,691	109,141	2,378	4,050,454
Improvements Other Than Buildings	519,500	13,651	206	532,945
Equipment	958,218	71,182	74,838	954,562
Total Other Capital Assets at Historical Cost	5,421,409	193,974	77,422	5,537,961
Less: Accumulated Depreciation For:				
Buildings	1,414,099	122,499	1,532	1,535,066
Improvements Other Than Buildings	265,306	21,053	191	286,168
Equipment	614,247	67,777	73,217	608,807
Total Accumulated Depreciation	2,293,652	211,329	74,940	2,430,041
Other Capital Assets, Net	3,127,757	(17,355)	2,482	3,107,920
Business-Type Activities, Capital Assets, Net	$ 3,381,524	$ 166,366	$ 79,812	$ 3,468,078

Component Units

Capital assets of the component units consisted of the following as of June 30, 2011 (amounts in thousands):

Land	$ 29,031
Buildings	358,787
Improvements other than Buildings	2,697
Machinery and Equipment	423,368
Construction in Progress	20,896
Total Capital Assets	834,779
Accumulated Depreciation	417,206
Capital Assets, net	$ 417,573

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 6/30/2010	TRS 6/30/2010	JRS 6/30/2010
Retirees and beneficiaries receiving benefits	41,782	30,493	212
Terminated plan members entitled to but not yet receiving benefits	1,602	1,315	2
Active plan members	50,064	51,368	230
Total	93,448	83,176	444

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. During fiscal year 2011, the State reduced the annual required contribution to the plan by $118.3 million to help reduce the deficit of the State's General fund.

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	$ 944,077	$ 581,593	$ 16,208
Interest on net pension obligation	232,919	(41,945)	1,313
Adjustment to annual required contribution	(177,735)	36,812	(987)
Annual pension cost	999,261	576,460	16,534
Contributions made	825,801	581,593	-
Increase (decrease) in net pension obligation	173,460	(5,133)	16,534
Net pension obligation (asset) beginning of year	2,740,234	(493,460)	15,449
Net pension obligation (asset) end of year	$ 2,913,694	$ (498,593)	$ 31,983

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

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(asset)
SERS	2009	$ 810,776	86.3%	$ 2,508,005
	2010	$ 952,753	75.6%	$ 2,740,231
	2011	$ 999,261	82.6%	$ 2,913,694
TRS	2009	$ 532,423	101.3%	$ (487,390)
	2010	$ 553,154	101.1%	$ (498,460)
	2011	$ 576,460	100.9%	$ (498,593)
JRS	2009	$ 14,174	100%	$ 49
	2010	$ 15,400	0%	$ 15,449
	2011	$ 16,534	0%	$ 31,983

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2010 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	9,349.6	21,054.2	11,704.6	44.4%	3,295.7	355.1%
TRF	14,430.2	23,495.9	9,065.7	61.4%	3,646.0	248.6%
JRF	179.7	276.8	97.1	64.9%	31.6	307.3%

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	6/30/2010	6/30/2010	6/30/10
Actuarial Cost Method	Projected unit credit	Entry Age	Projected unit credit
Amortization Method	Level percent of payroll, closed	Level percent closed	Level percent of payroll, closed
Remaining Amortization Period	21 Years	25.3 years	21 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%	0.00%
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 $37.0 million and $22.6 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 7/1/2010	CPJERS 12/31/2009
Retirees and beneficiaries receiving benefits	5,705	288
Terminated plan members entitled to but not receiving benefits	720	22
Active plan members	8,579	412
Total	15,004	722
Number of participating employers	186	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 2.25 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 Funds 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	$ 1,627	$ 971	$ -	$ 385	$ -	$ 249	$ 3,232
Receivables:							
Accounts, Net of Allowances	2,510	7,371	8	8,788	4	-	18,681
From Other Governments	-	1,276	-	-	-	-	1,276
From Other Funds	3	9	-	-	-	-	12
Interest	265	561	4	47	4	-	881
Investments	8,980,629	14,143,320	158,886	1,697,937	81,789	1,112	25,063,673
Securities Lending Collateral	1,120,350	1,734,341	24,357	242,783	11,542	161	3,133,534
Total Assets	10,105,384	15,887,849	183,255	1,949,940	93,339	1,522	28,221,289
Liabilities							
Accounts Payable and Accrued Liabilities	12	-	-	-	-	-	12
Securities Lending Obligation	1,120,350	1,734,341	24,357	242,783	11,542	161	3,133,534
Due to Other Funds	-	1,271	-	-	192	-	1,463
Total Liabilities	1,120,362	1,735,612	24,357	242,783	11,734	161	3,135,009
Net Assets							
Held in Trust For Employee Pension Benefits	8,985,022	14,152,237	158,898	1,707,157	81,605	1,361	25,086,280
Total Net Assets	$ 8,985,022	$ 14,152,237	$ 158,898	$ 1,707,157	$ 81,605	$ 1,361	$ 25,086,280

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

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 67,679	$ 253,925	$ 1,566	$ 16,307	$ 328	$ 38	$ 339,843
State	825,801	581,593	-	-	-	-	1,407,394
Municipalities	-	-	-	51,126	-	-	51,126
Total Contributions	893,480	835,518	1,566	67,433	328	38	1,798,363
Investment Income	1,657,847	2,570,338	27,516	266,655	13,082	101	4,535,539
Less: Investment Expenses	(34,184)	(53,003)	(567)	(5,498)	(270)	(2)	(93,524)
Net Investment Income	1,623,663	2,517,335	26,949	261,157	12,812	99	4,442,015
Transfers In	-	-	-	-	3,665	-	3,665
Other	476	452	-	1,138	10	-	2,076
Total Additions	2,517,619	3,353,305	28,515	329,728	16,815	137	6,246,119
Deductions							
Administrative Expense	346	-	11	-	-	-	357
Benefit Payments and Refunds	1,323,593	1,485,398	19,390	100,475	3,604	1	2,932,461
Other	-	-	-	3	3,465	-	3,468
Total Deductions	1,323,939	1,485,398	19,401	100,478	7,069	1	2,936,286
Changes in Net Assets	1,193,680	1,867,907	9,114	229,250	9,746	136	3,309,833
Net Assets Held in Trust For Employee Pension Benefits:							
Beginning of Year	7,791,342	12,284,330	149,784	1,477,907	71,859	1,225	21,776,447
End of Year	$ 8,985,022	$ 14,152,237	$ 158,898	$ 1,707,157	$ 81,605	$ 1,361	$ 25,086,280

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.

As of June 30, 2011, the last actuarial valuation for the plan was dated April 1, 2008. This valuation disclosed that the plan had an unfunded accrued liability of $26.6 billion as of that date. Because of the date of the actuarial valuation, required disclosures for the plan on funded status, funding progress, and actuarial methods and assumptions could not be made in this note.

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, 2010 (date of the latest actuarial valuation), the plan had 33,151 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 (6-30-10)	RTHP
Annual Required Contribution	$ 2,145,724	$ 177,063
Interest on Net OPEB Obligation	12,719	1,394
Adjustment to Annual Required Contribution	191,220	(11,089)
Annual OPEB Cost	2,349,663	167,368
Contributions Made	555,131	5,312
Increase in net OPEB Obligation	1,794,532	162,056
Net OPEB Obligation - Beginning of Year	2,356,334	289,837
Net OPEB Obligation - End of Year	$ 4,150,866	$ 451,893

In addition, other related information for each plan for the past three fiscal years was as follows:

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP	2010	$ 2,349,663	23.6%	$ 4,150,866
	2009	$ 1,669,321	27.1%	$ 2,356,334
	2008	$ 1,602,739	28.9%	$ 1,139,042
RTHP	2011	$ 167,368	3.2%	$ 451,893
	2010	$ 115,321	10.5%	$ 289,837
	2009	$ 113,704	19.7%	$ 186,624

Funded Status and Funding Progress

The following is funded status information for the RTHP as of June 30, 2010, 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	$0	$ 2,997.8	$ 2,997.8	0.0%	$ 3,646.0	82.2%

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	6-30-2010
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Period	29 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, 5% 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 6/30/10 there were 8 municipalities participating in the plan with a total membership of 610 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	$ 74,975	$ 57,912	$ -	$ 132,887
Receivables:				
From Other Funds	(1)	1,302	-	1,301
Interest	-	-	1	1
Investments	-	-	21,860	21,860
Securities Lending Collateral	-	-	3,766	3,766
Total Assets	74,974	59,214	25,627	159,815
Liabilities				
Accounts Payable and Accrued Liabilit	25,327	5,922	-	31,249
Securities Lending Obligation	-	-	3,766	3,766
Total Liabilities	25,327	5,922	3,766	35,015
Net Assets				
Held in Trust For Other				
Postemployment Benefits	49,647	53,292	21,861	124,800
Total Net Assets	$ 49,647	$ 53,292	$ 21,861	$ 124,800

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

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Additions				
Contributions:				
Plan Members	$ -	$ 77,997	$ 462	$ 78,459
State	544,767	5,312	-	550,079
Municipalities	-	-	-	-
Total Contributions	544,767	83,309	462	628,538
Investment Income	3	135	2,956	3,094
Less: Investment Expenses	-	-	(61)	(61)
Net Investment Income	3	135	2,895	3,033
Other	-	-	-	-
Total Additions	544,770	83,444	3,357	631,571
Deductions				
Administrative Expense	-	2,706	-	2,706
Benefit Payments and Refunds	530,779	93,946	930	625,655
Other	-	14	-	14
Total Deductions	530,779	96,666	930	628,375
Changes in Net Assets	13,991	(13,222)	2,427	3,196
Net Assets Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year (as restated)	35,656	66,514	19,434	121,604
End of Year	$ 49,647	$ 53,292	$ 21,861	$ 124,800

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):

2012	$ 23,328
2013	23,161
2014	23,347
2015	24,173
2016	24,168
Thereafter	103,582
Total	$ 221,759

Contingent revenues for the year ended June 30, 2011, were $.2 million.

State as Lessee

Obligations under capital and operating leases as of June 30, 2011, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2012	$ 66,533	$ 8,493
2013	52,794	8,360
2014	51,833	8,354
2015	37,204	3,886
2016	72,382	2,910
2017-2021	6,714	12,856
2022-2026	-	6,132
2027-2031	-	6,090
Total minimum lease payments	$ 287,460	57,081
Less: Amount representing interest costs		14,086
Present value of minimum lease payments		$ 42,995

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, 2011, were $66.5 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 $122 million at June 30, 2011.

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, 2011, (amounts in thousands):

Governmental Activities	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts due within one year
Bonds:					
General Obligation	$ 13,592,708	$ 1,294,820	$ 1,093,188	$ 13,794,340	$ 1,010,624
Transportation	3,030,485	737,675	410,565	3,357,595	274,275
	16,623,193	2,032,495	1,503,753	17,151,935	1,284,899
Plus/(Less) premiums and deferred amounts	526,578	57,827	58,293	526,112	50,004
Total Bonds	17,149,771	2,090,322	1,562,046	17,678,047	1,334,903
Long-Term Notes	1,143,955	-	228,160	915,795	-
Other L/T Liabilities:					
Net Pension Obligation	2,262,220	1,592,258	1,407,394	2,447,084	-
Net OPEB Obligation	4,440,703	167,368	5,312	4,602,759	-
Compensated Absences	522,764	56,479	19,649	559,594	12,757
Workers' Compensation	460,596	148,777	97,960	511,413	100,896
Capital Leases	41,702	4,089	2,796	42,995	6,383
Claims and Judgments	60,289	5,001	9,063	56,227	3,908
Liability on Interest Rate Swaps	27,817		5,220	22,597	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	7,816,796	1,973,972	1,547,394	8,243,374	123,944
Governmental Activities Long-Term Liabilities	$ 26,110,522	$ 4,064,294	$ 3,337,600	$ 26,837,216	$ 1,458,847
In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
Business-Type Activities					
Revenue Bonds	$ 1,498,377	$ 376,361	$ 318,520	$ 1,556,218	$ 114,397
Plus/(Less) premiums, discounts and deferred amounts	40,775	19,547	9,380	50,942	254
Total Revenue Bonds	1,539,152	395,908	327,900	1,607,160	114,651
Lottery Prizes	180,513	-	18,816	161,697	26,888
Compensated Absences	147,440	31,569	24,261	154,748	44,171
Federal Loans Payable	498,453	311,423	-	809,876	-
Other	194,544	10,088	20,561	184,071	8,704
Total Other Liabilities	1,020,950	353,080	63,638	1,310,392	79,763
Business-Type Long-Term Liabilities	$ 2,560,102	$ 748,988	$ 391,538	$ 2,917,552	$ 194,414

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $55.8 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, 2011, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2011	Amounts due within year
Bonds Payable	$ 4,450,169	$ 213,241
Escrow Deposits	391,857	89,533
Closure of Landfill	50,676	5,389
Due to State	19,026	-
Deferred Revenue	3,135	861
Other	26,585	449
Total	$ 4,941,448	$ 309,473

Note 18 Long-Term Notes and Bonded Debt

a. Economic Recovery Notes

Public Act 09-2 authorized the issuance of $915.8 million of General Obligation Economic Recovery Notes in December, 2009. The notes funded a major part of the deficit in the State's general fund as reported by the Comptroller to the Governor for the fiscal year ended June 30, 2009.

Economic recovery notes outstanding at June 30, 2011 were $915.8 million. The notes mature on various dates through 2016 and bear interest rates from 2.0% to 5.0%.

Future amounts needed to pay principal and interest on economic recovery notes outstanding at June 30, 2011, were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 167,860	$ 40,568	$ 208,428
2013	174,570	33,854	208,424
2014	182,705	25,724	208,429
2015	191,280	17,146	208,426
2016	199,380	9,044	208,424
Total	$ 915,795	$ 126,336	$ 1,042,131

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, 2011, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2011-2030	2.00-6.414%	$ 1,924,881	$ 526,926
School Construction	2011-2029	2.00-6.777%	4,485,842	63,901
Municipal & Other Grants & Loans	2011-2030	1.00-6.701%	739,204	371,228
Housing Assistance	2012-2031	0.38-5.460%	169,130	36,906
Elimination of Water Pollution	2011-2028	1.00-6.034%	259,225	569,353
General Obligation Refunding	2011-2023	2.00-6.00%	3,710,302	-
Pension Obligation	2014-2032	4.20-6.27%	2,276,578	-
Miscellaneous	2011-2038	3.00-6.75%	122,505	545,246
			13,687,667	$ 2,113,560
Accretion-Various Capital Appreciation Bonds			106,673	
		Total	$ 13,794,340	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2011, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$ 1,010,624	$ 687,972	$ 1,698,596
2013	937,636	624,949	1,562,585
2014	907,333	569,561	1,476,894
2015	883,139	517,995	1,401,134
2016	879,755	477,420	1,357,175
2017-2021	3,555,128	1,848,534	5,403,662
2022-2026	2,813,027	1,383,070	4,196,097
2027-2031	2,326,765	471,167	2,797,932
2032-2036	369,745	23,723	393,468
2037-2041	4,515	335	4,850
Total	$ 13,687,667	$ 6,604,726	$ 20,292,393

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, 2011, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2011-2030	2.00-6.500%	$ 3,357,595	$ 2,099,925
			3,357,595	$ 2,099,925
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 3,357,595	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2011, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$ 274,275	$ 156,551	$ 430,826
2013	309,825	143,309	453,134
2014	262,365	130,555	392,920
2015	227,070	119,429	346,499
2016	209,740	109,694	319,434
2017-2021	910,055	411,880	1,321,935
2022-2026	708,580	210,361	918,941
2027-2031	455,685	53,696	509,381
	$ 3,357,595	$ 1,335,475	$ 4,693,070

Variable-Rate Demand Bonds

As of June 30, 2011, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
General Obligation	$ 30,000	1997	2014
General Obligation	100,000	2001	2021
General Obligation	280,000	2005	2023
Total	$ 410,000		

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:
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.

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, 2011, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2012-2033	2.0-6.0%	$ 162,243
State Universities	2012-2036	2-6.0%	284,530
Clean Water	2012-2028	2-5.%	839,018
Drinking Water	2012-2027	2-5.%	60,087
Bradley International Airport	2012-2033	[1]	169,090
Bradley Parking Garage	2012-2024	6.125-6.6%	41,250
Total Revenue Bonds			1,556,218
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			(1,621)
State Universities			2,386
Clean Water			49,714
Bradley International Airport			(2,699)
Other			3,162
Revenue Bonds, net			$ 1,607,160

[1] variable percent of one month LIBOR

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 International Airport periodically issues revenue bonds to finance the cost of improvements to the airport. These bonds are secured by and are payable solely from revenues generated by the airport and other receipts, funds or monies pledged in the bond indenture. As of June 30, 2011 the following bonds were outstanding:

a. 2001 Bradley International Airport Refunding Bonds in the amount of $16.7 million.
b. 2011 Bradley International Airport Refunding Bonds in the amount of $152.4 million.

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. 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, 2011, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$ 114,397	$ 66,889	$ 181,286
2013	115,433	63,755	179,188
2014	105,023	58,922	163,945
2015	110,008	54,293	164,301
2016	110,729	49,308	160,037
2017-2021	433,483	184,104	617,587
2022-2026	369,495	87,111	456,606
2027-2031	159,210	23,131	182,341
2032-2036	38,440	1,817	40,257
Total	$ 1,556,218	$ 589,330	$ 2,145,548

d. Component Units

Component units' revenue bonds outstanding at June 30, 2011, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2012-2020	4.40-5.250%	$ 15,800
CT Housing Finance Authority	2012-2049	0.40-6.625%	4,134,969
CT Resources Recovery Authority	2012-2016	5.125-5.50%	8,050
CT Higher Education Supplemental Loan Authority	2012-2028	1.70-6.00%	184,250
Capital City Economic Development Authority	2012-2033	2.50-7.00%	100,155
UConn Foundation	2012-2029	3.875-5.00%	6,505
Total Revenue Bonds			4,449,729
Plus/(Less) premiums, discounts, and deferred amounts:			
CDA			6
CRRA			(10)
CHESLA			770
CCEDA			(326)
Revenue Bonds, net			$ 4,450,169

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, 2011 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 $15.8 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, 2010, bonds outstanding under the bond resolution and the indenture were $4,068.6 million and $66.4 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 ($292.3 million at 12/31/10) on all outstanding bonds. As of December 31, 2010, the Authority has entered into interest rate swap agreements for $970.2 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 $8.1 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, 2011, were as follows amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$ 18,850	$ 11,409	$ 30,259
2013	140,900	128,848	269,748
2014	133,582	123,727	257,309
2015	136,662	135,700	272,362
2016	140,498	118,359	258,857
2017-2021	802,782	637,872	1,440,654
2022-2026	815,323	388,058	1,203,381
2027-2031	837,265	254,335	1,091,600
2032-2036	775,355	126,842	902,197
2037-2041	504,305	28,447	532,752
2042-2046	107,535	2,325	109,860
2047-2051	7,795	28,398	36,193
2052-2056	805	51	856
2057-2061	28,072	-	28,072
Total	$ 4,449,729	$ 1,984,371	$ 6,434,100

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, 2011 were $1,034.8 million.

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, 2011, were $7,570.5 million, of which $291.6 million was secured by special capital reserve funds.

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. The amount of these bonds outstanding at June 30, 2011 was $71.3 million.

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 $184.7 million of general obligation and special tax obligation refunding bonds with an average interest rate of 4.42 percent to advance refund $187.2 million of general obligation and special tax obligation bonds with an average interest rate of 4.85 percent. The reacquisition price exceeded the carrying amount of the old debt by $18.5 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 advanced refunded these bonds to reduce its total debt service payments over the next eleven years by $24.1 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $26.5 million. As of June 30, 2011, $1,732.8 million of outstanding general obligation, special tax obligation, and revenue bonds had been advanced refunded and are, accordingly, considered defeased.

Note 19 - Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit(credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swap	Other Non-current Assets	$ 5,220	Non-current portion of LT Obligations	$ (22,597)	$ 355,620
Business-type activities					
Cash flow hedges:					
Bradley Airport:					
Pay-fixed interest rate swap	Other Non-current Assets	$ (1,188)	Non-current portion of LT Obligations	$ (17,935)	$ 152,380

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' hedging derivative instruments outstanding at June 30, 2011, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amounts (000's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2001 GO bonds	$ 20,000	6/28/2001	6/15/2012	Pay 4.33% receive CPI plus 1.43%	Aa3/A+/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	140,000	3/24/2005	3/1/2023	Pay 3.392% receive 60% of LIBOR+30bp	Aa1/AAA/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	140,000	3/24/2005	3/1/2023	Pay 3.401% receive 60% of LIBOR+30bp	Aa3/A+/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	15,620	4/27/2005	6/1/2016	Pay 3.99% receive CPI plus .65%	A2/A/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2017	Pay 5.07% receive CPI plus 1.73%	A2/A/nr
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2020	Pay 5.2% receive CPI plus 1.79%	AAA/A+/nr
	Total Notional Amount	$ 355,620				

The fair values of interest rate swaps 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, 2011, 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.

Interest Rate Risk
The State is exposed to interest rate risk on its interest rate swaps. As the LIBOR or CPI swap index rate decreases, the State's net payment on the swap increases.

Basis Risk
The State's variable-rate bond interest payments are based on the Securities Industry and Financial Markets Association Municipal Swap (SIFMA) index rate, or the CPI floating rate. The State is exposed to basis risk on those swaps for which the State receives variable-rate payments that are based on the LIBOR swap index rate. As of June 30, 2011, the SIFMA rate was 0.09 percent, whereas 60 percent of LIBOR plus 30bp was 0.411 percent. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2011, 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.

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.

Hedging Derivative Instrument Payments and Hedged Debt
As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2011, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands).

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate SWAP, Net	Total
2012	$ 20,000	$ 9,052	$ 9,151	$ 38,203
2013	-	7,742	9,594	17,336
2014	-	7,742	9,594	17,336
2015	-	11,523	12,625	24,148
2016	260,620	22,385	29,373	312,378
2017-2021	75,000	2,166	2,874	80,040
Total	$ 355,620	$ 60,610	$ 73,211	$ 489,441

As of June 30, 2011, 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.

Note 20 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 lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

Risk of Loss	Risk Financed by: Purchase of Commercial Insurance	Risk Financed by: 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 and Health Center 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 6-30-09	$ 459,778	$ 25,224
Incurred claims	109,601	3,800
Paid claims	(108,783)	(10,709)
Balance 6-30-10	460,596	18,315
Incurred claims	148,777	5,210
Paid claims	(97,960)	(3,086)
Balance 6-30-11	$ 511,413	$ 20,439

Note 21 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2011, were as follows (amounts in thousands):

	Balance due to fund(s)											
Balance due from fund(s)	General	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Employment Security	Internal Services	Fiduciary	Component Units	Total
General	$ -	$ -	$ 312,690	$ 600,097	$ 50,784	$ 22,215	$ 19,719	$ 2,196	$ 2,172	$ 6,084	$ -	$ 1,015,957
Debt Service	-	116	-	-	-	-	-	-	-	-	-	116
Restricted Grants & Accounts	2,568	-	-	-	-	-	-	-	-	-	324	2,892
Other Governmental	1,846	-	5,222	6,145	231	14,535	157,887	-	-	-	12,664	198,530
UConn	11,502	-	-	-	-	-	-	-	-	-	-	11,502
State Universities	3,261	-	-	-	-	-	-	-	-	-	-	3,261
Employment Security	-	-	-	885	-	-	-	-	-	-	-	885
Other Proprietary	404	-	2,747	-	-	-	-	-	-	-	-	3,151
Internal Services	-	-	-	66,931	-	-	-	-	-	-	-	66,931
Fiduciary	-	-	-	192	-	-	-	-	-	1,271	-	1,463
Component Units	19,026	-	-	-	-	-	-	-	-	-	-	19,026
Total	$ 38,607	$ 116	$ 320,659	$ 674,250	$ 51,015	$ 36,750	$ 177,606	$ 2,196	$ 2,172	$ 7,355	$ 12,988	$ 1,323,714

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

Note 22 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2011, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)									
Amount transferred from fund(s)	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary	Total
General	$ -	$ -	$ 107,550	$ -	$ 61,837	$ 554,357	$ 245,058	$ 244,782	$ -	$ 1,213,584
Debt Service	-	-	4,334	88	-	-	-	-	-	4,422
Transportation	-	437,261	-	15,854	6,500	-	-	-	-	459,615
Restricted Grants & Accounts	28,000	-	-	-	-	-	-	-	-	28,000
Other Governmental	175,720	9,514	-	25,014	19,707	13,243	25,417	28,033	3,665	300,313
Connecticut Lottery	289,300	-	-	-	-	-	-	-	-	289,300
Employment Security	-	-	-	-	5,739	-	-	-	-	5,739
Uconn	25,000	-	-	-	-	-	-	-	-	25,000
State Universities	-	-	-	-	-	-	-	13,000	-	13,000
Other Proprietary	-	-	-	-	-	-	-	13,868	-	13,868
Total	$ 518,020	$ 446,775	$ 111,884	$ 40,956	$ 93,783	$ 567,600	$ 270,475	$ 299,683	$ 3,665	$ 2,352,841

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 23 Restatement of Fund Balances/Net Assets, Fund Balance Classifications, and Restricted Assets

Restatement of Fund Balance/Net Assets

As of June 30, 2011, the beginning fund balances/net assets for the following activities were restated as follows (amounts in thousands):

	Balance 6-30-10 Previously Reported	Correction of Reported Assets/Liabilities	Balance 6-30-10 as Restated
Governmental Funds and Activities			
Major Funds			
General Fund	$ (982,822)	$ 33,217	$ (949,605)
Total Governmental Funds	$ 1,420,939	$ 33,217	$ 1,454,156
Net Assets of Governmental Activities	$ (13,673,045)	$ 33,217	$ (13,639,828)

The beginning fund balance of the General Fund was adjusted to correct an understatement in the balance of taxes receivable reported last year.

Fund Balance – Restricted and Assigned

As of June 30, 2011 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows:

	Restricted Purposes	Assigned Purposes
Grant and Loan Programs	$ 487,514	$ 6,989
Capital Projects	447,502	-
Environmental Programs	132,023	-
Housing Programs	106,987	-
Employment Security Administration	34,295	-
Banking	17,990	-
Other	31,186	6,982
Total	$ 1,257,497	$ 13,971

Restricted Assets

As of June 30, 2011, the government-wide statement of net assets reported $2,969 of restricted net assets, of which $135 million was restricted by enabling legislation.

Note 24 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 25 New Accounting Pronouncements

In fiscal year 2011, the State implemented the following Statement issued by the Governmental Accounting Standards Board: Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Statement No. 54 requires governments to report fund balance of governmental funds by using the following categories: nonexpendable, restricted, committed, assigned, and unassigned. The Statement also clarifies the definitions of governmental fund types.

Note 26 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, 2011, the Departments of Transportation and Public Works had contractual commitments of approximately $2,040 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,789 million.
Clean and drinking water loan programs $356 million.
Various programs and services $2,648 million.

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

Component Units

As of December 31, 2010, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $187 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.

Grant amounts received or receivable by the State from federal agencies are subject to audit and adjustment by these agencies. 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 27 Subsequent Events

In July 2011, the Connecticut Health and Educational Authority issued $28.8 million of series 2011 State supported Child Care Revenue Bonds. The bonds will mature in 2029 and bear interest rates ranging from 1% to 5%.

In July 2011 the State remarketed its series 2005-A variable rate General Obligation Bonds as General Obligation SIFMA index bonds. At any time on or after March 1, 2015, the reoffered bonds may be converted to bear interest at a flexible rate, a fixed rate, a weekly rate or a new adjusted SIFMA rate, at which time the bonds will be subject to mandatory tender for purchase.

In November 2011 the State issued $550 million of General Obligation series D bonds that mature in 2031 and bear interest ranging from 1.5% to 5.0%

In November 2011 the State issued $150.8 million of General Obligation series E refunding bonds that mature in 2019 and bear interest ranging from 1.0% to 5.0%

In December 2011 the State issued $221.2 million of Special Obligation series A infrastructure bonds that mature in 2031 and bear interest rates ranging from 3.38% to 5.0%.

In December 2011 the State issued $233.8 million of Special Obligation series B infrastructure refunding bonds that mature in 2022 and bear interest rates ranging from 2.0% to 5.0%.

In December 2011 the Tax Exempt Proceeds Fund (TEPF), included with other investments under footnote 4, ceased operations as planned. The TEPF made payments of state-aid grants and loans to Municipalities, school districts and other organizations in the state. A more modern state-aid payment system was implemented on December 1, 2011. The new system integrates the electronic funds transfer capabilities of the Automated Clearing House (ACH) with the state-wide accounting system, known as CORE-CT. This new payment system is controlled by the Office of the State Comptroller.

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						
6/30/2005	$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%
6/30/2010	$9,349.6	$21,054.2	$11,704.6	44.4%	$3,295.7	355.1%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
TRS						
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%
6/30/2010	$14,430.2	$23,495.9	$9,065.7	61.4%	$3,646.0	248.6%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
JRS						
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%
6/30/2010	$179.7	$276.8	$97.1	64.9%	$31.6	307.3%
6/30/2011 *	$-	$-	$-	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%
6/30/2010	$-	$2,997.8	$2,997.8	0.0%	$3,646.0	82.2%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%

*No actuarial valuation was performed.

Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with 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
2005	$518.8	100.0%	$281.4	65.8%	$12.2	100.0%	$0.0	0.0%
2006	$623.1	100.0%	$396.2	100.0%	$11.7	100.0%	$0.0	0.0%
2007	$663.9	100.0%	$416.0	99.0%	$12.4	100.0%	$0.0	0.0%
2008	$716.9	99.2%	$518.6	485.7%	$13.4	100.0%	$116.1	21.5%
2009	$753.7	92.8%	$539.3	100.0%	$14.2	100.0%	$116.7	25.3%
2010	$897.4	80.3%	$559.2	100.0%	$15.4	0.0%	$121.3	10.0%
2011	$944.1	87.5%	$581.6	100.0%	$16.2	0.0%	$177.1	3.0%

Schedules of employer contributions for other postemployment benefit plans (RTPH) are required to be disclosed startin with fiscal year 2008.

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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

JOHN C. GERAGOSIAN

ROBERT M. WARD

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 Dannel P. Malloy
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, 2011, which collectively comprise the State's basic financial statements and have issued our report thereon dated February 24, 2012. Our report includes 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 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:

Management of the State of Connecticut is responsible for establishing and maintaining effective 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or 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, 2011*, and in separately issued departmental audit reports covering the fiscal year ended June 30, 2011. 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.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 24, 2012
State Capitol
Hartford, Connecticut

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT M. WARD

Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

Governor Dannel P. Malloy
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 could have a direct and material effect on each of the State of Connecticut's major federal programs for the year ended June 30, 2011. 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, Connecticut Innovations, Inc., the Clean Water Fund, and the Drinking Water Fund, which expended $127,526,790 in Federal awards, which is not included in the Schedule of Expenditures of Federal Awards, during the year ended June 30, 2011. Our audit, described below, did not include the operations of the Connecticut Housing Finance Authority, Connecticut Innovations, Inc., the Clean Water Fund, and the Drinking Water Fund because other auditors were engaged to audit the Connecticut Housing Finance Authority, Connecticut Innovations, Inc., 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.20. in the accompanying Schedule of Findings and Questioned Costs, the State of Connecticut did not comply with requirements regarding *Subrecipient Monitoring*, that are applicable to its *Social Services Block Grant* (CFDA #93.667) program. Compliance with such requirement 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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.4., III.A.8, III.A.9., III.A.10., III.A.11., III.A.14., III.A.15., III.A.16., III.A.20., III.A.23., III.A.28., III.B.1., III.C.9., III.D.1., III.E.1., and III.E.2.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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. 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses in internal control over compliance have been identified.. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, as items III.A.9., III.A.20., III.B.2., III.C.9., III.D.1., III.E.1., III.E.2., and III.G.1. to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement with a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. 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.7., 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.A.27., III.A.28., III.B.1., III.B.2., III.B.3., III.B.4., III.C.1., III.C.2., III.C.3., III.C.4., III.C.5., III.C.6., III.C.7., III.C.8., III.C.9., III.D.1., III.D.2., III.D.3., III.D.4., III.D.5., III.E.1., III.E.2., III.E.3., III.E.4., III.E.5., III.E.6., III.E.7., III.E.8., III.F.1., III.F.2., III.F.3., III.F.4., III.G.2., III.G.3., III.H.1., III.H.2., III.I.1., III.I.2. III.I.3., III.I.4., III.I.5., III.I.6., III.I.7., III.I.8., III.I.9., III.I.10., III.I.11., III.I.12., III.I.13., III.I.14., III.J.1., III.J.2., III.J.3., and II.K.2. to be significant deficiencies.

<u>Schedule of Expenditures of Federal Awards</u>

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, 2011, and have issued our report thereon dated February 24, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State of Connecticut's 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The State of Connecticut's responses 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 responses and, accordingly, we express no opinion on the responses.

This report is intended solely 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, 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.

John C. Geragosian Auditor of Public Accounts	Robert M. Ward Auditor of Public Accounts

March 30, 2012
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, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Department of Agriculture		$
SNAP Cluster:		
Supplemental Nutrition Assistance Program (See Note 13 Re: ARRA, and Note 3)	10.551	615,850,554
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	30,891,693
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561ARRA	509,817
Total SNAP Cluster		647,252,064
Child Nutrition Cluster:		
School Breakfast Program	10.553	20,564,866
National School Lunch Program (Note 3)	10.555	89,906,149
Special Milk Program for Children	10.556	276,507
Summer Food Service Program for Children	10.559	1,298,175
Total Child Nutrition Cluster		112,045,697
Miscellaneous Programs	10.000	89,858
Plant and Animal Disease, Pest Control, and Animal Care	10.025	499,326
Market Protection and Promotion	10.163	20,094
Specialty Crop Block Grant Program	10.169	42,100
Specialty Crop Block Grant Program - Farm Bill	10.170	192,641
Grants for Agricultural Research, Special Research Grants	10.200	38,783
Grants for Agricultural Research-Competitive Research Grants	10.206	3,231
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210	58,455
Higher Education Multicultural Scholars Program	10.220	24,886
Integrated Programs	10.303	3,505
Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)	10.315ARRA	9,277
Crop Insurance	10.450	5,000
Crop Insurance Education in Targeted States	10.458	244,381
Food Safety Cooperative Agreements	10.479	93,182
Cooperative Extension Service	10.500	3,125,376
Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 7)	10.557	58,475,918
Child and Adult Care Food Program	10.558	14,399,105
State Administrative Expenses for Child Nutrition	10.560	1,665,253
Emergency Food Assistance Program (Administrative Costs)	10.568	371,879
Emergency Food Assistance Program (Administrative Costs)	10.568ARRA	339,531
WIC Farmers' Market Nutrition Program	10.572	88,886
Team Nutrition Grants	10.574	995
WIC Grants To States	10.578ARRA	216,527
Child Nutrition Discretionary Grants Limited Availability	10.579	7,371
Fresh Fruit and Vegetable Program	10.582	1,672,025
Cooperative Forestry Assistance	10.664	592,544
Urban and Community Forestry Program	10.675	78,150
Forest Legacy Program	10.676	44,921
Forest Stewardship Program	10.678	59,638
Forest Health Protection	10.680	3,646
Rural Business Enterprise Grants	10.769	1,243
Resource Conservation and Development	10.901	215,786
Environmental Quality Incentives Program	10.912	41,165
Farm and Ranch Lands Protection Program	10.913	2,855,845
Wildlife Habitat Incentive Program	10.914	167,659
Total Department of Agriculture		845,045,943
Department of Commerce		
Miscellaneous Programs	11.000	127,060
Economic Development -Technical Assistance	11.303	135,540
Anadromous Fish Conservation Act Program	11.405	3,685
Interjurisdictional Fisheries Act of 1986	11.407	16,799
Coastal Zone Management Administration Awards	11.419	2,242,322
Environmental Sciences, Applications, Data, and Education	11.440	30,585
Habitat Conservation	11.463ARRA	59,497

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Congressionally Identified Awards and Projects	11.469	15,142
Unallied Science Program	11.472	24,780
Atlantic Coastal Fisheries Cooperative Management Act	11.474	177,277
Public Safety Interoperable Communications Grant Program	11.555	2,639,019
Broadband Technology Opportunities Program (BTOP)	11.557ARRA	8,434,653
State Broadband Data and Development Grant Program	11.558ARRA	1,115,732
Total Department of Commerce		15,022,091
Department of Defense		
Miscellaneous Programs	12.000	45,641
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	27,021
Military Construction, National Guard	12.400	19,927,225
National Guard Military Operations and Maintenance (O&M) Projects	12.401	15,191,835
National Guard Military Operations and Maintenance (O&M) Projects	12.401ARRA	502,660
National Guard ChalleNGe Program	12.404	211,185
Community Economic Adjustment Planning Assistance for Reductions in Defense Industry Empl.	12.611	8,333
Total Department of Defense		35,913,900
Department of Housing and Urban Development		
Section 8 Project-Based Cluster: (See Note 1)		
Section 8 Housing Assistance Payments Program (See Note 1)	14.195	4,873,317
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (See Note 1)	14.856	108,752
Total Section 8 Project-Based Cluster		4,982,069
CDBG - State-Administered Small Cities Program Cluster:		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	21,461,665
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.255ARRA	1,771,889
Total CDBG State-Administered Small Cities Program Cluster		23,233,554
Supportive Housing for Persons with Disabilities (See Note 1)	14.181	1,492,472
Multifamily Housing Service Coordinators	14.191	330,040
Emergency Shelter Grants Program	14.231	1,202,498
Supportive Housing Program	14.235	1,630,025
Shelter Plus Care	14.238	9,849,225
Home Investment Partnerships Program	14.239	21,505,863
Housing Opportunities for Persons with AIDS	14.241	253,011
Homelessness Prevention and Rapid Re-Housing Program	14.257ARRA	3,284,189
Fair Housing Assistance Program-State and Local	14.401	228,160
Demolition and Revitalization of Severely Distressed Public Housing	14.866	7,688
Section 8 Housing Choice Vouchers (See Note 1)	14.871	69,928,946
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	3,532,280
Total Department of Housing and Urban Development		141,460,020
Department of the Interior		
Fish and Wildlife Cluster:		
Sport Fish Restoration Program	15.605	3,536,578
Wildlife Restoration and Basic Hunter Education	15.611	1,771,524
Total Fish and Wildlife Cluster		5,308,102
Miscellaneous Programs	15.000	123,493
Fish and Wildlife Management Assistance	15.608	22,782
Cooperative Endangered Species Conservation Fund	15.615	22,494
Clean Vessel Act	15.616	927,397
Sportfishing and Boating Safety Act	15.622	33,410
North American Wetlands Conservation Fund	15.623	6,144
Wildlifie Conservation and Restoration	15.625	2,801
Landowner Incentive Program	15.633	110,020

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
State Wildlife Grants	15.634	827,300
National Spatial Data Infrastructure Cooperative Agreements Program	15.809	16,995
National Geological and Geophysical Data Preservation Program	15.814	6,661
National Land Remote Sensing_Education Outreach and Research	15.815	3,262
Historic Preservation Fund Grants-In-Aid	15.904	763,194
Outdoor Recreation-Acquisition, Development and Planning	15.916	1,058,292
Total Department of the Interior		9,232,347
Department of Justice		
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,693,570
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803ARRA	3,300,258
Total JAG Program Cluster		4,993,828
Miscellaneous Programs	16.000	706,498
Archived 2001	16.002	3,750
Sexual Assault Services Formula Program	16.017	278,061
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	147,712
Law Enforcement Assistance-FBI Crime Laboratory Support	16.301	1,019
Services for Trafficking Victims	16.320	118,364
Juvenile Accountability Block Grants	16.523	615,034
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	224,794
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	474,571
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	214,691
Part D-Research, Evaluation, Technical Assistance and Training	16.542	411,260
State Justice Statistics Program for Statistical Analysis Centers	16.550	76,153
National Criminal History Improvement Program	16.554	377,810
Crime Victim Assistance	16.575	4,844,851
Crime Victim Compensation	16.576	673,861
Edward Byrne Memorial Formula Grant Program	16.579	47,084
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants	16.580	385,138
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	366,500
Violence Against Women Formula Grants	16.588	1,476,479
Violence Against Women Formula Grants	16.588ARRA	625,882
Residential Substance Abuse Treatment for State Prisoners	16.593	77,733
State Criminal Alien Assistance Program	16.606	1,291,434
Public Safety Partnership and Community Policing Grants	16.710	1,030,761
Juvenile Mentoring Program	16.726	1,256
Enforcing Underage Drinking Laws Program	16.727	348,755
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	60,000
Forensic DNA Backlog Reduction Program	16.741	1,219,660
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	473,799
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	84,895
Convicted Offender and/or Arrestee DNA Backlog Reduction Program	16.748	299,631
Support for Adam Walsh Act Implementation Grant Program	16.750	84,250
Harold Rogers Prescription Drug Monitoring Program	16.754	164,513
Recovery Act - Internet Crimes against Children Task Force Program	16.800ARRA	70,455
Recovery Act - State Victim Assistance Formula Grant Program	16.801ARRA	148,151
Second Chance Act Prisoner Reentry Initiative	16.812	172,918
Total Department of Justice		22,591,551
Department of Labor		
Employment Service Cluster:		
Employment Service/Wagner-Peyser Funded Activities	17.207ARRA	262,459
Employment Service/Wagner-Peyser Funded Activities	17.207	10,027,613
Disabled Veterans' Outreach Program	17.801	1,001,140
Local Veterans' Employment Representative Program	17.804	865,086
Total Employment Service Cluster		12,156,298

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
WIA Cluster:		
WIA Adult Program	17.258	6,246,930
WIA Adult Program	17.258ARRA	1,828,346
WIA Youth Activities	17.259	8,325,233
WIA Youth Activities	17.259ARRA	2,075,972
WIA Dislocated Workers	17.260	6,148,203
WIA Dislocated Workers	17.260ARRA	8,843,382
Total WIA Cluster		33,468,066
Labor Force Statistics	17.002	1,635,822
Compensation and Working Conditions	17.005	120,693
Unemployment Insurance (See Note 1 and Note 9)	17.225	2,370,822,426
Unemployment Insurance (See Note 1 and Note 9)	17.225ARRA	4,447,216
Senior Community Service Employment Program	17.235	1,707,595
Senior Community Service Employment Program	17.235ARRA	(9,437)
Trade Adjustment Assistance	17.245	7,677,276
Workforce Investment Act	17.255	145,739
WIA Pilots, Demostrations, and Research Projects	17.261	53,546
Work Incentive Grants	17.266	138,953
Incentive Grants -WIA Section 503	17.267	317,033
H-1B Job Training Grants	17.268	(35,872)
Community Based Job Training Grants	17.269	1,610,302
Prog. of Competitive Grants for Worker Training & Placement in High Growth & Emerging Industry Sectors	17.275ARRA	963,434
WIA Dislocated Worker Formula Grants	17.278	5,684,158
Occupational Safety and Health-State Program	17.503	717,196
Consultation Agreements	17.504	1,139,294
Mine Health and Safety Grants	17.600	75,426
Total Department of Labor		2,442,835,164
U. S. Department of State		
Academic Exchange Programs - Undergraduate Programs	19.009	266,773
One-Time International Exchange Grant Program	19.014	27,117
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	218,880
Total U. S. Department of State		512,770
Department of Transportation		
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205ARRA	108,648,459
Highway Planning and Construction	20.205	420,738,830
Recreational Trails Program	20.219	824,628
Total Highway Planning and Construction Cluster		530,211,917
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	72,819,015
Federal Transit - Capital Investment Grants	20.500ARRA	23,343,585
Federal Transit - Formula Grants	20.507ARRA	56,475,137
Federal Transit - Formula Grants	20.507	27,764,040
Total Federal Transit Cluster		180,401,777
Highway Safety Cluster:		
State and Community Highway Safety	20.600	2,960,516
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,349,219
Occupant Protection Incentive Grants	20.602	394,399
Safety Belt Performance Grants	20.609	319,131
State Traffic Safety Information System Improvement Grants	20.610	791,103
Incentive Grant Program to Increase Motorcyclist Safety	20.612	243,396
Total Highway Safety Cluster		6,057,764

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Transit Services Programs Cluster:		
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	1,346,247
Job Access - Reverse Commute	20.516	1,506,184
New Freedom Program	20.521	326,880
Total Transit Services Programs Cluster		3,179,311
Airport Improvement Program	20.106	14,483,455
Airport Improvement Program	20.106ARRA	159,809
Aviation Research Grants	20.108	1,940
Highway Training and Education	20.215	171,829
National Motor Carrier Safety	20.218	2,177,412
Commercial Driver License State Program Improvement Grant	20.232	583,626
Safety Data Improvement Program	20.234	7,188
Commercial Vehicle Information Systems and Networks	20.237	94,206
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240	72,230
Metropolitan Transportation Planning	20.505	(907)
Formula Grants for Other Than Urbanized Areas	20.509ARRA	619,798
Formula Grants for Other Than Urbanized Areas	20.509	1,809,205
Public Transportation Research	20.514	1,891
Alcohol Open Container Requirements	20.607	5,638,550
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	252,587
Pipeline Safety Program Base Grants	20.700	623,692
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	225,562
Total Department of Transportation		746,772,842
Department of the Treasury		
Low Income Taxpayer Clinics	21.008	84,751
Office of Personnel Management		
Intergovernmental Personnel Act (IPA) Mobility Program	27.011	26,089
Equal Employment Opportunity Commission		
Employment Discrimination-State and Local Fair Employment Practices Agency Contracts	30.002	721,913
National Aeronautics and Space Administration		
Miscellaneous Programs	43.000	152,480
Science	43.001	57,372
Total National Aeronautics and Space Administration		209,852
National Endowment for the Arts		
Promotion of the Arts-Partnership Agreements	45.025	612,783
National Endowment for the Humanities		
Promotion of the Humanities-Division of Preservation and Access	45.149	6,600
Promotion of the Humanities_Teaching and Learning Resources and Curriculum Development	45.162	36,957
Total National Endowment for the Humanities		43,557
Institute of Museum and Library Services		
Grants to States	45.310	1,978,160
National Leadership Grants	45.312	162,329
Total Institute of Museum and Library Services		2,140,489
National Science Foundation		
Miscellaneous Programs	47.000	257,376
Mathematical and Physical Sciences	47.049	233,791

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Geosciences	47.050	266,855
Biological Sciences	47.074	114,568
Education and Human Resources	47.076	1,301,896
Polar Programs	47.078	24,890
Trans-NSF Recovery Act Research Support	47.082ARRA	301,437
Total National Science Foundation		2,500,813
Small Business Administration		
Miscellaneous Programs	59.000	179,826
Small Business Development Centers	59.037	768,948
Total Small Business Administration		948,774
Department Of Veterans Affairs		
Miscellaneous Programs	64.000	160,074
Grants to States for Construction of State Home Facilities	64.005	319,750
Grants to States for Construction of State Home Facilities	64.005ARRA	3,588,757
Veterans State Domiciliary Care	64.014	3,945,979
Veterans State Hospital Care	64.016	3,721,754
Burial Expenses Allowance for Veterans	64.101	125,700
All-Volunteer Force Educational Assistance	64.124	195,361
Total Department Of Veterans Affairs		12,057,375
Environmental Protection Agency		
Miscellaneous Programs	66.000	139
State Indoor Radon Grants	66.032	261,602
Ozone Transport Commission	66.033	4,042
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities-Clean Air Act	66.034	394,918
National Clean Diesel Emissions Reduction Program	66.039	12,930
State Clean Diesel Grant Program	66.040ARRA	62,480
Healthy Communities Grant Program	66.110	17,440
Congresionally Mandated Projects	66.202	271,940
State Public Water System Supervision	66.432	1,370,725
Surveys, Studies, Investigations, Demonstrations and Special Purpose Grants	66.436	98,789
Long Island Sound Program	66.437	1,183,910
Water Quality Management Planning	66.454	127,728
Water Quality Management Planning	66.454ARRA	204,088
Nonpoint Source Implementation Grants	66.460	795,608
Regional Wetland Program Development Grants	66.461	209,438
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	347,831
Beach Monitoring and Notification Program Implementation Grants	66.472	237,304
Water Protection Grants to the States	66.474	64,935
Performance Partnership Grants	66.605	7,943,330
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	64,386
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	229,654
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	353,299
Pollution Prevention Grants Program	66.708	117,451
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	245,778
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	462,317
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	771,559
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805ARRA	1,596,487
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	(138,408)
State and Tribal Response Program Grants	66.817	811,579
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	96,830
Total Environmental Protection Agency		18,220,109

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Department of Energy		
Miscellaneous Programs	81.000	30,340
National Energy Information Center	81.039	29,562
State Energy Program	81.041	525,386
State Energy Program	81.041ARRA	10,199,794
Weatherization Assistance for Low-Income Persons	81.042	2,637,607
Weatherization Assistance for Low-Income Persons	81.042ARRA	29,948,505
Office of Science Financial Assistance Program	81.049ARRA	110,978
Office of Science Financial Assistance Program	81.049	205,823
Renewable Energy Research and Development	81.087ARRA	68,473
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122ARRA	337,715
Energy Efficient Appliance Rebate Program	81.127ARRA	438,365
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128ARRA	3,183,277
Total Department of Energy		47,715,825
Department of Education		
Special Education Cluster:		
Special Education - Grants to States	84.027	129,541,697
Special Education - Preschool Grants	84.173	4,560,206
Special Education Grants to States, Recovery Act	84.391ARRA	55,942,005
Special Education - Preschool Grants, Recovery Act	84.392ARRA	1,834,717
Total Special Education Cluster		191,878,625
TRIO Cluster:		
TRIO-Student Support Services	84.042	276,107
TRIO-Talent Search	84.044	306,597
TRIO-Upward Bound	84.047	492,648
Total TRIO Cluster		1,075,352
Title I, Part A Cluster:		
Title 1 Grants to Local Educational Agencies	84.010	113,541,910
Title I Grants to Local Educational Agencies	84.010ARRA	109,599
Title I Grants to Local Educational Agencies, Recovery Act	84.389ARRA	24,530,939
Total Title I, Part A Cluster		138,182,448
Vocational Rehabilitation Cluster:		
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	22,105,259
Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390ARRA	1,515,875
Total Vocational Rehabilitation Cluster		23,621,134
Educational Technology State Grants Cluster:		
Education Technology State Grants	84.318	308,227
Education Technology State Grants, Recovery Act	84.386ARRA	2,611,057
Total Educational Technology State Grants Cluster		2,919,284
School Improvement Grants Cluster:		
School Improvement Grants	84.377	2,682,251
School Improvement Grants, Recovery Act	84.388ARRA	5,622,828
Total School Improvement Grants Cluster		8,305,079
State Fiscal Stabilization Fund Cluster:		
State Fiscal Stabilization Fund (SFSF) - Education State Grants Recovery Act	84.394ARRA	269,326,210
State Fiscal Stabilization Fund (SFSF) - Government Services Recovery Act	84.397ARRA	(2,493)
Total State Fiscal Stabilization Fund Cluster		269,323,717

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Independent Living State Grants Cluster:		
Independent Living-State Grants	84.169	199,333
Independent Living State Grants, Recovery Act	84.398ARRA	167,606
Total Independent Living State Grants Cluster		366,939
Independent Living Services for Older Invididuals Who Are Blind Cluster:		
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	315,615
Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399ARRA	131,553
Total Independent Living Services for Older Individuals Who Are Blind Cluster		447,168
Education of Homeless Children and Youth Cluster:		
Education for Homeless Children and Youth	84.196	562,688
Education for Homeless Children and Youth, Recovery Act	84.387ARRA	(10,762)
Total Education of Homeless Children and Youth Cluster		551,926
Miscellaneous Programs	84.000	93,125
Adult Education-Basic Grants to States	84.002	5,859,713
Title 1 State Agency Program for Neglected and Delinquent Children & Youth	84.013	946,822
Higher Education-Institutional Aid	84.031	327,098
Career and Technical Education -- Basic Grants to States	84.048	9,508,321
Higher Education- Veterans Education Outreach Program	84.064	706
Leveraging Educational Assistance Partnership	84.069	1,029,412
Fund for the Improvement of Postsecondary Education	84.116	1,315,467
Rehabilitation Long-Term Training	84.129	103,275
Rehabilitation Services_Client Assistance Program	84.161	100,848
Javits Fellowships	84.170	43,755
Special Education - Grants for Infants and Families	84.181	3,020,136
Safe and Drug-Free Schools and Communities -National Programs	84.184	325,867
Byrd Honors Scholarships	84.185	446,437
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,696,560
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	188,683
Bilingual Education	84.195	605,245
Graduate Assistance in Areas of National Need	84.200	49,761
Even Start-State Educational Agencies	84.213	480,079
Fund for the Improvement of Education	84.215	1,103,276
Centers for International Business Education	84.220	189,520
Assistive Technology	84.224	706,337
Program of Protection and Advocacy of Individual Rights	84.240	141,627
Tech-Prep Education	84.243	1,622,132
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	131,638
Charter Schools	84.282	493,797
Twenty-First Century Community Learning Centers	84.287	9,024,708
State Grants for Innovative Programs	84.298	(277)
Special Education-State Personnel Development	84.323	113,278
Special Ed.-Tech Assistance and Dissemination to Improve Services for Children with Disabilities	84.326	417,355
Advanced Placement Program	84.330	942,308
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	209,579
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,207,144
Assistive Technology-State Grants for Protection and Advocacy	84.343	50,936
Reading First State Grants	84.357	304,673
Early Reading First	84.359	1,393,861
English Language Acquisition Grants	84.365	5,796,050
Mathematics and Science Partnerships	84.366	1,039,625
Improving Teacher Quality State Grants	84.367	27,249,066
Grants for Enhanced Assessment Instruments	84.368	10,207
Grants for State Assessments and Related Activities	84.369	4,648,450
Striving Readers	84.371	150,000
Statewide Data Systems	84.372	170,471
Special Education_Technical Assistance on State Data Collection	84.373	386,656

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
College Access Challenge Grant Program	84.378	308,604
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396ARRA	55,715
Education Jobs Fund	84.410	28,002,870
Total Department of Education (See Also Student Financial Assistance Cluster)		748,682,588
National Archives and records Administration		
National Historical Publications and Records Grants	89.003	31,851
U.S. Election Assistance Commission		
Help America Vote College Program	90.400	18,892
Help America Vote Act Requirements Payments	90.401	1,533,081
Total Elections Assistance Commission		1,551,973
Department of Health and Human Services		
Medicaid Cluster:		
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection	93.720ARRA	73,885
State Medicaid Fraud Control Units	93.775	878,997
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)	93.777	5,224,777
Medical Assistance Program	93.778	3,073,733,621
Medical Assistance Program	93.778ARRA	497,840,141
Total Medicaid Cluster		3,577,751,421
CCDF Cluster:		
Child Care and Development Block Grant	93.575	14,660,947
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	37,934,336
ARRA – Child Care and Development Block Grant	93.713ARRA	1,711,016
Total CCDF Cluster		54,306,299
Aging Cluster:		
Special Programs for the Aging-Title III, Part B-Grants for Support Services and Senior Centers	93.044	4,495,899
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	8,083,487
Nutrition Services Incentive Program	93.053	1,269,638
Aging Home-Delivered Nutrition Services for States	93.705ARRA	144,907
Aging Congregate Nutrition Services for States	93.707ARRA	327,933
Total Aging Cluster		14,321,864
Immunization Cluster:		
Immunization Grants (See Note 3)	93.268	37,324,067
Immunization Grants (See Note 3)	93.268ARRA	175,620
ARRA - Immunization (See Note 3)	93.712ARRA	543,196
Total Immunization Cluster		38,042,883
TANF Cluster:		
Temporary Assistance for Needy Families	93.558	240,109,296
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714ARRA	24,874,579
Total TANF Cluster		264,983,875
Head Start Cluster:		
Head Start	93.600	151,998
ARRA - Head Start	93.708ARRA	254,253
Total Head Start Cluster		406,251
Miscellaneous Programs	93.000	52,687
Public Health and Social Services Emergency Fund	93.003	172,352
Special Programs for the Aging-Title VII, Chapter 3-Prevention of Elder Abuse, Neglect and Exploit.	93.041	66,537
Special Programs for the Aging-Title III Part D-Disease Prevention and Health Promotion Services	93.043	278,064
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	694,464
Alzheimer's Disease Demonstration Grants to States	93.051	197,515
National Family Caregiver Support, Title III, Part E	93.052	1,887,047

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Laboratory Training, Evaluation, and Quality Assurance Programs	93.064	269,696
State Vital Statistics Improvement Program	93.066	(55,071)
Public Health Emergency Preparedness	93.069	15,176,440
Environmental Public Health and Emergency Response	93.070	336,290
Medicare Enrollment Assistance Program	93.071	28,409
Lifespan Respite Care Program	93.072	101,240
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	1,265,027
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	141,713
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	590
Comprehensive Community Mental Health Services for Children with Serious Emotional Dist.	93.104	1,126,171
Maternal and Child Health Federal Consolidated Programs	93.110	811,056
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (See Note 3)	93.116	871,196
Emergency Medical Services for Children	93.127	88,451
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	108,472
Injury Prevention and Control Research and State and Community Based Programs	93.136	590,430
Protection and Advocacy for Individuals with Mental Illness	93.138	366,176
Projects for Assistance in Transition from Homelessness (PATH)	93.150	876,364
Grants to States for Loan Repayment Program	93.165	93,912
Childhood Lead Poisoning Prevention Projects and Surveillance of Blood Levels in Children	93.197	691,543
Traumatic Brain Injury State Demonstration Grant Program	93.234	1,250
State Capacity Building	93.240	412,818
Mental Health Research Grants	93.242	59,328
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5,966,950
Universal Newborn Hearing Screening	93.251	252,848
Occupational Safety and Health Program	93.262	186,286
State Grants for Protection and Advocacy Services	93.267	61,402
Adult Viral Hepatitis Prevention and Control	93.270	92,040
Alcohol Research Programs	93.273	7,599
Substance Abuse and Mental Health Services-Access to Recovery	93.275	4,387,799
Drug-Free Communities Support Program Grants	93.276	22,705
Centers for Disease Control and Prevention-Investigations and Technical Assistance (See Note 3)	93.283	10,508,185
State Partnership Grant Program to Improve Minority Health	93.296	83,613
Advanced Nursing Education Traineeships	93.358	55,710
ARRA - State Primary Care Offices	93.414ARRA	27,133
Pregnancy Assistance Fund Program	93.500	698,781
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	75,009
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long	93.506	1,485
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	62,987
Affordable Care Act (ACA) State Health Care Workforce Development Grants	93.509	150,000
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	162,155
Affordable Care Act – Aging and Disability Resource Center	93.517	861
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	48,017
Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Putting Prevention to Wo	93.520	2,500
The ACA: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and	93.521	187,619
The ACA: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523	46,401
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	147,312
Promoting Safe and Stable Families	93.556	1,592,167
Child Support Enforcement (See Note 10)	93.563	44,354,671
Child Support Enforcement (See Note 10)	93.563ARRA	2,135,294
Refugee and Entrant Assistance-State Administered Programs	93.566	1,247,315
Low-Income Home Energy Assistance	93.568	114,026,361
Community Services Block Grant	93.569	8,123,307
Community Services Block Grant	93.569ARRA	5,124,585
Refugee and Entrant Assistance-Discretionary Grants	93.576	552,167
State Court Improvement Program	93.586	556,729
Community-Based Child Abuse Prevention Grants	93.590	796,863
Grants to States for Access and Visitation Programs	93.597	69,819
Chafee Education and Training Vouchers Program (ETV)	93.599	504,865
Adoption Incentive Payments	93.603	89,903
Voting Access for Individuals with Disabilities-Grants for Protect and Advocacy Systems	93.618	57,417

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Developmental Disabilities Basic Support and Advocacy Grants	93.630	834,742
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	(371)
Children's Justice Grants to States	93.643	250,574
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,025,761
Social Services Research and Demonstration	93.647	205,280
Foster Care-Title IV-E	93.658	61,244,225
Foster Care-Title IV-E	93.658ARRA	2,619,980
Adoption Assistance	93.659	33,905,796
Adoption Assistance	93.659ARRA	1,913,634
Social Services Block Grant	93.667	43,859,659
Child Abuse and Neglect State Grants	93.669	374,565
Family Violence Prevention and Services/Grants for Battered Woman's Shelters Grants States, Ind. Tribes	93.671	1,269,927
Chafee Foster Care Independence Program	93.674	1,436,360
Trans-NIH Recovery Act Research Support	93.701ARRA	163,927
ARRA - Preventing Healthcare-Associated Infections	93.717ARRA	372,936
ARRA - State Grants to Promote Health Information Technology	93.719ARRA	498,455
ARRA - Health Information Technology Professionals in Health Care	93.721ARRA	174,564
ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723ARRA	231,108
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725ARRA	190,393
Children's Health Insurance Program	93.767	23,555,520
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	9,251,355
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2,185,024
Money Follows the Person Rebalancing Demonstration	93.791	8,496,902
Medicaid Transformation Grants	93.793	2,131,200
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	508
Child Health and Human Development Extramural Research	93.865	31,992
Health Care and Other Facilities	93.887	103,962
Specially Selected Health Projects	93.888	75,206
National Bioterrorism Hospital Preparedness Program	93.889	6,083,237
Alcohol Research Center Grants	93.891	321,205
HIV Care Formula Grants (See Note 11)	93.917	25,149,389
Healthy Start Initiative	93.926	665,742
Cooperative Agreements to Support School Health Educ. to Prevent AIDS	93.938	674,288
HIV Prevention Activities-Health Department Based	93.940	6,520,901
HIV Demonstration, Research, Public and Professional Education Projects	93.941	79,902
Research, Treatment and Education Programs on Lyme Disease in U. S.	93.942	(21)
Epidemiologic Research Studies of (AIDS) and (HIV) Infection in Selected Population Groups	93.943	392,142
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	992,687
Block Grants for Community Mental Health Services	93.958	4,087,773
Block Grants for Prevention and Treatment of Substance Abuse	93.959	17,300,320
National All Schedules Prescription Electronic Reporting Grant	93.975	76,352
Preventive Health Services-Sexually Transmitted Diseases Control Grants (See Note 3)	93.977	944,327
Cooperative Agreements for State-Based Diabetes Control Programs (See Note 3)	93.988	8
Preventive Health and Health Services Block Grant	93.991	1,481,971
Maternal and Child Health Services Block Grant to the States	93.994	4,711,563
Total Department of Health and Human Services (See Student Financial Assistance Cluster)		4,445,874,590
Corporation for National and Community Service		
Miscellaneous Programs	94.000	11,734
State Commissions	94.003	263,047
Learn and Serve America-School and Community Based Programs	94.004	224,603
AmeriCorps	94.006	1,679,428
AmeriCorps	94.006ARRA	14,063
Program Development and Innovation Grants	94.007	40,418
Training and Technical Assistance	94.009	116,371
Total Corporation for National and Community Service		2,349,664

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Social Security Administration		
Social Security-Disability Insurance	96.001	22,272,946
Social Security-Work Incentives Planning and Assistance Program	96.008	288,276
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	221,069
Total Social Security Administration		22,782,291
Department of Homeland Security		
State Domestic Preparedness Equipment Support Program	97.004	(808)
Non-Profit Security Program	97.008	150,000
Boating Safety Financial Assistance	97.012	1,210,492
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	123,520
Flood Mitigation Assistance	97.029	20,790
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	10,993,643
Hazard Mitigation Grant	97.039	173,913
National Dam Safety Program	97.041	80,379
Emergency Management Performance Grants	97.042	3,439,695
Assistance to Firefighters Grant	97.044	17,340
Cooperating Technical Partners	97.045	141,518
Pre-Disaster Mitigation	97.047	467,125
Emergency Operations Centers	97.052	489,796
Interoperable Emergency Communications	97.055	313,435
Port Security Grant Program	97.056	1,334,676
Competitive Training Grants	97.068	273,563
Homeland Security Grant Program	97.067	12,093,968
National Explosives Detection Canine Team Program	97.072	449,334
Rail and Transit Security Grant Program	97.075	2,493,615
Buffer Zone Protection Plan (BZPP)	97.078	75,173
Driver's License Security Grant Program	97.089	784,626
Severe Repetitive Loss Program	97.110	1,518,239
Port Security Grant Program (ARRA)	97.116ARRA	419,124
Advanced Surveillance Program (ASP)	97.118	1,944,228
Total Department of Homeland Security		39,007,384
Agency For International Development		
Miscellaneous Programs	98.000	33,683
Total United States Agency For International Development		33,683
Miscellaneous Programs		
Other Federal Assistance	99.125	230,618
Oil Company Overcharge Recoveries	99.136	315,592
		546,210
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
Department of Education		
Federal Supplemental Educational Opportunity Grants	84.007	2,353,399
Federal Work-Study Program	84.033	3,440,966
Federal Perkins Loan Program-Federal Capital Contributions (See Note 4)	84.038	30,443,779
Federal Pell Grant Program	84.063	133,140,653
Federal Direct Student Loans (See Note 6)	84.268	353,738,286
Academic Competitiveness Grants	84.375	2,410,710
National Science and Mathematics Access to Retain Talent Grants	84.376	1,615,810
Teacher Education Assistance for College and Higher Education Grants	84.379	71,275
Total Department of Education		527,214,878
Department of Health and Human Services		
Nurse Faculty Loan Program (See Note 5)	93.264	141,896
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantage (See Note 5)	93.342	719,455
Nursing Student Loans	93.364	19,503

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
ARRA - Scholarships for Disadvantaged Students		93.407ARRA	47,581
ARRA - Nurse Faculty Loan Program		93.408ARRA	208,861
Scholarships for Health Professions Students from Disadvantaged Backgrounds		93.925	72,546
Total Department of Health and Human Services			1,209,842
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			528,424,720
TOTAL NON RESEARCH AND DEVELOPMENT GRANTS			**10,133,953,912**
RESEARCH AND DEVELOPMENT CLUSTER:			
Department of Agriculture			
Miscellaneous Program	RD	10.000	23,902
Agricultural Research-Basic and Applied Research	RD	10.001	2,231,585
Plant and Animal Disease, Pest Control, and Animal Care	RD	10.025	250,058
Specialty Crop Block Grant Program - Farm Bill	RD	10.170	55,052
Grants for Agricultural Research, Special Research Grants	RD	10.200	1,096,047
Cooperative Forestry Research	RD	10.202	200,961
Payments to Agricultural Experiment Stations Under the Hatch Act	RD	10.203	2,043,158
Grants for Agricultural Research_Competitive Research Grants	RD	10.206	645,492
Animal Health and Disease Research	RD	10.207	21,505
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	RD	10.210	78,647
Small Business Innovation Research	RD	10.212	912
Sustainable Agriculture Research and Education	RD	10.215	59,265
Biotechnology Risk Assessment Research	RD	10.219	151,946
Food Assistance and Nutrition Research Programs (FANRP)	RD	10.253	5,404
Integrated Programs	RD	10.303	520,540
Homeland Security-Agricultural	RD	10.304	42,167
Specialty Crop Research Initiative	RD	10.309	1,655
Agriculture and Food Research Initiative	RD	10.310	542,169
Cooperative Extension Service	RD	10.500	107,466
State Administrative Matching Grants for the Supplemental Nutrition	RD	10.561	60,522
Technical Assistance for Specialty Crops Program	RD	10.604	85,543
Urban and Community Forestry Program	RD	10.675	1,441
Forest Health Protection	RD	10.680	288,167
Soil and Water Conservation	RD	10.902	7,575
Environmental Quality Incentives Program	RD	10.912	50,726
Scientific Cooperation and Research	RD	10.961	11,062
Total Department of Agriculture			8,582,967
Department of Commerce			
Miscellaneous Program	RD	11.000	178,243
Sea Grant Support	RD	11.417	1,248,302
Coastal Zone Management Administration Awards	RD	11.419	1,003
Fisheries Development and Utilization Research and Development Grants	RD	11.427	112,374
Undersea Research	RD	11.430	264,776
Climate and Atmospheric Research	RD	11.431	213,489
National Oceanic and Atmospheric Adm. Cooperative Institutes	RD	11.432	37,939
Marine Mammal Data Program	RD	11.439	23,178
Chesapeake Bay Studies	RD	11.457	7,972
Special Oceanic and Atmospheric Projects	RD	11.460	10,806
Applied Meteorological Research	RD	11.468	53,849
Unallied Science Program	RD	11.472	(1,000)
Coastal Services Center	RD	11.473	469,573
Center for Sponsored Coastal Ocean Research Program	RD	11.478	72,249
Measurement and Engineering Research and Standards	RD	11.609	151,549
Total Department of Commerce			2,844,302

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
Department of Defense			
Miscellaneous Programs	RD	12.000	1,856,227
Miscellaneous Programs	RD	12.000ARRA	12,575
Basic and Applied Scientific Research	RD	12.300	2,060,468
Department of Defense HIV/AIDS Prevention Program	RD	12.350	399,229
Basic Scientific Research - Combating Weapons of Mass Destruction	RD	12.351	153,580
Military Medical Research and Development	RD	12.420	1,639,428
Basic Scientific Research	RD	12.431	1,498,448
Basic, Applied, and Advanced Research in Science & Engineering	RD	12.630	45,217
Air Force Defense Research Sciences Program	RD	12.800	2,136,792
Research and Technology Development	RD	12.910	246,926
Total Department of Defense			10,048,890
Department of Housing and Urban Development			
Healthy Homes Technical Studies Grants	RD	14.906	12,249
Healthy Homes Production Grant Program	RD	14.913ARRA	32,034
Total Department of Housing and Urban Development			44,283
Department of the Interior			
Miscellaneous Programs	RD	15.000	154,630
Assistance to State Water Resources Research Institutes	RD	15.805	97,870
U.S. Geological Survey - Research and Data Collection	RD	15.808	29,482
Total Department of Interior			281,982
Department of Justice			
Juvenile Justice and Delinquency Prevention_Allocation to States	RD	16.540	51,864
Part E - Developing, Testing and Demonstrating Promising New Programs	RD	16.541	58,438
National Institute of Justice Research, Evaluation, and Development Project Grants	RD	16.560	203,470
Congressionally Recommended Awards	RD	16.753	309,089
Total Department of Justice			622,861
Department of State			
Miscellaneous Programs	RD	19.000	14,425
Department of Transportation			
Miscellaneous Programs	RD	20.000	243,840
Highway Planning and Construction	RD	20.205	22,853
Highway Training and Education	RD	20.215	36,900
Railroad Development	RD	20.314	108,638
University Transportation Centers Program	RD	20.701	661,052
Total Department of Transportation			1,073,283
Department of the Treasury			
Miscellaneous Programs	RD	21.000	4,495
Library of Congress			
Miscellaneous Programs	RD	42.000	9,341
National Aeronautics and Space Administration			
Miscellaneous Programs	RD	43.000	1,459,389
Miscellaneous Programs	RD	43.000ARRA	36,915
Science	RD	43.001	35,743
Total National Aeronautics and Space Administration			1,532,047

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
National Endowment for the Humanities			
Promotion of the Humanities-Fellowships and Stipends	RD	45.160	30,174
Promotion of the Humanities_Research	RD	45.161	31,790
Total National Science Foundation			61,964
National Science Foundation			
Miscellaneous Grants	RD	47.000	78,991
Engineering Grants	RD	47.041	3,957,269
Mathematical and Physical Sciences	RD	47.049	2,613,549
Geosciences	RD	47.050	1,272,349
Computer and Information Science and Engineering	RD	47.070	2,339,790
Biological Sciences	RD	47.074	4,576,823
Social, Behavioral, and Economic Sciences	RD	47.075	740,929
Education and Human Resources	RD	47.076	1,615,597
Polar Programs	RD	47.078	5,598
International Science and Engineering	RD	47.079	93,396
Trans-NSF Recovery Act Research Support	RD	47.082ARRA	2,398,768
Total National Science Foundation			19,693,059
Small Business Administration			
Miscellaneous Programs	RD	59.000	96,954
Department of Veterans Affairs			
Miscellaneous Programs	RD	64.000	19,159
Environmental Protection Agency			
Miscellaneous Programs	RD	66.000	79,820
Long Island Sound Program	RD	66.437	390,335
Science To Achieve Results (STAR) Research Program	RD	66.509	182,501
Science To Achieve Results (STAR) Fellowship Program	RD	66.514	1,707
Performance Partnership Grants	RD	66.605	35,321
Total Environmental Protection Agency			689,684
Department of Energy			
Miscellaneous Programs	RD	81.000	549,640
Office of Science Financial Assistance Program	RD	81.049	2,377,767
Regional Biomass Energy Programs	RD	81.079	128,517
Renewable Energy Research and Development	RD	81.087	1,669,814
Fossil Energy Research and Development	RD	81.089	233,097
Energy Efficiency and Renewable Energy Info. Dissemination Outreach, Training	RD	81.117	344,687
Industrial Carbon Capture and Storage (CCS) Application	RD	81.134ARRA	25,989
Total Department of Energy			5,329,511
Department of Education			
Miscellaneous Programs	RD	84.000	(3,725)
Overseas Programs - Faculty Research Abroad	RD	84.019	59,173
Fund for the Improvement of Postsecondary Education	RD	84.116	5,755
Magnet Schools Assistance	RD	84.165	4,207
Safe and Drug-Free Schools and Communities_National Programs	RD	84.184	(30)
Graduate Assistance in Areas of National Need	RD	84.200	1,107,995
Javits Gifted and Talented Students Education	RD	84.206	347,494
Centers for International Business Education	RD	84.220	177,954
Education Research, Development and Dissemination	RD	84.305	2,713,297
Research in Special Education	RD	84.324	634,723
Special Ed.- Personnel Development to Improve Services and Results for Children with Disabilities	RD	84.325	(6,000)
Special Education -Technology and Media Services for Individuals with Disabilities	RD	84.327	9,340
Demonstration Projects to Support Postsecondary Faculty Staff, and Administrations in Educating	RD	84.333	335,236
Total Department of Education			5,385,419

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
Department of Health and Human Services			
Miscellaneous Programs	RD	93.000	2,128,483
Innovations in Applied Public Health Research	RD	93.061	226,028
Global AIDS	RD	93.067	18,389
Public Health Emergency Preparedness	RD	93.069	25,022
Affordable Care Act (ACA) Personal Responsibility Education Program	RD	93.092	57,460
Area Health Education Centers Point of Service Maint. & Enhancement Awards	RD	93.107	364,808
Maternal and Child Health Federal Consolidated Programs	RD	93.110	746,420
Environmental Health	RD	93.113	1,454,839
Oral Diseases and Disorders Research	RD	93.121	3,424,481
Injury Prevention, Control Research, State and Community Based	RD	93.136	13,466
NIEHS Superfund Hazardous Substances_Basic Research & Education	RD	93.143	55,196
AIDS Education and Training Centers	RD	93.145	12,955
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	RD	93.153	(2,620)
Human Genome Research	RD	93.172	206,987
Research Related to Deafness and Communication Disorders	RD	93.173	2,714,433
Research and Training in Complementary and Alternative Medicine	RD	93.213	347,276
National Center on Sleep Disorders Research	RD	93.233	254,574
Mental Health Research Grants	RD	93.242	6,713,104
Substance Abuse and Mental Health Services_Projects of Reg & Nat.	RD	93.243	603,130
Poison Center Support and Enhancement Grant Program	RD	93.253	314,521
Occupational Safety and Health Program	RD	93.262	2,307,484
Alcohol Research Programs	RD	93.273	4,900,659
Drug Abuse and Addiction Research Programs	RD	93.279	5,679,332
Mental Health Research Career/Scientist Development Awards	RD	93.281	262,497
Mental Health National Research Service Awards for Research Traning	RD	93.282	241,219
Centers for Disease Control, Prevention_Investigations and Technical Assist	RD	93.283	337,165
Discovery and Applied Research for Technological Innovations to Improve Human Health	RD	93.286	777,023
Minority Health and Health Disparities Research	RD	93.307	1,161,619
Trans-NIH Research Support	RD	93.310	307,315
Nursing Research	RD	93.361	22,684
National Center for Research Resources	RD	93.389	4,544,834
Cancer Cause and Prevention Research	RD	93.393	1,386,436
Cancer Detection and Diagnosis Research	RD	93.394	189,229
Cancer Treatment Research	RD	93.395	368,621
Cancer Biology Research	RD	93.396	392,504
Cancer Centers Support Grants	RD	93.397	53,094
Cancer Control	RD	93.399	118,521
ARRA – Equipment to Enhance Training for Health Professionals	RD	93.411ARRA	205,085
Food Safety and Security Monitoring Project	RD	93.448	426,612
Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative	RD	93.513	67,056
Community-Based Child Abuse Prevention Grants	RD	93.590	137,058
Mentoring Children of Prisoners	RD	93.616	86,435
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	RD	93.632	471,364
Trans-NIH Recovery Act Research Support	RD	93.701ARRA	13,985,979
Health Information Technology Regional Extension Centers Program	RD	93.718ARRA	58,385
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	RD	93.779	2,864
Cardiovascular Diseases Research	RD	93.837	3,660,162
Lung Diseases Research	RD	93.838	262,820
Blood Diseases and Resources Research	RD	93.839	14,970
Arthritis, Musculoskeletal and Skin Diseases Research	RD	93.846	4,281,134
Diabetes, Digestive, and Kidney Diseases Extramural Research	RD	93.847	2,414,505
Digestive Diseases and Nutrition Research	RD	93.848	(263)
Extramural Research Programs in the Neurosciences and Nureological Disorders	RD	93.853	3,882,897
Allergy, Immunology and Transplantation Research	RD	93.855	7,091,954
Biomedical Research and Research Training	RD	93.859	4,644,395
Child Health and Human Development Extramural Research	RD	93.865	3,461,276
Aging Research	RD	93.866	1,307,998
Vision Research	RD	93.867	1,472,969
Medical Library Assistance	RD	93.879	131,665
Grants for Training in Primary Care Medicine and Dentistry	RD	93.884	102,369
HIV Emergency Relief Project Grants	RD	93.914	376,999
Research, Treatment and Education Programs on Lyme Disease in U. S.	RD	93.942	200,743

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	EXPENDITURES
International Research and Research Training	RD	93.989	45,587
Total Department of Health and Human Services			91,522,206
Department of Homeland Security			
Centers for Homeland Security	RD	97.061	1,216,599
Homeland Security Advanced Research Projects Agency	RD	97.065	68,041
Homeland Security, Research Testing, Evaluation, and Demo. of Tech.	RD	97.108	59,638
Total Department of Homeland Security			1,344,278
Agency for International Development			
Miscellaneous Programs	RD	98.000	58,054
USAID Foreign Assistance for Programs Overseas	RD	98.001	179,121
USAID Development Partnerships for University Cooperation and Dev.	RD	98.012	201,517
Total Agency for International Development			438,692
Unidentified Program	RD	99.000	7,018
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**149,646,820**
TOTAL FEDERAL ASSISTANCE			**10,283,600,732**

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 all Federal programs administered by the State of Connecticut except for the eight Federal programs that are subject to separate audits in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those eight programs, which are included in the State of Connecticut's basic financial statements, are: the United States 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); HUD's *Tax Credit Assistance Program* (CFDA #14.258); the U.S. Department of Treasury's *National Foreclosure Mitigation Counseling Program* (CFDA #21.XXX); the United States Environmental Protection Agency's *Capitalization Grants for Clean Water State Revolving Funds* (CFDA #66.458) and *Capitalization Grants for Drinking Water State Revolving Funds* (CFDA #66.468) programs; and the Department of Energy's *State Energy Program* (CFDA #81.041) and *Energy Efficiency and Conservation Block Grant Program* (CFDA #81.128). During the year ended December 31, 2010, the Connecticut Housing Finance Authority expended $67,108,367, $1,043,208, $16,552,760 and $370,789 in Federal awards under CFDA #14.856, CFDA #14.103, CFDA #14.258, and CFDA #21.XXX respectively. During the fiscal year ended June 30, 2011 the State of Connecticut expended $103,727 and $23,734,458 in Federal awards under CFDA #66.458 and CFDA #66.458 ARRA respectively, and the State expended $5,661,602 and $9,184,058 in federal awards under CFDA #66.468 and #66.468 ARRA respectively. The Connecticut Innovations Incorporated- Clean Energy Fund expended $2,591,470 in federal awards under CFDA #81.041 ARRA, and $1,176,351 in federal awards under CFDA #81.128 ARRA during the fiscal year ended June 30, 2011.

Basis of Accounting:
The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting, except for the *Unemployment Insurance* (CFDA #17.225), *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, which are presented on the accrual basis of accounting.

The total expenditures presented for *Supportive Housing for Persons with Disabilities* (CFDA # 14.181), *Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation* (CFDA #14.856), and *Section 8 Housing Choice Voucher* (CFDA #14.871) programs represent the net Annual Contributions Contact subsidy received for the state's fiscal year ended June 30, 2011. The net Annual Contribution Contract subsidy for the fiscal year is being reported as the federal awards expended for these programs 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 and the Connecticut Agricultural Experiment Station

Federally funded research programs at the University of Connecticut and its Health Center and Connecticut Agricultural Experiment Station 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:	
Supplemental Nutrition Assistance Program (10.551) (10.551 ARRA)	$615,850,554
National School Lunch Program- Food Donation (10.555)	12,763,110
Department of Health and Human Services:	
Immunization Grants (93.268)	33,664,409
Immunization Grants (ARRA) (93.268)	175,620
Public Health Emergency Preparedness (H1N1) (93.069)	33,241
Preventive Health Services - Sexually Transmitted Diseases Control Grants (93.977)	100,585
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (93.116)	191,629
Environmental Protection Agency:	
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities-Relating to the Clean Air Act (66.034)	89,563

Note 4 – Federal Perkins Loan Program

The total presented for the U.S. Department of Education's Perkins Loan Program (84.038) represents the Federal contributions to the loan pool, administrative cost allowances and loans outstanding. Total loans outstanding at June 30, 2011, were $30,443,779.

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* (93.342) represents the Federal contributions to the loan pool and loans outstanding. Total loans outstanding at the fiscal year ended June 30, 2011, were $719,455.

<u>Nurse faculty Loan Program</u>
New loans issued and outstanding at June 30, 2011 of $141,896 were made to faculty at University of Connecticut under the U.S. Department of Health and Human Services' Nurse Faculty Loan Program (93.264).

Note 6 – Federal Direct Student Loans (Direct Loan) program

Loans disbursed to students at the State Colleges and Universities the *Federal Direct Student Loan Program* (84.268) during the fiscal year ended June 30, 2011, totaled $353,738,286.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

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

The total amount presented for the WIC Program includes cash rebates received from milk, infant formula and cereal manufacturers in the amount of $10,134,836 on the sales of formula and cereal to participants in the *U.S. Department of Agriculture's WIC program* (10.557). Rebate contracts with infant formula manufacturers are authorized by Title 7 Code of Federal Regulations 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 $11,622 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.

Note 8 – Economic Adjustment Assistance Program

The total amount presented for the *Economic Adjustment Assistance Program* (11.307) includes the balance of the Revolving Loan Fund (RLF) loans outstanding at the end of the fiscal year in the amount of $250,749 cash and investment balance in the RLF at the end of the fiscal year in the amount of $1,501,980.

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 Number 17.225. The state funds expended from the Federal Unemployment Trust Fund amounted to $947,069,810. Total expenditures from the federal portion of the Unemployment Trust Fund equaled $1,284,512,868. An additional $67,251,282 was also expended for benefits and was received directly from the federal government. The $76,435,682 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, 2011, the Department of Social Services expended a total of $46,489,965 (federal share) to accomplish the goals of the *Child Support Enforcement Program* (93.563). However, the State received $15,888,010 of the $46,489,965 through withholding of a portion of various collections received by the state through the process of implementing the Child Support Enforcement Program. The other $30,601,955 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, 2011, the State expended a total of $25,149,389 for the *HIV Care Formula Grants* (93.917). This included $12,311,921 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, 2011, a grand total of $1,196,764,780.98 was expended. This amount includes $1,180,009,051.92 of non-research grants and $16,755,729.06 research grants.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note 13 – Supplemental Nutrition Assistance Program

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining

the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

The amounts reported under Supplemental Nutrition Assistance Program (CFDA # 10.551) and Supplemental Nutrition Assistance Program (CFDA # 10.551 ARRA) were provided with non-cash assistance.

Note 14- 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.

Note 15- The state pass through amounts to sub recipients as sub grants to carry out federal programs

The schedule includes sub award expenditure amounts, CFDA number and program title that are presented on the follow pages.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 14 - Pass-through Grants:					
NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS					
Department of Agriculture					
National Institute of Food and Agriculture					
10.200		UOC	Northeastern Regional Aquaculture Center	Z540501	4,120
10.206		UOC	New Mexico State University	Q01382	3,231
10.303		UOC	University of Rhode Island	081605/0000826	3,505
10.315	ARRA	UOC	University of Minnesota	SUBAWARD# H001344222	9,277
10.500		UOC	Auburn University	08-HHP-374648-0004	290
10.500		UOC	Auburn University	10-ACES-374584-CT	116
10.500		UOC	Cornell University	54647-8569	6,913
10.500		UOC	Kansas State University	SUB AGREEMENT S11145	3,428
10.500		UOC	Kansas State University	SUBAWARD S11132	18,650
10.500		UOC	Kansas State University	S09036.02	45,918
10.500		UOC	Kansas State University	S09036.01	32,722
10.500		UOC	Kansas State University	S10081	20,835
10.500		UOC	University of Delaware	SUBAWARD 19710	12,551
10.500		UOC	University of Vermont	SNE08-17	2,695
10.500		UOC	University of Vermont	SNE09-01	25,848
10.500		UOC	University of Vermont	SARE COORDINATOR 09	54,037
10.500		UOC	University of Vermont	SNE10-01	27,966
Total National Institute of Food and Agriculture					272,102
Miscellaneous Programs					
10.000		UOC	University of Maine	UM-S810	207
10.000		DEP	Connecticut Fund for the Environment, Inc	MOA-08/17/09	86,135
Total Miscellaneous Programs					86,342
Total Department of Agriculture					358,444
Department of Commerce					
National Oceanic and Atmospheric Administration					
11.419		UOC	University of New Hampshire	SUBAWARD NO. 08-041	8,114
11.463	ARRA	DEP	Connecticut Fund for the Environment, Inc	MOA-08/17/09	13,082
11.469		UOC	Project Oceanology	AG080908	15,142
Total National Oceanic and Atmospheric Administration					36,338
Miscellaneous Programs					
11.000		UOC	Woods Hole Oceanographic Institution	PO M213854	60,680
11.000		UOC	Woods Hole Group, Inc.	PO# 10-0048	19,744
11.000		UOC	Woods Hole Group, Inc.	PO# 10-0055	13,386
11.000		UOC	Woods Hole Oceanographic Institution	PO M214131	12,136
11.000		UOC	Woods Hole Oceanographic Institution	PO M214544	20,744
11.000		UOC	Woods Hole Oceanographic Institution	PO#10-0033	370
Total Miscellaneous Programs					127,060
Total Department of Commerce					163,398
Department of Defense					
Office of Economic Adjustment					
12.611		CCC	CT Ctr. For Advanced Technology Inc.	AGR-1-21-11	8,333

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Miscellaneous Programs					
12.000		UOC	Science Applications International Corporation	P010044603	28,846
12.000		UOC	Woods Hole Group, Inc	Task Order #UCONN001	3,995
12.000		UOC	Applied Physical Sciences Corporation	P.O. #11-0003438	12,800
Total Miscellaneous programs					45,641
Total Department of Defense					53,974
Department of Housing and Urban Development					
Office of Public and Indian Housing					
14.866		UOC	City of Stamford, CT, Housing Authority	AG060476	7,688
Office of Healthy Homes and Lead Hazard Control					
14.900		UOC	AG101147	CT Children's Medical Center	15,482
Total Department of Housing and Urban Development					23,170
Department of the Interior					
U. S. Geological Survey					
15.815		UOC	America View	AG101409	3,262
Miscellaneous Programs					
15.000		UOC	Environmental Concern, Inc.	AG080466	17
15.000		UOC	Last Green Valley, Inc.	GV1UCONN 10	81,000
Total Miscellaneous programs					81,017
Total Department of the Interior					84,279
Department of Justice					
16.726		UOC	National 4-H Council	AG110566	1,256
Department of Labor					
Employment and Traning Administration					
17.255		CCC	Northwest Regional Investment Board	ISY-09-001 & ISY-09-002	3,506
17.255		CCC	Northwest Regional Investment Board	OSY-09-001 & ISY-10-002	141,658
17.255		CCC	Northwest Regional Investment Board	ISY-11-001	575
17.259		CCC	Northwest Regional Investment Board	OSY-09-001 & 003	7,410
17.259		CCC	The Workplace Inc.	AGR-9-14-10	22,512
17.259		CCC	Northwest Regional Investment Board	OSY-10-003	271,202
17.259	ARRA	CCC	Eastern Workforce Investment Board	MOA-12-16-09	76,678
17.259	ARRA	CCC	Eastern Workforce Investment Board	MOA-12-23-09	67,485
17.259	ARRA	CCC	Capital Workforce Partners	MOA-12-28-09	77,636
17.259	ARRA	CCC	Workforce Alliance	MOA-12-28-09	75,162
17.259	ARRA	CCC	The Workplace Inc.	MOA-2-10-10	78,800
17.261		CCC	Eastern Workforce Investment Board	AGR 6-19-08	50,482
17.261		CCC	The Workplace Inc.	AGR-3-19-07	(372)
17.261		CCC	The Workplace Inc.	X297-4-9-7-W/DRG	1
17.261		CCC	The Workplace Inc.	X297-4-9-7-W3/PCT	774
17.261		CCC	The Workplace Inc.	Ltr 7-15-09	2,661
17.275	ARRA	ECSU	Workplace Inc.	SGA//DFA PY 08-19	69,884
Total Department of Labor					946,054

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
National Aeronautics and Space Administration					
43.001		CCSU	University of Hartford	NNX06AC32H	19,124
43.001		CCC	University of Hartford	AGR 1-15-08	13,500
43.001		SCSU	University of Hartford	NGT5-40093	24,748
Total National Aeronautics and Space Administration					57,372
National Endowment for the Humanities					
45.149		SCSU	Voices of Sept 11th	NA	6,600
Institute of Museum & Library Services					
45.312		UOC	Harvard University	137263-04	15,008
45.312		UOC	City of Hartford, CT, Public Library	AG100794	27,128
Total Institute of Museum & Library Services					42,136
National Endowment For The Arts					
45.025		ESCU	NEFA-NE Foundation of the Arts	NA	2,365
National Science Foundation					
47.000		UOC	Woods Hole Oceanographic Institution	PO# M213795	12,136
47.000		UOC	Woods Hole Oceanographic Institution	PO# M213128	6,068
47.000		UOC	Columbia University	PO# 586169	4,611
47.049		SCSU	Yale University	C06D00462	177,436
47.074		UOC	New York State Museum Institute	AG050672	59,682
47.076		CCSU	New England Board of Higher Education	NSF AWARD #DUE-0903051	11,279
47.076		UOC	University of Massachusetts	UM# 05-003146 B 04	70,904
47.076		UOC	University of Massachusetts	06-003554-A-03	52,441
Total National Science Foundation					394,557
Environmental Protection Agency					
Office of Water					
66.437		UOC	National Fish and Wildlife Foundation	2010-0071-013/23961	14,411
66.437		UOC	National Fish and Wildlife Foundation	2010-0071-002	74
Total Office of Water					14,485
Miscellaneous Programs					
66.000		UOC	Integrated Pest Mnanagement Inst of North America	AG111055	139
Total Environmental Protection Agency					14,624
Department of Energy					
81.000		UOC	Woods Hole Oceanographic Institution	PO M213820	30,340
81.049		SCSU	WGBH Educational Foundation	N/A	6,000
81.087	ARRA	CCC	Hudson Valley Community College	AGR-9-20-10	68,473
81.122	ARRA	UOC	University of Minnesota	A000211554	1,375
Total Department of Energy					106,188

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Education					
Office of Vocational and Adult Education					
84.002		CCC	Education Connection, Foothill Adults & Cont. Ed.	AE 10-5	18,069
84.002		CCC	Education Connection, Foothill Adults & Cont. Ed.	AE 11-5	20
Total Office of Vocational and Adult Education					18,089
Office of Innovation and Improvement					
84.396	ARRA	UOC	Ohio State University	6002916/RF01233626	55,715
84.215		UOC	City of Hartford, CT	AG101426	337,314
84.215		CCSU	Cromwell, CT Public Schools	EU215X090637	204,573
Total Office of Innovation and Improvement					597,602
Office of Special Education and Rehabilitative Services					
84.224		SCSU	Handhold Adaptive	SCSU_1	20,441
84.326		UOC	University of Oregon	223561A	325,733
84.326		UOC	University of North Carolina	5-54490	91,717
84.326		UOC	University of Oregon	PREAWARD	(96)
84.373		SDE	University of Kentucky Research Foundation	3048104002-08-398	386,656
84.391	ARRA	UOC	Providence Public Schools, Providence, RI	PO# 2102582	26,569
Total Office of Special Education and Rehabilitative Services					851,020
Office of Elementary & Secondary Education					
84.010		UOC	Providence Public Schools, Providence, RI	PO# 2102901-0	39,205
84.010	ARRA	UOC	Providence Public Schools, Providence, RI	2103560-0-PO	109,599
84.388	ARRA	UOC	Bridgeport, CT Public Schools	AG110475	164,201
Total Office of Elementary & Secondary Education					313,005
Office of Post Secondary Education					
84.116		CCC	LaGuardia Community College	#46285L	21,989
84.116		CCSU	Bridgewater State College	N/A	451
84.116		ECSU	FIPSE	P116Z090120	854
Total Office of Post Secondary Education					23,294
Miscellaneous Programs					
84.000		CCSU	National Writing Project Corporation	U928A050001	38,504
84.000		UOC	National Writing Project Corporation	92-CT01	54,621
Total Miscellaneous Programs					93,125
Total Department of Education					1,896,135
Department of Health and Human Services					
Administration for Children And Families					
93.600		ECSU	American Assoc. For Sport & Physical Ed.	N/A	10,930
93.714	ARRA	CCC	CT Business & Industry Association	AGR-8-31-10	82,249
Total for Administration For Children And Families					93,179
Office of the Secretary					
93.721	ARRA	CCC	Tidewater Community College	AGR-7-7-10	174,564
Substance Abuse And Mental Health Services Administration					
93.243		CCSU	Clinton Youth & Family Service Bureau	N/A	5,049
93.275		CCSU	Yale University	1R01AA016599-01A2	90,053
93.276		CCSU	Clinton Youth & Family Service Bureau	2SP1213004	10,957
93.276		CCSU	Town of Southington	1H79SP015686-01	11,748
93.959		CCSU	Wheeler Clinic	N/A	5,009
Total Substance Abuse and Mental Health Services Administration					122,816

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Center For Disease Control and Preventation					
93.938		SDE	National Association of Boards of Education	5U58DP00044-04	16,500
National Institutes of Health					
93.242		CCSU	University of Pittsburgh	N/A	24,225
93.273		CCSU	Yale University	1R01AA016599-01A2	7,599
93.701	ARRA	SCSU	Yale University	AS0187(M10A10662)	33,932
93.701	ARRA	SCSU	Yale University	RS0011(M10A10804)	23,116
Total National Institutes of Health					88,872
Total Department of Health and Human Services					495,931
Corporation for National and Community Service					
94.000		UOC	Up2Us	AG100797	11,734
94.006		UOC	Jump Start, Inc.	830200	46,083
Total Corporation for National and Community Service					57,817
Department of Homeland Security					
97.075		DOT	State of New York Office of Homeland Security	C172578	608,877
United States Agency for International Development					
98.000		UOC	Conservation International Fund	AG110248	33,683
TOTAL NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS					**5,346,860**
RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS: (SEE NOTE 2)					
Department of Agriculture					
National Institute of Food and Agriculture					
10.200	RD	UOC	Cornell University	59257-9133	22,307
10.200	RD	AES	Cornell University	56340-8755	12,719
10.200	RD	UOC	N. Eastern Regional Aquaculture Ctr	Z520303	96,665
10.200	RD	UOC	N. Eastern Regional Aquaculture Ctr	Z514703	1,284
10.200	RD	AES	Cornell University	61002-9310	6,437
10.200	RD	AES	Cornell University	61002-9323	256
10.206	RD	UOC	University of North Carolina at Wilmington	SUB NO.509450-10-01	1,039
10.206	RD	AES	Virginia Poly Tech Institute & State University	19756-428382	13,764
10.212	RD	UOC	Freunds Farm, Inc.	AG070604	912
10.215	RD	UOC	University of Vermont	ONE11-132	2,200
10.215	RD	AES	University of Vermont	LNE09-279	35,766
10.215	RD	UOC	University of Vermont	LNE09-281	19,528
10.215	RD	UOC	University of Rhode Island	082410/0002574	1,771
10.303	RD	UOC	University of Maine	UM-S703	13,912
10.303	RD	UOC	University of New Hampshire	PZ07020	8,824
10.303	RD	UOC	University of Rhode Island	101408/0001946	63,979
10.303	RD	UOC	University of Rhode Island	121707/0001542	22,888

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
10.304	RD	UOC	Cornell University	54039-8584	31,198
10.304	RD	AES	Cornell University	54039-8576	10,969
10.309	RD	AES	Virginia Poly Tech Institute & State University	4222179-19756	1,655
10.310	RD	AES	University of Georgia	RC293-365/4693928	24,612
10.310	RD	UOC	Yale University	M00101 (M10M10477)	29,622
10.500	RD	AES	Cornell University	52632-8489	8,561
10.500	RD	UOC	University of Vermont	Coordinator 08	97,327
Total National Institute of Food and Agriculture					528,195
Natural Resources Conservation Service					
10.902	RD	UOC	University of Rhode Island	122909/0002399	7,575
Foreign Agricultural Service					
10.604	RD	AES	California Dried Plum Board	PN 10-12	42,962
Miscellaneous Programs					
10.000	RD	UOC	Applied Sciences, Inc.	CRIS#2010-00122	21,000
10.000	RD	UOC	University of Florida	00075865	2,902
Total Miscellaneous Programs					23,902
Total Department of Agriculture					602,634
Department of Commerce					
National Oceanic and Atmospheric Administration					
11.417	RD	UOC	Pacific Shellfish Institute	AG060855	1,061
11.419	RD	UOC	University of New Hampshire	08-048	1,003
11.431	RD	UOC	Univ. Corporation for Atmospheric Research	Subaward # S08-67963	106,539
11.432	RD	UOC	Woods Hole Oceanographic Institution	A100567	37,939
11.457	RD	UOC	University of New Hampshire	Subaward # PZ-11-012	7,972
11.460	RD	UOC	University of Louisiana	Subcontract #07-0397	10,806
11.472	RD	UOC	University of Rhode Island	011807/0001224	(1,000)
11.473	RD	UOC	Rutgers - State University of New Jersey	S952046-3235	132,342
11.473	RD	UOC	Woods Hole Oceanographic Institution	A100555	130,168
11.473	RD	UOC	Northeastern Regional Association of Coastal Ocea	A001-001	157,124
11.473	RD	UOC	Rutgers - State University of New Jersey	S1413015-4175	49,940
11.478	RD	UOC	University of Rhode Island	012606/0000848	49,226
Total National Oceanic and Atmospheric Administration					683,120
Miscellaneous Programs					
11.000	RD	UOC	Ocean Approved, LLC	AG100724	31,661
11.000	RD	UOC	National Marine Sanctuary Foundation	AG101183	26,238
11.000	RD	UOC	Skidaway Institution of Oceanography	469/0000300030	120,135
Total Miscellaneous Programs					178,034
Total Department of Commerce					861,154
Department of Defense					
Office of the Secretary of Defense					
12.351	RD	UOC	Rensselaer Polytechnic Institute	A12049	51,367
12.351	RD	UOC	University of Texas at El Paso	26-0900-15-62	51,159
12.351	RD	UHC	Penn State University	4106-UCHC-DTRA-0004	51,054
Total Office of the Secretary of Defense					153,580

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FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY		GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of the Air Force, Materiel Command						
12.800		RD	UOC	University of Michigan	3000989534	(1,320)
12.800		RD	UOC	Princeton University	00001666	19,517
12.800		RD	UOC	Princeton University	00001684	207,906
Total Department of the Air Force, Materiel Command						226,103
Advanced Research Projects Agency						
12.910		RD	UOC	HRL Laboratories, LLC	9060-000708	247,021
12.910		RD	UHC	DVBIO, INC.	W31P4Q07C0202	(95)
Total Advanced Research Agency						246,926
Department of the Navy, Office Of the Chief Of Naval Research						
12.300		RD	UOC	University of Texas at Austin	UTA09-000725	141,522
U.S. Army Materiel Command						
12.431		RD	UHC	Eastern Carolina University	002923-2004-0407OSU	26,551
12.431		RD	UOC	University of California at Santa Barbara	KK1016	35,129
Total U. S. Army Materiel Command						61,680
Miscellaneous Programs						
12.000		RD	UOC	Agiltron, Inc	PO 870423	4,854
12.000		RD	UOC	Aptima, Inc.	0510-1440	2,226
12.000		RD	UOC	Aptima, Inc.	0464-1412	93,472
12.000		RD	UOC	Aptima, Inc.	0671-1550	57,588
12.000		RD	UOC	Cantimer Inc.	AG101124	100,235
12.000		RD	UOC	CT Center for Advanced Technology, Inc.	08-N02	(6,111)
12.000		RD	UOC	Innovative Scientific Solutions, Inc.	SB01210	30,573
12.000		RD	UOC	Innovative Scientific Solutions, Inc.	SB00710	48,061
12.000		RD	UOC	Innovative Scientific Solutions, Inc.	SB01609	28,263
12.000		RD	UOC	Lockheed Martin Corporation	PO# 4100065823	15,289
12.000		RD	UOC	Lynntech, Inc	2010-AF114-0001	29,098
12.000		RD	UOC	Magnolia Optical Technologies, Inc.	AG101128	17,827
12.000		RD	UOC	Mystic Innovations Group Inc	ISMCS-UCONN-20100301	13,942
12.000		RD	UOC	ODIS, Inc	AG100397	186,832
12.000		RD	UOC	Ohio Aerospace Institute	AG091197	8,647
12.000		RD	UOC	Qualtech Systems, Inc	QSI-DSC-09-002	(10,062)
12.000		RD	UOC	Raytheon Company	4400234029	248,255
12.000		RD	UOC	RTI	SUB 11-321-0210294	101,838
12.000		RD	UOC	Sonalysts, Inc.	OSD07-T001	213
12.000		RD	UOC	Structured Materials Industries, Inc.	PO 41752-092508-01	54,549
12.000		RD	UOC	Technology Service Corporation	TSC 1002 38210	102,166
12.000		RD	UOC	TPL, Inc.	AG100553	30,000
12.000	ARRA	RD	UOC	United Technologies-Research Center	1163930	12,575
12.000		RD	UOC	United Technologies-Pratt & Whitney	AGR 21153 TASK#70	21,962
12.000		RD	UOC	United Technologies-Pratt & Whitney	21153 TASK #73	24,678
12.000		RD	UOC	United Technologies-Pratt & Whitney	21123 TASK #81	12,346
12.000		RD	UOC	Universal Technology Corporation	10-S2601-03-C22	8,449
12.000		RD	UOC	University of Dayton	10-T583-017-C1	23,152
12.000		RD	UOC	University of Hartford	P00087470	35,070
12.000		RD	UOC	University of Hartford	343585	5,036
12.000		RD	UOC	Yardney Technical Products, Inc.	0586281	(30,997)
12.000		RD	UOC	Yardney Technical Products, Inc.	PO#0889235	1,180
Total Miscellaneous Programs						1,271,206
Total Department of Defense						2,101,017

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY		GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Housing and Urban Development						
Office of Healthy Homes and Lead Hazard Control						
14.906		RD	UHC	Connecticut Childrens Medical Center	10-179212-01	12,249
14.913	ARRA	RD	UHC	Connecticut Childrens Medical Center	CTLHH0174-08	32,034
Total Housing and Urban Development						44,283
Department of the Interior						
Miscellaneous Programs						
15.000		RD	UOC	Heritage Corridor, Inc.	GV1 Uconn 09	20,027
Department of Justice						
National Institute of Justice						
16.560		RD	UOC	PA Coalition Against Domestic Violence	AG100118	143,768
U. S. Department of State						
19.000		RD	UOC	University of Delaware	S-LMAQM-09-GR-043	14,425
Department of Transportation						
Federal Highway Administration						
20.205		RD	UOC	New England Transportation Consortium	MOU-N0206P2-0-2008-4	22,853
Research and Innovative Technology Administration						
20.701		RD	UOC	Massachusetts Institute of Technology	5710002725	35,000
20.701		RD	UOC	Massachusetts Institute of Technology	5710002961	28,721
20.701		RD	UOC	Massachusetts Institute of Technology	5710002960	23,633
20.701		RD	UOC	Massachusetts Institute of Technology	5710002971	3,688
20.701		RD	UOC	Massachusetts Institute of Technology	5710002615	63,302
20.701		RD	UOC	Massachusetts Institute of Technology	5710002724	46,931
Total Research and Innovative Technology Administration						201,275
Miscellaneous Programs						
20.000		RD	UOC	Connecticut Academy of Science and Engineering	AG090614	5,452
20.000		RD	UOC	Connecticut Academy of Science and Engineering	AG090956	2,979
20.000		RD	UOC	Connecticut Academy of Science and Engineering	AG090959	1,077
20.000		RD	UOC	Transportaion Research Board	NCHRP-141	63,878
20.000		RD	UOC	Transportaion Research Board	SHRP-R-06(B)	169,140
Total Miscellaneous Programs						242,526
Total Department of Transportation						466,654
Library of Congress						
Miscellaneous Programs						
42.000		RD	UOC	University of Michigan	F012178	1,578
42.000		RD	UOC	University of Michigan	3001208391	7,763
Total Library of Congress						9,341

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
National Aeronautics and Space Administration						
43.000		RD	UOC	California Institute of Technology	SUBCONT NO. 1395906	39,762
43.000		RD	UOC	Case Western Reserve University	RES504568	71,027
43.000		RD	UOC	Honeybee Robotics Spacecraft Mechanisms Corp	219.Subcon.001	8,110
43.000		RD	UOC	Marine Biological Laboratory	35640	80,020
43.000	ARRA	RD	UOC	Plasma Processes, Inc.	6006-006-ASH-021210	36,915
43.000		RD	UOC	Qualtech Systems, Inc.	QSI-DSC-09-003	18,321
43.000		RD	UOC	Sustainable Innovations	AG100233	29,522
43.000		RD	UOC	University of Florida	UF09186	11,410
43.000		RD	UOC	University of Hartford	303116	7,447
43.000		RD	UOC	University of Hartford	303200	24,484
43.000		RD	UOC	University of Hartford	NNX06AC32H	12,426
43.000		RD	UOC	University of Illinois	2009-00783-01/A3327	112,199
43.000		RD	UOC	University of New Hampshire	11-039	6,957
43.000		RD	UOC	Wet Labs, Inc.	AG070872	1,136
43.001		RD	UOC	University of Hartford	314806	33
43.001		RD	UOC	United Technologies- Pratt & Whitney	21153 TASK#71	34,383
43.001		RD	UOC	ZONA Technology Inc	ZTUC022011-PIO	1,327
Total National Aeronautics and Space Administration						495,479
National Endowmentt for the Humanities						
45.160		RD	UOC	Institute for Advanced Study In Princeton	AG100013	(20,392)
National Science Foundation						
47.000		RD	UOC	Fuss & O'Neill, Inc.	#1013813	23,599
47.000		RD	UOC	Axiome Advisors, LLC	AG110299	19,649
47.000		RD	UOC	Biorasis, Inc	AG101340	35,744
47.041		RD	UOC	Ciencia, Inc.	803210	261
47.041		RD	UOC	Fuss & O'Neill, Inc.	AG110713	19,467
47.041		RD	UOC	Purdue University	4101-33905	10,297
47.041		RD	UOC	Sustainable Innovations	AG091291	163
47.041		RD	UOC	Southwest Sciences, Inc	AG0771060	304
47.041		RD	UOC	University of Massachusetts	08-004807 A 00	137,182
47.041		RD	UOC	University of Akron	534622/CMMI 1032201	9,731
47.041		RD	UHC	University of New Hampshire	10-017	24,629
47.041		RD	UHC	University of Wisconsin	271K132	13,090
47.041		RD	UOC	Yale University	C11D10969	3,246
47.049		RD	UOC	Rensselaer Polytechnic Institute	A12111	19,828
47.049		RD	UOC	University of Cincinnati	SUBAWARD # 006740	6,822
47.049		RD	UOC	University of Missouri	C00021585-1	(9,215)
47.049		RD	UOC	University of Utah	DMS-1001056	49,780
47.050		RD	UOC	Consortium for Ocean Leadership	Task Order T319A29	10,605
47.050		RD	UOC	Woods Hole Oceanographic Institution	A100424	88,951
47.070		RD	UOC	Massachusetts Institute of Technology	5710002196	109,638
47.074		RD	UOC	American Museum of Natural History	10-2010	7,018
47.074		RD	UOC	California State University, Fullerton	S-4790-UOC	24,793
47.074		RD	UOC	Florida State University	R00283	10,297
47.074		RD	AES	North Carolina State University	2006-0820-02	8,795
47.074		RD	UOC	University of Maryland at College Park	Z479501	175,150
47.074		RD	UOC	University of Puerto Rico	534042	60,304
47.074		RD	UOC	University of Puerto Rico	AG060505	28,115
47.076		RD	UOC	American Educational Research Association	AG090091	11,038
47.076		RD	UOC	Purdue University	4101-37968	70,431
47.076		RD	UOC	Washington University, St. Louis	PO#29510P	4
47.082	ARRA	RD	UOC	Selah Technologies, LLC	IIP-0930494	11,843

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CFDA NO.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
47.082	ARRA	RD	UOC	Marine Biological Laboratory	SUBAWARD NO.40459	46,223
47.082	ARRA	RD	UOC	University of North Carolina at Wilmington	SUBAWARD5A0010-10-01	20,319
47.082	ARRA	RD	UOC	Purdue University	4101-41122	2,820
Total National Science Foundation						1,050,921
Environmental Protection Agency						
Office of Water						
66.437		RD	UOC	National Fish and Wildlife Foundation	2009-0061-016	30,237
66.437		RD	AES	National Fish and Wildlife Foundation	2010-0071-023	10,994
66.437		RD	UOC	National Fish and Wildlife Foundation	2010-0071-025	22,511
66.437		RD	UOC	National Fish and Wildlife Foundation	2010-0071-001	3,591
Total Office of Water						67,333
Miscellaneous Programs						
66.000		RD	UHC	Cadmus Group, Inc.	EP-D-08-096	66,769
66.000		RD	UOC	Fuss & O'Neill, Inc.	AG080963	1,668
66.000		RD	UOC	Environmental Defense Fund	AG090817	7,362
66.000		RD	UOC	Cornell University	AG101024	4,021
Total Miscellaneous						79,820
Total Environmental Protection Agency						147,153
Department of Energy						
81.049		RD	UOC	Princeton University	00001700	193,673
81.049		RD	UOC	North Carolina State University	2008-1923-02	228,314
81.049		RD	UOC	Southwest Sciences, Inc.	AG101264	32,976
81.049		RD	UOC	University of South Carolina	10-1721	194,138
81.049		RD	UOC	Yale University	C11E10984	64,175
81.079		RD	UOC	University of South Dakota	3TA155/YULIA KUZOVKI	19,298
81.087		RD	UOC	University of Hawaii	Z975726	86,373
81.134	ARRA	RD	UOC	GAS Technology Institute	S00000156	25,989
						844,936
Miscellaneous Programs						
81.000		RD	UOC	Battelle Memorial Institute	84049	3,683
81.000		RD	UOC	Battelle Memorial Institute	121977	128,209
81.000		RD	UOC	Battelle Memorial Institute	84750	42,610
81.000		RD	UOC	Battelle Memorial Institute	91881	4,357
81.000		RD	UOC	Battelle Memorial Institute	00097907	86,504
81.000		RD	UOC	Sinmat, Inc.	AG101393	15,659
81.000		RD	UOC	Rolls Royce Fuel Cell Systems Inc	AG091277	131,027
81.000		RD	UOC	United Technologies-Research Center	PO 2601184	843
Total Miscellaneous						412,892
Total Department of Energy						1,257,828
Department of Education						
Institute of Education Sciences						
84.305		RD	UOC	Center for Applied Linguistics	IES001-000-10	287,390
84.305		RD	UOC	Michigan State University	61-1708UC	106,624
84.324		RD	UOC	University of Oregon	223850B	4,938
84.324		RD	UOC	Texas A & M Research Foundation	S060054	61,065
Total Institute of Education Sciences						460,017

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CFDA NO.	STATE AGENCY		GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Office of Special Education and Rehabilitation Services					
84.327	RD	UOC	University of Oregon	223651A	9,340
Office of Postsecondary Education					
84.116	RD	UOC	Drexel University	213031-3662	5,755
Office of Innovation and Improvement					
84.165	RD	UOC	Area Cooperative Educational Services	AG070924	4,207
Miscellaneous Programs					
84.000	RD	UOC	Advanced Fuel Research Inc.	ED-07CO-0037	(3,725)
Total Department of Education					475,594
Department of Health and Human Services					
Administration For Children and Families					
93.092	RD	UHC	Village for Families & Children Inc.	90AP2669/01	34,635
93.590	RD	UHC	Childrens Trust Fund Council	20394-28517-52742	137,058
Total Administration For Children and Families					171,693
Center For Disease Control and Preventation					
93.061	RD	UOC	Family Planning Council	RSH11001	30,295
93.067	RD	UOC	Caprisa	AG100483	18,389
93.136	RD	UHC	University of Rochester	5-28312	13,466
93.262	RD	UHC	Mary Imogene Bassett Hospital	MIBH 383	64,070
93.262	RD	UHC	UMASS at Lowell	S51130000015313	357,866
93.262	RD	UOC	UMASS at Lowell	S11108020000008	20,169
93.262	RD	UOC	UMASS at Lowell	S51130000012375	8,230
93.262	RD	UOC	UMASS at Lowell	S51130000015313	268,193
93.283	RD	UOC	APTR	AG080794	112,351
93.283	RD	UHC	UMASS-Worcester Memorial Hospital	6128642/RFS2011186	21,101
Total Center For Disease Control					914,130
Centers for Medicare and Medicaid Services					
93.779	RD	UHC	UMASS-Worcester Memorial Hospital	611365/900171	2,864
National Institutes of Health					
93.113	RD	UHC	Yale University	A07995 M11A10964	12,286
93.113	RD	UOC	Wadsworth Center	3269-02	133
93.113	RD	UOC	Wadsworth Center	3269-03	16,976
93.113	RD	UOC	Wadsworth Center	3269-04	307,652
93.121	RD	UHC	Cyberconnect EZ, LLC	1R43DE019601-01	22,957
93.121	RD	UHC	SUNY-Bufalo	R263976	5
93.121	RD	UHC	University of Florida	UF06034	355
93.121	RD	UHC	University of Pennsylvania	551082	65,100
93.121	RD	UHC	University of Rochester	413332-G	(10)
93.121	RD	UOC	Yale University	A07929 (M11A11041)	6,992
93.121	RD	UOC	Yale University	A07780 (M10A10821)	5,825
93.143	RD	UOC	Dartmouth College	461	55,196
93.172	RD	UHC	University of California At Berkeley	6823740	206,987
93.173	RD	UOC	Baylor College of Medicine	PO# 5600508391	7,712
93.173	RD	UOC	Moss Rehabilitation Research Institute	AG100573	19,738
93.173	RD	UOC	Sensimetrics Corporation	AG080490	(38)
93.173	RD	UOC	Stanford University	26366270-50588-B	4,078
93.173	RD	UOC	University of Chicago	30180	(60)

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CFDA NO.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.173		RD	UOC	University of Florida	UF05104	1,970
93.173		RD	UOC	University of Florida	UF08115	7,270
93.242		RD	UHC	Northwestern University	60025890	9,796
93.242		RD	UHC	University of Illinois	MH68455	7,918
93.242		RD	UHC	Yale University	A06212	1,265
93.242		RD	UHC	SUNY-Brooklyn	1R01MH086638-01	36,574
93.242		RD	UOC	University of Mississippi Medical Center	67353-UC02	37,161
93.242		RD	UOC	University of Mississippi Medical Center	67352-UC02	3,804
93.242		RD	UOC	University of North Carolina	PREAWARD	48,887
93.242		RD	UOC	Yale University	A07355(M11A10864)	7,670
93.242		RD	UOC	Yale University	A07355(M09A10153)	9,288
93.242		RD	UOC	Yale University	A07617(M09A10153)	13,250
93.273		RD	UHC	SUNY-Brooklyn	1009189/52238	82,569
93.273		RD	UHC	SUNY-Brooklyn	4797-4009189	(110)
93.273		RD	UHC	SUNY-Brooklyn	2U10AA008401	522,303
93.273		RD	UHC	Yale University	A07432	55,887
93.273		RD	UHC	Yale University	AA11197-10	59,557
93.273		RD	UHC	Yale University	A07754	10,102
93.273		RD	UHC	Yale University	A07470M09A10250	22,881
93.279		RD	UOC	Brandeis University	4-01349	(90)
93.279		RD	UOC	Fordham University	AG080334	(3,886)
93.279		RD	UHC	Medical University of South Carolina	R01DA19708	155,298
93.279		RD	UHC	Medical University of South Carolina	MUSC 10-090	25,007
93.279		RD	UHC	University of Texas- Medical Branch	11-028	53,304
93.279		RD	UOC	Northeastern University	542265OPO901349	42,506
93.279		RD	UOC	Yale University	A07466 (M08A10247)	23,675
93.279		RD	UHC	Yale University	A06106	14,330
93.279		RD	UHC	Yale University	A06469	(3,564)
93.279		RD	UHC	Yale University	A07592M10A10351	337,278
93.286		RD	UOC	Biorasis, Inc.	AG091073	142,403
93.307		RD	UHC	Yale University	A08176M11A11032	73,568
93.310		RD	UHC	New York University	0255-3761-4609	249,593
93.361		RD	UHC	Arizona State University	10-348	11,194
93.389		RD	UOC	Massachusetts General Hospital	R24RR018934/207916	73,318
93.389		RD	UOC	Radiation Monitoring Devices, Inc.	AG090251	6,409
93.393		RD	UOC	UMASS - Amherst	PO# 0001254189	102,263
93.393		RD	UHC	University of New Jersey	R01CA116399	4,081
93.393		RD	UHC	University of Southern California	H37982	2,253
93.393		RD	UHC	Vanderbuilt University	VUMC35870	(1,355)
93.394		RD	UHC	Nanoprobes Inc.	R44CA124190-03	75,430
93.394		RD	UHC	Nanoprobes Inc.	R43CA134074-01	15,408
93.394		RD	UHC	University of Wisconsin	158K502	195
93.395		RD	UHC	California Institute of Technology	21b-1088933	88,491
93.395		RD	UHC	Nanoprobes Inc.	R44CA130225-01A2	26,458
93.395		RD	UHC	Hospital of Central Connecticut	27469-121	419
93.395		RD	UHC	University of Arizona	Y560264	22,417
93.397		RD	UHC	John Hopkins University	200796724	53,094
93.399		RD	UHC	Tufts New England Medical Center	595-010-010	(15,892)
93.701	ARRA	RD	UHC	CT Children's Medical Center	1017926001	45,746
93.701	ARRA	RD	UHC	CT Children's Medical Center	10179194-01	2,193
93.701	ARRA	RD	UHC	Duke University	173530	6,371
93.701	ARRA	RD	UHC	George Mason University	E20014A	119,491
93.701	ARRA	RD	UHC	Maine Medical Center	0992-001	75,395
93.701	ARRA	RD	UHC	Nanoprobes Inc.	R44CA124190-03S1	(3,828)
93.701	ARRA	RD	UOC	University of Rochester	100037-D	73,397
93.701	ARRA	RD	UHC	Scripps Research Institute	TSRI-5-24243	59,066

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CFDA NO.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.701	ARRA	RD	UHC	Scripps Research Institute	TSRI-5-21433	11,838
93.701	ARRA	RD	UOC	Saint Louis University	7R21AA017717-03	71,154
93.701	ARRA	RD	UOC	Stanford University	26331050-50316-A	4,078
93.701	ARRA	RD	UHC	University of California at Berkeley	3U01HG004271-04	195,474
93.701	ARRA	RD	UOC	University of North Carolina	5-30092	69,994
93.837		RD	UHC	Sibtech Inc	R43HL105167-01	39,632
93.837		RD	UOC	Hartford Hospital	123249	26,985
93.838		RD	UOC	Yale University	A08211 (M11A11069)	42,468
93.839		RD	UHC	UMass- Worcester Memorial Hospital	6112499/RF3900138	14,970
93.846		RD	UHC	Arizona State University	09-104	17,542
93.846		RD	UHC	Cyberconnect	R43AR057272-01	59,423
93.846		RD	UHC	Maine Medical Center	0942-003	134,231
93.846		RD	UHC	University of Pennsylvania	552410	66,557
93.846		RD	UHC	Yale University	A06916	11,710
93.846		RD	UHC	Yale University	A06534	124,453
93.846		RD	UOC	Yale University	A06534 (M07A00648)	71,243
93.846		RD	UOC	Yale University	A08013 (M11A11029)	865
93.847		RD	UOC	Ciencia, Inc	733102-UCONN	24,916
93.847		RD	UHC	CT Children's Medical Center	06-179136-01	(2,635)
93.847		RD	UHC	CT Children's Medical Center	10-179196-01	26,120
93.847		RD	UOC	Indiana University	IN-4683685-UC	20,011
93.847		RD	UHC	Mercer University	420610-01	200,743
93.847		RD	UHC	Nanoprobes Inc.	R43DK000522-01A1	7,823
93.847		RD	UHC	University of Miami	R01DK089394-01	5,535
93.853		RD	UOC	State Univ. of New York College of Optometry	580-45702	1,142
93.853		RD	UHC	University of Pittsburgh	0015761	13,696
93.855		RD	UOC	Ciencia, Inc	2 R44 AI066482-02	58,901
93.855		RD	UOC	Ciencia, Inc	783102-UCONN	6,167
93.855		RD	UHC	CT Children's Medical Center	08-179194-03	30,588
93.855		RD	UHC	Harvard University	149047.0964	17,521
93.855		RD	UHC	Harvard University	149047.0853	92,273
93.855		RD	UHC	University of Kansas	2010-092	43,483
93.855		RD	UHC	UMass- Worcester Memorial Hospital	6108879/RFS900116	108,914
93.855		RD	UHC	University of Texas	109043	2,421
93.855		RD	UOC	Promiliad Biopharma, Inc	1 R42 AI0165143-02A1	79,446
93.859		RD	UHC	California Institute of Technology	102-1083874	5,408
93.859		RD	UOC	Ciencia, Inc	723205	491
93.859		RD	UOC	Duke University	08-SC-NIH-1089	51,077
93.859		RD	UHC	Glycosan Biosystems, Inc	7668890	7,735
93.859		RD	UHC	Harvard University	148239.1706	236,193
93.859		RD	UHC	John Hopkins University	2000-10327	(4,539)
93.859		RD	UHC	John Wayne Cancer Institute	R01GM077391	29,453
93.859		RD	UOC	University of Georgia	RR771-024/4786826	26,176
93.859		RD	UOC	University of North Carolina	UNC-CH#5-34143	12,377
93.859		RD	UOC	University of Nevada	10-697Y-00	62,105
93.859		RD	UHC	University of New Mexico	048826874E	(1,559)
93.859		RD	UHC	University of Virginia	GC11893.133558	16,335
93.859		RD	UHC	University of Virginia	BD12015.136212	195,695
93.865		RD	UOC	Brown University	00000220 PO # 256295	13,638
93.865		RD	UOC	Beth Israel Deaconess Medical Center	5P01HD057853-02	462,158
93.865		RD	UOC	Haskins Laboratories	AG091002	12,691
93.865		RD	UOC	University of Colorado at Boulder	1544069 SPO#00064218	22,444
93.865		RD	UOC	University of Minnesota	N643751402	29,772
93.865		RD	UOC	Yale University	MO7A00231	40,235
93.865		RD	UHC	Yale University	A08206M10A10768	56,438
93.865		RD	UHC	Yale University	A07751M10A10768	124,298

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CFDA NO.		STATE AGENCY		GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.866		RD	UHC	Arizona State University	09-196	10,502
93.866		RD	UHC	Hebrew Rehabiliation Center	10.10.92251	10,153
93.866		RD	UHC	University of Maryland, Baltimore	R01AG035009-01	21,723
93.866		RD	UOC	Yale University	A07296 (M09A10181)	6,472
93.879		RD	UHC	UMass- Worcester Memorial Hospital	6067664/RFS700042	29,879
Total National Institute of Health						6,798,394.00
Health Resources and Services Administration						
93.110		RD	UHC	University of Massachusetts	MCHB PROJECT	38,495
93.110		RD	UHC	Family Voices Inc.	2010150	5,502
93.110		RD	UHC	University of New Hampshire	PZ11057/U22MC10980	6,460
93.145		RD	UHC	University of Massachusetts	6H4AHA00050-09	12,136
93.145		RD	UHC	University of Massachusetts	6113846ETC-13	819
93.153		RD	UHC	Community Health Center Assoc of CT	HRSA-09-202	(2,620)
93.513		RD	UHC	CT Children's Medical Center	10-179257-01	67,056
93.914		RD	UHC	City of Hartford	HHS2012-02Q	53,975
93.914		RD	UHC	City of Hartford	HHS2012-02R	31,604
93.914		RD	UHC	City of Hartford	HHS9066R	(1,577)
93.914		RD	UHC	City of Hartford	HHS9066Q	177,336
93.914		RD	UHC	City of Hartford	HHS0027R	115,661
Total Health Resources and Services Administration						504,847
Substance Abuse and Mental Health Services Administration						
93.243		RD	UHC	Child Health & Development Institute of CT	08DCF6431AA	34,000
93.243		RD	UHC	RTI International	11-312-0210700	384,785
93.243		RD	UHC	Justice Resource Inc	N/A	86,782
93.243		RD	UHC	Community Mental Health Affiliates, Inc.	IH79SM0599584-01	9,899
93.243		RD	UOC	Community Mental Health Affiliates, Inc.	AG091064	87,664
Total Substance Abuse and Mental Health Services Administration						603,130
Office of the Secretary						
93.718	ARRA	RD	UHC	Ehealth Connecticut, Inc.	90RC005301	58,385
Miscellaneous Programs						
93.000		RD	UOC	Afasci, Inc.	AG-090341	2,045
93.000		RD	UOC	Family Health International	812/0080.0056	94,244
93.000		RD	UOC	Brown University	P265770	16,453
93.000		RD	UOC	Nat'l Institute for Pharmaceutical Tech and Educ.	UC2011-001	3,096
93.000		RD	UOC	Nat'l Institute for Pharmaceutical Tech and Educ.	UC0002	2,728
93.000		RD	UOC	Nat'l Institute for Pharmaceutical Tech and Educ.	UC0003	44,228
93.000		RD	UOC	Nat'l Institute for Pharmaceutical Tech and Educ.	UC0004	17,625
93.000		RD	UOC	Physical Sciences, Inc	SC53359-6265	21,239
93.000		RD	UOC	Physical Sciences, Inc	SC51955-1712	33,923
93.000		RD	UOC	Physical Sciences, Inc	SC49706-1657	121,725
93.000		RD	UOC	Promiliad Biopharma, Inc.	AG091018	42,859
93.000		RD	UOC	Westat	S8056	78,802
Total Miscellaneous Programs						478,967
Total Department of Health and Human Services						9,532,410
Department of Homeland Security						
97.061		RD	UOC	University of North Carolina	UNC-CH #5-36441	120,404
97.061		RD	UOC	University of Texas at EL Paso	26-3001-62-61	93,429
97.065		RD	UOC	Battelle Memorial Institute	CONTRACT 128165	68,041
Total Department of Homeland Security						281,874

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CFDA NO.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Agency for International Development					
98.000	RD	UOC	University of Veterinary and Animal Sciences	PGA-P210935	6,302
98.000	RD	UOC	Virginia Polytechnic Institute and State University	451066-19213	51,751
98.001	RD	UOC	Oregon State University	RD011G-E	176,457
98.001	RD	UOC	University of Missouri	C00023238-11	2,664
98.012	RD	UOC	American Council on Education	HED052-9740-ETH-11-0	67,372
98.012	RD	UOC	University of Georgia	RC710-025/3842128	125,428
Total Agency for International Development					429,974
TOTAL RESEARCH PASS-THROUGH RESEARCH GRANTS					**17,914,144**
TOTAL PASS-THROUGH GRANTS					**23,261,004**

Identification of State Agencies:	
DEP	CT Department of Environmental Protection
SDE	State Department of Education
AES	Agricultural Experiment Station
DOT	Department of Transportation
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

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NOTE 15- Amounts Provided to Non-State Subrecipients

The State of Connecticut disbursed pass-through funds to non-state sub-recipients from the following major programs:

CFDA No.	FEDERAL GRANTOR/PROGRAM TITLE OR CLUSTER	Amount
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	$ 11,301,342.00
10.568ARRA	Emergency Food Assistance Program (Administrative Costs)	339,531
14.255ARRA	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	1,719,356
14.257ARRA	Homelessness Prevention and Rapid Re-Housing Program	3,284,189
14.871	Section 8 Housing Choice Vouchers	66,899,940
16.588ARRA	Violence Against Women Formula Grants	448,913
16.801ARRA	Recovery Act - State Victim Assistance Formula Grant Program	148,151
16.803ARRA	ARRA - Eward Byrne Memorial Justice Assistance Grant Program / Grants to States,Territories	454,324
17.235ARRA	Senior Community Service Employment Program	(9,437)
17.260ARRA	WIA Dislocated Workers	1,850,000
17.275ARRA	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging In	726,600
66.454ARRA	Water Quality Management Planning	57,264
81.041ARRA	State Energy Program	8,518,247
81.042ARRA	Weatherization Assistance for Low-Income Persons	28,160,903
81.127ARRA	Energy Efficient Appliance Rebate Program	438,365
81.128ARRA	Energy Efficiency and Conservation Block Grant Program (EECBG)	3,102,420
84.388ARRA	School Improvement Grants, Recovery Act	5,458,627
84.386ARRA	Education Technology State Grants, Recovery Act	2,475,966
84.387ARRA	Education for Homeless Children and Youth, Recovery Act	(28,170)
84.390ARRA	Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	237,093
84.397ARRA	State Fiscal Stabilization Fund (SFSF) - Government Services Recovery Act	(4,618)
93.268	Immunization Grants	1,149,133
93.568	Low-Income Home Energy Assistance	113,640,248
93.569ARRA	Community Services Block Grant	5,124,585
93.667	Social Services Block Grant	36,537,032
93.713ARRA	ARRA – Child Care and Development Block Grant	1,526,433
93.714ARRA	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State I	20,015,518
93.717ARRA	ARRA - Preventing Healthcare-Associated Infections	6,400
93.719ARRA	ARRA - State Grants to Promote Health Information Technology	23,000
93.723ARRA	ARRA - Prevention and Wellness-State, Territories and Pacific Islands	117,272
93.725ARRA	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	189,368
93.778	Medical Assistance Program	182,077,113
94.006ARRA	AmeriCorps	14,063
10.551	Supplemental Nutrition Assistance Program	570,554
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	2,316,471
	SNAP Cluster	2,887,025
10.553	School Breakfast Program	19,634,163
10.555	National School Lunch Program	74,628,099
10.556	Special Milk Program for Children	276,507
10.559	Summer Food Service Program for Children	1,183,020
	Child Nutrition Cluster	95,721,789
20.205	Highway Planning and Construction	1,365,135
20.205ARRA	Highway Planning and Construction	50,964
20.219	Recreational Trails Program	665,746
	Highway Planning and Construction Cluster	2,081,845
84.010	Title 1 Grants to Local Educational Agencies	109,819,862
84.389ARRA	Title I Grants to Local Educational Agencies, Recovery Act	23,373,174
	Title I, Part A Cluster	133,193,036

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15- Amounts Provided to Non-State Subrecipients

The State of Connecticut disbursed pass-through funds to non-state sub-recipients from the following major programs:

CFDA No.	FEDERAL GRANTOR/PROGRAM TITLE OR CLUSTER	Amount
84.027	Special Education-Grants to States	109,510,279
84.173	Special Education-Preschool Grants	3,816,626
84.391ARRA	Special Education Grants to States, Recovery Act	54,055,588
84.392ARRA	Special Education - Preschool Grants, Recovery Act	1,834,717
	Special Education Cluster (IDEA)	169,217,210
93.705ARRA	Aging Home-Delivered Nutrition Services for States	144,907
93.707ARRA	Aging Congregate Nutrition Services for States	327,933
	Aging Cluster	472,840
	Reseach and Development Cluster	14,562,705
	Stimulus (ARRA) Reseach and Development Cluster	1,578,269
	Total	**915,713,890**

Major Programs - Non Research	**899,572,913**
Major Programs - Research and Development	**16,140,973**
Other Programs- Non Research	277,692,267
Total Funds Provided to Subrecipients	**1,193,406,153**

Schedule of Findings and Questioned Costs

STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2011
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STATUS

A. Material instances of non-compliance with federal requirements
B. Significant deficiencies in the internal control process
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, 2011
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
Significant deficiencies 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
Significant deficiencies 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 *Social Services Block Grant* (CFDA #93.667) which is 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	Supplemental Nutrition Assistance Program Cluster*
10.553, 10.555, 10.556 and 10.559	Child Nutrition Cluster*
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.871	Section 8 Housing Choice Vouchers
17.258, 17.259, 17.260, 17.277 and 17.278	Workforce Investment Act (WIA) Cluster*
17.225	Unemployment Insurance*
20.205 and 20.219	Highway Planning and Construction Cluster*
20.500 and 20.507	Federal Transit Cluster*
81.042	Weatherization Assistance for Low-Income Persons
84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408 and 93.925	Student Financial Assistance Cluster*
84.010 and 84.389	Title 1 Grants to Local Educational Agencies*
84.027, 84.173, 84.391 and 84.392	Special Education Cluster*
84.394 and 84.397	State Fiscal Stabilization Fund*
93.720, 93.775, 93.777 and 93.778	Medicaid Cluster*
93.575, 93.596 and 93.713	Child Care Cluster*
93.268 and 93.712	Immunization Cluster*
93.558, 93.714 and 93.716	Temporary Assistance for Needy Families Cluster*
93.563	Child Support Enforcement*
93.568	Low-Income Home Energy Assistance
93.658	Foster Care-Title IV-E*
93.659	Adoption Assistance*
93.667	Social Services Block Grant
N/A	Research and Development Cluster*

*Includes American Recovery and Reinvestment Act of 2009 (ARRA) funding

Dollar threshold used to distinguish between Type A and Type B programs: $30,000,000

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*.

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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 Review

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

Background: There are three main automated data processing (ADP) installations used to administer federal Health and Human Services (HHS) programs at the Department of Social Services (DSS). 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. 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 (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

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 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 on its biennial ADP system security reviews.

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

Effect: DSS' assurance that its ADP installations are secure is lessened.

Cause: DSS has not finalized its plan to perform the reviews of the installations.

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 in part with the finding. The department has not performed ADP system security reviews for all installations that are involved in the administration of the HHS program as it pertains to the Medicaid Management Information System (MMIS).

The department will develop an annual security plan covering the MMIS in compliance with 45 CFR Section 621. Although a single plan documenting all requirements under this provision does not exist, the department requires HP Enterprises Services, our MMIS fiscal agent vendor, to maintain several documented procedures that address system security as outlined by the regulations and by HIPPA privacy and security requirements."

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 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

Background: States are required to operate a Medicaid Eligibility Quality Control (MEQC) System 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 by the Department of Social Services' (DSS) Quality Control Unit 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 of findings from all reviews performed in a six-month sample by the end of the third month following the scheduled completion of reviews for that six-month period.

Per the 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 of the Certification of MEQC System Payment Error Rate disclosed delays in the DSS Quality Control Unit's Medicaid eligibility reviews, which resulted in the following:

- The Certification of MEQC System Payment Error Rate was submitted in September 2010 for the six-month review period April 2008 – September 2008. The report should have been submitted in June 2009.
- The Certification of MEQC System Payment Error Rate was submitted in October 2010 for the six-month review period October 2008 – March 2009. The report should have been submitted in December 2009.
- The Certification of MEQC System Payment Error Rate was submitted in February 2011 for the six-month review period April 2009 – September 2009. The report should have been submitted in June 2010.

Effect: Title 42 Code of Federal Regulations Part 431 Section 865 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: DSS personnel informed us that Medicaid eligibility reviews are not performed in a timely manner due to Quality Control Unit staffing constraints.

Recommendation: The Department of Social Services should ensure the timeliness of its Medicaid eligibility reviews in order ensure that the Medicaid Eligibility Quality Control reports are submitted to the Department of Health and Human Services in accordance with federal regulations.

Agency Response: "The department agrees with the finding. Recent events including PERM reviews and a loss of Quality Control staff have delayed the department's effort to improve the timeliness of the Medicaid eligibility reviews. It is anticipated that with the authorization of additional staff and the completion of these reviews that the department will be able to enhance its effort to completing the Medicaid eligibility reviews and the timely filing of the required reports."

III.A.3. 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 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

Background: The Department of Social Services (DSS) provided us with a detailed listing of fee-for-service benefit payments made during the fiscal year ended June 30, 2011. This data included client names and Social Security Numbers (SSNs). The payments made on behalf of these clients totaled $4,995,566,507.

We used audit software to extract all clients who did not have SSNs listed. Clients under the age of three were excluded from our review to account for any time delay that would occur while obtaining a SSN for a newborn. Our review disclosed that SSNs were not listed for 9,360 clients. The payments made on behalf of these 9,360 clients totaled $35,170,029, of which $20,990,233 ($17,585,014 and $3,405,219 in Medicaid and ARRA-Medicaid, respectively) was received in federal reimbursement. We selected 25 clients to determine whether the SSNs were included in EMS as a verification of the file obtained from DSS. The payments made on behalf of these 25 clients totaled $199,516, of which $119,502 ($99,758 and $19,744 in Medicaid and ARRA-Medicaid, respectively) was received in federal reimbursement.

The provisions of Section 5001 of the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

Criteria: Title 42 United States Code Section 1320b-7 requires, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish to the state his or her SSN and the state shall utilize such SSN in the administration of the program. This section also requires the state 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, the Social Security Administration (SSA), 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(f) provides that the state must not deny or delay services to an otherwise eligible applicant pending issuance or verification of the individual's SSN by the SSA.

Title 42 Code of Federal Regulations Part 435 Section 910(g) provides that the state must verify each SSN of each applicant and recipient with SSA to insure that each SSN furnished was issued to that individual and to determine whether any others were issued.

Condition: Our review disclosed that SSNs were not entered into the DSS Eligibility Management System (EMS) in 24 of the 25 cases tested. However, 13 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 11 clients in which a SSN was not entered into EMS did disclose that SSNs were included in the hardcopy case files for two clients.

Effect: Without entering the SSN into EMS, DSS 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 DSS' eligibility workers.

Recommendation: The Department of Social Services should obtain the Social Security Numbers of all Medicaid clients and enter the Social Security Numbers into its Eligibility Management System.

Agency Response: "The department agrees with the finding and will remind its eligibility workers via a statewide e-mail and via ongoing training refresher sessions to enter Social Security numbers."

III.A.4. Allowable Costs/Cost 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 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

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 of Social Services (DSS) 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 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 466,186 unique client identification numbers. DSS assigns each client an identification number at the time eligibility is determined. We extracted payments from the file for each service month made on behalf of clients with the same first and last name and same birth date. There were 98 such clients for which managed care payments totaled $278,599. Of this amount, $166,086 ($139,300 and $26,786 in Medicaid and ARRA-Medicaid, respectively) was received in federal reimbursement. Each of these 98 clients had at least two different client identification numbers. Further review was performed on 10 clients for whom managed care payments totaled $17,714. Of this amount, $10,407 ($8,857 and $1,550 in Medicaid and ARRA-Medicaid, respectively) was received in federal reimbursement.

The provisions of Section 5001 of the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, includes factors affecting whether costs are allowable. Allowable costs, under federal awards, must be necessary and reasonable.

Section 1903(d)(2) (C) and (D) of the Social Security Act provides that the state has one year from the discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before an adjustment in the federal Medicaid payment to the state is made; and that adjustment will be made at the end of the one year period, 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 ten managed care clients who had similar names and birth dates disclosed that nine of these clients were listed on the file more than once. Our review disclosed that the monthly payments made to the MCOs during the fiscal year ended June 30, 2011, included duplicate payments totaling $8,635. These duplicate payments were claimed under Medicaid and ARRA-Medicaid.

DSS was aware of three of the duplicate clients for which $1,994 in duplicate payments were made. However, DSS does not have a process in place to credit the federal government for overpayments made to the MCOs.

Effect: Our testing disclosed questioned costs totaling $5,079 of which $4,318 was attributable to Medicaid and $761 was attributable to ARRA-Medicaid.

Cause: The duplicate client identification numbers appear to be oversights by DSS' eligibility workers. In addition, DSS has no process in place to refund overpayments made to MCOs.

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 of Social Services should be returned to the federal government.

Agency Response: "The department agrees with this finding. However, the department does not need to develop procedures to avoid duplicate payments from being made under the managed care program because the department discontinued its Medicaid managed care program effective December 31, 2011."

III.A.5. Special Tests and Provisions – Inpatient Hospitals and Long-Term Care Facility Audits

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Number: 05-1005CTARRA and 05-1105CTARRA

Criteria: Title 42 Code of Federal Regulations Part 447 Section 253 requires that the state Medicaid agency pay 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 for inpatient hospital services are contained on Page 1 (ii) in Attachment 4.19-A of the State Plan. The State Plan provides that all Medicaid cost settlement report filings shall be subject to adjustment as specified in Section 17-312-105(g) of the Regulations of Connecticut State Agencies. The Department of Social Services (DSS) may also conduct special reviews of hospital cost report filings to verify significant aberrations from cost year to cost year by a hospital or in comparison to other hospitals.

Section 17-312-105(g) of the Regulations of Connecticut State Agencies provides that each cost report will be subjected to a desk audit to ensure completeness, appropriateness, and accuracy. In addition, field audits will be performed on a timetable determined by DSS to verify that the data submitted on the cost report is accurate, complete, and reasonable.

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 a 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 (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

Condition: DSS did not perform any field audits on cost reports for inpatient hospitals during the audited period.

We noted that DSS does not perform field audits of all LTCFs. DSS 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, DSS is not in compliance with its State Plan and Section 17-312-105(g) of the Regulations of Connecticut State Agencies and has lessened its assurance that cost reports submitted by providers are accurate, complete and reasonable.

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

Cause: DSS does not believe it is necessary to perform field audits on the inpatient hospital cost reports. The numbers on the cost report come from the Medicare cost report, which is audited and based on information obtained from DSS' Medicaid Management Information System. Further, DSS did not consider the need to amend the State Plan to include its current procedures.

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

Recommendation: The Department of Social Services should comply with, or amend, the auditing procedures for inpatient hospital and long-term care facilities in the State Plan.

Agency Response: "The department agrees and disagrees with this finding. With regard to hospital audits, the department will begin the process of amending Section 17-312-105(g) of the Regulations of Connecticut State Agencies to eliminate the field audit language. As noted in the State Auditors' report, the department does not believe it is necessary to perform field audits, as the numbers on the Medicaid cost report come from the Medicaid Management Information System (MMIS) and the Medicare cost report. The Medicaid cost report is completed using the as-filed Medicare cost report. The department is initiating the process of obtaining audited Medicare cost reports. Any changes due to audits will be implemented in the calculation of the final Medicaid cost report settlement amounts.

With regard to long term care facility 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. The department carefully reviews the status of each nursing facility annually to determine the potential for Medicaid overpayments and focuses the audit hours available towards these providers. Currently, there are 17 facilities that have not been audited within the past 10 years. For these facilities, because of the stop gain provisions within the budget (capped rate increase) an audit of these facilities would not result in an audit impact and the possibility of Medicaid overpayments would be negligible."

Auditors' Concluding Comments: As the time between audits increases, the results of the last audit are less likely to reflect current conditions. Therefore, by not auditing some facilities for over ten years, there is an increased risk that cost information is not complete, accurate and reasonable. Further, without performing these audits, there is no way to know the potential financial impact.

III.A.6. Reporting

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

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 in quarterly estimate and quarterly expenditure reports and other pertinent documents.

The federal financial participation rates for allowable expenditures under the Medicaid program are 50 percent, 65 percent, 75 percent, or 90 percent, depending on the type of expenditure. For example, breast and cervical cancer expenditures are reimbursed at 65 percent, expenditures for the installation of mechanized claims processing and information retrieval systems are reimbursed at 75 percent, and family planning expenditures are 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 (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

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 program. MMIS is also used to process medical claims for state-funded medical programs. The Department of Social Services (DSS) 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 state 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.

CMS computes the Medicaid 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 disbursements.

Condition: We reviewed the Form CMS-64 for the quarters ended September 30, 2010 and December 31, 2010, and noted the following:

- The gross amount reported as Medical Assistance Payments on Line 9D "Collections: Other" of the Form CMS-64 Summary Sheet for the quarter ended September 30, 2010, was ($40,125,979). The correct amount was ($39,874,705). This resulted in an understatement of $251,274. Based on the applicable Medicaid and ARRA-Medicaid federal financial participation rates, federal funds were under claimed by $154,760 of which $125,637 was attributable to Medicaid and $29,123 to ARRA-Medicaid.

- The gross federal share amount reported as Medical Assistance Payments on Line 6 "Expenditures in this Quarter" of the Form CMS-64 Summary Sheet for the quarter ended December 31, 2010, was $947,788,394 of which $796,332,445 was attributable to Medicaid and $151,455,949 to ARRA-Medicaid. However, the correct Medicaid federal share amount was $795,666,133 and the correct ARRA-Medicaid federal share amount was $152,122,261.

We reviewed adjustments made during the quarter ended June 30, 2011, for amounts originally claimed during the quarters ended September 30, 2010 and December 31, 2010, and noted the following:

- The gross amount reported as Medical Assistance Payments on Line 7 "Adjustments Increasing Claims for Prior Quarters" of the Form CMS-64 Summary Sheet for the quarter ended June 30, 2011, was $655,424,813. The correct amount based on a review of adjustments made for amounts originally claimed for the quarters ended September 30, 2010 and December 31, 2010 was $657,392,604. This resulted in an understatement of $1,967,791. Based on the applicable Medicaid and ARRA-Medicaid federal financial participation rates, federal funds were under claimed by $1,213,615 of which $986,222 was attributable to Medicaid and $227,393 to ARRA-Medicaid.

Effect: The federal financial reports prepared for the Medicaid program 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 disbursements. Our review disclosed that the total cost of medical services provided under the Medicaid program was understated on the CMS-64 report by $2,219,065. Based on the various federal participation rates, DSS under claimed $1,368,375 in federal reimbursement of which $445,547 was attributable to Medicaid and $922,828 was attributable to ARRA-Medicaid.

Cause: The above conditions were caused by clerical errors that went unnoticed during the supervisory review process. In addition, DSS personnel informed us that the design of the claim forms prevented the proper reporting of funds between Medicaid and ARRA-Medicaid.

Recommendation: The Department of Social Services should ensure that the claims submitted for federal reimbursement under the Medicaid program are supported by actual expenditures.

Agency Response: "The department agrees in part with the finding. Regarding the gross amount reported as Medical Assistance Payments on Line 9D "Collections: Other" of the Form CMS-64 Summary Sheet for the quarter ended September 30, 2010, the department will process corrections in the next CMS-64.

Regarding the gross amount reported as Medical Assistance Payments on Line 6 "Expenditures in this Quarter" of the Form CMS-64 Summary Sheet for the quarter ended December 31, 2010, the claim calculation of total computable and total federal share is correct. The federal portion attributable to the difference of $666,312 is 10.19 percent of $6,538,878, which was not claimed as a Prior Period Adjustment and the CMS-64 claim forms do not allow the entry of multiple ARRA rates on the 64.9 Base or 64.9 Waiver forms, any federal share amounts calculated at anything other than the current ARRA rate (which for the quarter ended December 31, 2010 was 61.59 percent) was blended in the Other and Prompt Pay Federal Share column.

Regarding the gross amount reported as Medical Assistance Payments on Line 7 "Adjustments Increasing Claims for Prior Quarters" of the Form CMS-64 Summary Sheet for the quarter ended June 30, 2011, the department will process corrections in the next CMS-64, however, the above amounts do not include Family Planning amounts that will be included in our Prior Period Adjustments.

This issue was caused by a change in DSS payments to our MCO's when DSS started paying the MCO's 2 months behind instead of 1 month behind in July of 2010. At that time, EDS/HP was unable to correct the interchange reports used as a basis for our federal claim to reflect the change in MCO Date of Service. This required the department to make manual adjustments to amounts included in the system-generated reports to insure that our claim was correct.

As a result, DSS was required to include cashbook adjustments to the interchange-generated PY13 to record the proper Prepaid Capitation expenditures. To properly claim actual expenditures correctly on the CMS-64, the cashbook adjustments were included in the MCO adjustments line in our federal claim system. EDS/HP subsequently issued revised reports, which also included corrections for the Prepaid Capitation lines. The corrected Prepaid Capitation lines from the reports were included in the revised CMS-64 reports for quarter ended June 30, 2011. The result was that the June 30, 2011 revision duplicated the MCO cashbook adjustments for quarter ended September 30, 2010 and December 31, 2010 which were correct at the time. DSS now needs to reverse the original negative cashbook adjustments from September 30, 2010 and December 31, 2010, for $949,583.08 and $1,018,207.69 respectively. Below are the amounts by month that were adjusted in 2010.

10-Jul Adj FIN-PY13 Prepaid Cap Amt	(515,344.94)
10-Aug Adj FIN-PY13 Prepaid Cap Amt	47,498.39
10-Sep Adj FIN-PY13 Prepaid Cap Amt	(481,736.53)
Total QE September 30, 2010	**(949,583.08)**
10-Oct Adj FIN-PY13 Prepaid Cap Amt	(389,448.17)
10-Nov Adj FIN-PY13 Prepaid Cap Amt	(289,081.74)
10-Dec Adj FIN-PY13 Prepaid Cap Amt	(339,677.78)
Total QE December 31, 2010	**(1,018,207.69)**”

III.A.7. 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 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

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 controlling interest in the entity or in any subcontractor in which the 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 controlling interest in the entity also has an ownership or controlling interest; and

- The identity of any person who has ownership or controlling 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.

In order to receive Medicaid payments, providers of medical services must be licensed in accordance with federal, state, and local laws and regulations to participate in the Medicaid program (42 CFR Sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act).

The Department of Social Services (DSS) has developed a Provider Enrollment / Reenrollment Criteria matrix that outlines the information a provider is required to submit in order to be an eligible provider in the Medicaid program and how often providers should be enrolled.

Condition: We separated the population of fee-for-service payments into six material strata and randomly selected 25 transactions from five of the strata and 40 transactions from one stratum. Of these 165 transactions, we selected 25 providers' transactions to determine whether the required provider information was obtained to document eligibility to provide services under Medicaid. Our review disclosed the following:

- DSS submits claims for federal reimbursement for services provided to clients of both the Department of Developmental Services (DDS) and Department of Mental Health and Addiction Services (DMHAS). DSS did not request that providers of these services disclose all information that is required under Title 42 CFR Section 455 Subpart B prior to enrolling them to participate in the Medicaid Program.
- DSS did not verify that providers are properly licensed at the time that services are performed. DSS only verified that a provider was properly licensed at the time of enrollment or reenrollment.
- One provider in our sample had not been re-enrolled to provide services in over four years. DSS' Provider Enrollment / Re-enrollment Criteria matrix specifies that the provider type should have been re-enrolled every 24 months.
- There are no controls in the system that would prevent payments from being made to unlicensed providers or providers not properly enrolled in the Medicaid program.

Effect: DSS was not in compliance with Title 42 CFR Section 455 Subpart B. In addition, without verifying that providers are licensed at the time services are provided, DSS may be claiming for federal reimbursement payments made to providers who are not properly licensed.

Cause: DSS did not require DDS and DMHAS providers to re-enroll. Therefore, the only documentation on hand for such providers was from the providers' initial enrollments, and these forms do not always include the necessary disclosures and information needed to comply with federal requirements. In addition, DSS has not established adequate controls for ensuring in a timely manner that all providers are properly licensed and enrolled to provide services under Medicaid.

Recommendation: The Department of Social Services should ensure that all required disclosures are obtained from providers under the Medicaid program and should establish controls that would prevent payments from being made to providers who are not properly licensed or enrolled to provide services.

Agency Response: "The department does not agree with this finding. The providers in question are state agencies and not-for-profit entities. State agencies do not have owners, so there is no way to solicit ownership information. The same holds for not-for-profit entities; under the law they do not have any "owners." Therefore the cited questions pertaining to names and addresses of persons with ownership or controlling interests, etc. are not applicable."

Auditors' Concluding Comments: The federal regulations do not provide an exclusion to which providers are waived from the regulation provided in the above criteria.

III.A.8. 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 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

Background: Our audit population of fee-for-service payments disclosed that a Social Security Number (SSN) was not listed for 9,360 clients who were over three years old. The payments made on behalf of these 9,360 clients totaled $35,170,029, of which $20,990,233 ($17,585,014 and $3,405,219 in Medicaid and ARRA-Medicaid, respectively) was received in federal reimbursement. We selected for review, 25 clients that did not have a SSN listed. The payments made on behalf of these 25 clients totaled $199,516, of which $119,502 ($99,758 and $19,744 in Medicaid and ARRA-Medicaid, respectively) was received in federal reimbursement. Of these 25 clients, there were 13 clients who were non-qualified aliens. The payments made on behalf of these 13 clients totaled $111,103, of which $67,362 ($55,552 and $11,810 in Medicaid and ARRA-Medicaid, respectively) was received in federal reimbursement.

The provisions of Section 5001 of the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased by 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

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 postpartum 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 of Social Services' (DSS) Eligibility Management System (EMS). DSS utilizes the Medicaid Management Information System (MMIS) to process Medicaid claims. MMIS claim information is downloaded to EMS and used to generate payments to providers.

Our review of DSS’ internal control process disclosed that if a non-qualified alien receives emergency services, the client would be entered into EMS as being Medicaid eligible at the time the service was provided so that a payment could be made to the hospital. However, EMS allows the client to be Medicaid eligible for the remainder of the month. Our review disclosed that there were no controls in place within MMIS to prevent the processing of Medicaid claims for non-emergency services provided to non-qualified aliens.

We reviewed services provided to 13 non-qualified aliens to determine whether the payments were only for emergency medical services as defined in the State Medicaid Manual. Our review disclosed payments totaling $2,022 that appear to have been paid on behalf of eight non-qualified aliens for services that did not meet the medical condition description defined in the State Medicaid Manual.

Effect: This resulted in questioned costs totaling $1,208 of which $1,010 was attributable to Medicaid and $198 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 the finding. However, the department is unable to limit a claim for FFP to only the period of the medical emergency, as the EMS computer system awards eligibility for an entire month. The current EMS process does not support the use of specific dates for a medical emergency, which would eliminate the erroneous claiming of FFP. There is an outstanding work request to modify EMS to support date-specific eligibility periods for medical emergencies. Due to the complexity and scope of this change, as well as other competing priorities, this modification has not been implemented. The department may be able to incorporate the necessary date-specific support in the replacement of our EMS system, which we are currently developing."

III.A.9. Eligibility – Inadequate Documentation

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services

Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

Background: During the fiscal year ended June 30, 2011, the Department of Social Services (DSS) claimed for federal reimbursement payments made to fee for services providers and managed care organizations totaling $5,883,385,867. Of this amount $3,466,055,605 ($2,966,932,677 and $499,122,928 in Medicaid and ARRA-Medicaid funds, respectively) was received in federal reimbursement. Our sample was selected from an audit population totaling $5,807,206,227. The difference between the audit population and total amount claimed was mainly due to rate adjustments made for services that were provided over two years ago, which were reviewed separately.

The provisions of Section 5001 of the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

Criteria: Title 42 Code of Federal Regulations (CFR) Part 435 Section 907 specifies that the state must require a written application from the applicant, an authorized representative, or, if the applicant is incompetent or incapacitated, someone acting responsibly for the applicant.

Title 42 CFR Part 435 Section 916 requires the state to redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months. In addition, the state must have procedures designed to ensure that recipients make timely and accurate reports of any change in circumstances that may affect their eligibility.

Title 42 CFR Part 435 Section 913 requires the state to maintain, as part of the recipient’s case record, any documentation in support of the Medicaid agency’s decision on an eligibility determination.

Condition: We randomly selected 60 benefit payments totaling $52,092. Of this amount $30,760 ($26,046 and $4,714 in Medicaid and ARRA-Medicaid funds, respectively) was received in federal reimbursement. Our review disclosed the following:

1. In eight cases, we were not able to locate a written application submitted by the applicant.

2. In four cases, the required eligibility redeterminations were not performed within the previous 12 months of the service periods tested. There was no indication in the DSS Eligibility Management System (EMS) that a redetermination was done and there was no redetermination form in the clients' case files.
3. In three cases, DSS was not able to locate the client case files. As a result, we were not able to test the Medicaid eligibility of these clients, including whether the client submitted a written application. In addition, in two of these cases there was no indication in EMS that a redetermination was done within the previous 12 months of the service periods.

Effect:

1. DSS was not in compliance with Title 42 CFR Part 435 Sections 907 and 913.
2. Payments were not eligible for Medicaid reimbursement because there was no indication that a redetermination was completed within 12 months of the service periods tested. As a result, our sample had errors totaling $538. Of this amount, $329 ($269 and $60 in Medicaid and ARRA-Medicaid funds, respectively) was received in federal reimbursement.
3. Payments were not eligible for Medicaid reimbursement because there was insufficient documentation available to support the clients' Medicaid eligibility. As a result, our sample had errors totaling $1,452. Of this amount, $834 ($726 and $108 in Medicaid and ARRA-Medicaid funds, respectively) was received in federal reimbursement.

Cause:

1. DSS indicated that the applications may have been misfiled.
2. DSS could not explain why these redeterminations were not completed.
3. DSS was unable to locate the files.

Recommendation: The Department of Social Services should maintain all Medicaid case files and original documentation in a readily reviewable form and ensure that annual redeterminations are documented properly and performed in a timely manner.

Agency Response: "The department agrees with the finding and will remind its eligibility workers via a statewide e-mail and via ongoing training refresher sessions to perform annual redeterminations in a timely manner and properly document the redeterminations in the case files."

III.A.10. Allowable Costs/Cost Principles – Medicare Premium Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services

Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

Background:

Section 1843 of the Social Security Act allows states to enter into an arrangement with the Centers for Medicare and Medicaid Services (CMS) known as the Buy-In Program. The Buy-In Program allows participating states to enroll eligible individuals in the Medicare Part A and Part B programs and to pay the monthly premiums on behalf of those individuals.

Through the use of eligibility codes, individuals in the Buy-In Program are grouped into various eligibility categories. These eligibility codes are the primary method for identifying individuals whose premiums are eligible for federal share. Not all Medicare premiums paid by the state Medicaid agency for individuals in the Buy-In program are eligible for federal reimbursement. The state Medicaid agency is responsible for maintaining the accuracy of the individuals' eligibility codes and for reporting them to CMS. The Department of Social Services (DSS) utilizes the Medicaid Management Information System (MMIS) to assign the appropriate eligibility codes to Medicare premiums.

Title 42 Code of Federal Regulations Section 407 Part 48 provides that an individual's coverage under a Buy-In agreement ends on the last day of the month in which the individual dies.

Medicare premium payments made on behalf of individuals in the Buy-In Program with eligibility codes that are eligible for federal share totaled $169,327,714 during the fiscal year ended June 30, 2011. Of this amount, $102,948,019 ($87,147,579 and $15,800,440 in Medicaid and ARRA-Medicaid funds, respectively) was received in federal reimbursement.

The provisions of Section 5001 of the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

Criteria:	Attachment A of Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments includes factors affecting whether costs are allowable. Allowable costs, under federal awards, must be necessary and reasonable. Title 42 Code of Federal Regulations (CFR) Section 431 Part 1002(a) requires states to return to CMS the federal share of overpayments based on medical and processing errors in accordance with Section 1903(d)(2) of the Social Security Act and related regulations included in Title 42 CFR Part 433, Subpart F.
Condition:	We reviewed a sample of 40 Medicare premium payments totaling $4,864, of which $2,996 ($2,545 and $451 in Medicaid and ARRA-Medicaid funds, respectively) was received in federal reimbursement. Our review disclosed one Medicare premium that was paid for a deceased client totaling $111. Although the overpayment was refunded, it was coded by the MMIS with a non-Medicaid eligibility code, and therefore, the federal share of the refund was not returned to CMS.
Effect:	The above error resulted in questioned costs totaling $68 of which $55 was attributable to Medicaid and $13 to ARRA-Medicaid.
Cause:	The MMIS assigns refunds the eligibility code that is in place at the time the refund is received rather than the eligibility code that was in place during the coverage period. Since the individual in our sample was not Medicaid eligible at the time the refund was received, the refund was given a non-Medicaid eligibility code.
Recommendation:	The Department of Social Services should establish procedures to ensure that the federal share of refunds received for overpayments are returned to the federal government.
Agency Response:	"The department agrees with the finding and will refer the problem to our MMIS contractor to correct."

III.A.11. Allowable Costs/Cost Principles – Manual Issuance Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

Background: The Department of Social Services (DSS) refers to any payment created outside the automated payment cycle as a manual issuance. Situations in which manual issuance would be made include the following:

- DSS pays for or reimburses clients for non-Medicaid insurance premiums to maintain a third party resource for Medicaid covered services.
- DSS provides Medicaid benefits to working individuals with disabilities, some of which are required to pay a monthly premium towards their benefits. In the occasion where a client overpays the amount of premium owed, DSS will return the overpayment to the client through a manual issuance.

Payments for the Medicaid program that were manually issued through DSS' Eligibility Management System (EMS) totaled $23,734,782 during the fiscal year ended June 30, 2011. Of this amount, $13,438,554 ($11,867,391 and $1,571,163 in Medicaid and ARRA-Medicaid funds, respectively) was received in federal reimbursement.

The provisions of Section 5001 of the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5), authorize a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal year 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 61.59 percent during the quarters ended September 30, 2010 and December 31, 2010, 58.77 percent during the quarter ended March 31, 2011, and 56.88 percent during the quarter ended June 30, 2011.

Criteria: Attachment A of Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments includes factors affecting whether costs are allowable. To be allowable under federal awards, costs must be necessary and reasonable and must be adequately documented.

Condition: We reviewed a sample of 25 manual issuances totaling $971,614 of which $565,469 ($485,807 and $79,662 in Medicaid and ARRA-Medicaid funds, respectively) was received in federal reimbursement. Our review disclosed the following.

- Four payments totaling $2,428 were made to reimburse clients for insurance premiums paid for which there was inadequate documentation on hand to support whether the client had actually paid the premiums for which they were reimbursed.

- One payment of $86 was made to reimburse a working individual with disabilities for an overpayment in premiums. It appears that the client was never owed a refund. Based on a recent calculation performed by DSS, the client actually owed DSS $60 in back premiums.

Effect: The above errors resulted in questioned costs totaling $1,489 of which $1,257 was attributable to Medicaid and $232 to ARRA-Medicaid.

Cause: DSS did not have adequate documentation on hand to support all payments. Further, DSS appears to have miscalculated the amount of the refund owed to a working individual with disabilities.

Recommendation: The Department of Social Services should ensure that all costs claimed for federal reimbursement under the Medicaid program are necessary, reasonable, and adequately documented.

Agency Response: "The department agrees with the finding. The audit finding addressed four (4) program cases. Three of the four cases are now closed; the department is not currently paying premiums to keep the clients' health insurance in force. One case is currently active. In the program model, the department may reimburse premiums to either a health insurance company or employer, or directly to the client. For example, premium purchase clients under the Medicaid for Employed Disabled - eligibility program have their health insurance deducted from their pay check. In this case, the department computes the amount it will pay toward a client's health insurance premium and issues this payment directly to the client. The audit finding addressed payments made directly to clients. It stated inadequate documentation was on hand to support whether the client had actually paid the premiums for which they were reimbursed. Fraud and Recoveries cannot document if these four clients paid premiums for the time period covered by the department's payment. Fraud and Recoveries will review its program business rules and implement changes as necessary to insure the exceptions identified in the audit are eliminated."

III.A.12. Suspension and Debarment – Medical Assistance Providers

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028
ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services

Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

Criteria: Title 2 Code of Federal Regulations (CFR) Part 180 prohibits non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include those procurement contracts for goods and services that are expected to equal or exceed $25,000 or meet certain other specified criteria.

A principal is defined as an officer, director, owner, partner, principal investigator, or other person within an entity, with management or supervisory responsibilities related to a covered transaction.

States may verify that entities are not suspended or debarred or otherwise excluded by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Condition: The Department of Social Services (DSS) has established procedures to verify that providers of medical services under the Medicaid program are not suspended or debarred or otherwise excluded from federal programs. However, there are no such procedures in place related to the providers' principals.

Effect: DSS could be making payments to providers whose principals have been suspended, debarred or otherwise excluded from federal programs.

Cause: DSS does not have procedures in place to verify that medical assistance providers' principals are not suspended, debarred or otherwise excluded from federal programs.

Recommendation: The Department of Social Services should develop procedures as specified in the federal regulations that ensure that all principals of providers performing services under the Medicaid program have not been suspended or debarred or otherwise excluded from federal programs.

Agency Response: "The department disagrees with the finding. The department has developed procedures. As of September 2010, the fiscal agent for the department, which handles fee for service (FFS) provider enrollment, checks the List of Excluded Individuals/Entities (LEIE) on a monthly basis along with checks prior to enrollment and re-enrollment. Also, in May 2010, the department issued a bulletin to all FFS providers outlining their responsibilities to determine if their employees and contractors have been excluded from participation in federal health care programs. The bulletin states that Medicaid providers should review the LEIE both at the time of initial hire or contracting and on an ongoing monthly basis, and must immediately report any violations to the Department of Social Services' Office of Quality Assurance."

Auditors' Concluding Comments: We were informed by the fiscal agent that the procedures developed by DSS and handled by the fiscal agent apply only to the providers of medical services themselves and not to the providers' principals. Further, federal regulations provide that states may add a clause or condition to the agreement with the providers, rather than issue a technical bulletin to all providers.

III.A.13. Allowable Costs/Cost Principles – Department of Veterans' Affairs Administrative Costs

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

Background: Office of Management and Budget (OMB) Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Section G provides that the cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro-rated share of indirect costs. A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) may be used in lieu of determining the actual indirect costs of the service.

The Department of Social Services claims costs incurred by the Department of Veterans' Affairs (DVA) for administration of the Medicaid program for federal reimbursement. During the fiscal year ended June 30, 2011, $171,304 of costs incurred by DVA was claimed under the Medicaid program, of which $85,652 was received in federal reimbursement based on a 50 percent federal financial participation rate. This amount claimed consists of salaries, fringe benefits, and indirect costs. The amount of indirect costs was calculated at ten percent of the direct salaries cost.

Criteria: OMB Circular A-87, Attachment A, includes factors affecting whether costs are allowable. To be allowable under federal awards, costs must be necessary and reasonable.

OMB Circular A-87, Attachment B, provides that when 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. Personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly and coincide with one or more pay periods, and must be signed by the employee.

Condition: Our review disclosed that there were no personnel activity reports on hand to support the direct salary and wage cost at DVA that was claimed under the Medicaid program. The direct salary and wage cost was used to calculate the amount of fringe benefit and indirect costs that were claimed.

Effect: Without personnel activity reports, we are unable to determine whether the administrative costs incurred by DVA and claimed for federal reimbursement actually benefited the Medicaid program.

Cause: There appears to be a misunderstanding of the documentation needed to support costs claimed for federal reimbursement.

Recommendation: The Department of Veterans' Affairs should ensure that expenditures claimed for federal reimbursement under the Medicaid program are adequately supported.

Agency Response: Response provided by the Department of Veterans' Affairs:
"A new policy and procedures has been implemented in September 2011 to record both the veteran services officer and office assistant's times dedicated to assist veterans with Medicaid claims. Please note that all Medicaid reimbursement claims are sent to Connecticut Department of Social Services and are booked as revenue to the Department of Social Services. It should be noted that after further internal review and the lack of staffing resources, the commissioner of the department is exploring the option of no longer processing Medicaid reimbursement claims effective January 1, 2012."

Response provided by the Department of Social Services:
"The department agrees with the finding. The department will work with the Department of Veterans' Affairs to ensure reports continue to meet the auditors' expectations."

III.A.14. Allowable Costs/Cost Principles – Department of Developmental Services

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services

Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CTARRA and 05-1105CTARRA

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, includes factors affecting whether costs are allowable. To be allowable under federal awards, costs must be necessary and reasonable and must be adequately documented.

Condition: A review of 40 Medicaid service billings totaling $86,171 and processed by the Department of Developmental Services (DDS) and its fiscal intermediaries (FI's) disclosed three exceptions totaling $319, as follows:

1. A FI billed for 16 units on November 2, 2009 and 16 units on November 3, 2009. The original documentation (a timesheet) did not support the dates billed. The FI reported that the wrong dates were entered on the documentation (timesheet), as November 9 and 10, 2009, but the work was in fact actually performed on the dates billed, November 2 and 3, 2009. Revised documentation was subsequently submitted in which the "right dates" were entered below the incorrect dates. Questioned costs: $192.
2. A FI billed for 12 units on May 30, 2010 which was not supported by the documentation. According to the FI, the service (Medicaid code T1019) was actually performed on May 29, 2010 but a keypunch error entered it as May 30, 2010. Questioned cost: $72.
3. A FI billed procedure code S0215 for four units each day for the dates of December 23, 2009, and December 28, 2009 through December 31, 2009 (a total of five days) but procedure code T2003 was actually paid by Medicaid on those dates for this client (at $11 per day). It appears procedure coded T2003 may be the correct code, however, the documentation does not support the billing under this procedure code. Questioned cost: $55.

Effect: The Medicaid Program was billed a total of $319 that is not supported by the documentation.

Cause: It appears these exceptions were the result of errors in documentation that were not detected by the fiscal intermediaries prior to submission for billing.

Recommendation: The Department of Developmental Services should ensure that all Medicaid Service billings processed, including those processed by fiscal intermediaries, are supported by accurate documentation.

Agency Response: Response provided by the Department of Developmental Services:
"We agree with this finding in part. The supporting documentation was confusing; however, we believe that ultimately the claim was documented. Based on a review of the records and communication with the FI, the following is noted:

The staff person submitted a timesheet for hours worked on November 9th and 10th. She was paid by the FI for those hours worked. After receiving her paycheck for those dates, the employee noted to her employer that she had not been paid for hours worked on November 2nd and 3rd. The employer corrected the timesheet that had been previously submitted by changing the dates to November 2nd and 3rd. The FI paid the employee prior to receiving the corrected documentation. In the end the employee worked all units on all four days and was paid correctly. The FI has timesheets representing all units worked. These hours, being documented and paid correctly, should have been billed to the waiver. The first submitted timesheet documented the November 9th and 10th dates of services; however, the second submission was the corrected timesheet that the employer of record noted the corrected dates below the originally entered dates (as noted in the exception details).

In order to avoid confusion in the future, the FI (Sunset Shores) issued a memo to all employers regarding filling out timesheets properly and documenting support which provides education and guidance to employees and staff. In the event of an error on a timesheet, the FI will not pay employees prior to receipt of a corrected timesheet. In addition they will be conducting quarterly audits on self hire Medicaid billing, with detail results reported to DDS."

Response provided by the Department of Social Services:
"No corrective action required by the Department of Social Services. This recommendation pertains to the Department of Developmental Services."

III.A.15. Activities Allowed or Unallowed – Overpayments

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTTANF and G1101CTTANF

ARRA-Emergency Contingency Fund for TANF Programs (CFDA #93.714)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2009-2010
Federal Award Number: G1001CTTAN2

Criteria: 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.

Section 8520.20 of the Department of Social Services' (DSS) Uniform Policy Manual (UPM) states that a client must report new employment within ten calendar days of the date of the change. If the new employment is not reported in a timely manner, the entitlement to or the amount of benefits are affected beginning the next month after the ten day notice period would have ended if the change was reported timely. Any benefits paid incorrectly as a result of client delay in reporting are subject to recoupment.

Condition: We randomly selected 40 benefit payments totaling $17,024 made on behalf of TANF recipients from 212,236 claims totaling $86,157,724. These payments consisted of federal only, commingled federal/state funds, and ARRA funds. Of this $86,157,724, $6,323,210 (or 7.34 percent) was claimed as direct federal expenditures, $76,839,051 (or 89.18 percent) was claimed as commingled funds, and $2,995,463 (or 3.48 percent) was claimed as ARRA funds. DSS does not identify which clients are being claimed under the different funding options.

Our review disclosed that, in one case, benefit payments of $432 per month were made for the months of November 2010 and December 2010 even though benefits should have ceased in October 2010 due to new employment that made the recipient ineligible for TANF assistance. Further, DSS did not attempt to recover the benefits that were improperly paid. The benefit payment for the month of November 2010 was not in our original audit sample.

Effect: Overpayments were made totaling $864, for which receivables were not established. If such payments were recouped, they could have been urilized to provide assistance payments or taxpayer savings.

Cause: The assistance unit did not report new employment within ten calendar days as required by DSS policy and DSS did not follow its own policy for establishing overpayments for benefits paid incorrectly as a result of client delays in reporting.

Recommendation: The Department of Social Services should follow established procedures related to changes reported by clients to ensure that benefit payments made under the Temporary Assistance for Needy Families program are discontinued when the period of eligibility expires and recoupment of overpayments are pursued.

Agency Response: "The department agrees with the finding and will remind its eligibility workers via a statewide e-mail and via ongoing training refresher sessions to follow the department's procedures regarding client reported changes to ensure that benefit payments are discontinued when eligibility expires and to pursue the recoupment of any overpayments."

III.A.16. Allowable Costs/Cost Principles – Department of Children and Families Claims

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Year 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTTANF and G1101CTTANF

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 the TANF Program. Connecticut administers certain aspects of the TANF program through a number of state agencies including the Department of Children and Families (DCF).

As part of the operations of DCF, costs incurred for various programs including in-home and out-of-home case management services and Emergency Assistance (EA) foster care maintenance were claimed for federal reimbursement under TANF.

<u>Case Management</u>:
Case management expenditures are allocated to TANF through DCF's Cost Allocation Plan (CAP). The CAP allocates costs for administration, direct services, in-home services and out-of-home services. These costs must be reported on different lines of the TANF claim form (ACF-196), therefore, DSS must organize the costs so that they can be reported on the appropriate line.

For in-home case management, the amount claimed 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 the Title IV-E Foster Care Program (IV-E).

For out-of-home case management, the amount claimed under TANF is the result of the percentage of cases with eligibility of less than one year in duration 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, DCF Revenue Enhancement eligibility services workers complete TANF eligibility 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 with placements of less than one year in duration.

Foster Care Maintenance:
Foster care maintenance payments are provided on behalf of children who are in DCF's custody. TANF covers the portion of the maintenance services that were authorized under the prior EA program for clients who would have qualified under that program. Benefits are funded by TANF for children who remain in foster care from five to 12 months.

Only services that are not eligible for reimbursement under IV-E can be claimed for TANF. DCF performs annual redeterminations of children's eligibility for claiming under IV-E. If children are determined to be IV-E eligible, DCF will change the coding in its eligibility system to reflect the new determination and claim the payments under IV-E.

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, provides 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 the relative benefits received. OMB Circular A-87 also requires that to be allowable under federal awards, costs must be adequately documented and not be included as a cost of any other federal award.

Condition: A review of the support for the TANF reports sent by DCF to DSS disclosed the following exceptions:

Case Management:
DSS claimed $10,460,996 and $3,948,301 of DCF in-home and out-of-home case management services, respectively, for the quarter ended December 31, 2010.

The total amount reported for in-home case management services, after a ten percent reduction, was based on an eligibility rate of 86.06 percent. We compared the summary reports used to compute the eligibility rate to the detailed reports for the fourteen codes used to calculate the eligibility rate and for all codes, noted significant variances in the total number of children and the number of children determined eligible, ineligible and those whose eligibility was unable to be determined. The net difference for all codes was 11.98 percent.

The total amount reported for out-of-home case management services, after a ten percent reduction, was based on an eligibility rate of 41.62 percent for cases less than one year in duration. We compared the summary reports used to calculate the rate to the detailed reports for all eleven codes for the months of October, November and December 2010. Our review disclosed discrepancies between the number of children per the summary reports and the detailed reports for all codes. The net difference for all codes was 5.95 percent.

Foster Care Maintenance:
We randomly selected 25 foster care maintenance payments totaling $36,251 out of 1,510 payments totaling $1,943,958 that were claimed for federal TANF reimbursement for the fiscal year ended June 30, 2011. Our review disclosed the following:

- For two children, DCF was unable to determine their eligibility under TANF, which was correctly reflected in DCF's eligibility system. However, since these amounts were included on the TANF-eligible summary report, DSS claimed for federal reimbursement payments totaling $1,016, which were made for clients that should have been deemed ineligible.
- Two children were initially determined by DCF to be IV-E ineligible and TANF eligible. At that time, payments totaling $1,962 were claimed for federal reimbursement under the TANF Program. However, the annual IV-E redeterminations found the children to be IV-E eligible and the payments on behalf of these children were retroactively claimed for federal reimbursement under IV-E. As a result, the payments were inappropriately claimed under both programs.

Effect: Case Management:
DSS claimed $1,488,151 in DCF in-home and out-of-home case management expenditures based on TANF eligibility data that was not adequately supported.

Foster Care Maintenance:

- DSS claimed $1,016 in payments for two clients that should have been deemed ineligible for TANF.
- DSS claimed $1,962 in payments for two clients that were also claimed under another federal program.

Cause: Case Management:

DCF's reporting system for TANF case management is inadequately designed.

Foster Care Maintenance:

- The summary report that DSS uses to claim foster care payments appears to be using incorrect criteria to pull the detail from DCF's eligibility system.
- There are no procedures in place to prevent the dual claiming of payments made on behalf of children who may subsequently become eligible to be claimed under IV-E, and therefore, ineligible to be claimed under TANF.

Recommendation: The Department of Social Services should ensure that the amounts claimed for federal TANF reimbursement are accurate and adequately supported. In addition, the Department of Social Services should have procedures in place to prevent the claiming of any payments that may be included as a cost of any other federal award.

Agency Response: "The department agrees with the finding and will remove the $1,488,151 from the Case Management claim and $2,978 from the Residential Care claim for FFY 2011. The department is working with the DCF to develop new TANF reporting tools as part of DCF's effort to develop a new computer system. It is expected that the new DCF reporting system will begin generating reports in the July to September 2012 quarter."

III.A.17. Allowable Costs/Cost Principles – Judicial Branch 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 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTTANF and G1101CTTANF

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 the TANF Program.

As part of the operations of the state's Judicial Branch (Judicial), costs incurred for the Alternative Incarceration Centers (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, CBJAS are responsible for compiling TANF eligibility information on clients recommended to them by Judicial. The providers are not contracted to determine the TANF eligibility rate upon intake, but are doing so at the request of Judicial. The providers submit quarterly TANF Summary Reports to Judicial, which show the number of eligible, ineligible, unknown, and total clients, as well as a calculated TANF eligibility rate. The Judicial Branch's current procedure is to recalculate the eligibility rates and submit the information to DSS for reimbursement purposes.

Criteria: Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart B – Section 210 (f) provides in part that the audited agency 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.

Title 45 Code of Federal Regulations Part 205 Section 55 provides that each state participate in the Income Eligibility and Verification System (IEVS) required by Section 1137 of the Social Security Act. Under the state plan, the state is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging with other programs and agencies.

Condition: As noted in past audits, verifications of client eligibility reported by providers were not performed. DSS and the Judicial Branch were in the process of establishing a program to verify eligibility for clients reported by Judicial Branch providers. As of December 31, 2011, a pilot program was being established to review clients reported for the AIC program. This information is made available through a web-based reporting system maintained by the Judicial Branch. Future plans include changing reporting requirements for providers of all other applicable programs to include client information so their eligibility can be reviewed.

Effect: Inaccurate determinations of TANF eligibility may result in an overstatement or understatement of the amount submitted for federal reimbursement.

Cause: DSS and the Judicial Branch were in the process of addressing weaknesses but have not fully implemented proposed program changes.

Recommendation: The Department of Social Services and the Judicial Branch should establish policies and procedures to assist in the monitoring of providers' TANF eligibility determinations.

Agency Response: Response provided by the Judicial Branch:
"The finding as stated is accurate in that verification of client eligibility has been noted in past audits. However, the Memorandum of Agreement between the Judicial Branch/CSSD and the Department of Social Services, 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 will work with service providers in all programs being claimed under the TANF State Plan to report the names of eligible individuals to the Department of Social Services (DSS) to enable DSS to perform eligibility verification. As necessary, the Judicial Branch will continue to work with the DSS to address program and process changes in the Memorandum of Agreement.

Additionally, CSSD will make an internal policy change to make explicit the requirement that contractor case file reviews, for all programs being claimed under the TANF State Plan, include confirmation that the TANF eligibility form is completed and present in each file reviewed. DSS will verify eligibility using information conveyed electronically or manually, depending on the nature of the data collection system for that program.

The above mentioned actions will satisfy the procedural and policy recommendation."

Response provided by the Department of Social Services:
"The department agrees with the response made by the Judicial Branch, with the following clarifications and additional information.

The language included in the revised Memorandum of Understanding/Agreement, currently underway, will include language requiring the subrecipients and program service providers to be responsible for determining eligibility for family composition, family income and U.S. citizenship status. The Judicial Branch will receive the list of clients determined eligible, not eligible or unknown and send to the Department of Social Services to compare against the Eligibility Management System (EMS) databases to identify eligibility including Temporary Family Assistance (TFA), Medicaid, and/or Supplemental Nutrition Assistance Program (SNAP). Clients in a Judicial CSSD TANF program, that are also identified as a recipient of, or eligible for, one of the department's programs in EMS, that meet the TANF eligibility requirements, will be identified as having a confirmed TANF eligibility based on EMS. Clients that are not identified in EMS may still be eligible for TANF, but just happen to not receive services from both the department and Judicial at that time, and eligibility may be verified at the program level with other client documentation to demonstrate TANF eligibility."

III.A.18. Allowable Costs/Cost Principles – Department of Correction

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTTANF and G1101CTTANF

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 the TANF Program.

As part of the operations of the state's Department of Correction (DOC), costs incurred for Education and Training, Addiction Services and Community Services programs were determined to be eligible for federal TANF reimbursement.

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, includes factors affecting allowable costs. Allowable costs, under federal awards, must be adequately documented. Attachment B Section 8.h. of the Circular requires that support of service costs charged to federal awards be based on payrolls documented in accordance with the generally accepted practices of the governmental unit and, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages be supported by personal activity reports or equivalent documentation that are signed by the employee.

Condition: A review of the support for the TANF quarterly reports sent by DOC to DSS disclosed the following exceptions:

Fringe benefit costs were not reported on the same basis as salary charges. Fringe benefit costs included a one to two payroll period difference in reporting during each quarter of the state fiscal year ended June 30, 2011.

A review of 25 payroll transactions claimed under the TANF program for the state fiscal year ended June 30, 2011 noted that 17 of the supporting timesheets were not signed by the employees.

Effect: The reporting of an incorrect cutoff period for fringe benefits for one pay period appears, for the most part, to create offsetting errors and be self-correcting over time.

Personnel activity reports that are not signed by the employees do not adhere to OMB Circular A-87 related to allowable costs.

Cause: DOC included incorrect pay period dates when retrieving information from database records used to compile fringe benefit costs for quarterly claims.

Unsigned timesheets appear to be an oversight by management.

Recommendation: The Department of Correction should ensure that the amounts reported to the Department of Social Services to be claimed for federal TANF reimbursement are accurate and adequately supported.

Agency Response: Response provided by the Department of Correction:
"The agency agrees with the finding and will implement the following procedures and corrective action plan to ensure the proper reporting of information and to secure employee signatures on timesheets.

The fringe benefits amounts have been queried form the Core-CT EPM query module with the correct cut off period for the state fiscal year (SFY) 2011 quarters and for the first quarter of SFY 2012. We have contacted and forwarded the revised information to the Department of Social Services and confirmed that they will revise the TANF submission retroactively for the quarters ending December 31, 2010, March 31, 2011, June 30, 2011 and September 30, 2011. DSS is awaiting a reply concerning the re-submission for quarter ended September 30, 2010 as it falls under prior federal fiscal year (FFY)."

Response provided by the Department of Social Services:
"The department agrees with the finding. The department has been notified that the Department of Correction is going to submit revised FFY 2011 reports to correct the state errors. This will be filed when the department submits its revised SFY 2011 TANF claim."

III.A.19. 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 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Number: 05-1005CTARRA and 05-1105CTARRA

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTTANF and G1101CTTANF

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture (USDA)
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
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 2009-2010 and 2010-2011
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 Service (IRS) unearned income files.

Condition: Our review of three alert codes displayed on the Department of Social Services' (DSS) Eligibility Management System (EMS) disclosed problems. As of January 10, 2012, 3,289 alerts for the Medicaid, TANF and SNAP programs that were generated during the quarter ended September 30, 2010, have not been investigated, resolved, or removed as appropriate. The dates these alerts were due to be resolved ranged from July 13, 2010 to November 12, 2010. Each alert is assigned a specific due date generated by the system. It should be noted that the report dated January 10, 2012, that was provided to us only includes those alerts that were originally generated during the quarter ended September 30, 2010 and that have not been resolved as of the report date. Those alerts that have been resolved are no longer on this report. Based on the alert report dated October 6, 2010 that was provided to us, the total number of alerts generated during the quarter ended September 30, 2010 was at least 14,312.

Our review of 15 alerts generated during the quarter ended September 30, 2010, that have not been disposed of as of January 10, 2012, disclosed one client that may not have been eligible to receive benefits under the Medicaid program if the alert had been properly resolved.

Our review of 15 alerts generated during the quarter ended September 30, 2010, that had been resolved as of January 10, 2012, disclosed five alerts that were resolved without the eligibility worker properly updating information in EMS. As noted in each of these five cases, this alert is often generated because the DSS eligibility worker did not enter a Federal Employer Identification Number (FEIN) into EMS to match against DOL's wage information. The eligibility worker's failure to resolve the alert without properly correcting the information in EMS would likely result in the alert being regenerated. None of the cases reviewed resulted in a client who no longer met the eligibility requirements of the aforementioned programs.

Effect: Conditions exist that allow DSS' 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: Performing routine matches can cause numerous system alerts, many of which are based on out-dated information. Because of these large numbers, the 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: "The department agrees in part with the finding. The department does have procedures in place regarding processing information received from IEVS matches. The department will remind its eligibility workers via a statewide e-mail and via ongoing training refresher sessions to review the IEVS matches and process accordingly."

III.A.20. Subrecipient Monitoring

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G-1001CTTANF and G-1101CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G-1001CTSOSR and G-1101CTSOSR

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 26, which applies to the Temporary Assistance for Needy Families (TANF) program, and 45 CFR 96.31, which applies to the Social Services Block Grant (SSBG), provide 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 grantees shall determine whether subgrantees: (1) have met the audit requirements of the act, and (2) spent federal assistance funds provided in accordance with applicable laws and regulations.

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 for 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 recipients 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 (DSS) procedures related to monitoring of its subrecipients disclosed the following:

<u>SSBG program:</u>

- Six out of the 25 SSBG subrecipients tested were not provided with all the required federal information. In addition, we noted that DSS contracts with the subrecipients did not require that they pass through federal program requirement information to their subcontractors.

- Some financial status, programmatic and statistical or monitoring reports required by the contracts were not on file for 14 out of 25 subrecipients tested. In addition, some reports were submitted late.

TANF program:

- Two out of the four TANF subrecipients tested were not provided with all the required federal information. More specifically, the two exceptions pertained to subrecipients of the Teen Pregnancy Prevention Initiative.

Effect: DSS is not meeting its responsibility for monitoring subrecipients who receive federal funds. In addition, DSS monitoring procedures do not provide reasonable assurance that federal funds are used for allowable activities.

Cause: DSS does not have adequate procedures in place to include the federal award information in all the contracts for which SSBG funds and TANF funds are provided.

Recommendation: The Department of Social Services should implement procedures to comply with Office of Management and Budget (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 with the finding. The department staff met with other internal units to discuss updates and new versions of the Memorandums of Understanding/Agreement (MOU) with sister agencies included in the TANF federal claim. Our intent is to revise our current MOUs to ensure that all parties understand their responsibilities and reporting requirements for the federal TANF fiscal claim and program reporting. Issues that have been identified in past audits relate primarily to subrecipient communication and monitoring. They are the subrecipient notification of use of federal funds including CFDA number and amount, subrecipient monitoring, and subrecipient verification of TANF-eligibility for clients served and included in the claim. MOU/MOA language will address the subrecipient monitoring and communication issues and identify necessary information regarding TANF eligibility and client tracking, data exchange requirements and processes. The expected result is that the agencies and individual programs subcontracted through other state agencies have the tools to ensure compliance with federal and state TANF and audit requirements.

In addition, the department will formalize and 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. This shall be accomplished by the following action steps:

1. Develop desk guide for subrecipients that identify program requirements specific to SSBG and SSBG-TANF;
2. Develop and issue a chart to all subrecipients and program staff identifying reporting (programmatic, statistical and fiscal) due dates.
3. Revise standard contractual language to identify federal reporting requirements in the subcontracted services section of the DSS contract. Federal reporting requirements are currently identified in the "Federal Requirement" Section of standard contract language.
4. DSS will require all subrecipients that subcontract SSBG and SSBG-TANF services to submit copies of the agreement, prior to final execution.
5. DSS will require all subrecipients that subcontract SSBG and SSBG-TANF services to provide the department with copies of monitoring reports of subcontracted entities within 6 months of subcontract execution."

III.A.21. Earmarking – Temporary Assistance for Needy Families Transfers

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G-1001CTSOSR and G-1101CTSOSR

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, 2011, the Department of Social Services (DSS) drew down TANF funds totaling $26,678,809 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 SSBG from the 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 U.S. Department of Health and Human Services.

Condition: Our review disclosed that DSS did not have procedures in place to provide reasonable assurance that the portion of TANF funds expended on behalf of the SSBG program was used 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 U.S. 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: DSS did not perform any analysis to determine whether the TANF funds transferred to the SSBG program were used for programs and services for 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 for children or their families whose income is less than 200 percent of the official poverty guideline.

Agency Response: "The department agrees with the finding. The department is currently working with the department's Information and Technology Division to develop an electronic Statistical Quarterly reporting tool for the SSBG and SSBG/TANF based upon DSS' current excel worksheet. The new system will collect income levels and provide for an improved tracking system to ensure that funds being used are meeting the income requirements of both SSBG and SSBG/TANF programs. Program staff will be responsible to review the Statistical Quarterly Report and ensure that TANF clients being served have income less than 200 percent of the official poverty guideline."

III.A.22. 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 2009-2010 and 2010-2011
Federal Award Numbers: G-1001CTSOSR and G-1101CTSOSR

Criteria: Title 31 Code of Federal Regulations Part 205 Section 33 provides that states should exercise sound cash management with transfers of funds to subgrantees.

Condition: The Department of Social Services (DSS) provides a majority of its SSBG funding to subrecipients. Our review disclosed that DSS 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. Our review of 22 of 25 subrecipients financial reports disclosed that 14 subrecipients had excess cash on hand.

Effect: The federal government incurs interest costs because money is advanced to subrecipients before the subrecipients need the money to support expenditures.

Cause: DSS has not established adequate internal controls to minimize 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. Due to the volume of SSBG subrecipients, the volume of quarterly payments and the number of available staff in programmatic and the fiscal areas, the department at this time cannot advance cash to its subrecipients on a weekly basis. In virtually all cases, subrecipients receive funds as needed (and in some cases long after it is needed). The subrecipients' financial reports which are used to verify award expenditures lag a quarter behind. For example, an October payment covering October 1st through December 31st would be based on the September 30th financial reports that run from July through September. 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. The department will review and modify its cash payment schedule to subrecipients when additional staffing becomes available."

III.A.23. Eligibility

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 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTCCDF and G1101CTCCDF

Background: The Department of Social Services (DSS) has been designated the lead agency to administer the CCDF in accordance with Title 45 Code of Federal Regulations Part 98, Section 10. DSS entered into a contract with a vendor to determine client eligibility and calculate the amount of benefits paid to child care providers.

During the fiscal year ended June 30, 2011, child care payments totaled $98,644,801. These payments consisted of commingled federal CCDF funds and state funds. DSS does not identify which clients are being claimed under

CCDF and which clients are being paid from state funds. Of the $98,644,801, $45,905,905 (or 46.5 percent) was claimed as direct federal expenditures and $52,738,896 (or 53.5 percent) was provided with state expenditures. The federal portion is based on the total child care payments claimed as federal expenditures on the quarterly Federal Financial Reports submitted during the state fiscal year.

Criteria: Title 45 Code of Federal Regulations (CFR) Part 98 Section 13 provides that DSS submit a CCDF Plan.

Title 45 CFR Part 98 Section 42 states that lead agencies should establish a sliding fee scale that provides for cost sharing by families that receive CCDF child care services. The sliding fee scale should be based on income and family size. Title 45 CFR Part 98 Section 16 requires the CCDF Plan to include a description of the sliding fee scale. The DSS CCDF Plan provides that families that are not exempt from a family contribution are required to pay a range of two to ten percent of their annual or monthly gross income. Families that receive cash assistance and participate in an approved training program are exempt from a family contribution.

Title 45 CFR Part 98 Section 20 provides that in order to be eligible for child care services, a child must reside with a family whose income does not exceed 85 percent of the state's median income (SMI) for a family of the same size. However, the CCDF Plan allows states to use income eligibility that is lower than 85 percent of SMI. In accordance with the CCDF Plan, for new families to be initially eligible for the CCDF Program, the families' income should be less than 50 percent of the SMI. Families remain eligible for the program until income reaches 75 percent of SMI. Title 45 CFR Part 98 Section 20 also provides that a child must reside with a parent or parents who are working or attending a job training or education program.

Condition: We randomly sampled 60 child care payments totaling $17,002 made to child care providers from the total population. Of the 60 clients tested, our audit disclosed three errors including two clients that were not eligible to receive benefits from the Child Care Program and one client that did not pay the correct family fees, as follows:

- A head of household (HOH) had two jobs but only submitted documentation of income for one of the jobs. As a result, the correct family income was not entered into the DSS Child Care Management Information System (CCMIS). Based on the additional income, the family would not have been eligible to receive benefits. The family received childcare benefits in the amount of $77 for the month reviewed (the 46.5 percent federal portion amounted to $36).

- A HOH was unemployed and was not attending a job training or education program, and therefore would not have been eligible to receive benefits. The family received child care benefits in the amount of $426 for the month reviewed (the 46.5 percent federal portion amounted to $198).
- The amount of a family's participation was not calculated correctly because the family's income information was not properly entered into CCMIS. The client overpaid its share of the family fee by $131, and as result, the client paid $131 in child care services that should have paid by the state (the 46.5 percent federal portion amounted to $61).

Effect: The exception resulted in net questioned costs of $372 ($173 based on the 46.5 percent federal participation) due to two recipients that were not eligible to receive benefits and one recipient that overpaid their share of family fees.

Cause: The noted errors were the result of a HOH that did not fully disclose self-declared income or eligibility workers failing to obtain or enter accurate information into the DSS CCMIS.

Recommendation: The Department of Social Services should ensure the accuracy of all income information that is entered in the Child Care Management Information System.

Agency Response: "The department agrees with the finding and will notify its child care administrative vendor via e-mail to accurately enter all income information in the Child Care Management Information System."

III.A.24. Activities Allowed or Unallowed – Lack of Monitoring

ARRA - Child Care and Development Block Grant (CCDF) (CFDA # 93.713)
Federal Awarding Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2008-2009
Federal Award Number: G0901CTCCD7

Background: The Department of Social Services (DSS) has been designated the lead agency to administer the CCDF in accordance with Title 45 Code of Federal Regulations Part 98, Section 10. Program Instruction CCDF-ACF-PI-2009-03 provides guidance regarding Public Law 111-5 (the American Recovery and Reinvestment Act of 2009 (ARRA)) which appropriated additional CCDF discretionary funding to DSS.

During the fiscal year ended June 30, 2011, DSS expended a total of $6,917,523 for one-time economic stimulus payments to 5,331 child care providers, consisting of $997,432 in CCDF-ARRA funds and $5,040,091 in state-appropriated funds.

Instructions for using the CCDF-ARRA and state-appropriated funds were given to child care providers by DSS and included using the funds for child care-related services only. Providers were urged to use the funds to forgive and/or reimburse family fees for May and June, staff recognition and retention, utility or energy enhancements, indoor and outdoor play area improvements, and the purchase of literary supplies and equipment. Also, DSS advised providers that in order to assure the proper use of these funds, this funding may be subject to future audit.

During the fiscal year ended June 30, 2011, DSS implemented procedures to conduct desk audits of 100 randomly selected child care providers out of the 5,331 that received CCDF-ARRA or state-appropriated stimulus funds.

Criteria: CCDF-ACF-PI-2009-03 provides that supplemental CCDF-ARRA funds should be used in accordance with all existing requirements for CCDF discretionary grant requirements.

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 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 and grant agreements and that performance goals are achieved.

Condition: Our review of DSS procedures related to monitoring of subrecipients of CCDF-ARRA and state-appropriated stimulus funds disclosed that for 38 out of 100 child care providers reviewed, DSS did not receive any documentation on how funds were used.

Effect: DSS is not meeting its responsibility for monitoring subrecipients of CCDF-ARRA funds and is not providing reasonable assurance that CCDF-ARRA funds were properly expended.

Cause: DSS does not have adequate procedures in place to ensure that CCDF-ARRA funds were properly expended.

Recommendation: The Department of Social Services should implement monitoring procedures in accordance with Office of Management and Budget (OMB) Circular A-133 concerning its responsibilities as a pass-through entity to ensure that child care providers properly use CCDF-ARRA funds on child care related services.

Agency Response: "The department agrees with the information as presented and will continue to pursue the remaining child care providers to achieve the necessary documentation."

III.A.25. Cash Management – Subrecipient Cash Balances

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTLIEA and G1101CTLIEA

Background: The Department of Social Services (DSS) provides a majority of its LIHEAP funding to subrecipients. The subrecipients of the LIHEAP program report their cash balances for program services on a weekly basis, and their cash balances for administrative costs and Assurance 16 costs on a quarterly basis. Our review disclosed that DSS did not have procedures in place to provide reasonable assurance that funds advanced to some of the subrecipients of these programs were made in a timely manner.

Criteria: Title 31 Code of Federal Regulations Part 205 Section 33 provides that states should exercise sound cash management when transferring funds to subgrantees.

Condition: DSS procedures for advancing payments to subrecipients include transferring funds, usually monthly during the winter season, for payments made to utility companies on behalf of eligible LIHEAP clients. The subrecipients advance the funds to the utility companies based on the sum of each client's approved benefits. At the end of the program year, the utility companies would credit the amount of unused benefits that were advanced for each client to reflect the client's actual usage. The subrecipients rely on the utility companies to maintain each client's account and to refund any unused benefit.

There is a lack of segregation of duties because requests for payments to subgrantees are prepared and approved by the same staff member who calculates the amount of the advances.

We tested 25 advances for program services made to ten of DSS' LIHEAP subrecipients. We also tested 25 advances for administrative and Assurance 16 costs made to 12 of DSS' LIHEAP subrecipients. Our review disclosed two of the 25 advances for program services and one of the 25 advances for administrative costs and Assurance 16 costs caused the LIHEAP subrecipients to have cash on hand in excess of their average weekly disbursements.

DSS procedures allow funds remaining for program services at the end of the first program year, which are eligible for carry-forward into the second program year, to be advanced to the subrecipients before the start of the second program year on October 1st. Since program services are not provided to clients until November 1st, these carry over funds are not expended by the subrecipients until mid-November. We reviewed the cash balances on hand at September 30, 2010 for all 12 subrecipients and determined that carry-over funds totaling $8,808,619 had been advanced to subrecipients eight weeks prior to subrecipients incurring any program service costs.

There are no procedures in place to ensure that interest earned on excess cash advances is being reported to DSS.

Effect: The federal government incurs interest costs because money is advanced to subrecipients before the subrecipients need the money to support expenditures.

Cause: DSS does not have adequate procedures in place to ensure compliance with federal cash management requirements.

Recommendation: The Department of Social Services should develop procedures to ensure that sound cash management is being used for advances made to subrecipients of the Low-Income Home Energy Assistance program.

Agency Response: "The department agrees with the finding. The department will agree to eliminate issuing start-up funds or advance payments. In addition, the department added language to the energy contract – Part 1, Section F, Subsection 1e regarding interest. It reads: "Funds provided to the Contractor pursuant to this contract shall be placed in an interest bearing account and procedures followed as stated in CFR, Title 45 (Public Welfare), Part 74.22. Any interest earned by the Contractor as a result of payments authorized by the department shall be reported to the department by the Contractors on the next Quarterly Financial Report submitted after the interest income is earned. All interest income from this account exceeding $250 per federal fiscal year shall be remitted to the department."

III.A.26. Reporting – Federal Cash Transactions Report

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2010-2011
Federal Award Number: 05-1105CT5028

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2010-2011
Federal Award Number: 05-1105CTARRA

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2010-2011
Federal Award Number: G1101CTTANF

Child Support Enforcement (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2010-2011
Federal Award Number: 1104CT4004

ARRA-Child Support Enforcement (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2010-2011
Federal Award Number: 1104CT4002

Child Care and Development Block Grant (CFDA # 93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF) (CFDA #93.596)
Federal Awarding Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2010-2011
Federal Award Number: G1101CTCCDF

Criteria: Title 45 Code of Federal Regulations Part 92 Section 41 provides that grantees 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.

The 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 (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 of Social Services (DSS) PSC-272 Federal Cash Transactions Report filings for the quarter ended September 30, 2010, disclosed that DSS did not report the correct disbursement amount. Our review of the report filed for the quarter ended December 31, 2010, disclosed that the discrepancies noted in the September 30, 2010 filing were not resolved because the amounts reported by DSS continued to be based on drawdowns from the U.S. Treasury and not the federal share of net disbursements, which is defined as actual payments made to the program (checks, warrants or cash payments).

Effect: Disbursements reported to the Division of Payment Management are inaccurate.

Cause: The errors appear to result from a misunderstanding of how to calculate the disbursement amount that should be reported on the financial reports.

Recommendation: The Department of Social Services should report the proper disbursement amount on the Federal Cash Transactions Reports (PSC 272).

Agency Response: "The department disagrees with the finding. This audit finding references reported disbursement amounts on the PSC-272 Federal Cash Transaction Report. The finding states that we are reporting the amounts drawn down and not the actual expenditures for the corresponding quarter for each of these grants. We believe the awards being questioned are not SID based expenditures. They are part of our scheduled draws which are scheduled according to our CMIA agreement. Per the CMIA agreement there are specific percentages for each day that are drawn, scheduled over the days each month. Therefore, the amounts we report on the PSC-272 are not based on actual expenditures through a SID.

The amount disbursed for the quarter is calculated by using actual expenditures through the previous quarter and the scheduled draw amount for the current quarter being reported. This is due to a timing issue related to the due dates of the federal reports. The expenditure reports for Medicaid and Child Support are due 30 days after the end of the quarter, and TANF and CCDF are due 45 days after the quarter end. It is not possible for the PSC-272 to be prepared using these expenditure reports in the same 30 day timeframe. We would need additional time to incorporate the current quarter actual expenditures into the PSC-272, which would then push us past the submission deadline. Please note that if the PSC-272 report is not filed by 30 days after the close of the quarter, we cannot draw any funds until it is filed. Therefore, in order to meet the PSC-272 filing deadline there is necessarily a quarter lag in reporting actual expenditures for these programs on the PSC-272. We assume the expenditures for the current quarter to be equal to the amount we scheduled to draw.

When quarterly expenditure reports are finalized, an analysis is done to determine if we have overdrawn funds based on actual expenditures. If we have, we reduce the amount we are scheduling for the current quarter by the amount overdrawn in the previous quarter. This leaves a balance in the grant that the federal government then takes back when it processes our quarterly expenditure reports.

We believe the amounts we are reporting on the PSC-272 are accurate for these awards to the best of our ability given the due dates for the expenditure reports and the PSC-272 report."

Auditors' Concluding Comments: The federal regulations provide that this report will be used by the federal agency to obtain disbursement or outlay information for each grant from grantees. Further, as indicated in the instructions provided in the DHHS Manual for Recipients Financed under the Payment Management System (PMS), the federal share of net disbursements is defined as actual payments made to the program (checks, warrants or cash payments). The disbursement amount reported should be based on federal expenditures incurred by DSS and not based on the federal draws made by DSS.

III.A.27. 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 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTTANF and G1101CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G-1001CTSOSR and G-1101CTSOSR

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 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTCCDF and G1101CTCCDF

Child Support Enforcement (Title IV-D) (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services

Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1004CT4004 and 1104CT4004

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Federal Awarding Agency: Department of Agriculture
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
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 2009-2010 and 2010-2011
Federal Award Number: ACC CT 901 VO

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTLIEA and G1101CTLIEA

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 DSS 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 CAP. Costs are allocated to programs based on the allocation basis assigned to the respective cost pools. DSS contracted a vendor to develop the CAP.

The DSS Cost Allocation Plan, effective July 1, 2010, provides that as part of its Random Moment Time Study, DSS will be reviewing 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: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, includes factors affecting whether costs are allowable. Allowable costs under federal awards must be allocable to federal awards, be accorded consistent treatment, not be included in or used to meet a cost sharing or matching requirement, and be adequately documented.

Title 45 Code of Federal Regulations Part 95 Section 517 provides that a state must claim federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan.

Condition: DSS provided to us a report of the Random Moment Time Study conducted for the quarter ended December 31, 2010. This report consisted of 4,000 responses received from applicable DSS employees. This report listed the time of the observation, the 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 161 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 DSS. The effect, for the most part, is a reassignment of costs from one federal program to another.

Cause: 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 in order to produce an equitable result in consideration of relative benefits derived.

Agency Response: "The department agrees with the finding but would offer the following clarification. In our Public Assistance Cost Allocation Plan, we include 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 of approximately 4,000 samples per quarter provides assurance that the RMS results are statistically valid. We do not believe that these 161 observations would adversely impact sample validity or cost allocation.

Effective January 1, 2012, the Department of Social Services implemented an upgrade to the former WIMRMS 2000 system. The new system, WebRMS, will improve the validity of responses through design, training and quality control review. The Program and Activity matrix was updated to reflect the current list of DSS programs and activities. In addition, the Division of Financial Management and Analysis developed a Job Aide that was used to introduce and train RMS participants in the new system and is currently working with OSD to update the web-based RMS training course. We plan to closely monitor WebRMS results to improve the number of valid responses."

III.A.28. 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 2009-2010 and 2010-2011
Federal Award Numbers: 05-1005CT5028 and 05-1105CT5028

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTTANF and G1101CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G-1001CTSOSR and G-1101CTSOSR

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 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTCCDF and G1101CTCCDF

Child Support Enforcement (Title IV-D) (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1004CT4004 and 1104CT4004

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Federal Awarding Agency: Department of Agriculture

Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
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 2009-2010 and 2010-2011
Federal Award Number: ACC CT 901 VO

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTLIEA and G1101CTLIEA

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 DSS 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 CAP.

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, includes factors affecting whether costs are allowable. To be allowable under federal awards, costs must be allocable to federal awards, be accorded consistent treatment, not be included in or used to meet a cost sharing or matching requirement, and be adequately documented.

Condition: We sampled 60 non-payroll transactions totaling $251,709 and 21 transactions that each exceeded $1,000,000, which totaled $31,979,598. These samples were selected from expenditure transactions totaling $131,243,951 made during the fiscal year ended June 30, 2011. These payments were allocated to state and federal programs through the DSS CAP.

Our tests of the 21 transactions that exceeded $1,000,000 disclosed that the cost of one expenditure transaction for $1,771,529 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: DSS controls are not always providing reasonable assurance that allowable costs are being claimed under the proper federal programs and that the costs are properly authorized. We could not determine the amount of questioned costs because DSS had not identified an allocation basis that should be used for the condition noted.

Cause: DSS 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 properly authorized and only allocated to benefiting federal programs in accordance with the provisions of Office of Management and Budget Circular A-87.

Agency Response: "The department agrees with this portion of the finding and has removed this contract from all federal claims pending a resolution of coding and budgeting issues noted by the auditor. The adjustment to remove these contract expenses was made retroactive to October 1, 2009. The department has met with the contractor to resolve these issues and is working toward a successful resolution and a reinstatement of our ability to claim for this service."

B. DEPARTMENT OF TRANSPORTATION

III.B.1. Reporting - American Recovery and Reinvestment Act (ARRA) Reporting

ARRA - Federal Transit Cluster (CFDA #20.500 and #20.507)
Federal Award Agency: Department of Transportation (Federal Transit Administration (FTA))
Federal Award Numbers: Various
Award Year: State Fiscal Year Ended June 30, 2011

ARRA - Federal Highway Planning and Construction (CFDA #20.205)
Federal Award Agency: Department of Transportation (Federal Highway Administration (FHWA))
Federal Award Numbers: Various
Award Year: State Fiscal Year Ended June 30, 2011

Criteria: Under Section 1512 of the American Recovery and Reinvestment Act (ARRA) of 2009, recipients of ARRA funds are required to report specific information regarding grant awards to the federal government, which subsequently is posted for public review on www.Recovery.gov. One of these elements is details on sub-awards and vendor payments. The definition of sub-award is "a legal instrument to provide support for the performance of any portion of the substantive project or program for which the recipient received this award and that the recipient awards to an eligible subrecipient." Subrecipients are defined as "non-federal entities that receive federal awards from a prime recipient to carry out a federal program." The definition of vendor is an "entity or individual from which the prime recipient or subrecipient procures goods or services needed to carry out the project or program."

Recipient reporting in FederalReporting.gov should be accurate because it collects all Recovery Act recipient reports that are eventually uploaded into www.Recovery.gov.

In "Frequently Asked Questions – ARRA of 2009", guidance on the clarification of M-10-08, states that generally, if the prime recipient distributes funds to another state agency, these funds would not be reported as a subrecipient or vendor. The expenditure of these funds should be reported in the Prime Recipient tab in FederalReporting.gov.

Condition: The Department of Transportation (DOT) received ARRA funding from the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA) and the Federal Aviation Administration (FAA). DOT received 162 awards: 155 FHWA, six FTA, and one FAA. As of June 30, 2011, eight awards were listed as completed on www.Recovery.gov: six FHWA, one FTA, and one FAA.

Our review of reported amounts for projects that were not completed as of March 31, 2011 and for completed projects as of June 30, 2011, found that DOT's reporting on www.Recovery.gov is not in compliance with instructions issued for sub-awards and vendor payments. Although the total expenditures reported were accurate, sub-awards were not always accurately reported and vendor transactions and the amount paid to vendors was incorrect or not reported. We found that DOT enters into agreements with municipalities (subrecipients), but does not report the amount given to the municipalities. Instead, it reports the amount the municipalities pay the vendors hired by the municipalities. We found that DOT aggregated all expenditures to the vendor, even the costs it paid directly to itself and a state agency. As a result, we did not test all the awards selected to be sampled, but have provided examples below of the exceptions we did find.

For FTA award CT-56-0001, a completed project, DOT did not report any vendor payment information for its award of $493,947. Core-CT shows one payment to one vendor. For FTA award 96-0003, DOT did not report any vendor payments as of March 31, 2011, even though it had reported expenditures of $58,230,971. Our review on Core-CT found that four vendors received funds from this award.

For FHWA grants, our first sample was a completed project, FHWA award 000R597 for $1,865,913. We found that DOT incorrectly reported $1,865,913 as one payment to one vendor. Our review on Core-CT, found that the vendor received nine payments totaling $1,586,966, the Department of Public Safety received ten payments totaling $87,901, and DOT's incidental costs for this project were $191,046. The instructions for 1512 reporting give the prime recipient (DOT) the option of reporting payments under $25,000 separately from those over $25,000 or reporting the aggregate number of payments by subrecipient and vendor. DOT did not follow these instructions since it reported only one payment to one vendor. DOT should have reported nine payments under or over $25,000 for the vendor with the vendor being paid $1,586,966. DOT should have reported payments to the Department of Public Safety (a state agency) and its incidental costs in the prime recipient tab in FederalReporting.gov.

We were informed by the FHWA that DOT could break down payments in Resource Act Data System (RADS). The RADS allows DOT to enter all groups that may be working on a project in the award table. The RADS has the ability to track payment information for all groups working on a project. DOT only enters total expenditures to date in RADS each month and does not break down the expenditures for its incidental costs, payments to the

Department of Public Safety, and its vendor. The RADS file is downloaded into a folder and the information is uploaded into FederalReporting.gov by the state. FederalReporting.gov has a tab that allows expenditure information for each vendor to be reported. The report from FederalReporting.gov is eventually uploaded into www.Recovery.gov.

We reviewed the information DOT submitted for reporting for a select number of grants for the quarter ended March 31, 2011. As with the other grants noted above, we found that DOT only reports total expenditures and found instances where DOT's incidental costs and the Department of Public Safety's costs were added to the vendor's costs. We also found that when DOT, as prime recipient of the ARRA award, enters into an agreement with a municipality (subrecipient), the information regarding that subrecipient is not included on www.Recovery.gov. Instead, DOT reports only the vendor of the subrecipient and has included DOT's incidental costs in the amount expended by the vendor. We found this to be the case in grant award 1041104.

Effect: DOT's report on its ARRA awards on www.Recovery.gov could be misleading to viewers of this website. While the viewer appears to receive an accurate amount of the total expenditures made to date on an award, the reader may not receive information on which vendors receive the funds, the actual dollar amount received by the vendor, or if the funds were awarded to a municipality.

Cause: We were informed by DOT that ARRA reporting requirements have evolved over time. The RADS, which has only been adopted by FHWA and not FTA, has gone through several updates. DOT informed us that its employees had attended training and webinars on ARRA reporting. The department stated that it worked with its local FHWA office on how it currently compiles its federal reports and that the local FHWA does not find exception with this manner of reporting.

For the FHWA grant, DOT considers the Department of Public Safety to be a subcontractor of the vendor even though DOT makes payments directly to the Department of Public Safety. DOT considers its incidental costs to be part of the project costs so it also added its costs to the vendor.

DOT does not believe that it is necessary to report the name of the municipality it entered into an agreement with for federal reporting purposes. Instead, it reports only the vendor that the municipality contracted with to perform the work and as with other awards, it adds all costs to this vendor. We have asked for clarification from FHWA on whether the name of the municipality should be included on www.Recovery.gov and have asked that they provide us with the reference in the RADS guidance manual that would support this position. We are still awaiting their response.

DOT has stated that vendor information for the purchase of buses was not required to be reported by the FTA. We have not been provided with written instructions that would show that the FTA does not require this information to be reported on www.Recovery.gov.

Recommendation: The Department of Transportation should comply with Section 1512 of the Recovery Act in providing accurate details on sub-awards and vendor payments. DOT should compile its reports for 1512 reporting in such a manner that amounts reported on www.Recovery.gov for sub-awards and vendors reflect the amounts and number of payments that are in Core-CT so that a viewer on www.Recovery.gov can see how the funds were expended.

Agency Response: "The department agrees with this finding in part. The department has complied with filing ARRA 1512 reports in accordance with the published guidance and informational webinars as provided by FTA and FHWA. The ARRA reports are filed on FederalReporting.gov (FRG) within ten days after the end of each quarter.

Facts supporting this statement include the following:

- Since the inception of reporting on ARRA projects (February 2009), we have worked continuously with FHWA and FTA in reporting the information they have requested for each project, in a format that they created.
- In our reporting process to FHWA, starting in March 2009, we provided ARRA project information via a write-protected Excel spreadsheet that FHWA provided. These reports were submitted March 23, 2009, March 24, 2009, March 30, 2009, March 31, 2009, and so on as the reporting process went through numerous adjustments by FHWA. As the reporting requirements grew, FHWA introduced the Recovery Act Data System (RADS) for the quarterly report of September 2009. With this new system, the reporting process progressed to a designed based system with numerous drop-down menus containing specific project related information. FHWA continued to introduce changes to RADS over the next few months as bugs were worked out. Adapting from the beginning, CDOT has submitted data as requested, in a system that was developed by our federal partners.
- As required by OMB M-10-08, the federal grantor agency, FTA, is tasked to identify and remediate instances of an ARRA grant recipient's systemic or chronic reporting problems or failure to correct the same. Since the inception of the ARRA 1512 Reporting, no such deficiencies

have been identified by FTA's or FHWA's Regional offices on the reporting of sub-awards and vendor payments.

- ARRA Reports are subjected to a validation review by FTA and FHWA. Any discrepancies are corrected by CDOT staff, via an on-line open review period, before any data is uploaded to Recovery.gov and Whitehouserecovery.gov.
- The FRG online report format does not support the depth of expenditure detail as is presented in Core-CT.
- Sub-awards and vendor payments are reported on the FRG report for ARRA FTA Grant CT-86-X001, since each transit district (Northeast, Estuary) is a CDOT subrecipient with reportable vendor payments. There are no other subrecipients acting in this capacity for any of the other ARRA FTA grants.
- Concerns were identified that CDOT was not reporting at the subrecipient level. Per the legislation, ARRA funds were sub-allocated to municipalities via Regional Planning Agencies. CDOT, acting as a pass-through agency, elected to report project expenditures at the prime contractor level as opposed to the town. It was determined that this method of reporting was acceptable, as is in fact, utilized in other states as well. Once more, on February 20, 2012, FHWA confirmed that our current method for reporting on municipal ARRA projects is acceptable."

Auditors' Concluding Comments:

The federal grantor agencies do not have access to payment information on Core-CT so it would be impossible for them to determine if sub-award and vendor payment information is incorrectly reported.

We found through our review of FederalReporting.gov, that the number of vendor transactions and amount paid to the vendor can be reported and concur with the DOT that it would not be to the same detail as presented in Core-CT.

Our review of awards did not include FTA Grant CT-86-X001. We went to www.Recovery.gov and found that for this grant, sub-award and vendor payment information was reported by DOT and did involve the transit districts. The two FTA grants we reviewed were for DOT bus purchases and did not involve the transit districts. The FTA has on its website, "Implementing Requirements of Section 1512 of the American Recovery and Reinvestment Act", a webinar for first-time reporters. One of the screens for this webinar states that prime recipients will report subrecipient information and vendor information. The vendors and amounts paid for these buses should have been reported on www.Recovery.gov.

The FHWA has yet to advise us which federal guidance indicates that DOT does not have to report on www.Recovery.gov, the municipality (subrecipient) to which it provided ARRA funds. While DOT and regional planning agencies may have determined which municipalities would receive ARRA funds, DOT enters into agreements with each municipality for each ARRA project. We also note that for the particular municipality mentioned above, all the expenditures for this project should not be reported to the contractor since the contractor was not paid the full amount reported.

III.B.2. Davis-Bacon Act

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, 2011
Federal Project Numbers: 0951(345)
State Project: DOT01380232CN

ARRA – 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, 2011
Federal Project Numbers: 0001(315), 0912(132)
State Project: DOT00140157CN, DOT00330125CN

ARRA - Federal Transit Cluster (CFDA #20.500 and #20.507)
Federal Award Agency: Department of Transportation (Federal Transit Administration (FTA))
Award Year: State Fiscal Year Ended June 30, 2011
Federal Award Numbers: CT-56-0002
State Project: DOT03010106CN

Criteria: Title 29 Code of Federal Regulations Sections 5.5 and 5.6 require that contractors or subcontractors submit certified payrolls for each week in which any contract work is performed. Such certified payrolls shall include, among other information, fringe benefit rates.

Condition: We tested ten projects for compliance with the Davis-Bacon Act. Our review disclosed deficiencies for four of the ten projects. We found:

- Two payrolls were submitted with inadequate fringe benefits information. One of the payrolls was subsequently revised to include fringe benefits, in response to our review. (Federal Projects 0951(345) and 0001(315);
- One payroll was submitted without the required federal statement of compliance and one payroll was submitted with an unsigned federal

statement of compliance. (Federal Projects 0001(315) – ARRA and 0912(132);

- We found that a subcontractor failed to submit a certified payroll. The consultant hired by the DOT to oversee the project had duly noted this deficiency and reported it to the department as required, but there was no evidence that the issue had been resolved (Federal Award CT-56-0002);
- We found that the consultant hired by the DOT to oversee the project discovered that a subcontractor was paying less than the prevailing wage, but did not seek a remedy for this non-compliance. (Federal Project 0951(345).

Effect: These deficiencies increase the risk of non-compliance with prevailing wage laws.

Cause: We did not determine the cause of these exceptions. However, it appears that a lack of communication between contractors and DOT district and field offices, as well as insufficient training, contributed to these exceptions.

Conclusion: The Department of Transportation should monitor the submission of certified payrolls more effectively and provide additional training as needed.

Agency Response: "The department agrees with this finding. At the Office of Construction's monthly Manager's meeting held on February 29, 2012, the District Engineers/Assistant District Engineers were advised to discuss the monitoring of the Davis-Bacon/certified payroll process and general conformance of these in compliance with the Construction Manual at their next Project Engineers meetings in March.

They will emphasize the need for increased communication and review of Chapter 12 – Civil Rights, Labor and Contract Compliance, in the Construction Manual which describes the roles of project staff in monitoring contractors' payment of state and federal prevailing wages.

Office of Construction Civil Rights staff and District EEO coordinators will assist project staff in reviewing the various forms of contractor payrolls received.

This information will be disseminated to consultant staff as well on a project-by-project basis, as well as any pre-construction meetings that will be held this year."

III.B.3 Reporting

Federal Transit Cluster (CFDA #20.205 and #20.507)
Federal Award Agency: Department of Transportation (Federal Transit Administration (FTA))
Award Year: State Fiscal Year Ended June 30, 2011
Federal Project Numbers: CT-90-X501
State Project: Various

Criteria: Title 49 Code of Federal Regulations Section 18.20 requires the state to submit accurate and complete financial information in fulfillment of the financial reporting requirements of the FTA's grant agreements.

Condition: We tested the quarterly federal financial reports for ten grants to determine if DOT complied with federal reporting requirements. We found that the September 30, 2010, quarterly federal financial report submitted to the FTA for the above-reference federal award was inaccurate. In preparing the report, the DOT failed to include one category of encumbrances totaling over $1 million.

Effect: The unliquidated obligations for the quarter ended September 30, 2010, were understated by $1,054,209, of which the total federal share was $843,367 and the state's share was $210,842.

Cause: Due to a weakness in accumulating all relevant data for each project, not all unliquidated obligations were included in the report. DOT discovered this error, and it was amended in the next quarterly federal financial report.

Recommendation: The Department of Transportation should improve its procedures for the collection, reporting and verification of financial information for the quarterly federal financial reports.

Agency Response: "The department agrees with this finding. As stated in the finding, the error was detected by the department and corrected in the following quarterly submission. Additionally, the department maintains detailed written instructions in regards to the completion and submission of this quarterly report that is updated as needed."

III.B.4. Allowable Costs/Cost Principles – Federal Billing for Unallowable Costs

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, 2008, 2009, 2010 and 2011
Federal Project Number: Various
State Project: Various

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.

Condition: A review of state Department of Transportation (DOT) project billings by the Federal Highway Administration disclosed a flaw in the functionality of the Core-CT system. The review found that the allocation of fringe benefit costs and employer payroll taxes charged to each project on the basis of employee wages does not reflect that certain non-wage costs paid as wages, such as travel reimbursements, are not attributable to the actual time the employee spent on the project. In addition, fringe benefits costs that are fixed to a standard full time work week, such as medical insurance, are allocated in excess when overtime hours are charged.

We included a recommendation in our audit report of the Office of the State Comptroller for the fiscal years ended June 30, 2009 and 2010, that the Office of State Comptroller should address deficiencies in Core-CT system internal controls that affect the cost allocation applied to non-wage payroll payments.

DOT has been monitoring the work being done to correct the deficiencies and has been informing the FHWA accordingly.

Effect: Costs that were fixed in relation to employee hours worked were erroneously allocated extra overhead costs that were billed to federal-aid projects. We note that this condition does not only affect the Department of Transportation, but may affect all state agencies using the Core-CT system to charge projects or programs with non-wage personal service costs. We do not have an estimate as to the total costs involved.

Cause: The Core-CT system design did not allow for the proper cost allocation of miscellaneous payroll payments. It allocates payroll fringe benefits and employer payroll taxes to projects based on the employee hours charged to the project; costs that are fixed in relation to employee hours worked such as travel, and medical and life insurance costs are included in the same allocation.

Conclusion: While the conditions mentioned above existed during the current audit period, both conditions have been resolved.

The finding concerning the allocation of fringe benefit costs has been resolved by the State Comptroller issuing a separate check for non-reportable travel reimbursements. This was implemented September 9, 2011.

The finding concerning fringe benefit costs that are allocated in excess when overtime hours are earned by the employee has been resolved. We were provided with a letter dated May 17, 2010, from the Department of Health and Human Services' Director of the Division of Cost Allocation, to State Comptroller Nancy Wyman. In this letter it was stated that the salary and wage base, including overpayments, that has been used by the State of Connecticut to allocate fringe benefit costs, "has not been shown to result in a significant inequity to federal programs and complies with the Cost Allocation Agreement negotiated between the state and the Department of Health and Human Services' Division of Cost Allocation." The Federal Highway Administration in a letter dated January 20, 2012, to Commissioner Redeker, considered this finding resolved and has closed out this finding based on the May 17, 2010 letter to State Comptroller Nancy Wyman.

C. DEPARTMENT OF LABOR

III.C.1. Reporting – Subaward Reporting Under the Transparency Act

Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)
WIA Youth Activities (CFDA # 17.259)
WIA Dislocated Workers and National Emergency Grants
(CFDA # 17.260, 17.277, 17.278)
Federal Award Agency: Department of Labor
Award Years: Federal Fiscal Year 2009-2010, 2010-2011
Federal Award Numbers: AA-18630-09-55-A-9 and AA-20185-10-55-A-9

Criteria: The Federal Funding Accountability and Transparency Act (Public Law 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Public Law 111-252) imposes new accountability and transparency requirements on recipients (prime awardees) of grants who make first-tier subawards.

The federal Office of Management and Budget (OMB) is responsible for issuing guidance for subaward reporting. OMB memorandum, *Open Government Directive – Federal Spending Transparency,* dated April 6, 2010, and OMB memorandum, *Open Government Directive – Federal Spending Transparency and Subaward and Compensation Data Reporting,* dated August 27, 2010, directed agencies to implement the requirement to collect sub-award data by October 1, 2010. The memoranda also required prime awardees to report first-tier subawards associated with new federal grants as of October 1, 2010 on the federal website, USAspending.gov, by the end of the month following the month the subaward was made.

Condition: Our review revealed that the department did not report subawards under the Transparency Act, totaling $10,714,586. The department also did not develop and implement procedures to collect and report subawards under the Transparency Act.

Effect: There is non-compliance with the Federal Funding Accountability and Transparency Act.

Cause: There is not an appropriate assignment of responsibility or delegation of authority for subaward reporting decisions.

Recommendation: The Department of Labor should develop and implement procedures to report subawards under the Transparency Act.

Agency Response: "We agree with this finding. Pursuant to the Training and Employment Guidance Letter No. 11-10, the WIA Administration Unit will register with the FFATA [Federal Funding Accountability and Transparency Act] Subaward Reporting System (FSRS), Dun and Bradstreet's Data Universal Numbering System (DUNS), and the Central Contractor Registration System (CCR). In addition, staff has been identified and assigned to perform all reporting of subawards required under the Transparency Act."

III.C.2. Reporting – ETA-9130

Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)
WIA Youth Activities (CFDA # 17.259)
WIA Dislocated Workers and National Emergency Grants
(CFDA # 17.260, 17.277, 17.278)
Federal Award Agency: Department of Labor
Award Years: Federal Fiscal Years 2008-2009 and 2009-2010
Federal Award Numbers: AA-17112-08-55-A-9 and AA-18630-09-55-A-9

Criteria: Title 20 Code of Federal Regulations (CFR) Section 667.300 requires that recipients report financial data in accordance with instructions issued by the U.S. Department of Labor (U.S. DOL). The U.S. DOL requires recipients to report financial data on form ETA-9130, which requires recipients to report total cumulative administrative expenditures charged to statewide activities.

Condition: Our review of the ETA-9130 financial reports for the quarter ended March 31, 2011, revealed that the state Department of Labor overstated total cumulative administrative expenditures by $586,856.

The department has no written procedures in place to explain how to compile financial reporting data from its various sources and systems. The results of our review concurred with the results of a federal oversight review conducted in April through May 2010 in which a similar audit finding for financial reporting was issued on October 18, 2010 by the U.S. DOL Employment and Training Administration.

Effect: There is non-compliance with U.S. DOL financial data reporting instructions. Although the reporting error had no effect on the department's compliance with earmarking requirements, the reported data implies that fewer funds were expended on program expenditures and more funds were expended on administrative expenditures. Incorrect data could impact future grant award and budgeting decisions.

Cause: We were informed that when a statewide activities grant is fully expended, the department reports administrative expenditures at the maximum allowable instead of the actual administrative expenditures incurred.

The department does not have adequate procedures in place to ensure accuracy and completeness of financial reporting data.

Recommendation: The Department of Labor should strengthen internal controls to ensure compliance with U.S. DOL financial reporting instructions.

Agency Response: "We agree with this finding. The WIA Administrative Unit has developed written policies and procedures designed to strengthen internal controls and to ensure compliance with U.S. DOL financial reporting instructions."

III.C.3. Cash Management – Subrecipient Cash Balances

Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)
WIA Youth Activities (CFDA # 17.259)
WIA Dislocated Workers and National Emergency Grants
(CFDA # 17.260, 17.277, 17.278)
Federal Award Agency: Department of Labor
Award Years: Federal Fiscal Year 2010-2011
Federal Award Numbers: AA-20185-10-55-A-9

Criteria: Title 31 Code of Federal Regulations Part 205 Section 33 provides that states should exercise sound cash management in fund transfers to subgrantees.

Condition: The Department of Labor provides the majority of its WIA funds to five Workforce Investment Boards (WIBs). Our review of the WIBs' quarterly financial reports and payment request forms for the fiscal year ended June 30, 2011, revealed that the Department of Labor provided cash advances to two WIBs in excess of immediate cash needs totaling $1,562,904. We noted that as of June 30, 2011, the majority of funds for thirteen advanced payments, for seven grants, had not been disbursed by the WIBs from one to seven months after the advances were made.

The department has no procedures in place to ensure that interest earned on excess cash advances to subrecipients is being reported by the subrecipients to the department.

The results of our review concurred with the results of a federal oversight review conducted in April through May 2010 in which a similar audit finding for cash management was issued on October 18, 2010 by the U.S. DOL Employment and Training Administration.

Effect: The federal government incurs interest costs when money is advanced to subrecipients before the subrecipients need the money to support expenditures.

Cause: The department does not have adequate procedures in place to ensure compliance with federal cash management requirements.

Recommendation: The Department of Labor should develop procedures to ensure that sound cash management is being used for advances made to subrecipients for the Workforce Investment Act program.

Agency Response: "We agree with this finding. The WIA Administrative Unit Program Manager, following consultation with the Unit's financial staff, will submit a memorandum to the five Workforce Investment Boards instructing them to reference and adhere to the State of Connecticut General Conditions in the WIA contracts and the Financial Report Instructions issued by U.S. DOL ETA. In addition, the memorandum will reiterate that requests for cash advances will only be considered for transactions that occur within the period between the time the WIB requests money and the time they actually receive funding from the WIA Administration Unit. Furthermore, WIBs will be notified that requests for funds should be based strictly on a cash reimbursement basis and that the WIBs should not have "cash on hand". In addition to retaining consistent communication with the WIBs, the WIA Administration Unit is committed to the engagement of increased monitoring of program expenditures at the local level. This item will be addressed with staff from the Workforce Investment Boards at the quarterly WIA Forum meeting to be held in late February."

III.C.4. Allowable Costs

Unemployment Insurance (CFDA #17.225)
Award Years: Federal Fiscal Years 2009-2010, 2010-2011
Federal Award Agency: Department of Labor
Federal Award Numbers: UI19573-10-55-A-9, UI-21090-11-55-A-9

ARRA - Unemployment Insurance (CFDA #17.225)
Federal Award Agency: Department of Labor
Award Years: Federal Fiscal Year 2009-2010
Federal Award Number: UI19573-10-55-A-9

Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)
WIA Youth Activities (CFDA # 17.259)
WIA Dislocated Workers and National Emergency Grants
(CFDA # 17.260, 17.277, 17.278)
Federal Award Agency: Department of Labor
Award Years: Federal Fiscal Year 2008-2009, 2009-2010, 2010-2011

Federal Award Numbers: AA-17112-08-55-A-9, AA-18630-09-55-A-9, AA-20185-10-55-A-9, EM-18072-09-60-A-9, EM-18566-09-60-A-9, EM-18928-09-60-A-9

ARRA - Workforce Investment Act (WIA) Adult Program (CFDA #17.258)
ARRA - WIA Youth Activities (CFDA #17.259)
ARRA - WIA Dislocated Workers and National Emergency Grants (CFDA # 17.260, 17.277, 17.278)
Federal Award Agency: Department of Labor
Award Years: Federal Fiscal Year 2008-2009
Federal Award Number: AA-17112-08-55-A-9, EM-20481-10-60-A-9

Criteria: Training and Employment Guidance Letter No. 06-02 requires that in order for a state workforce agency (SWA) to claim indirect costs incurred on or after July 1, 2003, under a federal grant, contract, or cooperative agreement, the indirect costs must be contained in a cost allocation plan and/or indirect cost rate proposal developed in accordance with the requirements of OMB Circular A-87 and approved by the SWA's cognizant federal agency. If the DOL is the cognizant agency for SWA indirect costs, the SWA shall prepare and submit indirect cost and cost allocation proposals to the Division of Cost Determination annually for state fiscal years beginning on or after July 1, 2003.

OMB Circular A-87 requires that amendments to cost allocation plans shall be submitted promptly for review and approval.

The U.S. Department of Labor Division of Cost Determination has issued a cost allocation plan checklist for SWAs using a cost accounting system called the Financial Accounting and Reporting System (FARS). Included in the checklist are an organizational chart, cost center/division level allocations, and a listing of grants and contracts by federal agency. The checklist indicates that the required items must be submitted once unless changes are observed.

Condition: Our review of the department's cost allocation plan disclosed that the department's plan has not been updated to include changes in the department's organizational structure or cost center structure, and did not include a listing of grants and contracts by federal agency. We also noted that the department's cost allocation plan was never amended to include the cost centers for the Workforce Investment Act Program.

Effect: There is non-compliance with cost allocation plan requirements.

Cause: Because the department's methodology for allocating costs had not changed, the department did not believe that a revised submission was required.

Recommendation: The Department of Labor should strengthen internal controls to ensure compliance with cost allocation plan requirements.

Agency Response: "We agree with this finding. The department was unaware that Exhibit A "Cost Allocation Plan – Checklist" was never submitted and as a direct result the department cost allocation plan was never updated to include changes and amendments in the organizational and cost center structure (including the Workforce Investment Act Program).

The department will take necessary action to complete and submit the "Cost Allocation Plan – Checklist" as well as update and amend the department cost allocation plan to include changes in the organizational and cost center structure as well as providing a listing of grants and contracts by federal agency."

III.C.5. Reporting – ETA 227

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: Department of Labor
Award Year: Federal Fiscal Year 2010-2011
Federal Award Number: UI-21090-11-55-A-9

Criteria: The UI Reports Handbook No. 401, 4th Edition, Section IV, General Reporting Instructions for the ETA 227 Overpayment Detection and Recovery Activities states that applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system.

The U.S. Department of Labor (DOL) Unemployment Insurance Program Letter (UIPL) No. 23-08, Attachment A, states that the Emergency Unemployment Compensation program reporting requirements for data items for the ETA 227 include Section A, lines 101 and 103, and Section C, all lines except 303-307.

The U.S. DOL UIPL No. 17-02, Change 1 states that Temporary Extended Unemployment Compensation program reporting requirements for data items of the ETA 227 include Section A, lines 101 and 103, and Section C, all lines except 303-307.

The U.S. DOL UIPL No. 11-09 indicates that states are to report Federal Additional Compensation overpayments in the comments section of the ETA 227 report.

Condition: Our review of the ETA 227 Overpayment Detection/Recovery reports for the quarter ended June 30, 2011, found that the department was unable to provide detailed support to the amounts reported for all sections. Each quarter, the department is required to submit an ETA 227 report for state and federal UI programs and separate ETA 227 reports for the Emergency Unemployment Program and Temporary Extended Unemployment Compensation program. For the ETA 227 report for state and federal UI programs, amounts reported in Sections A, B, C, and the Comments section were supported only by summary reports and Section D was unsupported. In addition, as reported in previous audits, amounts reported in Section E are still not accurately supported by agency records. For the ETA 227 reports for the Emergency Unemployment Compensation program and the Temporary Extended Unemployment Compensation program in which only certain lines of Section A and C are required to be reported, amounts were supported only by summary reports.

Effect: The amounts reported on the department's ETA 227 reports could be incorrect.

Cause: The department's system does not provide an adequate audit trail for the accounting of overpayments.

We were informed that due to the heavy workload of the Information Technology unit resulting from various federal unemployment compensation extensions and other programming responsibilities, the department is unable to provide us with the detailed support to the ETA 227 reports.

Recommendation: The Department of Labor's recordkeeping system should accurately account for, in detail, overpayment detection and recovery activity reported on the ETA 227 reports.

Agency Response: "We agree with this finding. During the fourth quarter 2011, business experts provided requirements to modify the existing programs pertaining to "Section E" or otherwise known as the "aging section." Our Information Technology (IT) unit identified the program error(s), and their assessment required a "re-write" of the existing overpayment reporting system. We were prepared to dedicate IT resources to complete the "re-write" in order for us to provide the correct overpayment information in the fourth quarter 2011 ETA-227. However, under discussion with U.S. DOL staff, we were advised that a new UIPL was forthcoming, which included many significant changes to the existing ETA-227. In essence, another system "re-write" would be required subsequent to the fourth quarter 2011 submission. From a business and practical position, and discussions with the U.S. DOL representatives, CT DOL deferred the overpayment system "re-write" to incorporate the necessary changes referred in UIPL 08-12, dated January 11, 2012.

Since our IT resources documented the necessary changes to correct the "aging" section E of the ETA-227, our business resources have already begun the necessary requirements to incorporate the changes detailed in the UIPL 08-12. The requirements will include auditing standards as indicated in the audit, which will support the actual overpayment amounts reported to U.S. DOL. The audit information will capture each overpayment to support the total amount reported for each line item, all sections."

III.C.6. Special Tests and Provisions – Benefit Accuracy Measurement System

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: Department of Labor
Award Years: Not Applicable
Federal Award Number: Not Applicable

Criteria: Title 20 Code of Federal Regulations (CFR) Sections 602.11 (d) and 602.21 require that each state shall establish and maintain a Quality Control program. Each state shall complete prompt and in-depth case investigations in accordance with instructions issued by the U.S. Department of Labor (U.S. DOL).

The Employment and Training Administration (ET) Handbook No. 395, 5^{th} edition, provides instructions for states in operating an Unemployment Insurance Benefit Accuracy Measurement (BAM) system. The ET Handbook No. 395, 5^{th} edition and U.S. DOL Unemployment Insurance Program Letter 03-07 and 03-07 Change 1 require that, effective the week beginning December 30, 2007, BAM investigators must utilize the National Directory of New Hires as part of the audit of paid claims to detect and investigate claimant employment during the benefit year to determine its affect on the claimant's eligibility for unemployment insurance.

Condition: As of the fiscal year ended June 30, 2011, the department has not implemented a process for cross-matching BAM paid claims investigations with the National Directory of New Hires (NDNH) database in accordance with federal instructions.

Effect: There is non-compliance with federal instructions. The department has reduced ability to detect and prevent erroneous unemployment insurance benefit payments.

Cause: We were informed that information technology resources were allocated to programming and implementing unemployment compensation extensions and the on-going unemployment insurance modernization as a priority over the NDNH cross match.

Recommendation: The Department of Labor should implement the cross match of the National Directory of New Hires with Benefit Accuracy Measurement paid claims investigations as required by federal instructions.

Agency Response: "We agree with this finding. Information technology resources have been assigned to implement a process for cross-matching BAM paid claims investigations with the National Directory of New Hires (NDNH) database in accordance with federal instructions."

III.C.7. Special Tests and Provisions – Employer Experience Rating

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: Department of Labor
Award Years: Not Applicable
Federal Award Number: Not Applicable

Background: Certain benefits accrue to states and employers when the state has a federally-approved experience-rated unemployment insurance (UI) tax system. All states currently have an approved system. For the purpose of the proper administration of the system, the state workforce agency maintains accounts, or subsidiary ledgers, on state UI taxes received or due from individual employers, and the unemployment compensation benefits charged to the employer.

Criteria: Title 29 Code of Federal Regulations (CFR) Section 97.42 requires that all records reasonably considered as pertinent to program regulations must be retained for a period of three years.

The Employment and Training Administration (ET) Handbook No. 407 states that whether the state system for recording tax receipts is automated or manual, an audit trail should lead from source documents to state accounting records of receipts.

Condition: The department does not retain prior quarter contribution returns filed via the internet. The department's internet tax filing system retains only the last quarter's internet filings.

Effect: There is noncompliance with federal record retention requirements.

Cause: The department no longer has the vendor that developed the internet tax filing system under contract to support and maintain the system. This system is not capable of storing information beyond the most recent quarter.

Recommendation: The Department of Labor should institute procedures to ensure that all unemployment contribution return records are retained in accordance with federal regulations.

Agency Response: "We agree with this finding. The deficiency in our electronic record retention stems from the fact that our internet tax filing systems are not capable of storing data beyond the current calendar quarter. Due to contractual problems, the vendor that developed our internet tax filing systems and had been supporting those systems was terminated and as such, cannot make the necessary changes to comply with federal record retention requirements.

Information technology management hired a replacement vendor to provide support to the Tax Division's internet systems, including our tax and wage reporting system. This vendor is currently being trained on our various internet tax filing systems and will be required to maintain and fix a variety of errors in these systems, including the record retention deficiency."

III.C.8. Special Tests and Provisions – Emergency Unemployment Compensation Benefit Payments

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: Department of Labor
Award Years: Not Applicable
Federal Award Number: Not Applicable

Background: The Supplemental Appropriations Act of 2008 (Public Law No. 110-252) provides for payment of Emergency Unemployment Compensation (EUC). EUC has a phase out period allowing individuals to claim benefits until their account is exhausted. The Supplemental Appropriations Act of 2008 has been amended several times and includes eligibility for several "tiers" of benefits.

Criteria: Unemployment Insurance Program Letter (UIPL) No. 23-08, Attachment A Implementing and Operating Instructions for EUC requires that for the recovery of EUC overpayments, when the determination requiring repayment is issued, the state shall restore the full amount of the recovered overpayment to the individual's EUC available account balance. To the extent permitted under state law, a EUC overpayment may be recovered by offset, except that no single offset may exceed fifty percent of the amount otherwise payable to the individual for the week.

UIPL No. 23-08 Attachment A also states that full payment of EUC when due must be made with the greatest promptness that is administratively feasible.

Condition: We reviewed a sample of twenty-five EUC benefit payments that included an offset to recover an overpayment. Our sample was randomly selected from an audit universe of 22,098 EUC benefit payments issued within our audit period that contained overpayment offsets. Our review disclosed that in four instances the offset was not set up properly in the department's system as follows.

We noted that claimants who are approaching the end of their tier and whose benefits are being offset to recover an overpayment may be unable to exhaust their current tier and move onto the next tier in a timely manner. This happens when the EUC available balance falls below the weekly benefit amount in the claimant's current tier. The department's system is not programmed to factor in the available balance in the next tier of EUC benefits in determining the offset amount.

In one of the four instances noted above, the department made the correction prior to notification by the auditors.

Effect: Claimants are being prevented from receiving the next tier of EUC benefits in a timely manner.

Cause: The department's IBM system was not programmed properly. Although the department was aware of this programming issue, they have not implemented procedures to detect such instances. We were informed that these errors are corrected only if brought to the department's attention, usually by the claimant.

Recommendation: The Department of Labor should implement procedures to ensure that Emergency Unemployment Compensation payments are made properly when overpayments are recouped.

Agency Response: "We agree with this finding. The audit detected instances where claimants did not "trigger" onto the next available Emergency Unemployment Compensation (EUC) tier because they continued to have a "small" remaining balance on the existing tier. In order to "trigger" onto the next tier, the claimant must exhaust the remaining balance of that existing tier. CT DOL is authorized to offset a percentage of the EUC payment against an outstanding overpayment balance (both fraud and non-fraud). However, as multiple weeks are filed, the remaining eligibility balance is reduced beyond the weekly benefit rate (or below one week eligibility). Therefore, the claimant has the potential to receive less unemployment compensation each week because of the outstanding overpayment balance.

The department's business resources began detecting these instances and have been temporarily removing the overpayment balance so the claimant may "trigger" onto the next EUC tier. Once the next tier is established, then the overpayment balance and the full unemployment compensation are restored to the claimant."

III.C.9. UI Eligibility

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: Department of Labor
Award Years: Not Applicable
Federal Award Number: Not Applicable

Criteria: Title 20 Code of Federal Regulations (CFR) Section 601.2 provides that states may submit their unemployment compensation laws for approval. The Secretary of Labor determines whether the state law contains the provisions required by Section 3304(a) of the Internal Revenue Code of 1986. If the state law is approved, the Secretary notifies the Governor within 30 days of the submission of the law.

Title 20 CFR Section 604.3 requires that a state may pay unemployment compensation only to an individual who is able and available for work for the week for which unemployment compensation is claimed.

Section 31-227(g) of the Connecticut General Statutes states that for any week with respect to which an individual is receiving a pension, which shall include a governmental or other pension, retirement or retired pay, annuity, or any other similar periodic payment under a plan maintained or contributed to by a base period employer, the weekly benefit rate payable to such individual for such week shall be reduced by the prorated weekly amount of the pension.

Title 20 CFR Section 603.2 states that claim information includes whether an individual has applied for unemployment compensation, whether the individual has refused an offer of work, and any other information contained in the records of the state unemployment compensation agency that is needed by the requesting agency to verify eligibility for, and the amount of, benefits.

Section 31-236 of the Connecticut General Statutes states that if the individual has left suitable work voluntarily and without good cause attributable to the employer or other limitations, the individual would be ineligible for benefits.

Title 20 CFR Section 603.23(b) states that the state unemployment compensation agency must cross match quarterly wage information with unemployment compensation payment information to the extent that such information is likely, as determined by the Secretary of Labor, to be productive in identifying ineligibility for benefits and preventing or discovering incorrect payments. Section 31-227(a) of the Connecticut General Statutes states that benefits shall be payable only to individuals who are unemployed and are eligible for benefits. Section 31-229 of the Connecticut General Statutes states that an eligible individual who is partially unemployed throughout a week shall be paid with respect to such week an amount equal to his benefit rate for total unemployment reduced by an amount equal to two-thirds of the total remuneration for services of any kind during such week.

Title 20 CFR Section 615.4 (a) states that an individual is entitled to extended benefits if the individual files a timely claim for extended benefits and satisfies the pertinent requirements of the applicable state law. Title 20 Code of Federal Regulations Section 615.8(a)(1) states that for claim filing and reporting, the terms and conditions of the applicable state law which apply to claims for, and the payment of, regular compensation shall also apply to extended benefits.

Title 20 CFR Section 615.8(g) states that an individual who claims extended benefits shall be required to make a systematic and sustained effort to search for suitable work and furnish to the state agency, with each claim, tangible evidence of such efforts.

Section 4001(d)(2) of the Supplemental Appropriations Act of 2008 (Public Law No.110-252) states that the terms and conditions of state law which apply to claims for regular compensation and to the payment thereof shall apply to claims for emergency unemployment compensation and the payment thereof.

Condition: We reviewed a sample of 60 unemployment compensation benefit payments totaling $18,031 for compliance with federal eligibility requirements. Of this amount, $6,318 was state funded and $11,713 was federally funded. Our sample was randomly selected from an audit universe of 7,146,872 unemployment checks totaling $2,298,833,959 paid during the state fiscal year ended June 30, 2011.

Our review disclosed that for a total of 14 transactions, totaling $4,437, there were internal control deficiencies that resulted in one or more of the federal eligibility criteria not being met or being unsupported as follows:

- For one claimant, we were unable to verify the claimant's weekly attestations to the eligibility requirements that included being able and available for work and reporting of any pension payments not previously reported in the initial claim process, as the department was unable to provide us with the paper claim to support the attestations provided to an agent by phone.
- For one claimant, the department's customer service representative selected the incorrect separating employer and, therefore, did not adequately verify and document the reason that the claimant separated from employment.
- For four claimants that collected benefits under the Emergency Unemployment Compensation (EUC) program, there was no evidence that an initial EUC application was prepared and submitted.
- For seven claimants that collected benefits under the extended benefits (EB) program, there was no evidence that an initial EB application was prepared and submitted, as the department does not have an initial application process in place for claimants filing for extended benefits.
- For five claimants, there was no evidence that claimants receiving extended benefits provided tangible evidence of a systematic and sustained effort to seek work. We noted an additional ten claimants in our sample who received extended benefits at some point during the audit period where there was also no tangible evidence of a systematic and sustained effort to seek work.
- For one claimant, the department's cross match of claimant benefits with employer earning records identified that the claimant had earnings during the quarter of the payment in our random sample. In accordance with the department's automated process, letters were sent to the employer to identify the claimant's weekly earnings. Since the employer did not return the letters, no action was taken on the part of the department. However, the presence of wages indicates that the claimant's benefits should have been reduced or ended at some point during the quarter reviewed and were not. The payment amount in our sample was $205.

Effect: There is potential for unemployment compensation claimants to be inappropriately determined eligible, which would result in the overpayment of benefits.

Cause: The department did not retain certain information. The department's customer service representatives did not appropriately follow procedures to verify the claimant's employment separation reason.

The department has not developed or implemented a process for extended benefit claimants to file initial applications. Although the department implemented procedures in November 2010 for requiring claimants to provide tangible evidence of a sustained effort to seek work, the department has not implemented procedures to monitor the submission of such documentation.

Recommendation: The Department of Labor should strengthen internal controls to ensure that the eligibility of all unemployment claimants is adequately documented, supported and in compliance with federal regulations.

Agency Response: "(Bullet 1) We agree with this finding. The department stores attestations to the eligibility requirements for weekly Unemployment Insurance benefits in one of three ways. Attestations to weekly claims filed via the automated telephone or Internet system are automatically stored in the mainframe database. Claims for temporary layoffs of six weeks or less are automatically generated based upon attestations recorded on a document provided by the employer and signed by the claimant. Claims for which the eligibility requirements are verbally attested to by the claimant over the telephone to an agent are recorded on a paper document and filed. The claim in question was such a claim. We are unable to locate the document containing the attestations for the claim in question. The department will review the policies and procedures for recording, batching and retaining the attestation documents and take necessary actions to remedy any deficiencies.

(Bullet 2) We agree with this finding. The selection of the incorrect separating employer was an error on the part of the agent. The department has scheduled training for all new and existing employees involved in taking claims. Proper identification of the most recent separating employer is a key component of this training.

(Bullet 3) We agree with this finding. EUC applications are captured in two different ways. The claimant may apply through our self-service IVR [interactive voice response] and internet applications. The answers to such applications are stored in our IBM system. Claimants may also attest to the application by telephone with an agent. It is possible that the paper documents could not be retrieved from the files. The department will review its filing and storageprocedures for paper EUC application documents to ensure that all such documents are readily retrievable.

(Bullet 4) The department has not developed or implemented processes for Extended Benefits claimants to submit initial applications. While the department understands the importance of such an application, the department believes that improper payments resulting from a lack of a formal application is mitigated by several factors. The claimant has already answered the same questions that will be asked in the EB application during the EUC application. EB payments immediately follow EUC payments with no break in filing sequence. Claimants who have breaks in filing between EUC and EB are required to follow the same validation process as other claimants who have a break in filing sequence. The EB application will require an IVR and internet component similar to that of the EUC application. Due to competing priorities for limited information technology staff, the department is not currently able to implement such an application before the legislation that authorizes payment of Extended Benefits expires in March of 2012.

(Bullet 5) We agree with this finding. U.S. DOL directive requires states to review all certified claims filed by claimants receiving "Extended Benefit" (EB) unemployment compensation. In November 2010, CT DOL established this requirement by informing each claimant of the requirement and to report their work search efforts to the agency. CT DOL dedicated staff to review each return, which makes the initial compliance determination. If the claimant failed to meet the requirements, then staff would establish a pre-determination hearing. Each month, staff reviews approximately four-thousand work search applications. However, as reported in the audit, there are claimants who fail to return their work search efforts for each certified EB week. In order to detect this condition, our Information Technology (IT) unit would have to establish a database to isolate the non-returns. Since the current returns are logged into an excel database, info not existing on the mainframe, the detection would be very difficult. This problem will be raised with our IT unit to determine if the excel database can be utilized against the mainframe to isolate the non-compliant claimants. EB eligibility is expected to be phased out during the month of March 2012. Therefore, the condition will be detailed for future EB initiatives.

(Bullet 6) We agree with this finding. The audit found one instance where the employer did not respond to the Benefit Payment Control "crossmatch" audit form, UC-1124-B. This form provides instructions to the employer for a routine audit, requesting wages for week or weeks corresponding to Unemployment Compensation and wages reported in the quarterly crossmatch. Further it requires the employer to return the form within twenty-one days. The subject employer was represented by an agent. Upon this audit finding, the agency discovered potentially other instances where employers represented by the agent, have not responded to the UC-1124-B. We immediately began discussions, explaining the problem and requesting their compliance by returning all UC-1124-B adequately and timely. The employer agent representative addressed our concern with their corporate counsel, in turn drafted and mailed a letter to all their represented employers on or about January 11, 2012. This letter instructs them to complete the form as required because we are investigating potential claimant fraud. Agency staff is monitoring the condition to determine if the agent employers are responding to the form as instructed."

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 2010-2011
Federal Award Number: 2010IW100344

Immunization and Vaccine Grants for Children (IMM) (CFDA #93.268)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Number(s): 5H23IP122525-08 and 5H23IP122525-09

Criteria: OMB Circular A-87, Appendix A, Section C, requires that the costs charged to a federal award be necessary and reasonable to carry out the federal award based on a documented, after-the-fact distribution of charges for the salaries and wages of employees working on multiple activities or cost objectives. The Department of Public Health has established policies and procedures for such documentation.

Sound risk management procedures require that risks be identified through an ongoing risk assessment process, that a plan is developed and implemented to mitigate identified risks, and that the implemented plan elements be monitored and reviewed to determine their level of success.

Condition: Our prior audit reported on a supervisor who repeatedly approved an employee's timesheets without reconciling to leave request slips. As a result, the employee was able to be absent from work without charging accrued leave time. A total of $194,413 in questioned costs covering a number of federal programs (including $70,126 for the WIC program) was included in the prior audit recommendation.

Our current review found that while the agency took corrective action to address the condition including dismissal of an employee and instructions to the branch chief to reconcile all leave slips with the appropriate timesheets, it performed no direct tests to ensure that supervisors were performing the required reconciliation of timesheets to leave request slips.

We extended our payroll testing to perform follow-up on leave request approvals. For each sample employee, we requested all leave requests for the two month period that included the sample pay period. For the WIC program, four employees had missing leave requests during the two month periods totaling 39 hours on nine days. For the Immunization Program, one employee had missing leave requests during the two month period totaling nine hours on two days.

Effect: In the absence of the five leave request approvals noted above, it cannot be affirmed that the Department of Public Health fully resolved the prior audit condition regarding reconciling leave request slips to employee timesheets. As a result, leave time taken but not supported by supervisor approvals may represent unallowable charges to the major federal programs.

In the absence of a risk assessment function, there is an increased likelihood that previously reported conditions will reoccur and that other conditions will go undiscovered and uncorrected.

Cause: The Department Public Health does not have an established system for the systematic and ongoing assessment of risk factors such as our prior audit recommendation described above.

Recommendation: The Department of Public Health should comply with federal cost principles by only charging federal awards for necessary and reasonable costs that are supported by properly approved periodic personnel activity reports. In addition, the Department of Public Health should develop a risk assessment and mitigation function to ensure that previously reported conditions are fully resolved and to identify and address other risk factors on an ongoing basis.

Agency Response: "We agree with this finding. During the period of the review of leave requests, the practice was for staff in the WIC Program to submit leave requests to the program secretary. The program secretary would compile the requests and provide them to the supervisor for approval. Due to the unexpected and frequent outages of the program secretary due to medical conditions, it appears that leave requests may have not been submitted from the program secretary to the supervisor. However, during timesheet approval, the supervisor compares multiple sources of information to approving staff time including the following sources: All employees are required to keep their schedules on the agency's outlook calendar; all Health Education Management Surveillance Section *(HEMS)* staff (which includes WIC) are required to complete a weekly calendar; call the HEMS Section main number, and leave a message for the supervisor when reporting tardiness or out for the day. These sources are used to ensure that time off is accounted for.

As of October 2011, the policy has changed. WIC staff are now required to submit leave requests directly to their supervisor for approval and, once approved, the supervisor copies the program secretary on the approved version back to the staff person. Additionally, staff have been reminded that no time off can be taken without prior approval of the leave request. For unexpected outages, staff have been reminded that leave requests must be submitted within 24 hours upon return to work."

III.D.2. Period of Availability – Review and Approval of Vendor Payments

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 2010- 2011
Federal Award Number: 2010IW100344

Criteria: Title 7 Code of Federal Regulations (CFR) Section 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.

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.

Condition: Our review noted five expenditure transactions totaling $61,472 that were paid outside the WIC program's period of availability.

Effect: The Department of Public Health may be required to repay or lose future grant funding as a result of claiming costs outside the period of availability.

Cause: The Department of Public Health did not adequately review the approved invoices before making payments to ensure that they were made within the period of availability for the WIC program.

Recommendation: The Department of Public Health should establish and follow internal controls to ensure transactions charged to federal funds do not occur before or after the period of availability.

Agency Response: "We agree in part with this finding. The department reviewed and approved the invoices within the period of availability for the WIC program but the Core-CT system processed the payment outside the period of availability."

III.D.3. 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 2009-2010 and 2010-2011
Federal Award Number(s): 5H23IP122525-08 and 5H23IP122525-09

Criteria: Title 31 Code of Federal Regulations (CFR) Part 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.

Title 45 CFR Section 92.20(b)(7) requires that grantees monitor cash draw-downs by their sub-grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees. Title 45 CFR Section 92.21(c) provides that sub-grantees shall be paid in advance, provided they demonstrate the ability to minimize the lapse of time between the transfer of funds and their subsequent disbursement. Title 45 CFR Section 92.21(e) provides that if a grantee cannot meet the criteria for advance payments under 45 CFR Section 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: In our prior audit, we reported that, “the Department of Public Health (DPH) 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 bimonthly estimates of cash need rather than actual cash disbursements. 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.”

Our current period expenditure testing for the Immunization program found that 32 subrecipients received scheduled contract payments to develop and implement an immunization plan. While the payments to the towns were made in accordance with their contracts, such payments were not timed to the subrecipients’ actual immediate funding requirements to carry out the program.

We were informed that the $200,000 threshold for monitoring contracts, as described above, is still in effect. It was also brought to our attention that the department does not apply cash management requirements to the Immunization Program as the program is not included in the Cash Management Improvement Agreement between the state and the United States Treasury. Our current review found no evidence that the prior audit recommendation had been addressed.

Effect: The department's use of scheduled contract payments to subrecipients does not assure that the time elapsed between the transfer of funds and their subsequent disbursement by the town is minimized. As a result, scheduled payments can be less than or more than the towns actual immediate funding requirements to carry out the program or project.

Cause: The department responded to this prior audit recommendation by stating that, "we continue to monitor opportunities for improvement within available resources." To date, DPH either does not have or has not allocated the necessary resources to implement sufficient policies and procedures to adequately determine and monitor its subrecipients' actual immediate funding requirements. DPH was not aware that this program was subject to cash management requirements despite not being included in the Cash Management Improvement Agreement between the state and the United States Treasury.

Recommendation: The Department of Public Health should establish policies and procedures that minimize the time elapsing between the transfer of Immunization Program funds and their subsequent disbursement by subrecipients in compliance with federal requirements.

Agency Response: "We agree with this finding. The department will institute the following policy and procedure for the renewal of the current and future Immunization Program contracts: The department will place all subrecipients on the agency's Cash Management Program. The Program will continue to conduct cash flow analysis. The amounts listed in contract payment tables will represent the maximum that is available to the subrecipient for the associated period. All payments, including the initial payment after contract execution, will be based on a Cash Needs Statement compiled by the subrecipient.

On this report the subrecipient indicates the amount of funds expended to date, the amount of funds needed to carry it through the next two month period based on scheduled obligations, then subtracts the amount of funds provided to date. The remainder is the amount that will be paid to the subrecipient. Under this system, the payment period is reduced to two months. Considering the time required to receive/approve reports and issue payment, the subrecipient will seldom have more than one month's prospective cash, in the amount of $7,500, on hand with the remaining portion reimbursing expenses for the prior month."

III.D.4. Cash Management - WIC Grant Payments to Subrecipients

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA#10.557)
Federal Award Agency: United States Department of Agriculture Award Year
Award Year: Federal Fiscal Year 2010- 2011
Federal Award Number: 2010IW100344

Criteria: The United States Treasury agreement with the State of Connecticut requires that the funds shall be distributed to the subrecipients in compliance with the Title 31 Code of Federal Regulations Part 205, which states that the funding should be made based on the need of the subrecipients.

In accordance with the agreement the Department of Public Health (DPH) is required to reconcile the estimated and actual expenditures to determine the difference between the estimated draw downs and the actual expenditures.

The state interest liability should be calculated in accordance with the agreement and should use the correct interest rate prescribed by the United States Treasury.

Condition: Our current review of cash management for the WIC program noted the following conditions:

- During the fiscal year under review, DPH made scheduled contract payments to subrecipients for the WIC program. While the department reviewed the monthly cash flows from the local agencies, they paid the total remaining amount of the contract at the end of the fiscal year. Our review of 14 large WIC program subrecipients found that they each received three or four times their scheduled contract payments in June 2011 for a total of $1,325,975.
- In 2008, the department over-drew $1.3 million for the administrative portion of the WIC grant. In October of 2011, a remaining over-draw of approximately $435,000 was identified by the department and future draw downs were adjusted to eliminate the excess cash on hand. The total cash management interest liability for the early drawdown calculated by the department for fiscal year 2011 was $296 for the current year and $2,978 for the prior years or $3,274 in total. Our review noted a $54 understatement in the current period liability due to the wrong interest rate being used to calculate the current period interest liability.

- Our review of WIC program draw downs found one under-draw in the amount of $5,000 that was caused by a transposition error that was not detected by the reconciliation (CMIA Report) reviewer.

Effect: While the payments to subrecipients were made in accordance with their contracts, such payments were not timed to the subrecipients' actual immediate funding requirements to carry out the program. As a result, scheduled payments can be less than or more than the subrecipients actual immediate funding requirements to carry out the program or project.

Undetected drawdown errors may result in interest liability penalties due to early drawdowns or additional financing costs to the state from late draw downs.

Cause: The department has not implemented sufficient policies and procedures to 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 WIC Program funds and their subsequent disbursement by subrecipients in compliance with federal requirements.

Agency Response: "We agree with this finding. As resolution of this finding, the department will institute the following policy and procedure for the renewal of the current and future WIC Program Contracts: The WIC Program will continue to conduct cash flow analysis. The WIC Program will plan for monthly payments to subrecipients (instead of bi-weekly). Under the current policy and also in the future, subrecipients are required to submit expenditure reports on the 20th of the subsequent month (i.e. October's expenditure reports are due on November 20th) In the future the WIC Program will not issue payments for the full amount of the contract unless expenditures are presented to justify full payment. Upon execution of the new WIC contract period, subrecipients will be required to continue to submit these expenditure reports.

They will also be required, on the same reporting dates, to provide a projection of the future month's needs for funding. (e.g. on November 20th, the October expenditure report will be due along with a report outlining the projected funding needs for December) Payments to subrecipients will be made on a cash needs basis, reflective of the projection."

III.D.5. Monitoring of Conflicts of Interest for Child Care Licensing Inspections

Child Care and Development Fund Cluster (CCDF) (CFDA #93.575, 93.596, 93.716)
Federal Award Agency: United States Department of Human Services
Award Year: Federal Fiscal Years 2009-2010 and 2010- 2011
Federal Award Number: G1001CTCCDF and G1101CTCCDF

Criteria: The quality of the licensing inspections, enforcements and adjudications of child care and other facilities performed by the Department of Public Health is enhanced when effective controls are in place to ensure best efforts on the part of employees, including inspectors, supervisors and support staff, to identify real or perceived conflicts of interest.

Effective policies and procedures should be established to help employees identify conflicts. Management should periodically request and review employee disclosures of conflicts in order to properly assess and mitigate those disclosures.

Condition: Our review of child care licensing inspection, enforcement and adjudication processes, as well as other facilities licensing inspections (ICF/MR, Nursing, Hospitals, etc.) at the department, found the following related conditions:

- The department does not have formal policies and procedures to identify, prevent or resolve conflict of interest situations with respect to licensing inspections, enforcements and adjudications.
- There are no periodic request for employee disclosure of conflicts when performing or associated with licensing inspections, enforcements and adjudications for disclosure of conflicts. As a result, there is no formal management assessment or mitigation process of potential conflicts.

Effect: Employees may have a real or perceived conflict of interest that should result in their disqualification from certain licensing inspection, enforcement or adjudication assignments. Management may not be aware of conflict of interest situations that require assessment or mitigation.

Cause: The informal policy in current use by the department’s licensing units regarding conflict of interest is not documented nor are employees provided with any guidance on what might constitute a conflict of interest situation.

Recommendation: The Department of Public Health should develop formal policies and procedures for licensing inspections, enforcements and adjudications of child care and other facilities to prevent or resolve conflict of interest situations. The policies and procedures should include guidelines to assist employees in indentifying real or perceived conflicts of interests. Documentation should be retained as evidence that management assessed and addressed any conflict of interest disclosures.

Agency Response: "We disagree with this finding. The audit finding fails to indicate that the department does have formal policies and procedures to prevent or resolve conflict of interest situations. Upon hire, all department employees are required to acknowledge receipt of the State Code of Ethics and agree that they are bound by and obligated to use their best efforts to comply with such standards. The department has appointed an Ethics Liaison who serves as a link between the department and the Office of State Ethics and who is a resource to all department staff. The Liaison sends out periodic reminders to all department staff concerning ethics and files these reminders in a folder on the department's shared drive. Also accessible to all staff in this folder is the Department of Public Health Agency Statement of Values and Ethics. This document provides guidance to employees by defining values that employees are expected to embody in their daily work and by identifying the types of activities that are prohibited. In addition to these policies that impact all DPH staff, the Child Day Care Licensing Program's training of new staff includes a discussion of real or perceived conflicts of interest and expectations. Furthermore, the Program's written protocol for the investigation of a death or serious injury of a daycare child states that if there is a conflict of interest, the staff assigned to the case may need to withdraw from the case if a thorough and fair investigation cannot be conducted or if objectivity cannot be maintained. All of the above policies and procedures are thought to be effective in helping employees identify real or perceived conflicts of interest so that supervisory action deemed appropriate can be taken."

Auditors Concluding Comments:

Our review of Child Care Licensing Inspections included consideration of the various policies and procedures found in the department's response. While the policies and procedures cited by the department do support an awareness of conflicts of interest, our review of those policies and procedures found that they do not directly address personal conflicts of interest that may require assessment and/or mitigation by management.

E. DEPARTMENT OF CHILDREN AND FAMILIES

III.E.1. Eligibility – Inadequate Documentation and Ineligible Child

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1401, 1101CT1401, 1101CT4001 and 1102CT1401

ARRA - Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1402, 1101CT1402, 1101CT1404 and 1102CT1404

Criteria: In order for states to receive federal reimbursement for foster care payments made on behalf of children in their care, the child must meet the eligibility requirements of the former Aid to Families with Dependent Children program, as in effect on July 16, 1996 (Section 472(a)(3) of the Social Security Act). In addition, the child must be placed in an allowable foster care facility that meets the standards for full licensure established by the state (Title 45 Code of Federal Regulations (CFR) Section 1355.20). Anything less than full licensure is insufficient for meeting foster care eligibility requirements.

In order to ensure that a child is not placed in a foster care setting where the potential caregiver has caused or is likely to cause harm to a child, 45 CFR Section 1356.30 requires the state to examine the potential safety risks posed to the child by a foster care provider. The state must document that the foster care provider meets the established safety standards before claiming foster care payments. An allowable foster care facility is defined as a foster family home, group home, private childcare institution, or public childcare institution accommodating 25 children or fewer (45 CFR Section 1355.20(a)).

The federal regulation requires that the state perform criminal records checks, including fingerprint-based checks of national crime information databases, for any prospective foster parent. It also requires states to check, or request a check of, a state-maintained child abuse and neglect registry in each state the prospective foster parent and any other adult living in the home have resided in the proceeding five years. If the check reveals no issues, the state can license a prospective parent.

The state must provide documentation that safety checks were conducted. Acceptable documentation is evidence that contains the results of the safety checks. The state is expected to adhere to the safety standards established in the state's laws and policies.

Foster Family Homes
DCF's safety check requirements exceed those prescribed in federal regulations. At the time of initial licensure, department policy (41-16-3.1) requires all prospective foster parents and household members age 16 or older who reside in the prospective foster family's home to undergo local and state police criminal records searches by name and date of birth, as well as and state police and FBI fingerprint searches. A new license is issued every two years. Prior to license renewal, the same criminal record searches and fingerprint searches must be conducted for any household member age 16 or older who has not previously completed them. Further, at the time of initial inquiry and prior to renewal, a search of LINK, the department's statewide automated child welfare information system, and the department's legacy case management system must be conducted for all foster parents and household members to determine if there is any prior child protective service history.

Private Childcare Institutions
DCF verifies that required state and federal fingerprint and child protective service checks are performed on facility staff at in-state institutions. For out-of-state institutions, the department obtains biennial licensing certifications from the facility confirming that each program operated by the facility is in compliance with that state's licensing requirements. The department also obtains annual statements from the state's licensing authority confirming that the facility is in compliance with that state's safety check requirements.

States must document that foster care maintenance payments claimed are for items or services encompassed within the statutory definition of this term and are in amounts conforming with the state-established rates of payment for the type and level of care provided (45 CFR Section 1356.60(a)(i)).

Condition: We reviewed a sample of 60 foster care maintenance payments totaling $138,119 ($74,838 Federal Financial Participation (FFP)) for compliance with federal eligibility requirements. Our sample was randomly selected from an audit universe of $60,005,146 **(**$32,622,555 FFP) for the fiscal year ended June 30, 2011. We did not determine the number of transactions in the audit universe. Our review disclosed the following:

a) For sixteen (16) transactions, the supporting documentation for safety checks was either missing or not maintained on file for the period under review. In twelve (12) cases, the actual search results of checks performed were not maintained on file, but rather a checklist or some other form of notation indicating that no records were found. In the other four (4) cases, documentation of required checks was missing from the file.

b) For one (1) transaction, a statement was not on file from the state's licensing authority confirming that an out-of-state facility was in compliance with that state's safety check requirements.

c) For one (1) transaction, federal reimbursement was claimed on behalf of a child who was ineligible. The child, who was originally determined eligible under the adoption assistance program, re-entered state care; however, at the time of our review, the eligibility determination under the foster care program had not been performed for the child. The department subsequently determined the child to be ineligible for the foster care program.

d) For one (1) transaction, the rate paid to the foster family was not supported.

Effect: The auditor questions the following costs summarized by condition:

a & b) Payments totaling $18,015 ($9,544 FFP) were unable to be determined as proper as a result of insufficient or lack of documentation.

c) One payment of $4,896 ($2,507 FFP) was made on behalf of an ineligible child.

d) One payment of $434 ($222 FFP) was unable to be determined as proper as a result of insufficient or lack of documentation. The questioned cost represents the difference between the standard rate that would have been paid to the foster parent for the child's age group and the actual higher negotiated rate paid to the parent for which no supporting documentation was provided to us.

Cause: DCF's internal controls for ensuring that complete safety checks are performed and documented were inadequate. We were informed by the department that it does not have sufficient internal controls in place to identify adoption cases returning to the department that require eligibility determinations be performed.

The department did not maintain proper documentation of the higher special subsidy rate apparently negotiated between the department and the foster parent.

Recommendation: The Department of Children and Families should improve internal controls to ensure that all documents supporting the eligibility for foster care cases are obtained and maintained.

Agency Response: "We agree with the finding. The department has assembled a curriculum and training manual and has provided training to Department of Children and Families employees, along with therapeutic foster care providers on the necessary safety checks and the necessity to retain either a paper or electronic copy of the necessary safety checks. The department has put in place documentation regarding the system checks that will need to be verified by a minimum of three individuals before a foster care license will be issued, or reapproved.

The division overseeing out-of-state providers has instituted a system to audit files for the necessary statements from out of state providers. If the statements are not in the file, the Revenue Enhancement unit will be notified that a claim should not be made for the facility. Revenue Enhancement only claims cases after a determination has been made that the child is eligible.

Area office employees did make the decision to pay a higher rate to a foster family because the child did present special needs. It is not clear from examining the file how the rate was determined or who approved the higher rate. The department examined the file and does believe that the rate being paid is appropriate. Prior to April 15, 2010, the department did not have a standardized application or assessment tool for admission to a therapeutic foster care placement. The tool is now in use and we should not have a similar finding again for cases rated after April 15, 2010."

III.E.2. Eligibility – Inadequate Documentation and Improper Payments

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1407, 1101CT1407 and 1102CT1407

ARRA - Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1403, 1101CT1403, 1101CT1405 and 1102CT1405

Criteria: Adoption assistance subsidy payments may be paid on behalf of a child and claimed for federal reimbursement only if the following requirements are met.

Title 42 United States Code (USC) Section 673(a)(1)(B)(ii) indicates that the state may make adoption assistance payments to such parents if, in part, the child meets the requirements of 42 USC Section 672(a), which 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 Aid for Families with Dependent Children (AFDC) eligibility requirement as in effect on July 16, 1996.

Title 42 USC 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 adoptive parent before the 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.

Title 42 USC Section 671(a)(20)(B)(i), 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 adoptive parent and on any other adult living in the home of such a prospective parent before the 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.

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 adoptive parents and that the state may not claim federal financial participation (FFP) for any adoption assistance payments made if the state finds that the prospective adoptive parent has been convicted of a felony involving child abuse or neglect, spousal abuse, or a crime involving violence or if a member of the prospective foster family has been convicted within the last five years of a felony involving physical assault, battery, or a drug-related offense.

Condition: We reviewed a sample of 60 adoption assistance subsidy payments, totaling $56,118 ($30,428 FFP), for compliance with federal eligibility compliance requirements. Our sample was randomly selected from an audit universe of $45,935,035 ($24,881,152 FFP) for the fiscal year ended June 30, 2011. We could not determine the number of transactions in our audit universe.

Our review disclosed that for 32 of the 60 transactions, totaling $28,465 ($15,425 FFP), one or more of the federal eligibility criteria was not met. For all of the 32 transactions, criminal history, including fingerprint-based checks and/or abuse and neglect checks on prospective adoptive parents were either not performed, not adequately documented or were not performed prior to the child's placement in the home. For three of the 32 transactions, totaling $2,535 ($1,356 FFP), there was no documentation contained in the file to support that the children met the AFDC criteria. For one of the 32 transactions, totaling $875 ($492 FFP), the child did not meet the AFDC criteria and therefore, should not have been determined eligible. Payments outside of our sample which were made on behalf of this ineligible child and claimed for federal reimbursement during the fiscal year ended June 30, 2011 totaled $9,432 ($5,095 FFP).

Effect: DCF's adoption assistance claims included $28,465 ($15,425 FFP) in costs that we questioned due to noncompliance with federal requirements. The transaction amounts questioned resulted from inadequate or untimely documentation to support that certain eligibility standards were met. One payment of $875 ($492 FFP), contained in the total above, was on behalf of a child who was incorrectly determined eligible. Additional payments outside of our sample made on behalf of this child during the fiscal year ended June 30, 2011 totaled $9,432 ($5,094 FFP).

Cause: We could not determine if the department misplaced the prospective adoptive parents' criminal history and abuse and neglect check information, if the procedures were not performed or were not performed in a timely manner due to oversight.

The department did not adequately review, document, or retain all available information during the eligibility determination process.

Recommendation: The Department of Children and Families should improve internal controls to ensure that payments claimed for federal reimbursement under the Title IV-E Adoption Assistance program are made only for eligible children and are adequately documented.

Agency Response: "We agree with the finding. The department believes that in the vast majority of the cases the necessary criminal and background checks were performed and were either inadequately documented or misplaced. The department will immediately begin requiring that prior to the transfer of guardianship or the finalization of an adoption, area office employees will send to a central contact in Adoption Services all the necessary documentation. These documents will then be scanned into LINK, preventing the loss of necessary documentation. Once the checks have been audited for completeness, the adoption or transfer of guardianship will be approved. The scanning of the documents will guard against the loss of documents prior to cases being closed."

III.E.3. Activities Allowed or Unallowed/Allowable Costs/Cost Principles – Inadequately Supported Rate

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1407, 1101CT1407 and 1102CT1407

ARRA - Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1403, 1101CT1403, 1101CT1405 and 1102CT1405

Criteria: Title 42 United States Code 673(a)(3) indicates that the amount of the payments to be made shall be determined through an agreement between the adoptive parents and the state which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents, depending upon the changes in such circumstances. However, in no case may the amount of the adoption assistance payment made exceed the foster care maintenance payment which would have been paid during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home.

OMB Circular A-87 requires that to be allowable under federal awards, costs must be adequately documented.

Condition: We reviewed a sample of 60 adoption assistance subsidy payments, totaling $56,118 ($30,428 FFP), for compliance with federal activities allowed or unallowed and allowable costs, cost principles compliance requirements. Our sample was randomly selected from an audit universe of $45,935,035 ($24,881,152 FFP) for the fiscal year ended June 30, 2011. We could not determine the number of transactions in our audit universe.

Our review disclosed that for one transaction in the amount of $1,446 ($769 FFP), the department paid the medically complex adoption subsidy rate on behalf of a child, but the supporting documentation on file did not support the child’s complex medical status. When the child was adopted, the adoptive parent received the standard rate based on the child’s age group. The standard rate was changed to the medically complex rate subsequent to the finalization of the adoption. The department’s policy requires that the child’s primary health care provider must certify that the child has complex medical needs and requires medical care in order for the adoptive parent to receive the medically complex rate. However, the provider certified that the child did not require the care. For the payment in our sample, the difference between the medically complex rate and the standard rate based on the appropriate age group was $591 ($315 FFP). The difference between the two rates for the subsidy payments made on behalf of the child outside of our sample during the fiscal year ended June 30, 2011 was $6,400 ($3,475 FFP).

Effect: DCF's adoption assistance claims included $591 ($315 FFP) in costs that we questioned due to noncompliance with federal requirements. The amount questioned resulted from the lack of support for the change to the medically complex rate after the finalization of the adoption and represented the difference between the medically complex rate and the rate based on the appropriate age group. In addition, for subsidy payments made on behalf of the child outside of our sample in the fiscal year ended June 30, 2011, we questioned amounts, totaling $6,400 ($3,475 FFP), for the differences between the rates.

Cause: It could not be determined why the department approved the medically complex rate even though the child's health care provider did not certify that the child has complex medical needs. We were informed that the employee who approved the rate no longer works for the department.

Recommendation: The Department of Children and Families should strengthen internal controls to ensure that payments claimed for federal reimbursement under the Title IV-E Adoption Assistance program are adequately supported.

Agency Response: "We agree with the finding. From evaluating the file it does appear that the child does have a medical condition that would entitle the adoptive family to the higher rate that is being received but the documentation in the file is not in full compliance. The child had been assessed immediately after the adoption and at that time the primary doctor did not believe the child met the criteria for the medical rate. Subsequently, the child was reevaluated by his primary physician and he was determined to be eligible for the higher rate. The same determination was made by the DCF medical director. A later assessment is in the file that states the child's condition has not changed since the previous assessment when he was determined to be eligible for the enhanced medical rate but the physician did not check the box approving the determination. The department is seeking further information from the physician. Employees are being instructed to evaluate the forms for completeness before instituting or continuing the medical rate."

III.E.4. Reporting – Federal Financial Report (SF-425)

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services

Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1401, 1101CT1401, 1101CT4001 and 1102CT1401

ARRA - Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1402, 1101CT1402, 1101CT1404 and 1102CT1404

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1407, 1101CT1407 and 1102CT1407

ARRA - Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1403, 1101CT1403, 1101CT1405 and 1102CT1405

Criteria: Federal grant recipients are required to file quarterly reports reporting cumulative federal cash disbursements as of the reporting period end date. Recipients use federal Form SF-425, "Federal Financial Report", for this purpose.

Condition: We reviewed all four SF-425 quarterly reports covering the state fiscal year ended June 30, 2011. Our review was limited to foster care and adoption assistance grants reported upon in each of the quarters. Our review disclosed the following:

- The department reported authorized award amounts on the SF-425 for two foster care and adoption assistance grants for the quarters ended December 31, 2010 and June 30, 2011.
- Cumulative expenditures reported for a 2010 adoption assistance grant on the SF-425 report for the quarter ended March 31, 2011 were understated $1,000,000.

Effect: Adoption assistance cash disbursements were overstated by $12,515 and $489,853 on the SF-425 quarterly reports ended December 31, 2010 and June 30, 2011 respectively, and were understated by $1,000,000 on the SF-425 report for the quarter ended March 31, 2011. There was no monetary effect on the foster care grants. Actual cash disbursements for the two foster care grants exceeded the authorized award amounts. Recipients cannot report cumulative federal cash disbursements greater than the authorized award amount.

Cause: The unit responsible for preparing and submitting the SF-425 report was not in receipt of the Title IV-E Programs Quarterly Financial Grant Report (CB-496) at the time the SF-425 reports were filed. The CB-496 reports expenditures on a cash basis for the foster care and adoption assistance programs. The unit uses the CB-496 to report cash disbursements for both programs. We were informed that in order to file the SF-425 reports on time, a decision was made to report authorized award amounts. The under reporting for the 2010 adoption assistance grant was due to administrative oversight.

Recommendation: The Department of Children and Families should establish internal controls that ensure that actual cash disbursements are reported on the SF-425 report.

Agency Response: "We do not agree with this finding. The department has been unable to obtain the necessary reports by the stated deadline. The department has received permission from ACF to continue to submit reports in the same manner by using estimated figures until the actual reports have been received, and the documentation of this permission has been provided for review."

III.E.5. Level of Effort – Savings/Reinvestment from New Title IV-E Eligibility Rules

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1407, 1101CT1407 and 1102CT1407

ARRA - Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1403, 1101CT1403, 1101CT1405 and 1102CT1405

Background: The Fostering Connections to Success and Increasing Adoptions Act of 2008 gradually increases the number of children with special needs who can be adopted with federal adoption subsidy support by eliminating the income eligibility requirement over time. The act de-linked a child's eligibility for federal adoption assistance payments from Aid to Families with Dependent Children (AFDC) income requirements, previously required under Title IV–E. In addition, children who are eligible for Supplemental Security Income (SSI), based solely on its medical and disability requirements, are now automatically considered children with special needs and eligible for adoption assistance without regard to the SSI income requirements.

The act requires that savings resulting from these new Title IV-E eligibility rules be invested in services (including post-adoption services) provided under Parts B and E of Title IV.

Criteria: A Title IV-E agency must spend any savings generated from implementing the revised adoption assistance eligibility criteria on child welfare services permitted under title IV-B or IV-E (Title 42 United States Code (USC) Section 673(a)(8)).

Condition: Our review of DCF's procedures to administer this compliance requirement noted that the department had not developed procedures to identify savings as the result of the de-link provision, nor had it determined what services the savings would be reinvested in.

Effect: The department was not in compliance with the level of effort requirement.

Cause: Management did not adequately assess its risk of noncompliance relative to the level of effort requirement.

Recommendation: The Department of Children and Families should establish a methodology for calculating savings and determine what child welfare services the savings will be reinvested in.

Agency Response: "We agree with this finding. The department will begin the process of identifying savings as a result of these changes and the overall savings to the State of Connecticut's General Fund as a result of the change in the requirements. The State of Connecticut is one of very few states that does not send revenue generated by an agency directly to that agency to be used towards expenditures. Agencies in the State of Connecticut receive an appropriation without regard to the revenue the agency is able to generate. The agencies are fully funded to meet their mandates regardless of revenue enhancement activities. Due to this system of funding the department will make efforts to expend funds from its General Fund appropriations in compliance with this requirement but there will not be the opportunity to encumber the receipts specifically for this purpose."

III.E.6. Procurement and Suspension and Debarment – Internal Controls

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1401, 1101CT1401, 1101CT4001 and 1102CT1401

ARRA - Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1402, 1101CT1402, 1101CT1404 and 11021404

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1407, 1101CT1407 and 1102CT1407

ARRA - Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: 1001CT1403, 1101CT1403, 1101CT1405 and 1102CT1405

Criteria: Non-federal entities are prohibited from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. Prior to contracting with or making a subaward, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded from a federal program. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the federal General Services Administration (GSA), collecting a certification from the entity included in the contract, or adding a clause or condition to the covered transaction with that entity (Title 2 Code of Federal Regulations Section 180.300).

Condition: We reviewed the suspension and debarment procedures employed by several units within the department assigned the responsibility for ensuring that entities doing business with the department were not suspended or debarred from federal programs. Our review disclosed varying procedures between units including some procedures that would not necessarily identify suspended and/or debarred providers or would identify them after they were paid. A summary of each of the unit's procedures is presented below.

Grants and Contracts Unit
This unit oversees providers who have contracts with the department. These providers are paid from the state's Core-CT accounting system. An employee in the unit checks potential applicants submitting letters of intent to apply for department funds against debarment lists on the federal Department of Health and Human Services Office of the Inspector General (OIG) and EPLS websites.

Providers approved for funding enter into purchase of service agreements with the department. These agreements include certifications that the contractor is not debarred or suspended by any governmental agency and routinely cover multiple state years. The unit does not verify on federal debarment websites that the new providers are not suspended or debarred in the subsequent agreement years.

For existing providers that are continually funded by the department, the unit checks the federal debarment websites prior to the renewal of the agreement and as with initial providers does not verify the providers' debarment status in the subsequent agreement years.

We were informed by the employee that all of the department's providers in Core-CT are checked by the state's Department of Administrative Services (DAS). We inquired with our auditors at DAS to determine whether DAS was in fact verifying that providers were not suspended or debarred from federal programs and were informed that they were not performing these checks.

<u>Purchasing Unit</u>
Buyers in the Purchasing Unit check the state Department of Labor (DOL) debarment list prior to setting up new providers or vendors in Core-CT. Once set up in Core-CT, the buyers do not periodically determine whether the providers or vendors are suspended or debarred in ensuing years.

Section 31-53a of the Connecticut General Statutes requires the labor commissioner to maintain a list of persons or firms whom the commissioner has found to have disregarded their obligations for wages paid to mechanics, laborers and workers on state public works projects or have been barred from federal contracts in accordance with the provisions of the Davis-Bacon Act. The Davis Bacon Act requires all laborers and mechanics employed by contractors or subcontractors that work on construction contracts financed with federal funds receive prevailing wage rates.

<u>Accounts Payable</u>
Accounts payable personnel check the state Department of Labor debarment list prior to setting up a foster parent as a vendor on Core-CT. Once set up in Core-CT, personnel do not periodically determine whether the parents are suspended or debarred in ensuing years.

<u>Fiscal Unit – New Provider</u>
The Fiscal Unit enters providers in its Link computer system. Prior to entering a new provider in Link, an employee goes to EPLS and checks to see if the provider is debarred or excluded. Once set up in Link, the employee does not periodically check to see if the provider is debarred in ensuing years. The employee relies on the year-end matching procedure performed by another employee in the unit to identify providers debarred in later years.

Fiscal Unit – Year End Matching

After the end of each fiscal year, another employee in this unit compares providers in Link to EPLS and the state Department of Labor debarment list. The employee informed us that he does not compare DCF providers paid from Core-CT to EPLS because DAS verifies that providers are not debarred. As noted earlier, DAS is not performing those checks. Confirmed matches are communicated to the Revenue Enhancement Unit to ensure that payments are not claimed for federal reimbursement. Based on this procedure, the Revenue Enhancement Unit would have in most cases already claimed the payment for federal reimbursement and thus would have to file an adjustment to correct the claim.

Effect: The department has lessened assurance that payments are not being made to entities suspended or debarred from federal programs.

Cause: The department did not adequately assess the risks that payments could be made to entities suspended or debarred from doing business with the federal government.

Recommendation: The Department of Children and Families should establish internal controls that ensure that payments are not made to providers/vendors suspended or debarred from federal programs.

Agency Response "The Department agrees with this finding in part. The EPLS and DOL websites will continue to be used to check all applicants for department funding opportunities. Checks will also be made prior to contract renewal. Accounts payable and purchasing staff will continue to check the lists for new vendors prior to issuing an initial payment. Given, the large volume of transactions handled by the staff in these areas, additional resources would be needed to re-check each vendor prior to the issuing of any payment."

Auditors' Concluding Comment: We are not recommending that the department re-check each vendor prior to the issuing of any payment. We are recommending that the department establish standardized internal controls that ensure that the federal government's list of debarred and suspended vendors is periodically reviewed and compared to a list of all vendors or providers that the department is doing business with.

III.E.7. Subrecipient Monitoring – Identification of Federal Award Information

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services

Award Year: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Number: G1001CTTANF and G1101CTTANF

Background: The Department of Social Services (DSS) claims federal reimbursement under the Temporary Assistance for Needy Families (TANF) program for certain in-home and community-based services provided to DCF clients by DCF providers. DCF enters into agreements with these providers and pays the providers in quarterly advances from state appropriations.

The providers are required to determine TANF eligibility for each client that they serve. The results of the determinations are entered into DCF's Programs and Services Data Collection and Reporting System (PSDCRS). PSDCRS is the department's data and reporting system for community-based programs. At the conclusion of each quarter, the department calculates eligibility percentages for each provider and provides this information to DSS along with the amounts advanced to the provider in the quarter. DSS uses this information to claim federal reimbursement under TANF.

Criteria: The Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, states that a pass-through entity is responsible for identifying to the subrecipient federal award information.

Condition: The Department of Children and Families did not identify to the providers the portion of payments received from the department that were claimed by DSS under the TANF program.

Effect: Providers did not include TANF expenditures on their schedule of expenditures of federal awards (SEFA). The amount of expenditures reported in a SEFA is a key factor for the provider's auditor in determining major federal program coverage.

Cause: While DCF states in its agreement with providers that a portion of program funding is provided through the TANF program, it does not have procedures to obtain amounts from DSS claimed under the program and identify such information to its providers.

Recommendation: The Department of Children and Families should implement procedures to obtain and report payments made to its providers that are claimed under the TANF program.

Agency Response: "We agree with finding. The Department of Children and Families (DCF) and the Department of Social Services (DSS) are having a series of meetings regarding the TANF program. These meetings were established to allow the two departments to strategize and share information related to the TANF claiming process. The sharing of information will allow DCF to become compliant in the future."

III.E.8. Subrecipient Monitoring – TANF Eligibility Rates

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Number: G1001CTTANF and G1101CTTANF

Background: The Department of Social Services (DSS) claims federal reimbursement under the Temporary Assistance for Needy Families (TANF) program for certain in-home and community-based services provided to the Department of Children and Families (DCF) clients by DCF providers. DCF enters into agreements with these providers and pays the providers in quarterly advances from state appropriations.

The providers are required to determine TANF eligibility for each client that they serve. The results of the determinations are entered into DCF's Programs and Services Data Collection and Reporting System (PSDCRS). PSDCRS is the DCF's data and reporting system for community-based programs. At the conclusion of each quarter, DCF provides DSS with summary eligibility rates for each provider and service along with the amounts advanced to the provider in the quarter. DSS uses this information to claim federal reimbursement under TANF.

Criteria: Adequately designed data collection and reporting systems should ensure that data reported on summarized reports are supported with underlying detailed data produced from the same system.

Condition: We reviewed the summary TANF eligibility rates for two providers and requested detailed reports from the system to support the rates. We found that there were differences between the summary and detailed information. The department explained that the differences between the two reports could be due to the provider entering information after the quarter ended. With this in mind, we attempted to reconcile the differences between the reports for the two providers but were only able to reconcile the differences for one provider. The department does not utilize the detailed reports in their monitoring of providers and was not able to provide further evidence to explain the variance.

Effect: DSS claimed $14,089,117 in DCF expenditures which may have been based on inaccurate TANF eligibility rates.

Cause: DCF did not adequately assess the risk of how changes to detailed information affect the summary rates generated.

Recommendation: The Department of Children and Families should not report TANF eligibility rates to the Department of Social Services until it reconciles the differences between the summary and detailed reports.

Agency Response: "We agree with this finding in part. The department had previously identified this risk and the TANF eligibility determination process used by providers has been automated through the provider data collection system, PSDCRS. This process was completed and replaced the manual determination as of April 1, 2011. The system logic prevents false positive responses, i.e. client determined eligible who is not in fact eligible. As of January 26, 2012, DCF will assign the reconciliation of the summary to the detailed reports to an accountant in the contract unit. The reconciliation will ensure that the summary amount claimed does not exceed the amount on the detailed report."

Auditors' Concluding Comment: The department did not previously identify the risk that there were differences between PSDCRS summary and detailed reports. As noted in the condition, the department does not utilize the detailed reports in their monitoring of providers and became aware of the differences between reports when we requested the detailed reports to determine whether the summary reports were adequately supported.

F. DEPARTMENT OF EDUCATION

III.F.1. Subrecipient Monitoring – Review of Subrecipient 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 Year: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: S010A090007 and S010A100007

Criteria: 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 state governments shall determine whether subgrantees spent federal assistance in accordance with applicable laws and regulations.

Condition: Our testing of ten subrecipient Schedules of Expenditures of Federal Awards (SEFA) revealed four exceptions for one subrecipient. Most notably, the audited SEFA for one program (CFDA #84.010) only supported expenditures of $6,868,662 out of the $7,061,219 claimed by the subrecipient for reimbursement. The State Department of Education (SDE) attempted to reconcile the variance, but did not sufficiently investigate the $192,557 difference, thereby failing to determine whether there was an unspent balance to be recovered.

Effect: Funding provided through SDE may not have been appropriately expended or accounted for.

Cause: SDE identified variances between the amount paid to a subrecipient and the amount reported on the SEFA. However, it appears that SDE did not follow-up on significant variances.

Recommendation: The State Department of Education should improve its policies and procedures over subrecipient monitoring so that it can adequately review the Schedule of Expenditures of Federal Awards submitted by its subrecipients.

Agency Response: “We agree with the finding. The department will review its policies and procedures over subrecipient monitoring and revise those steps that pertain to identifying expenditure variances for the purpose of determining if further verification actions are necessary.”

III.F.2. Subrecipient Monitoring – Schedules of Expenditures of Federal Awards

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Numbers: G1001CTTANF and G1101CTTANF

Background: Pursuant to Section 402 of the Social Security Act, the Department of Social Services (DSS) has been designated to administer the Temporary Assistance for Needy Families (TANF) program. DSS claimed certain State Department of Education (SDE) expenditures for federal reimbursement under TANF.

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 26, provides that 1) grantees and sub-grantees 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 2) that state governments shall determine whether sub-grantees spent federal assistance 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 400 (d) states that a pass-through entity shall at the time of the subaward, 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.

Condition: Certain state-funded programs at SDE are claimed for reimbursement by DSS under TANF. However, due to a lack of communication between SDE and DSS as to which portion of the expenditures incurred are claimed under TANF, SDE cannot inform its subrecipients that the funds they receive are subject to federal TANF requirements. Hence, the subrecipients and their independent public auditors are not aware of any related federal compliance requirements imposed on them by the TANF program. Further, the subrecipients may not be providing audits to SDE in accordance with OMB Circular A-133. We also found that SDE does not reconcile to expenditures reported in its subrecipient Schedule of Expenditures of Federal Awards.

Effect: Accounting for funding provided through SDE may not have been appropriate. In addition, DSS cannot ensure that state expenditures made by other agencies and claimed for federal reimbursement were used for allowable activities.

Cause: SDE has not established procedures to determine which of its subrecipients received TANF funds.

Recommendation: The State Department of Education and Department of Social Services should come to an agreement as to how expenditures incurred are claimed under TANF. Once this occurs, SDE should inform its subrecipients that some of the state funds provided to them are claimed for reimbursement under the TANF program. Also, SDE should reconcile expenditures reported in its subrecipient Schedule of Expenditures of Federal Awards.

Agency Response: Response provided by the Department of Social Services:

"The department agrees with the finding. The department staff met with other internal units to discuss updates and new versions of the Memorandums of Understanding/Agreement (MOU) with sister agencies included in the TANF federal claim. Our intent is to revise our current MOUs to ensure that all parties understand their responsibilities and reporting requirements for the federal TANF fiscal claim and program reporting. Issues that have been identified in past audits relate primarily to subrecipient communication and monitoring. They are the subrecipient notification of use of federal funds including CFDA number and amount, subrecipient monitoring, and subrecipient verification of TANF-eligibility for clients served and included in the claim. MOU/MOA language will address the subrecipient monitoring and communication issues and identify necessary information regarding TANF eligibility and client tracking, data exchange requirements and processes. The expected result is that the agencies and individual programs subcontracted through other state agencies have the tools to ensure compliance with federal and state TANF and audit requirements."

Response provided by the State Department of Education:

"We agree in part with this finding. SDE will continue to provide expenditure data as requested by DSS and will for future awards, include a statement of notification within the grant award letters to grantees, indicating that certain grant funds may be claimed for reimbursement by DSS under TANF regulations and may be subject to additional reporting requirements."

III.F.3. Cash Management – Monitoring of Subrecipient Cash Balances

Title 1, Part A Improving Basic Grants (CFDA#84.010)
Federal Award Agency: United States Department of Education
Award Year: Federal Fiscal Years 2008-2009, 2009-2010 and 2010- 2011
Federal Award Number: S010A080007, S010A090007, and S010A100007

Special Education- Grants to States (IDEA Part B) (CFDA#84.027)
Federal Award Agency: United States Department of Education
Award Year: Federal Fiscal Years 2008-2009, 2009-2010 and 2010- 2011
Federal Award Number: H027A080021, H027A090021, and H027A100021

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 sub-grantees. When funds are advanced, recipients must follow procedures to minimize the lapse in time 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's criteria for identifying subrecipients that require increased monitoring of cash on hand was insufficient. SDE increases its' monitoring of Local Education Agencies (LEA) when an annual report indicates that the cash on hand exceeds 10 percent of the budget and is greater than $50,000. Although the report documented that an LEA had a $1.6 million cash balance it was not monitored further by the department because excess cash did not exceed 10 percent of budget. Subsequently, the LEA unexpectedly returned over two million dollars to the department.

Effect: If local education agencies are allowed to hold excess cash, the federal government may withhold grant funds, charge interest, or put SDE on a cost reimbursement basis. SDE paid $175 interest to the federal government as a result of the LEA's excess funds.

Cause: The department considered the excess cash at certain LEAs but failed to consider the LEA with a $1.6 million balance because it was not flagged as having an issue by their established criteria.

Recommendation: To ensure local education agencies are not holding excess cash, the State Department of Education should revise their parameters for identifying agencies at risk of holding excess cash.

Agency Response: "We agree with this finding. Although the LEA did have excess cash on hand as of June 30, 2010, it was returned to SDE and deposited on July 6, 2010. While SDE does not prepare its cash balance analysis until the certified end-of-year expenditure reports are received annually on September 1, we will review and revise where necessary, our cash management procedures to avoid instances whereby excess cash is being withheld."

III.F.4. Cash Management – Interest Calculations under the Cash Management Improvement Act Agreement

Title 1, Part A Improving Basic Grants (CFDA #84.010)
Federal Award Agency: United States Department of Education
Award Year: Federal Fiscal Years 2008-2009, 2009-2010 and 2010- 2011
Federal Award Number: S010A080007, S010A090007, and S010A100007

Special Education- Grants to States (IDEA Part B) (CFDA #84.027)
Federal Award Agency: United States Department of Education
Award Year: Federal Fiscal Years 2008-2009, 2009-2010 and 2010- 2011
Federal Award Number: H027A080021, H027A090021, and H027A100021

Criteria: The State Accounting Manual Section 5.2 states that all agencies operating major federal programs covered by the Cash Management Improvement Act (CMIA) Treasury/State Agreement must report federal/state interest liability on an annual basis.

Condition: The department's annual report to the Comptroller of its federal/state interest liability did not include the activity for the Technical High School System in its calculations even though they drew covered federal funds. Through analytical review we determined that federal draws did not result in excess cash being held by the State Department of Education (SDE). However, we could not verify if the clearance patterns were followed because the activity was not included in SDE's analysis that provides the basis for the report to the Comptroller.

Effect: The report to the Comptroller is not based on a complete analysis of disbursements and cash draws at SDE and it cannot be determined if SDE is in compliance with clearance patterns and interest calculations.

Cause: The department excluded the activity for the technical high schools from the calculation of interest that is reported to the Comptroller for CMIA.

Recommendation: The State Department of Education should include all of its activity, including the technical high school system, in its calculation of CMIA interest.

Agency Response: "We agree with this finding. SDE will include in the report to the Comptroller the technical high school system's expenditures in its calculation of CMIA interest."

G. UNIVERSITY OF CONNECTICUT

III.G.1. Cash Management (University of Connecticut)

Federal Award Agency: Department of Defense
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:
Military Medical Research and Development (CFDA #12.420)
Account #525331 – "Tracking the Health of Soldiers with Advanced Implantable Nano-Sensors" – W81XWH-09-1-0711 from the U.S. Army Medical Research Acquisition Act, project period September 15, 2009 through April 14, 2013
Air Force Defense Research Sciences Program (CFDA #12.800)
Account #525227 – "Production, Manipulation and Applications of Ultracold Polar Molecules" – FA9550-09-1-0588 from the Air Force Office of Scientific Research, project period June 1, 2009 through July 31, 2012

Federal Award Agency: Department of Transportation
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:
Highway Planning and Construction (CFDA #20.205)
Account #525147 – "Digital Preservation of a Highway Photo Log Film Archive in Connecticut" – Pass-through award MOU-S2260-0-2009-3 from the Connecticut Department of Transportation, project period July 1, 2009 through June 30, 2010

Federal Award Agency: Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:
Discovery and Applied Research for Technological Innovations to Improve Human Health (CFDA #93.286)
Account #525420 – "Needle-Implantable, and Wireless Mulit-Sensor for Continuous Glucose Monitoring" – Pass-through award AG091073 from Biorasis, Inc, project period September 30, 2009 through August 31, 2012

Criteria: Per Title 31 Code of Federal Regulations Section 205.33, the timing and amount of cash advances should be as close as administratively feasible to the actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. The grantee must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. The grantor must limit a funds transfer to the minimum amounts needed and must time the disbursement to be in accord with the actual, immediate cash requirements.

Condition: We noted that average daily cash balances in excess of $100,000 were maintained for four awards that should have been funded on a cost reimbursement basis. These cash balances were significantly in excess of immediate cash needs.

An average daily cash balance of $799,372 was maintained for award W81XWH-09-1-0711; the average amount expended each day was $877. An average daily cash balance of $855,561 was maintained for award FA9550-09-1-0588; the average amount expended each day was $4,044. An average daily cash balance of $106,471 was maintained for award MOU-S2260-0-2009-3; the average amount expended each day was $504. An average daily cash balance of $ $102,885 was maintained for award AG091073; the average amount expended each day was $390.

Effect: Excess cash balances were maintained.

Cause: With respect to awards W81XWH-09-1-0711, FA9550-09-1-0588 and AG091073, the grantor agencies deliberately transferred funds substantially in excess of the university's immediate cash needs. The grantor agencies bear the responsibility for taking appropriate remedial action.

With respect to award MOU-S2260-0-2009-3, the university invoiced the grantor based on the expectation that significant payments were in process. However, the payments were not made as anticipated.

Rcommendation: The University of Connecticut should monitor cash balances and, if excess cash accumulates from other than the intentional provision of advance funding by the grantor, immediately refund excess cash to the grantor.

Agency Response: "We agree with the observation. We will continue to monitor cash balances and return any excess amounts identified to the sponsor."

III.G.2. Davis-Bacon (University of Connecticut)

Small Business Administration (CFDA #59.000) Non Major Program
Federal Award Agency: Small Business Administration
Award Year: State Fiscal Year Ended June 30, 2011
Federal Award Number: SBAHQ-08-I-0073

Criteria: Under the Davis-Bacon Act, employees of contractors or subcontractors working on federally funded construction contracts in excess of $2,000 must be paid wages not less than those established for the locality of the project (prevailing wage rates). To further this objective, non-federal entities must include a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the applicable U.S. Department of Labor regulations in their construction contracts subject to the Davis-Bacon Act. This includes a requirement for the contractor or subcontractor to submit a copy of the payroll and a statement of compliance to the non-federal entity weekly, for each week in which any contract work is performed.

Condition: The university charged $34,870 in task labor costs to a construction account established for award SBAHQ-08-I-0073. These charges were the only charges for the fiscal year ended June 30, 2011, which were subject to Davis-Bacon Act requirements. The contracts did not include the required prevailing wage rate clauses and the required certified payrolls were not on file.

Cause: It does not appear that the employees responsible for monitoring construction projects were made aware that the projects were federally funded.

Effect: The University of Connecticut did not comply with Davis-Bacon Act requirements.

Recommendation: The University of Connecticut should comply with Davis-Bacon Act requirements.

Agency Response: "We agree with this finding. The various University departments will work together to implement procedures to correct the oversight and comply with Davis-Bacon Act requirements, including assuring that once the approval of funding has been determined the sources of funding will be made known to the various University contracting departments and to Capital Projects and Contract Administration prior to the University entering into any contract or agreement; all contracts with federal funding will include required Davis-Bacon language; and certified payrolls will be obtained and reviewed for compliance."

III.G.3. Subrecipient Monitoring (University of Connecticut)

Federal Award Agency: Department of Agriculture
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:
Grants for Agricultural Research-Competitive Research Grants (CFDA #10.206): Account #524406 – "Measurement and Modeling of Agriculture Field Emissions at Local and Regional Scales" – 2007-55112-17849 from the Cooperative State Research, Education and Extension Service, project period January 15, 2007 thru January 14, 2011

Cooperative Extension Service (CFDA #10.500) Non Major Program
Federal Award Agency: Department of Agriculture
Award Year: State Fiscal Year Ended June 30, 2011
Federal Award Number: 46401-03961-2007

Federal Award Agency: Department of Commerce
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:
Sea Grant Support (CFDA #11.417):
Account #527473/527877 – "Connecticut Sea Grant College Program Omnibus 2008-2010" – NA06OAR4170072 from the National Oceanic and Atmospheric Administration, project period March 1, 2006 thru January 31, 2011

Federal Award Agency: National Aeronautics and Space Administration
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:
NRA/Research Opportunities in Space and Earth Sciences-2006 (CFDA #43.000):
Account #524431 – "Defining Optimality Criteria for the Effective Use of Satellite Precipitation Datasets in Land Surface Hydrology and Water Cycle Studies" – NNX07AE31G from the National Aeronautics and Space Administration, project period January 12, 2007 thru January 11, 2011

Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA #84.334) Non Major Program
Federal Award Agency: Department of Education
Award Year: State Fiscal Year Ended June 30, 2011
Federal Award Number: P334A050171

Federal Award Agency: Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:
Mental Health Research Grants (CFDA #93.242):
Account #525075 – "Syntheses of HIV Prevention Research, Phase III" – 5R01MH058563-13 from the National Institute of Mental Health, project period September 10, 1998 thru February 28, 2014
Alcohol Research Programs (CFDA #93.273):
Account #524651 – "Multilevel Alcohol-HIV/AIDS Prevention in South Africa" – 5R01 AA017399-05 from the National Institute on Alcohol Abuse and Alcoholism, project period September 30, 2007 thru August 31, 2012

Criteria: OMB Circular A-133, Subpart D, Section .400, subsection (d), part (3) requires pass-through entities to ensure that subrecipients have met the audit requirements of Circular A-133, and as applicable, issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensure that the subrecipients take timely and appropriate corrective action.

Condition: In order to track compliance, the university creates a list of subrecipients by extracting data from an electronic grant management system. When we compared the listing with subrecipient payments recorded in the university's accounting system, we found that six of 119 subrecipients were not on the list.

Effect: The university cannot properly fulfill its monitoring responsibility without addressing all subrecipients.

Cause: The university relied solely on its electronic grant management system to identify subrecipients.

Recommendation: The University of Connecticut should verify its listing of subrecipients against accounting system payment data to ensure that it is properly monitoring all subrecipients.

Agency Response: "We agree with the observation and recommendation. We now compare grant management system data to FRS payment data to ensure proper monitoring of all subrecipients."

H. UNIVERSITY OF CONNECTICUT HEALTH CENTER

III.H.1. Equipment and Real Property Management

Federally-Sponsored Research and Development Programs

Federal Award Agency: Various Federal Agencies
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:

Criteria: OMB Circulars A-21 and A-110 require that a physical inventory of equipment be taken at least once every two years and that the results of such inventory be reconciled with the equipment records.

Condition: During our testing of the Health Center's equipment inventory we noted that certain items had not been identified as located within the equipment records for in excess of two years. Additionally, we noted instances in which we could not locate certain items presented in the equipment inventory system. We were informed that such items were no longer in service and had been disposed of in excess of two years ago.

Effect: The Health Center's inventory records have not been reconciled in a manner which demonstrates compliance with the cost principals and administrative requirements established by OMB Circulars A-21 and A-110.

Cause: The condition appears to be the result of a system malfunction.

Recommendation: The University of Connecticut Health Center should conduct a physical inventory of equipment at least every two years, and reconcile the results of the physical inventory to the equipment records.

Agency Response: "We agree with this finding.

Management believes these problems stem from two different sources: a failure to comply with stated policies and an internal system malfunction which resulted in the inventory not updating to the online system's records.

In regards to noncompliance with existing policies and procedures, management believes that the policies over equipment disposals have been adequately communicated to the Health Center community through education and technology. Unfortunately, not all individuals follow the processes. Management will evaluate methods for continued education/re-education and potential disciplinary action for individuals not following the processes currently in place. We will also work with our Project Managers to ensure that proper documentation is handed out at the time of all construction and equipment projects.

The internal system malfunction resulted in the update of records not passing to the inventory system. This malfunction made the final step of the inventory process, reconciliation, difficult because it resulted in erroneous data being sent to the departments. When the software malfunction was detected it was determined that the fix would best be made in conjunction with the new Plant Assets module of Banner.

UCHC's materials management group did conduct a physical inventory within the required amount of time as required by OMB Circulars A-21 and A-110. These inventories produced several offline forms of evidence including:

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- Maps of the areas inventoried which are dated and signed as the inventory is completed.
- Daily inventory reports that are submitted to the Inventory coordinator indicating counts for items inventoried and updated.

While the software malfunction currently prevents the full reconciliation of all inventory discrepancies, management believes it could locate the assets were additional resources applied. Therefore, we do not wish to dispose of assets at this time, as we expect the assets will ultimately be located.

When the Banner Fixed Assets module is brought fully online and the reporting system has been verified for accuracy and completeness, it will be incumbent on the department head, or their designee, to locate the equipment not scanned during the inventory, or complete the appropriate documentation."

III.H.2. Reporting

Federally-Sponsored Research and Development Programs

Federal Award Agency: Various Federal Agencies
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs:

Criteria: Title 2 Code of Federal Regulations Part 170 and the Transparency Act requires, effective October 1, 2010, certain reporting requirements relating to first-tier subawards of $25,000 or more. These reporting requirements include registering in the Federal Funding Accountability and Transparency

Subaward Reporting System (FSRS) and reporting subaward data through FSRS.

Condition: The Health Center designed procedures to follow in the event that Transparency Act reporting was necessary. However, the Health Center was not able to illustrate that an assessment process was in place to determine when the reporting requirement was applicable.

Effect: The lack of a process for determining when the reporting requirements are necessary increases the risk of non-compliance.

Cause: The condition appears to have been caused by a failure to fully implement designed procedures.

Recommendation: The University of Connecticut Health Center should develop a process to assist in ensuring compliance with required Transparency Act reporting.

Agency Response: "Management agrees with the finding. Federal Funding Accountability and Transparency Act (FFATA) requirements and the department's reporting procedures have been reiterated to department staff. Established procedures have been consolidated and reassigned within the department to ensure compliance with FFATA reporting requirements."

I. 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, 2011:

Institution	Entity Number
University of Connecticut	1060772160A1
University of Connecticut School of Medicine	1066000798D4
University of Connecticut School of Dental Medicine	1066000798G4
Central Connecticut State University	1066000798A2
Eastern Connecticut State University	1066000798F2
Southern Connecticut State University	1066000798C9
Western Connecticut State University	1066000798D7
Charter Oak State College	1066000798Z1
Asnuntuck Community College	1066000798G5
Capital Community College	1066000798B4
Gateway Community College	1066000798E6
Housatonic Community College	1066000798B6
Naugatuck Valley Community College	1066000798B9
Northwestern Community College	1066000798C3
Norwalk Community College	1066000798C4
Manchester Community College	1066000798B8
Middlesex Community College	1066000798C1
Quinebaug Community College	1066000798C7
Three Rivers Community College	1066000798C2
Tunxis Community College	1066000798D2
A.I. Prince Technical High School	1066000798I6
Bullard Havens Technical High School	1066000798J1
E.C. Goodwin Technical High School	1066000798L2
Eli Whitney Technical High School	1066000798H4
Ella T. Grasso Technical High School	1066000798K9
Emmett O'Brien Technical High School	1066000798L1
H.C. Wilcox Technical High School	1066000798K8
Henry Abbott Technical High School	1066000798H8
H.H. Ellis Technical High School	1066000798H9
Howell Cheney Technical High School	1066000798K4
Norwich Technical High School	1000318651A1
Oliver Wolcott Technical High School	1066000798L9
Platt Technical High School	1066000798K6
Vinal Technical High School	1066000798L6
W.F. Kaynor Technical High School	1066000798I9
Windham Technical High School	1066000798H6

III.I.1. Cash Management

Federal Pell Grant Program (CFDA # 84.063)
Academic Competitiveness Grant (CFDA # 84.375)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Criteria: Title 34 Code of Federal Regulations (CFR) Section 668.166(b) states that an institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must immediately return any amount of excess cash over the one-percent tolerance and any amount remaining in its account after the seven-day tolerance period to the Secretary of the United States Department of Education.

Condition: *UConn:* In the Federal Pell Grant (Pell) program, following a drawdown of $2,588,104 was made on February 28, 2011, excess cash of between $2,390,904 and $2,318,436, was on hand for nine days for the period from February 28, 2011 through March 9, 2011.

Due to a Pell award adjustment made on April 18, 2011 in the amount of $99,485, excess cash of between $80,562 and $5,741 was on hand for 20 days from April 18, 2011 to May 8, 2011.

In the Academic Competitive Grant (ACG) program, a drawdown in the amount of $2,040 was made on May 9, 2011, which resulted in an excess cash balance of $375 for eight days.

Housatonic CC: In the Pell program, due to an award adjustment made on April 4, 2011, excess cash of between $51,854 and $43,755, was on hand for eight days from April 4, 2011 through April 12, 2011.

Due to another Pell award adjustment made on May 23, 2011, excess cash of between $24,207 and $1,501, was on hand for 57 days from May 23, 2011 through July 19, 2011.

Effect: These institutions were not in compliance with federal regulations governing cash management.

Cause: *UConn:* The university was aware of excess cash on hand due to a Pell drawdown of $2,588,104 posted to the Common Origination and Disbursement System on March 1, 2011. A voucher to return all of the excess cash balance was drafted on March 4, 2011. However, university management determined that a wire transfer was necessary to return the funds. The university authorized a wire transfer request on March 8, 2011, which was executed on March 9, 2011.

In the other instances, the university did not follow established cash management procedures.

Housatonic CC: Excess cash occurred in the fiscal year 2011 Pell account due to award adjustments that were not returned in a timely manner.

Recommendation: The University of Connecticut and Housatonic Community College should comply with the cash management provisions stipulated in 34 CFR Section 668.166(b) by ensuring that federal cash drawdowns do not exceed the amounts necessary for immediate disbursement, and that any excess cash is returned within the timeframe established in the regulations.

Agency Response: *UConn:* "We agree with the finding."
Housatonic CC: We agree with the finding."

III.I.2. Student Eligibility – Cost of Attendance

Federal Work-Study Program (CFDA # 84.033)
Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Criteria: The term "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board.

Adequate controls over the financial aid awarding process require that data be entered correctly to the institution's information system.

Condition: In total, we selected 160 recipients for eligibility testing from several state universities and colleges. Of the 160 selected, we selected 36 Title IV recipients from UConn. From this sample of 36 students, we noted one instance in which a student's cost of attendance for law school included parking fees (erroneously duplicated), which are usually not included as a cost of attendance by the university.

Effect: The cost of attendance budget for three-year law school students was overstated by $80 in award year 2010-2011.

Cause: Parking charges were erroneously added to the cost of attendance budget for three-year law school students.

Recommendation: The University of Connecticut should establish controls to ensure that components of the cost of attendance budgets are in accordance with or consistent with policy.

Agency Response: *UConn:* "We agree with the finding."

III.I.3. Student Eligibility – Federal Supplemental Educational Opportunity Grants

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Background: We compared the list of all students that received a Federal Supplemental Educational Opportunity Grant (FSEOG) to those students who also received a federal Pell Grant. This was done as a result of a recommendation that we made for the fiscal year ended June 30, 2010, where we identified one student that was ineligible to receive FSEOG, as this student did not receive a federal Pell Grant in the same award year.

Criteria: Title 34 Code of Federal Regulations (CFR) Section 676.10 establishes the particular eligibility requirements for a student to receive FSEOG. One of these requirements is that an institution shall select students with the lowest Estimated Financial Contribution (EFC) who will also receive federal Pell Grants in that year.

Condition: We noted that three out of 761 students received FSEOG awards that were not eligible because they did not also receive a Pell Grant in the same award year. These students' total FSEOG awards were $420.

Effect: Three students received FSEOG awards that they were ineligible to receive.

Cause: Due to a processing error, the college's automated system allowed these awards to be awarded and disbursed.

Recommendation: Housatonic Community College should award and disburse Federal Supplemental Educational Opportunity Grants in accordance with the requirements stipulated in 34 CFR Section 676.10.

Agency Response: *Housatonic CC:* "We agree with this finding."

III.I.4. Reporting – Pell Grant Disbursement Transmissions to the Common Origination and Disbursement System

Federal Pell Grant Program (CFDA # 84.063)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Background: When disbursing Pell funds, entities must report certain disbursement records through the Common Origination and Disbursement (COD) System.

Criteria: The 2010-2011 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: From a sample of ten students who were selected for Return of Title IV Funds testing at Eastern CSU, we noted that Pell disbursement transmissions to COD for two students was either submitted late or an adjustment was not resolved in a timely manner. One transaction was 26 days late and the other transaction was 176 days late.

Effect: The university was not in compliance with federal requirements related to the timely submission and/or resolution of Pell payment data.

Cause: Established control procedures were not followed.

Recommendation: Eastern Connecticut State University should implement procedures to ensure compliance with the federal regulations related to the timely submission and/or resolution of Pell Grant payment data.

Agency Response: *Eastern CSU:* "We agree with the finding. The University continues to run COD Pell origination and disbursements every time disbursements are run. Error and exception reports are manually reviewed and transactions fixed when the ERP system fails to properly extract the correct transaction during batch processing."

III.I.5. Special Tests: Verification

Federal Supplemental Educational Opportunity Grant (CFDA # 84.007)
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 Direct Student Loans (CFDA # 84.268)
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 Grants (CFDA #84.379)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Background: *UConn:* In November 2010, the Federal Student Aid, New York/Boston School Participation Team, from the U.S. Department of Education conducted a review of the University of Connecticut's administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). One of the areas reviewed was verification. Similar to one of the conditions noted below, for one student whose file was selected for verification, institutional data showed that the parent's income had been changed to zero. Reviewers questioned the school about the parent's unemployment income having been changed to zero. The institution stated that all unemployment income for all students and parents were changed to zero per Dear Colleague Letter (DCL) guidance. The guidance issued (HEA Sec. 479A(a), DCL-GEN-09-04 and DCL GEN-09-05) allows an institution to change an independent student's unemployment income to zero on a case by case basis. The guidance is not a blanket authorization to change all unemployment income to zero.

It has been UConn's policy for those students selected for verification to remove household members from the number in college for those family members whose siblings were age 24 or older, based on a statutory interpretation of the Higher Education Act, as amended.

UConn informed us that for award year 2011-2012, that it is no longer removing family members whose siblings were age 24 or older from the number in college on the Institutional Student Information Report (ISIR).

Criteria: Title 34 Code of Federal Regulations (CFR) Section 668.53 requires an institution to establish policies for verifying information contained in a student aid population.

Title 34 CFR Section 668.56 requires that an institution must verify all Free Application for Federal Student Aid (FAFSAs) that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as child support, individual retirement accounts and Keogh account deductions.

The financial aid office verifies student and parental income, and household data by comparing financial data found on signed tax returns. Further, it confirms household data found on the verification worksheet to data found on the ISIR.

Condition: From a sample of 18 students selected for verification testing at UConn, we noted exceptions with two students where verifications were not performed in accordance with federal verification procedures. Our testing disclosed the following specific conditions:

- In one instance, the university excluded unemployment compensation from the AGI, and reduced the taxes paid amount on the ISIR from what was reported on the IRS tax form. Further, there was no evidence to support that this adjustment was made on an individual basis to allow for the special circumstance, as no special circumstance letter/appeal form was submitted by the student. This student's file was not reviewed as required per the federal Program Review Report issued on March 1, 2011, and data elements were not restored to their pre-adjustment values.
- In one instance, the number of household persons in college reported on the verification worksheet did not agree with the reported amount on the ISIR.

From a sample of ten students selected for verification testing at Central CSU (CCSU), we noted exceptions with four students. Our testing disclosed the following specific conditions:

- In one instance, the parent's income tax paid amount on the income tax return did not agree with the reported amount on the ISIR.
- In one instance, the parent's AGI amount on the income tax return did not agree with the reported amount on the ISIR.
- In one instance, the amount of child support received on the verification worksheet did not agree with the reported amount on the ISIR.
- In one instance, the amount of need-based employment per the documentation on file at CCSU did not agree with the reported amount on the ISIR.
- In one instance, the amount of other untaxed income per the documentation on file at CCSU did not agree with the reported amount on the ISIR.
- In one instance, CCSU completed the verification process when there was conflicting tax information provided on the IRS tax forms. In this situation, the parent's tax form on file had a filing status of head of household, and claimed the student as a dependent. The student's tax form on file had a filing status of single, with the student claiming herself as an exemption.

From a sample of ten students selected for verification testing at Eastern CSU, we noted one instance where the amount of child support paid on the verification worksheet did not agree with the reported amount on the ISIR.

From a sample of ten students selected for verification testing at Housatonic CC, we noted one instance where the number of household members reported on the verification worksheet as being in college did not agree with the number on the ISIR.

From a sample of ten students selected for verification testing at Naugatuck Valley CC, we noted exceptions with three students where verification was not performed in accordance with established verification procedures. Our testing disclosed the following specific conditions:

- In one instance, the parent's AGI amount on the income tax return did not agree with the reported amount on the ISIR.
- In one instance, the amount of Supplemental Security Income reported on the verification worksheet was incorrectly included on the ISIR.
- In one instance, the amount of child support received on the verification worksheet did not agree with the reported amount on the ISIR.
- In one instance, the amount of the tax-deferred pension on the IRS Form W-2 did not agree with the reported amount on the ISIR.

Effect: These institutions were not in compliance with verification requirements.

UConn: The university was not in compliance with verification requirements where unemployment compensation was excluded; the student's Estimated Financial Contribution (EFC) amount was affected.

The student's ISIR was changed by the university to not include a sibling that was 24 or older in college.

Central CSU: In two of these instances, the students' EFC amount was affected, with one student's award being affected. In the instance of conflicting tax information, the verification process should not have been completed until the tax data was updated.

Eastern CSU: In this instance, the student's EFC amount and award was affected based upon the condition noted.

Housatonic CC: In this instance, the student's EFC amount and award was affected based upon the condition noted.

Naugatuck Valley CC: In all of these instances, the student's EFC amount and award were not affected based upon the condition noted.

Cause: Established verification procedures were not followed.

UConn: The AGI of the student's parent(s) was altered by the university via professional judgment as provided for in the Federal Student Aid Handbook. The student's file was not reviewed as required per the federal Program Review Report, as the query run to identify students that had unemployment figures removed from their (or a family member's) respective AGI did not identify this student.

UConn's policy for household size excludes siblings who are 24 or older from being included in college on the ISIR. The university contends that since the sibling had attained the age of 24 prior to the commencement of the award year (and thus would be considered independent if and when she were to apply for federal student aid at her institution of choice), the OSFAS does not feel the family was *"reasonably [to] be expected to contribute to their postsecondary education,"* per statutory interpretation of HEA Sec. 474(b)(3).

Recommendation: The University of Connecticut, state universities, and community colleges should complete verifications in accordance with federal regulations. The University of Connecticut should not remove household members from the "number in college" based solely on their being age 24 or older and independent for FAFSA purposes were they to apply for aid.

Agency Response: *UConn:* "We agree with the finding."
Central CSU: "We agree with the findings."
Eastern CSU: "We agree with the finding."
Housatonic CC: "We agree with the finding."
Naugatuck Valley CC: "We agree with the findings."

III.I.6. Special Tests: Disbursements –Disbursement of Title IV Program Funds

Federal Supplemental Educational Opportunity Grant (CFDA # 84.007)
Federal Work-Study Program (CFDA # 84.033)
Federal Pell Grant Program (CFDA # 84.063)
Federal Direct Student Loans (CFDA # 84.268)
Academic Competitiveness Grant (CFDA # 84.375)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Criteria: Per Title 34 Code of Federal Regulations (CFR) Section 668.164(e), whenever an institution disburses Title IV program funds by crediting a student's account and the total of all Title IV program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or, in the case of PLUS loans, to the parent, as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period.

Condition: From a sample of ten students selected for disbursement testing at Housatonic CC, we noted two instances where a credit balance resulting from the payment of Title IV funds was not paid to the student within the required timeframe. In both these instances the delay was two days.

Effect: The college was not in full compliance with federal regulations regarding the disbursement of Title IV funds.

Cause: Established disbursement procedures were not followed.

Recommendation: Housatonic Community College should comply with 34 CFR Section 668.164(e) by ensuring that any credit balance to a student's account resulting from the payment of Title IV funds is paid within the timeframes established in the federal regulations.

Agency Response: *Housatonic CC:* We agree with the finding."

III.I.7. Special Tests: Return of Title IV Funds

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Direct Student Loans (CFDA #84.268)
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: 2010-2011

Criteria: Title 34 Code of Federal Regulations (CFR) Section 668.22 provides guidance regarding the treatment of Title IV funds when a student withdraws from an institution.

Condition: From a sample of 12 students who were selected for Return of Title IV Funds testing at UConn, we noted the following:

- In one instance, the Return of Title IV Funds calculation was incorrect due to the exclusion of academic materials fees. This resulted in the university under-returning $61 to the federal Direct Student Loans (Direct Loan) Program.

- In one instance, the university returned $33 more to the Direct Loan Program than was denoted by the Return of Title IV Funds calculation.
- In one instance, a Title IV credit balance of $2,592 was disbursed to a deceased student's estate instead of being returned to the Direct Loan Program. Additionally, the effective withdrawal date was one day later than the date of the student's death, resulting in the university under-returning $83 to the Direct Loan Program.

We also noted that consumer information regarding the Return of Title IV Funds was incomplete.

From a sample of three students who were selected for Return of Title IV Funds testing at Central CSU, we noted three instances where the Return of Title IV Funds calculation was incorrect. The university over-returned an aggregate of $350 to the federal Direct Loan Program.

From a sample of ten students who were selected for Return of Title IV Funds testing at Eastern CSU, we noted the following:

- In all ten instances, the Return of Title IV Funds calculation was incorrect. As a result of these conditions, the university over-returned $8,103 to the Direct Loan Program and $2,775 to the Pell Grant Program. Also, the university under-returned a total of $2,345 to the Direct Loan Program.
- In five instances, the university did not return the Title IV Funds to the United States Department of Education (ED) within the required 45 days.
- In two instances, the University used an incorrect withdrawal date in performing the Return of Title IV Funds calculation.
- In one instance, the university made an incorrect post-withdrawal disbursement. In this instance, the university disbursed an unearned Unsubsidized Direct Loan of $995 to the student. Further, the student's post-withdrawal disbursement of Subsidized Direct Loans was processed for $686 instead of $734.

From a sample of ten students who were selected for Return of Title IV Funds testing at Southern CSU, we noted the following:

- In eight instances, the university incorrectly calculated the Return of Title IV Funds.. As a result of these miscalculations, the university under-returned $6,151 to the Direct Loan Program and $1,023 to the Pell Grant Program. Also, the university over-returned a total of $548 to the Direct Loan Program.
- In three instances, the university used an incorrect withdrawal date in performing the Return of Title IV Funds calculation.

- In three instances, the university did not return the Title IV Funds to ED within the required 45 day timeframe.

From a sample of three students who were selected for Return of Title IV Funds testing at Western CSU, we noted three instances where the Return of Title IV Funds calculation was incorrect. The university over-returned an aggregate of $177 to the Federal Direct Loan Program. In addition, in one instance a post-withdrawal disbursement was made for $41 less than required.

From a sample of ten students selected for Return of Title IV Funds testing at Gateway CC, we noted ten instances where the college incorrectly calculated the Return of Title IV Funds. As a result of these conditions, the college over-returned $290 to the Direct Loan Program and $14 to the Pell Grant Program. Also, in one instance the college under-returned a total of $12 to the Pell Grant Program.

From a sample of ten students who were selected for Return of Title IV Funds testing at Housatonic CC, we noted the following:

- In eight instances, the college incorrectly calculated the Return of Title IV Funds. The college under-returned $36 to the Direct Loan Program and $31 to the Pell Grant Program. Also, in one instance the college over-returned a total of $2 to the Pell Grant Program.
- In seven instances, the college did not make all of the required notifications within the 30 day timeframe. The delays in sending the notifications ranged from 3 to 28 days late.
- In six instances, the college did not return the Title IV Funds to ED within the required 45 day timeframe. The delays in returning the funds ranged from 94 to 97 days late.

Effect: These institutions were not in compliance with the federal regulations governing the Return of Title IV Funds.

Cause: The Return of Title IV Funds calculation methodologies used by the state universities and community colleges were not consistent with the federal regulations.

UConn: We noted that:

- The data element of educational related institutional charges within the Return of Title IV Funds system module was not programmed consistent with the federal regulations.
- The university erroneously rescinded the entire loan.
- The university was not aware of certain requirements relating to the treatment of Title IV funds when a student withdraws.

- Consumer information was not updated to reflect all of the federal requirements.

Eastern CSU, Southern CSU and Housatonic CC: These institutions were not monitoring the Return of Title IV Funds process diligently, ensuring that the required notifications to the student and/or the return of federal funds were returned in a timely manner.

Recommendation: The University of Connecticut, state universities, and community colleges should review their procedures to ensure compliance with the federal regulations contained in Title 34 Code of Federal Regulations Section 668.22 governing the treatment of Title IV funds when a student withdraws, and provide additional training to those staff members responsible for processing the return of Title IV Funds. Additionally, the University of Connecticut should update consumer information made available to prospective and enrolled students to include all of the federal requirements.

Agency Response: *UConn:* "We agree with the finding."
Central CSU: "We agree with the finding."
Eastern CSU: "We agree with the finding."
Southern CSU: "We agree with the finding."
Western CSU: "We agree with the finding."
Gateway CC: "We agree with the finding."
Housatonic CC: "We agree with the finding."

III.I.8. Special Tests: Enrollment Reporting

Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Criteria: Per Title 34 Code of Federal Regulations (CFR) Section 682.610(c)(2), changes in enrollment 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 12 student borrowers who received Federal Direct Student Loans (Direct Loan) program funds that separated from UConn, we noted the following:

- One borrower's change in enrollment status was reported to the National Student Loan Data System (NSLDS) two months late.
- One borrower's enrollment status, as reported to the NSLDS, was not accurate.

From a sample of ten student borrowers who received Direct Loan program funds that separated or dropped to less-than-half-time from Gateway CC, we noted an incorrect status was reported to the NSLDS for three borrowers. In two of these cases, the students' enrollment status was reported as less-than-half-time when they had actually withdrawn. In the other case, the student's enrollment was reported as withdrawn when they actually graduated.

Effect: Enrollment information was not provided to the NSLDS for certain students in an accurate and/or timely manner.

Cause: *UConn:* The university failed to report the change in enrollment status of students that were known to be withdrawn, effective at the end of the spring semester prior to the early registration/first of term submission.

A withdrawal date one day later than the date of the student's death was entered into the university's system. The correct enrollment information was provided after the withdrawal status had been reported and the record was closed.

Gateway CC: Established procedures for reporting enrollment changes were not followed.

Recommendation: The University of Connecticut and Gateway Community College should implement procedures to ensure that enrollment status changes are accuratelysubmitted in a timely manner to the National Student Loan Data System in accordance with federal regulations.

Agency Response: *UConn:* "We agree with the finding."

Gateway CC: "Gateway CC does agree with this finding and that accurate enrollment status information must be reported to NSLDS in accordance with federal regulations."

III.I.9. Special Tests: Student Loan Repayments

Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education

Nurse Faculty Loan Program (CFDA #93.264)
ARRA Nurse Faculty Loan Program (CFDA #93.408)
Federal Award Agency: Department of Health and Human Services
Award Year: 2010-2011

Criteria: Title 34 Code of Federal Regulations (CFR) Section 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.

Title 34 CFR Section 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 15 borrowers at UConn who entered repayment during the audited period, we noted the following:

- In four instances where the University was aware that the student was graduating, it did not conduct exit counseling before the borrower graduated.

  In all four instances, the change in the borrowers' enrollment status 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 59 to 171 days after the separation date. In each of these instances, the borrowers were not provided the exit counseling package and repayment schedule in a timely manner.

  In two of these instances the borrower's separation dates were reported incorrectly.

From a sample of five borrowers at Central CSU who entered repayment during the audited period, we noted the following:

- In three instances where the university was aware that students were graduating, it did not conduct exit counseling before the borrower graduated.

  In all three of these instances, the change in the borrowers' enrollment status 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 51 to 52 days after the graduation date. In each of these instances, the borrowers were not provided the exit counseling package and repayment schedule in a timely manner.

From a sample of ten borrowers at Eastern CSU who entered repayment during the audited period, we noted the following:

- In eight instances where the university was aware that the student was graduating, it did not conduct exit counseling before the borrower graduated.

In two of these instances, the change in the borrowers' enrollment status 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 37 days after the graduation date. In each of these instances, the borrowers were 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 the following:

- In four instances where the university was aware that the student was graduating, it did not conduct exit counseling before the borrower graduated.

  In all of these instances, the change in the borrowers' enrollment status 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 35 to 42 days after the graduation date. In each of these instances, the borrowers were not provided the exit counseling package and repayment schedule in a timely manner.

From a sample of five borrowers at Western CSU who entered repayment during the audited period, we noted the following:

- In one instance where the university was aware that the student was graduating, it did not conduct exit counseling before the borrower graduated.
- In one instance where the borrower stopped attending, the change in the borrowers' enrollment status was not reported to the university's service provider in a timely manner. The university's service provider received notification of the separation 38 days after the university was aware that the student withdrew. In this instance, 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: The University of Connecticut and the state universities should ensure that policies and procedures regarding changes in the enrollment status of Perkins Loan recipients are reported to the loan service provider in an accurate and timely manner.

Agency Response: *UConn:* "We agree with the finding."
Central CSU: "We agree with the finding."
Eastern CSU: "We agree with the finding."

Southern CSU: "We agree with the finding."
Western CSU: "We agree with the finding."

III.I.10. Special Tests: Student Loan Repayments - Deferments

Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Criteria: Title 34 Code of Federal Regulation (CFR) Section 674.33(d)(2) states, "Upon receipt of a request and supporting documentation, the institution shall grant the borrower forbearance of principal and, unless otherwise indicated by the borrower, interest renewable at intervals of up to 12 months for periods that collectively do not exceed three years."

Title 34 CFR Section 674.34(e) states, "the borrower need not repay principal, and interest does not accrue, for periods of up to one year at a time that, collectively, do not exceed 3 years, during which the borrower is suffering an economic hardship, if the borrower provides documentation satisfactory to the institution showing that the borrower is within any of the categories described in paragraphs (e)(1) through (e)(5) of this section."

Southern CSU requires borrowers who apply for an economic hardship deferment to complete the university's Financial Arrangement Form. This form requests that the borrower provide written documentation supporting reported income and supporting documentation for all educational loans not owed to the university. In addition, the form requires the borrower to provide their monthly payment amounts for those loans that are currently in deferment.

Condition: From a sample of ten students at Eastern CSU with a Perkins Loan in deferment or cancellation during the audited period, we noted one instance where the borrower was granted a forbearance deferment of 15 months.

From a sample of ten students at Southern CSU with a Perkins Loan in deferment or cancellation during the audited period, one borrower was granted a forbearance deferment of 15 months. Additionally, we noted that this student applied for and was granted an economic hardship deferment without submitting the required documentation on the university's Financial Arrangement Form.

Effect: These universities were not in compliance with federal requirements.

Cause: Established federal deferment procedures were not followed.

Recommendation: Eastern Connecticut State University and Southern Connecticut State University should ensure that Perkins Loan deferments are supported and that policies and procedures are adhered to and in compliance with federal regulations.

Agency Response: *Eastern CSU:* “We agree with the finding.”
Southern CSU: We agree with the finding.”

III.I.11. Special Tests: Student Loan Repayments –Cancellations

Perkins Loan Cancellations (CFDA #84.037)
Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education

Nurse Faculty Loan Program (CFDA #93.264)
ARRA Nurse Faculty Loan Program (CFDA #93.408)
Federal Award Agency: Department of Health and Human Services
Award Year: 2010-2011

Criteria: Per Title 34 Code of Federal Regulation (CFR) Section 674.56(b), to qualify for a child/family services employment cancellation on a Federal Perkins Loan, the borrower must be providing services directly and exclusively to high-risk children from low-income communities and to the families of these children.

In order to receive a Federal Perkins Loan cancellation for teaching in a low-income school, the borrower must teach full-time for a complete academic year per 34 CFR Section 674.53(d)(1).

To qualify for a Federal Perkins Loan employment cancellation, a borrower must work full-time for 12 consecutive months in accordance with 34 CFR Section 674.56(h)(1).

Condition: From a sample of ten students at UConn with a Perkins Loan in deferment or cancellation during the audited period, we noted four instances where the cancellations were not supported.

Effect: The university was not in compliance with federal requirements. Federal Perkins Loan cancellations were applied to borrowers who did not qualify for the cancellation. In our sample of ten, we are questioning cancellations made of $1,535.

Cause: Established federal cancellation procedures were not followed. The university cancelled certain loans based upon acceptance of documentation of employment from borrowers/employers that did not meet the strict requirements of the Federal Perkins Loan program.

Recommendation: The University of Connecticut should ensure that policies and procedures regarding Perkins Loan cancellations are supported and in compliance with federal regulations.

Agency Response: *UConn:* "We agree with the finding.

III.I.12. Special Tests: Student Loan Repayments – Defaulted Students

Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Criteria: Title 34 Code of Federal Regulations (CFR) Section 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.

Condition: From a sample of five students at Eastern CSU whose loans went into default during the audited period, we noted two instances where one or more of the required contact letters were not sent to the borrower as required by 34 CFR Section 674.42(c).

From a sample of five students at Southern CSU whose loans went into default during the audited period, we noted three instances where one or more of the required contact letters were not sent to the borrower as required by the federal regulations.

Effect: These universities were not in compliance with federal requirements.

Cause: Established due diligence procedures were not followed.

Recommendation: Eastern Connecticut State University and Southern Connecticut State University should ensure that policies and procedures are in place to ensure that the Perkins Loan due diligence requirements are performed in accordance with federal regulations.

Agency Response: *Eastern CSU:* "We agree with the finding."
Southern CSU: "We agree with the finding."

III.I.13. Special Tests: Borrower Data Transmission and Reconciliation

Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: Department of Education
Award Year: 2010-2011

Background: When disbursing Direct Loan funds, entities must report certain disbursement records through the Common Origination and Disbursement (COD) System.

Criteria: Per Title 34 Code of Federal Regulations (CFR) Section 685.102(b), the school performs the following functions: creates a loan origination record, transmits the record to the servicer, receives funds electronically, disburses funds, creates a disbursement record, transmits the disbursement record to the servicer, and reconciles on a monthly basis. Functions performed are described in the *Direct Loan School Guide*.

Condition: Eastern CSU did not maintain evidence to support that a monthly Direct Loan reconciliation was performed between COD and the institution's internal records.

Effect: The university was not in compliance with federal regulations governing the Direct Loan program.

Cause: The university did not maintain an audit trail documenting the Direct Loan reconciliation procedures performed.

Recommendation: Eastern Connecticut State University should perform and document a monthly Direct Loan reconciliation between the Common Origination and Disbursement System and the University's internal records.

Agency Response: *Eastern CSU:* "We agree with the finding."

III.I.14. Special Tests: Written Arrangements with Another Institution

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Direct Student Loans (CFDA # 84.268)
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

Nurse Faculty Loan Program (CFDA #93.264)
ARRA – Scholarships for Disadvantaged Students (CFDA # 93.407)
ARRA Nurse Faculty Loan Program (CFDA #93.408)
Scholarships for Disadvantaged Student (CFDA # 93.925)
Federal Award Agency: Department of Health and Human Services
Award Year: 2010-2011

Criteria: Title 34 Code of Federal Regulations Section 668.5 provides that in order for students' enrolled in a study abroad program to receive Title IV aid, there must be written agreements between the institutions.

Condition: From a sample of ten students who were selected for testing at UConn as participating in a written arrangement with another institution, we noted one instance where there was no evidence that the agreement on file was approved by the home institution.

Effect: The university is not in compliance with federal regulations.

Cause: The university did not sign the written arrangement approving the agreement when it was received.

Recommendation: The University of Connecticut should ensure that all written agreements with other institutions are approved and in compliance with the federal regulations contained in Title 34 Code of Federal Regulations Section 668.5.

Agency Response: *UConn:* "We agree with the finding."

J. DEPARTMENT OF ADMINISTRATIVE SERVICES

III.J.1. Allowable Cost/Cost Principles - Billing Rates Development and Adjustment Methods

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011

Background: The Department of Administrative Services (DAS) operates an internal service fund called the General Services Revolving Fund (GSRF). The GSRF 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 functions are fleet operations and central printing. Approximately 85 percent of the GSRF revenue is generated by fleet operations, and two percent by central printing.

Pursuant to Section 4-77 of the Connecticut General Statutes, billing rates for activities such as the services provided by DAS through the GSRF should be included in the budget preparation documents distributed by the Office of Policy and Management (OPM) each year. Historically, DAS has claimed that their submissions to OPM have not been approved. However, OPM contends that DAS has not submitted a timely proposal in many years.

Criteria: Section 4-77, paragraph (a) of the Connecticut General Statutes states "the administrative head of each budgeted agency shall transmit, on or before September first of each even-numbered year, to the Secretary of the Office of Policy and Management, on blanks to be furnished by him not later than the preceding August first, … estimates of expenditure requirements for each fiscal year of the next biennium." It is reasonable to allow one additional month for OPM to integrate proposed changes to budgetary factors into the package it sends to all state agencies, which places submission to OPM at July 1st, or one fiscal year in advance of the implementation date.

OMB Circular A-87, Attachment C, Section G(2), states that a working capital reserve of up to 60 days is allowed for internal service funds. The OMB Circular A-87 Implementation Guide (ASMB C-10) offers guidance with respect to the working capital reserve and indicates that the number of days of need must be supported by a cash flow analysis.

OMB Circular A-87, Attachment C, Section G(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."

Condition: For the period under review, fiscal year 2009, DAS sent its proposal for new rates for activities associated with the GSRF for approval by OPM on June 26, 2008, four days prior to the intended implementation date. DAS has not submitted timely proposals for new rates or rate adjustments to OPM in several years.

We were not provided any documentation indicating that a working capital reserve cash flow analysis had been performed to determine whether excess working capital was retained in the GSRF. We were not provided any documentation indicating that a working capital reserve was not allowed for the GSRF.

DAS did not provide evidence of a reconciliation of revenues to actual costs to determine whether an adjustment as required by OMB Circular A-87 was appropriate. We were not provided with any documentation containing specific explanations of how variances would be handled for the various activities associated with the GSRF. It did not appear that any such adjustments had been made.

As of December 2011, no updated rates for activities associated with the GSRF have been developed for submission to OPM.

We were provided with a rate development procedure document that appeared to indicate that a rate should be arbitrarily determined and that the expenditure estimates should be adjusted to "back into" the desired rate. It is of note that there was no indication on the procedure document that it had been reviewed or approved by management. We confirmed that the rate for one GSRF activity had been backed into in this manner.

Effect: Late submission of rate change requests to OPM increases the risk that the applied billing rates will not be reflective of recent actual costs and revenues. The application of billing rates that are not reflective of recent actual costs and revenues increases the risk that customer agencies are inaccurately (i.e. either over/under) charged for the services rendered. Failure to make the required adjustments increases that risk. By extension, federal program funds used to pay for those billed services provided by DAS may bear a share of the unadjusted and potentially unallowable costs.

Additionally, the development of procedures that advocate noncompliant practices will result in noncompliant rates.

Cause: DAS cited a lack of resources and an inability to expand staff as contributing factors to the conditions noted. The 2011 retirement of the person who had been assigned to rate development and submission for GSRF activities exacerbated the resource shortfall. However, this reason alone does not explain the long-standing nature of the conditions noted in our review, nor does it explain the apparent application of noncompliant procedures to rate development. It appears that a lack of management oversight also contributed to the conditions.

Recommendation: The Department of Administrative Services should formalize rate development procedures and policies that contain only practices compliant with applicable federal and state laws and regulations. Additionally, DAS should ensure that the rates are developed for timely submission to OPM.

DAS should analyze the financial condition of the GSRF to determine if an adjustment is required due to excessive or insufficient cost recovery or excessive working capital reserves. If an adjustment is required, DAS should apply one of the methods described in OMB Circular A-87.

Agency Response: "DAS agrees that it should formalize its rate development procedures and policies. DAS will also develop and timely submit rates to OPM. As stated in the Cause section above, over the past few years, DAS has faced significant shortages in staff with expertise and experience in rate development. Nonetheless, DAS has made efforts over the years to address the structural deficiencies with the Internal Service Fund and to realign staff and programs in the Fund to create a base upon which accurate rates can be developed moving forward. These efforts continue. DAS developed rates for Fiscal Year 2013 for DAS Fleet Operations and State Police Fleet, and submitted these rates to OPM for approval on January 17, 2012. The rates for the other DAS Internal Service Fund businesses are nearly complete and will be submitted to OPM shortly. DAS will annually analyze the financial condition of the Fund to determine if adjustments are required, and will recommend appropriate adjustments to OPM if necessary."

III.J.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 2009-2010 and 2010-2011

Background: The Department of Administrative Services (DAS) operates an internal service fund called the General Services Revolving Fund (GSRF). The GSRF is used to account for the revenues and expenditures related to fleet operations, central printing, electronic publishing and other centrally provided services furnished and billed to other state agencies and listed in Section II of the approved Statewide Cost Allocation Plan for the fiscal year ended June 30, 2011.

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. states 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 unless a statistical sampling system or other substitute system has been approved by the cognizant federal agency.

Condition: The GSRF accounts for the direct and indirect service- related efforts of approximately 80 employees. DAS does not obtain personnel activity reports or equivalent documentation reflecting the actual activity of each employee charged to the GSRF. DAS 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 activities accounted for by the GSRF when, in fact, the employee's efforts were not associated with those activities. Any rates developed with inaccurate information would be subject to increased risk of overall inaccuracy and potential overstatement. The billing for and payment of such costs would be in violation of the provisions of OMB Circular A-87.

Cause: DAS does not have a system in place to periodically verify and document that employees charged to the activities accounted for by the GSRF work on those activities. DAS noted a lack of sufficient staff as a contributory factor to the condition noted. However, as the noted condition has been repeated for several audited periods, it appears that DAS management has not sufficiently allocated existing staff and resources to make progress toward the implementation of controls and systems to ensure compliance with federal regulations.

Recommendation: The Department of Administrative Services should take the necessary steps to develop and implement a system to verify and document that employees charged to its General Services Revolving Fund work on fund-related activities as required by OMB Circular A-87.

Agency Response: "DAS agrees with this recommendation. DAS has been working the past few years to identify the true costs of providing services supported by the Internal Service Fund. This work has included identifying each employee who works on matters supported by the Fund and the amount of time spent on such matters. DAS has developed a mechanism in Core-CT, the state's central payroll processing system, to document and track the time that each employee works on Internal Service Fund matters. DAS has also engaged in discussions with OPM to modify funding codes for a number of positions throughout the agency, in order to properly identify employees who work on internal service fund activities. Some of these discussions have resulted in adjustments and some have not. Indeed, systemic changes must be made to the Internal Service Fund in order to accurately account for the costs associated with Fund operations, and such changes would impact general fund expenditures. DAS will continue to work with OPM on this important issue. DAS would support an effort to make certain revolving fund businesses a part of the general fund appropriation for DAS rather than "billed" services to agencies."

III.J.3. Allowable Cost/Cost Principles – Reliability of Financial Information as Presented

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2009-2010 and 2010-2011

Background: There have historically been areas of contention in the recognition of various accounts and the presentation of financial data between the Department of Administrative Services (DAS) and the Office of the State Comptroller (OSC), which have led to previously reported instances of noncompliance.

In several prior audits, we have determined that the financial information presented by DAS for the General Services Revolving Fund (GSRF) may not be relied upon.

Criteria: OMB Circular A-87, Appendix C, Section E(3)(b)(1) requires the inclusion of financial statements for proprietary funds within the Statewide Cost Allocation Plan (SWCAP). GASB Statement 34 (GASB 34) specifies that financial statements compiled for governmental proprietary funds include a statement of cash flows. GASB 34 further requires that internal service funds, such as the GSRF, use the current economic resources measurement focus and the full accrual basis of accounting.

In a memorandum dated August 2007, OSC mandated that DAS comply with GASB 34.

Sound business practice suggests that the personnel assigned to a task should have sufficient skills to be able to accomplish that task in the time frame allotted.

Condition: DAS did not include a statement of cash flows with the financial statements it prepared for the GSRF for fiscal year 2009. Through a cursory review of the fiscal year 2011 financial statements for the GSRF, we determined that no statement of cash flows had been included.

In order to create financial statements that are compliant with OMB Circular A-87, DAS must create accounting entries to convert the accounting information maintained on a modified accrual basis to information that may be presented on a full accrual basis. We reviewed internal documentation which imdicated that all of the required entries were not made by DAS.

DAS does not recognize certain adjustments made centrally by OSC, which involve certain legacy accounts that carried forward balances from the prior accounting system into Core-CT. OSC includes the adjustments and legacy accounts in its presentation of the GSRF financial information in the Comprehensive Annual Financial Report.

For fiscal year 2009, DAS presented a positive fund position of approximately $13 million while OSC presented a deficit fund position of approximately $31 million, a disparity in excess of $40 million. Additionally, this disparity presents two vastly different interpretations of the financial condition of the GSRF. It is not clear that either set of financial statements is an accurate or reasonable presentation of the current financial state of the GSRF.

It is worthy of additional note that DAS uses QuickBooks to prepare its financial statements. While the use of such a system is not prohibited by state statute or regulation, it is noted that the use of such a system could introduce the opportunity for additional error through incomplete or inaccurate data transfer from the state's main financial data system.

Effect: DAS is not compliant with state or federal directives. The errors in presentation indicate that the information presented in the financial statements used to compile billing rates for services is unreliable.

Cause: DAS did not appear to develop or implement reasonable controls at any level over the preparation of the financial statements for the GSRF, allocate sufficient and appropriate resources to the tasks associated with the preparation of the financial statements for the GSRF, or work sufficiently with OSC toward appropriately adjusting the accounts within the fund to allow the financial statements to reasonably reflect the current financial condition of the Fund.

Recommendation: The Department of Administrative Services should implement internal controls to ensure that the General Services Revolving Fund financial statements are prepared in a manner compliant with state and federal regulations, and accounting standards and pronouncements. DAS should ensure that staff members assigned to fund related financial activities receive sufficient training. DAS should work with the Office of the State Comptroller to resolve the disparities in reported financial position of the GSRF.

Agency Response: "DAS agrees with this recommendation. DAS will implement, through formalized policies and procedures, internal controls to ensure that General Services Revolving Fund financial statements are prepared properly. DAS will work with the Office of the State Comptroller (OSC) to resolve the disparities in the reported financial position of the Fund, and has already begun to have meetings with the OSC to discuss this topic. Personnel assigned to Fund operations have been and will continue to be involved in these discussions with OSC, and in the process to formalize policies and procedures regarding the Fund, making certain such personnel are proficient in state and federal regulations."

K. SOUTHERN CONNECTICUT STATE UNIVERSITY

III.K.1. Allowable Costs/Cost Principles – Excessive Personnel Costs

Federal Award Agency: National Institutes of Health
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs

Criteria: OMB Circular A-21 (Circular), section J.10.d, provides that "charges for work performed on sponsored agreements during the academic year will be based on the individual faculty member's regular compensation for the continuous period which…constitutes the basis for his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period." Regarding salary rates outside the academic year, the Circular states, "charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the salary relates."

The Circular further states one of the tests to determine whether costs charged to federal programs are allowable is that they must be reasonable. According to the Circular, one of the considerations in determining whether or not costs are reasonable is "the extent to which the actions taken with respect to the occurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution."

Condition: Southern Connecticut State University (University) charged excessive personnel costs to a federal sub award (CFDA 93.701 Trans-NIH Recovery Research Support, "The Study of Multiple Social Determinants of Young Children's Health") received from a pass through entity, Yale University (Yale), during the audited period. In particular, the rate of pay that the University paid the program's principal investigator and charged to the grant exceeded the pay rate limit prescribed by OMB Circular A-21 (the faculty member's base salary rate). The University compensated the program's principal investigator at a rate of $150 per hour for 159.23 hours of grant research performed, which amounted to $23,884 in salary payments charged to the program. However, the faculty member's base salary rate during the audited period was $52.31 per hour, which should have amounted to $8,329 in base rate gross pay charged to the grant for the research performed. As such, the University charged at least $15,555 in excessive personnel costs to the grant (excluding related fringe benefit costs), the difference between the amount that should have been charged to the grant at the faculty member's base pay rate and the actual rate charged to the program. It should be noted that during the audited period, with respect to the principal investigator's salary, the principal investigator was paid, and the grant was charged, at a rate that was nearly three times the faculty member's base salary rate.

Effect: The University did not comply with the personnel cost limitation set forth in OMB Circular A-21 with respect to salaries of faculty members charged to federal programs. This led to the charging of excessive, questionable costs to a federal program.

Cause: The University informed us that the sub grantor approved the personnel cost budget and budgeted hours to be charged to the award and thus, in effect, approved the rate of pay for the principal investigator. Further, the University added that the rate of pay for this faculty member was based on the market rate paid to consultants in this field. Nevertheless, it appears that the University did not consider the payroll cost limits established by OMB Circular A-21 when charging this excessive rate of pay to the grant.

Recommendation: Southern Connecticut State University should cease making personnel charges to the above federal grant at a rate of pay in excess of the principal investigator's base rate of pay in order to adhere to the requirements of OMB Circular A-21. Further, the University should work with its grantor to determine if any of these questioned payroll costs should be repaid.

Agency Response: "We agree with this finding. A revised policy is under review limiting 10.12 activity time on grants to a rate equal to the faculty member's hourly salary for all federal and state grant activity. The revised policy will be in place by January 2012."

III.K.2. Allowable Costs/Cost Principles – Time and Effort and Other Payroll Cost Documentation

Federal Award Agency: Various
Award Year: State Fiscal Year Ended June 30, 2011
Research and Development Programs: Various

Criteria: As detailed in OMB Circular A-21, the distribution of salaries and wages charged to federal programs must be supported and confirmed by after-the-fact activity reports signed by responsible persons who have used suitable means to verify that the work was performed. Such reports are known as time and effort reports.

It is a good business practice to ensure that that proper written authorization is in place prior to the dates when student workers commence working.

Condition: In our test sample of payroll costs charged to American Recovery and Reinvestment Act Programs during the audited period, we noted that the University charged student labor costs to the Trans-NIH Recovery Research Support Program (CFDA 93.701) and the Trans-NSF Recovery Act Research Support Program (CFDA 47.082) totaling $4,029 and $6,275, respectively. According to the University's Director of Sponsored Programs and Research, the University did not complete time and effort reports for student workers whose wages were charged to these federal programs, and has, historically, not completed time and effort reports for any student workers whose wages were charged to federal programs. The following presents the University's student labor charges to federal programs during the fiscal year ended June 30, 2011, which were not supported by a time and effort reporting system:

CFDA	Program Title	Expenditures
	Research and Development Programs:	
93.701	Trans-NIH Recovery Act Research Support	$4,029
47.082	Trans-NSF Recovery Act Research Support	6,275
	Non Research and Development Programs:	
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	4,320
47.049	Mathematical and Physical Sciences	11,914
47.078	Polar Programs	7,661
47.082	Trans-NSF Recovery Act Research Support	6,275
84.215	Fund for the Improvement of Education	2,769
93.714	ARRA – Emergency Contingency Fund for TANF State Program	7,388
	Total	$44,356

In addition, we noted that the University charged a student worker payroll payment, totaling $400 in gross pay, to the Trans-NIH Recovery Research Support Program (CFDA 93.701) without documentation in place indicating that the student was authorized to work during the pay period tested. The payment was for the pay period ended August 12, 2010. Although the University provided us an approved time sheet supporting that the student worked during this pay period, the University's Student Employment Work Authorization form for this student was approved on September 9, 2010, and had an effective date of August 30, 2010, both of which occurred after the student had begun this grant work.

Effect: The University did not fully comply with the time and effort reporting requirements established by OMB Circular A-21. As such, the University lacked supporting documentation to confirm that such student worker wages were appropriately charged to federal programs, and federal grantors cannot be assured that such charges are accurate and allowable.

Grantors and others have less assurance of the propriety of student worker payroll costs charged to federal programs when there is no written approval in place prior to the students' employment start dates.

Cause: It was the University's position that student workers would not know if the work they performed was grant related and therefore time and effort reports signed by students would not be reliable. We advised the University that, as an alternative, time and effort reports signed by principal investigators with first-hand knowledge of the work performed would also be acceptable. The University is considering such a time and effort reporting system for student workers.

The University attributed the above-cited lack of a relevant Student Employment Work Authorization form to an oversight on the University's part.

Recommendation: Southern Connecticut State University should implement a time and effort reporting system for student workers whose wages are charged to federal programs. The University should further ensure that proper written authorization is in place before student workers begin working.

Agency Response: "We agree with this finding. A revised timesheet for student workers that will include verbiage and a written certification from the students' supervisor certifying that the student's work was completed in accordance with the rules of the grant is under review. The revised timesheet will be in place by January 2012."