State of Connecticut
Single Audit Report

For the Fiscal Year Ended June 30, 2012

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

STATE OF CONNECTICUT

Single Audit Report

For the Year Ended June 30, 2012

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

March 28, 2013

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, 2012.

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 $9,225,000,000 in federal financial assistance during the fiscal year ended June 30, 2012. Of this amount, the state expended more than $229,147,000 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, 2012.

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, 2012, 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, which in the aggregate, represent six percent of the assets and five percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, Connecticut Community-Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 64 percent of the assets and 44 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 95 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 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 44 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, 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, Connecticut Innovations Incorporated and the Clean Energy Finance and Investment Authority 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 Bradley International Airport Parking Facility, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, 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, 2012, 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 28, 2013, 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, 2012*, 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 23 to the financial statements, the State of Connecticut restated the GAAP fund balance within the General Fund for the fiscal year ended June 30, 2011. The adjustment arose from the under reporting of the General Fund tax receivable balance accrued for GAAP purposes but not for budgetary-basis purposes in the amount of $172.7 million, which resulted in an understatement of GAAP income tax revenue by that same amount.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the course of our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 additional 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole.

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 and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robert M. Ward

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 28, 2013
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, 2012. 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, 2012, the State had a combined net asset deficit of $10.6 billion, an increase of $603 million when compared to the prior year ending deficit balance. This increase resulted from an increase of $885 million in the net asset deficit of governmental activities, which was offset by an increase of $282 million in the net assets of business-type activities.

Fund Level:
The governmental funds had a total fund balance of $1.7 billion at year end. Of this amount, $2.5 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation and $1.2 billion represents unassigned fund balance deficit. The General Fund's share of the deficit is $1.1 billion, which decreased by $603 million this fiscal year.

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

Long–Term Debt:
Total long-term debt was $28.2 billion for governmental activities, of which $18.7 billion was bonded debt.

Total long-term debt was $2.6 billion for business-type activities, of which $1.5 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 nine 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, the University of Connecticut Foundation, Incorporated, and the Clean Energy Finance and Investment Authority. 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.

Fund balance (difference between assets and liabilities) of governmental funds 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 6.1 percent to $10.6 billion. In comparison, last year the combined net asset deficit increased 5.4 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011*	2012	2011	2012	2011*
ASSETS:						
Current and Other Assets	$ 3,944	$ 4,489	$ 4,070	$ 4,236	$ 8,014	$ 8,725
Capital Assets	10,966	10,924	3,597	3,468	14,563	14,392
Total Assets	14,910	15,413	7,667	7,704	22,577	23,117
LIABILITIES:						
Current Liabilities	3,498	3,824	784	787	4,282	4,611
Long-term Liabilities	26,443	25,735	2,408	2,724	28,851	28,459
Total Liabilities	29,941	29,559	3,192	3,511	33,133	33,070
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	5,305	4,905	2,953	2,819	8,258	7,724
Restricted	1,648	1,810	1,106	1,152	2,754	2,962
Unrestricted	(21,984)	(20,861)	416	222	(21,568)	(20,639)
Total Net Assets (Deficit)	$ (15,031)	$ (14,146)	$ 4,475	$ 4,193	$(10,556)	$ (9,953)

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

The net asset deficit of the State's governmental activities increased $885 million (6.3 percent) to $15.0 billion during the current fiscal year. Of this amount, $5.3 billion was invested in capital assets (buildings, roads, bridges, etc.) and $1.6 billion was restricted for specific purposes, resulting in an unrestricted net asset deficit of $21.9 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 $5.8 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 $9.5 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 increased $282 million (6.7 percent) to $4.5 billion during the current fiscal year. Of this amount, $3.0 billion was invested in capital assets and $1.1 billion was restricted for specific purposes, resulting in unrestricted net assets of $0.4 billion. These resources cannot be used to make up for the net asset deficit of the State's governmental activities. The State can only use these net assets to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center, Bradley International Airport, and others).

CHANGE IN NET ASSETS

Changes in net assets for the years ended June 30, 2012 and 2011 were as follows:

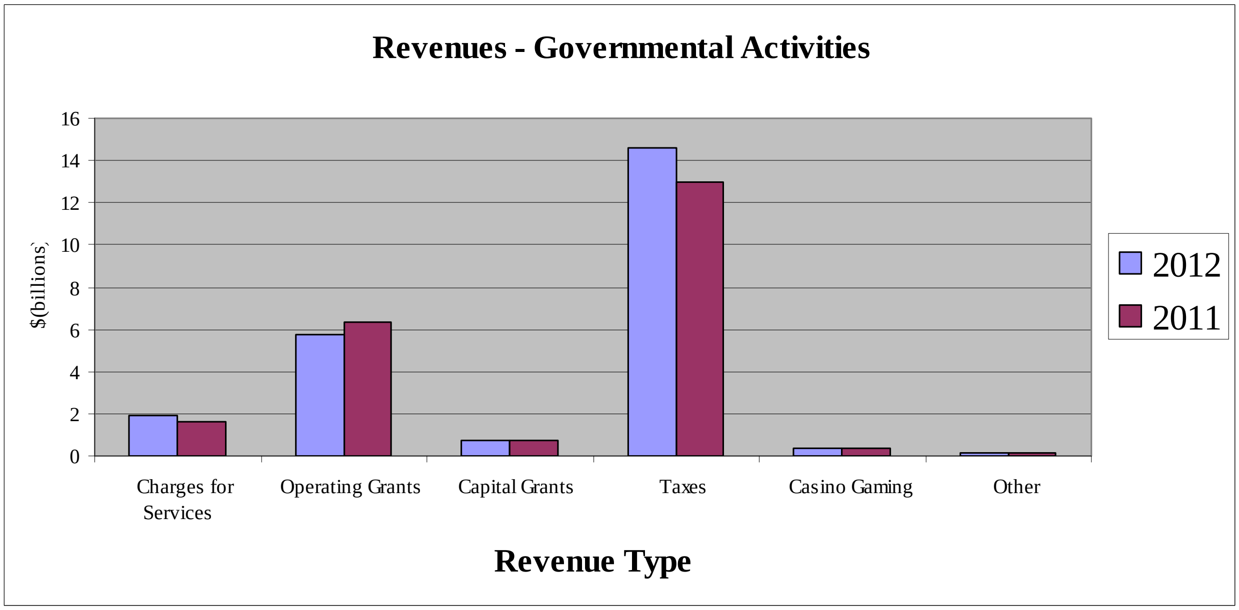
State of Connecticut's Changes in Net Assets
(Expressed in Millions)

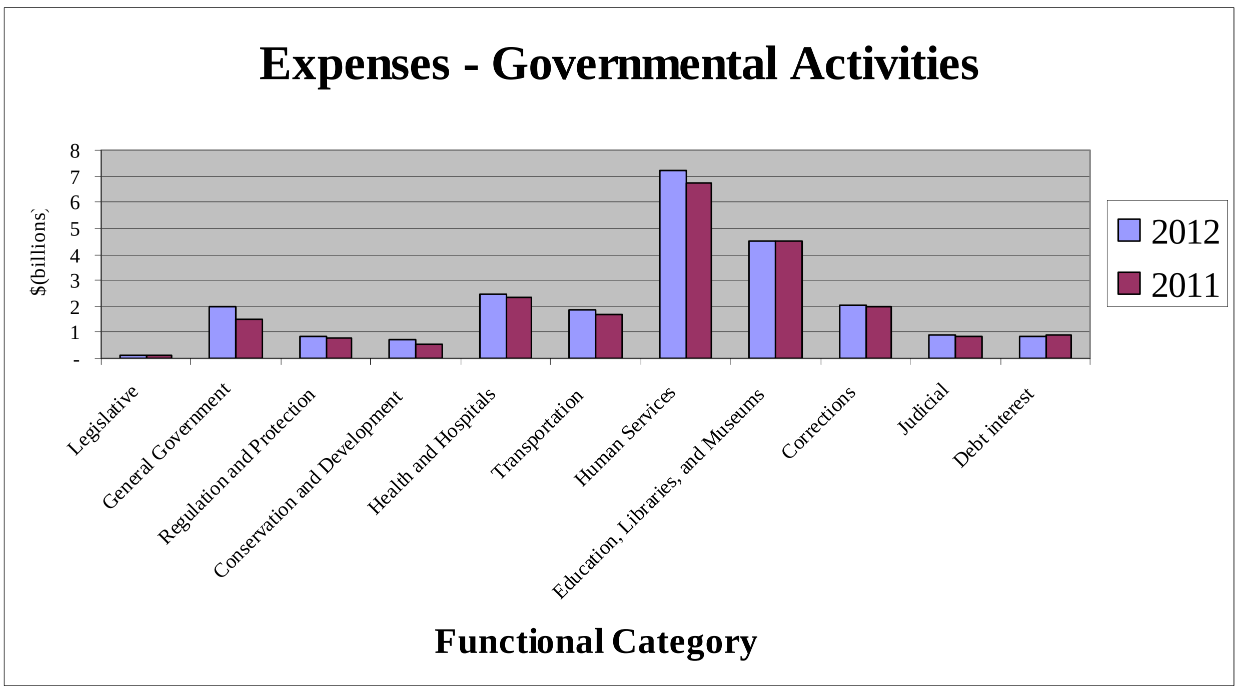
	Governmental Activities		Business-Type Activities		Total		%change
	2012	2011*	2012	2011	2012	2011*	12-11
REVENUES							
Program Revenues							
Charges for Services	$ 1,952	$ 1,647	$ 3,617	$ 3,416	$ 5,569	$ 5,063	10.0%
Operating Grants and Contributions	5,771	6,350	1,412	1,790	7,183	8,140	-11.8%
Capital Grants and Contributions	716	725	18	40	734	765	-4.1%
General Revenues							
Taxes	14,585	12,960	-	-	14,585	12,960	12.5%
Casino Gaming Payments	345	360	-	-	345	360	-4.2%
Other	140	141	28	31	168	172	-2.3%
Total Revenues	23,509	22,183	5,075	5,277	28,584	27,460	4.1 %
EXPENSES							
Legislative	114	101	-	-	114	101	12.9%
General Government	1,988	1,529	-	-	1,988	1,529	30.0%
Regulation and Protection	853	790	-	-	853	790	8.0%
Conservation and Development	693	536	-	-	693	536	29.3%
Health and Hospitals	2,476	2,331	-	-	2,476	2,331	6.2%
Transportation	1,846	1,657	-	-	1,846	1,657	11.4%
Human Services	7,223	6,764	-	-	7,223	6,764	6.8%
Education, Libraries and Museums	4,496	4,520	-	-	4,496	4,520	-0.5%
Corrections	2,061	1,958	-	-	2,061	1,958	5.3%
Judicial	910	838	-	-	910	838	8.6%
Interest and Fiscal Charges	816	874	-	-	816	874	-6.6%
University of Connecticut & Health Center	-	-	1,802	1,807	1,802	1,807	-0.3%
State Universities	-	-	652	652	652	652	0.0%
Bradley International Airport	-	-	64	68	64	68	-5.9%
CT Lottery Corporation	-	-	781	738	781	738	5.8%
Employment Security	-	-	1,823	2,307	1,823	2,307	-21.0%
Clean Water	-	-	53	45	53	45	17.8%
Other	-	-	536	543	536	543	-1.3%
Total Expenses	23,476	21,898	5,711	6,160	29,187	28,058	4.0%
Excess (Deficiency) Before Transfers	33	285	(636)	(883)	(603)	(598)	0.8%
Transfers	(918)	(791)	918	791	-	-	0.0%
Increase (Decrease) in Net Assets	(885)	(506)	282	(92)	(603)	(598)	0.8%
Net Assets (Deficit) - Beginning (as restated)	(14,146)	(13,640)	4,193	4,285	(9,953)	(9,355)	6.4%
Net Assets (Deficit) - Ending	$ (15,031)	$ (14,146)	$ 4,475	$ 4,193	$ (10,556)	$ (9,953)	6.1%

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

GOVERNMENTAL ACTIVITIES

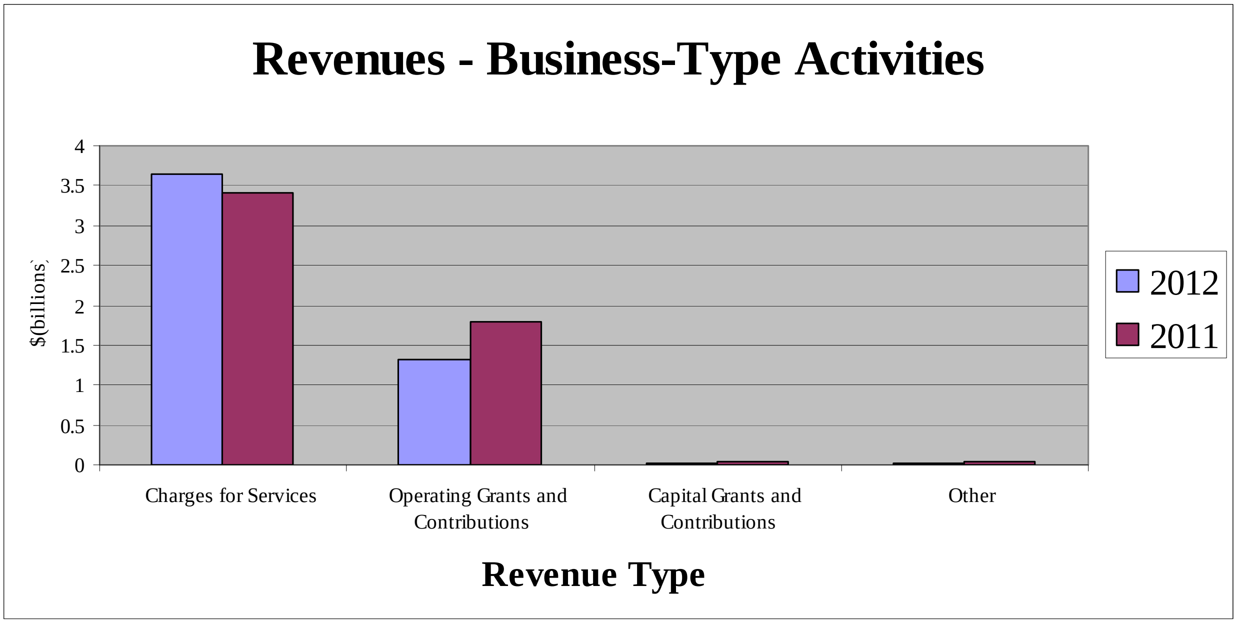
The following charts provide a two-year comparison of governmental activities revenues and expenses.

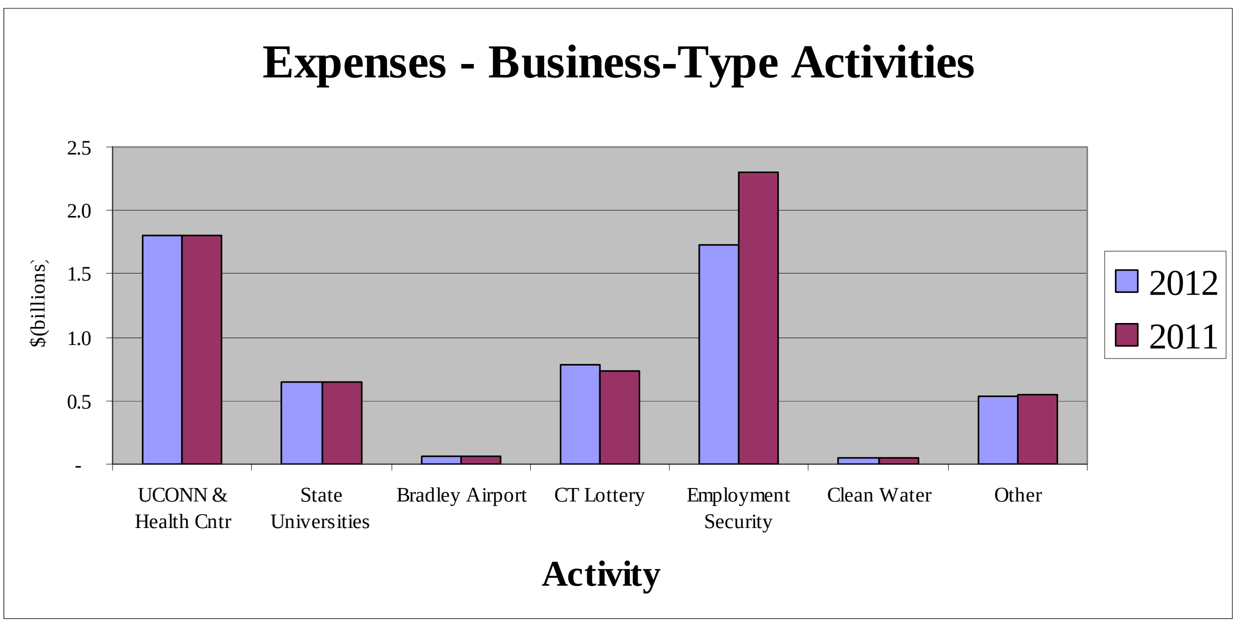




During the year, total revenues of governmental activities increased 6.0 percent to $23.5 billion, while total expenses increased 7.2 percent to $23.5 billion. In comparison, last year total revenues increased 7.2 percent, while total expenses decreased 4.6 percent. The increase in total revenues of $1.3 billion was due mainly to an increase in taxes of $1.6 billion or 12.5 percent. The increase in total expenditures of $1.6 billion was due mainly to an increase in general government and human services expenditures of $1.0 billion or 11.1 percent. Although, total revenues exceeded total expenses by $33 million, this excess was reduced by transfers of $918 million, resulting in a decrease in net assets of $885 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 activities decreased 3.8 percent to $5.1 billion, while total expenses decreased 7.3 percent to $5.7 billion. In comparison, last year total revenues increased 2.2 percent, while total expenses decreased 4.1 percent. The decrease in total expenses of $449 million was due mainly to a decrease in Employment Security expenses of $484 million or 21.0 percent. Although, total expenses exceeded total revenues by $636 million, this deficiency was reduced by transfers of $918 million, resulting in a increase in net assets of $282 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, 2012, the State's governmental funds had fund balances of $1.7 billion, showing a slight improvement over the prior year ending fund balances. Of the total governmental fund balances, $2.5 billion represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $0.1 billion represents fund balance that is non-spendable; $0.2 billion represents fund balance that is committed or assigned for specific purposes by the Legislature and $1.1 billion represents unassigned fund balance deficit.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2012, the General Fund had a fund balance deficit of $0.9 billion. Of this amount, $0.2 billion represents fund balance that is non-spendable or committed for specific purposes by the Legislature, leaving a deficit of $1.1 billion in unassigned fund balance. Fund balance deficit decreased by $212 million during the current fiscal year.

Debt Service Fund

As of June 30, 2012, the Debt Service Fund had a fund balance of $703 million, all of which was restricted. Fund balance decreased by $5 million during the current fiscal year.

Transportation Fund

As of June 30, 2012, the Transportation Fund had a fund balance of $209 million. Of this amount, $31 million was in nonspendable form and $178 million was restricted for specific purposes. Fund balance increased by $39 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2012, the Restricted Grants and Accounts Fund had a fund balance of $394 million, all of which was restricted for specific purposes. Fund balance decreased by $50 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, 2012, the net assets of the State's Fiduciary funds totaled $24.9 billion, a decrease of $0.9 billion when compared to the prior year ending net asset balance.

Budgetary Highlights-General Fund

For fiscal year 2012, the General Fund had an estimated budget surplus of $81 million at the start of the fiscal year. However, due to continued slow economic recovery during the fiscal year, the fund had, instead, an estimated budget deficit of $120 million by the end of the fiscal year. The budget was balanced by the State Legislature mandating the release of the fund's 2011 surplus reserve.

Although actual fund expenditures exceeded revenues by $220 million, this deficiency was reduced by other financing sources of $220 million (including the release of the fund's 2011 surplus reserve of $143 million), resulting in a balanced budget for the fiscal year.

Actual revenues were lower than originally budgeted by $227 million for the fiscal year. This decrease in estimated revenue resulted mainly from a decrease in estimated tax revenue of $215 million, mainly personal income taxes. For the fiscal year, there was no significant difference between final and original budgeted appropriations.

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, 2012 totaled $14.6 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 $171 million, due mainly to an increase in business-type activities' capital assets of $129 million or 3.7 percent.

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

- Additions to equipment and infrastructure of $854 million
- Depreciation expense of $926 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	
	2012	2011	2012	2011	2012	2011
Land	$ 1,639	$ 1,595	$ 65	$ 65	$ 1,704	$ 1,660
Buildings	1,449	1,476	2,512	2,515	3,961	3,991
Improvements Other than Buildings	167	176	245	247	412	423
Equipment	66	154	352	346	418	500
Infrastructure	5,060	5,183	-	-	5,060	5,183
Construction in Progress	2,585	2,340	423	295	3,008	2,635
Total	$ 10,966	$ 10,924	$ 3,597	$ 3,468	$ 14,563	$ 14,392

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	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$ 13,965	$ 13,794	$ -	$ -	$ 13,965	$ 13,794
Transportation Related Bonds	3,287	3,358	-	-	3,287	3,358
Revenue Bonds	-	-	1,439	1,556	1,439	1,556
Long-Term Notes	748	916	-	-	748	916
Premiums and deferred amounts	709	526	46	51	755	577
Total	$ 18,709	$ 18,594	$ 1,485	$ 1,607	$ 20,194	$ 20,201

The State's total bonded debt for fiscal year 2012 remained almost unchanged when compared to the prior year balance.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of February 2012, the State had a debt incurring margin of $7.3 billion.

Other Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011*	2012	2011	2012	2011
Net Pension Obligation	$ 2,496	$ 2,447	$ -	$ -	$ 2,496	$ 2,447
Net OPEB Obligation	5,756	4,960	-	-	5,756	4,960
Compensated Absences	542	560	156	155	698	715
Workers Compensation	560	511	-	-	560	511
Lottery Prizes	-	-	138	162	138	162
Federal Loan Payable	-	-	632	810	632	810
Other	113	122	191	183	304	305
Total	$ 9,467	$ 8,600	$ 1,117	$ 1,310	$ 10,584	$ 9,910

* Restated for comparative purposes. See note 23.

The State's other long-term obligations increased by $674 million (6.8 percent) during the fiscal year. This increase was due mainly to an increase in the net OPEB obligation (Governmental activities) of $796 million or 16.0 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 on an averaged quarterly basis during Fiscal Year 2012. Growth slowed during the first half of Fiscal Year 2013.

Connecticut added 7,300 payroll jobs in Fiscal Year 2012. This compares to 12,500 job additions in Fiscal Year 2011. The State's unemployment rate peaked at 9.4 percent in August of 2010. The unemployment rate was 8.1 percent at the close of Fiscal Year 2012. During the fiscal year, the State's strongest employment sector was education and health services with the addition of 11,700 payroll jobs, followed by transportation and public utilities with 3,000 job additions. The most significant job losses were in the government and financial activities sectors down 3,000 jobs and 4,400 jobs respectively.

At the close of Fiscal Year 2012, Connecticut's personal income was growing at a rate of 2 percent from the same period one year ago. During that same time period wage and salary income grew at about the same rate.

Nationally, retail sales were expanding at a 3.5 percent rate at the close of Fiscal Year 2012. Connecticut's sales tax receipts were up 14.2 percent over the prior fiscal year due primarily to an expansion of taxable categories. Connecticut's strong export sector closed Fiscal Year 2012 up almost 17 percent from the close of the prior year.

The housing market in the Northeast continued a slow recovery with existing home sales at the close of Fiscal Year 2012 advancing 1.9 percent from a year ago with prices up 1.8 percent.

For fiscal year 2013, the budget for the General Fund had an estimated $3.1 million surplus at the start of the fiscal year. Budgeted revenues were expected to increase 1.9 percent to $19.1 billion, while budgeted appropriations were expected to increase 2.3 percent to $19.1 billion. By the end of the second quarter of the fiscal year, the General fund had, instead, an estimated budget deficit of $64.4 million due mainly to a decrease in estimated budgeted revenue of $163.7 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, 2012
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 421,874	$ 715,380	$ 1,137,254	$ 203,543
Deposits with U.S. Treasury	-	198,965	198,965	-
Investments	113,087	52,630	165,717	354,474
Receivables, (Net of Allowances)	2,364,105	811,354	3,175,459	47,505
Due from Primary Government	-	-	-	7,259
Inventories	47,959	14,238	62,197	6,479
Restricted Assets	-	176,427	176,427	1,629,369
Internal Balances	(189,659)	189,659	-	-
Other Current Assets	16,784	14,650	31,434	6,994
Total Current Assets	2,774,150	2,173,303	4,947,453	2,255,623
Noncurrent Assets:				
Cash and Cash Equivalents	-	355,034	355,034	-
Due From Component Units	23,206	-	23,206	-
Investments	-	171,261	171,261	54,042
Receivables, (Net of Allowances)	334,694	734,490	1,069,184	181,145
Restricted Assets	703,376	575,117	1,278,493	4,700,842
Capital Assets, (Net of Accumulated Depreciation)	10,965,884	3,596,806	14,562,690	407,702
Other Noncurrent Assets	109,135	61,081	170,216	22,438
Total Noncurrent Assets	12,136,295	5,493,789	17,630,084	5,366,169
Total Assets	14,910,445	7,667,092	22,577,537	7,621,792
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	682,804	279,718	962,522	61,161
Due to Component Units	7,259	-	7,259	-
Due to Other Governments	197,067	2,558	199,625	-
Current Portion of Long-Term Obligations	1,733,056	194,583	1,927,639	297,672
Amount Held for Institutions	-	-	-	571,404
Deferred Revenue	12,727	229,005	241,732	9,383
Medicaid Liability	547,110	-	547,110	-
Liability for Escheated Property	242,216	-	242,216	-
Other Current Liabilities	76,470	77,859	154,329	31,950
Total Current Liabilities	3,498,709	783,723	4,282,432	971,570
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	26,442,600	2,408,318	28,850,918	4,706,120
Total Noncurrent Liabilities	26,442,600	2,408,318	28,850,918	4,706,120
Total Liabilities	29,941,309	3,192,041	33,133,350	5,677,690
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,305,440	2,953,034	8,258,474	267,569
Restricted For:				
Transportation	119,222	-	119,222	-
Debt Service	664,714	25,827	690,541	20,292
Federal Grants and Other Accounts	407,731	-	407,731	-
Capital Projects	236,469	261,102	497,571	-
Clean Water and Drinking Water Projects	-	618,956	618,956	-
Bond Indenture Requirements	-	2,109	2,109	993,296
Loans	-	3,506	3,506	-
Permanent Investments or Endowments:				
Expendable	940	-	940	93,929
Nonexpendable	100,659	11,994	112,653	283,329
Other Purposes	112,238	182,206	294,444	46,652
Unrestricted (Deficit)	(21,978,277)	416,317	(21,561,960)	239,035
Total Net Assets (Deficit)	$ (15,030,864)	$ 4,475,051	$ (10,555,813)	$ 1,944,102

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

Statement of Activities

For The Fiscal Year Ended June 30, 2012

(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	$ 113,982	$ 2,675	$ -	$ -
General Government	1,987,920	799,397	136,022	-
Regulation and Protection	853,458	630,710	218,408	-
Conservation and Development	692,719	133,480	82,124	-
Health and Hospitals	2,475,759	92,292	157,810	-
Transportation	1,845,656	69,733	-	716,056
Human Services	7,223,118	48,581	4,483,698	-
Education, Libraries, and Museums	4,495,905	33,625	581,254	-
Corrections	2,061,176	9,240	99,771	-
Judicial	910,362	132,309	11,848	-
Interest and Fiscal Charges	816,508	-	-	-
Total Governmental Activities	23,476,563	1,952,042	5,770,935	716,056
Business-Type Activities:				
University of Connecticut & Health Center	1,801,687	1,050,683	220,229	2,768
State Universities	652,092	366,053	62,062	2,856
Bradley International Airport	64,170	64,131	-	5,761
Connecticut Lottery Corporation	781,303	1,081,812	-	-
Employment Security	1,823,464	873,957	993,799	-
Clean Water	53,330	22,854	22,918	-
Other	535,646	158,324	113,347	6,704
Total Business-Type Activities	5,711,692	3,617,814	1,412,355	18,089
Total Primary Government	$ 29,188,255	$ 5,569,856	$ 7,183,290	$ 734,145
Component Units				
Connecticut Housing Finance Authority (12-31-11)	$ 225,580	$ 213,853	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,934	7,079	-	-
Other	289,552	281,526	19,888	16,609
Total Component Units	$ 521,066	$ 502,458	$ 19,888	$ 16,609

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	Business-Type Activities	Total	Component Units
$ (111,307)	$ -	$ (111,307)	$ -
(1,052,501)	-	(1,052,501)	-
(4,340)	-	(4,340)	-
(477,115)	-	(477,115)	-
(2,225,657)	-	(2,225,657)	-
(1,059,867)	-	(1,059,867)	-
(2,690,839)	-	(2,690,839)	-
(3,881,026)	-	(3,881,026)	-
(1,952,165)	-	(1,952,165)	-
(766,205)	-	(766,205)	-
(816,508)	-	(816,508)	-
(15,037,530)	-	(15,037,530)	-
-	(528,007)	(528,007)	-
-	(221,121)	(221,121)	-
-	5,722	5,722	-
-	300,509	300,509	-
-	44,292	44,292	-
-	(7,558)	(7,558)	-
-	(257,271)	(257,271)	-
-	(663,434)	(663,434)	-
(15,037,530)	(663,434)	(15,700,964)	-
-	-	-	(11,727)
-	-	-	1,145
-	-	-	28,471
-	-	-	17,889
7,360,165	-	7,360,165	-
601,509	-	601,509	-
3,880,607	-	3,880,607	-
1,953,170	-	1,953,170	-
713,477	-	713,477	-
76,618	-	76,618	-
344,645	-	344,645	-
123,799	-	123,799	-
15,955	27,679	43,634	65,531
-	-	-	37,937
(917,570)	917,570	-	-
14,152,375	945,249	15,097,624	103,468
(885,155)	281,815	(603,340)	121,357
(14,145,709)	4,193,236	(9,952,473)	1,822,745
$ (15,030,864)	$ 4,475,051	$ (10,555,813)	$ 1,944,102

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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, 2012
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 155,401	$ 8,326	$ 248,920	$ 412,647
Investments	7,033	-	-	-	106,054	113,087
Securities Lending Collateral	-	-	-	-	16,298	16,298
Receivables:						
Taxes, Net of Allowances	1,340,523	-	44,031	-	-	1,384,554
Accounts, Net of Allowances	275,855	-	8,206	40,224	23,934	348,219
Loans, Net of Allowances	3,419	-	-	13,246	318,029	334,694
From Other Governments	364,240	-	-	248,119	7,892	620,251
Interest	-	284	29	-	-	313
Other	-	-	-	-	3	3
Due from Other Funds	19,041	-	284	302,589	847,755	1,169,669
Due from Component Units	23,206	-	-	-	-	23,206
Inventories	13,622	-	30,670	-	-	44,292
Restricted Assets	-	703,376	-	-	-	703,376
Total Assets	$ 2,046,939	$ 703,660	$ 238,621	$ 612,504	$ 1,568,885	$ 5,170,609
Liabilities and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	$ 259,118	$ -	$ 26,225	$ 156,838	$ 63,375	$ 505,556
Due to Other Funds	1,202,419	284	-	1,985	150,179	1,354,867
Due to Component Units	-	-	-	230	7,029	7,259
Due to Other Governments	176,563	-	-	20,504	-	197,067
Deferred Revenue	472,562	-	3,465	38,276	34,872	549,175
Medicaid Liability	547,110	-	-	-	-	547,110
Liability For Escheated Property	242,216	-	-	-	-	242,216
Securities Lending Obligation	-	-	-	-	16,298	16,298
Other Liabilities	59,372	-	-	800	-	60,172
Total Liabilities	2,959,360	284	29,690	218,633	271,753	3,479,720
Fund Balances						
Nonspendable:						
Inventories/Long-Term Receivables	40,247	-	30,670	-	-	70,917
Permanent Fund Principal	-	-	-	-	100,659	100,659
Restricted For:						
Debt Service	-	703,376	-	-	-	703,376
Transportation Programs	-	-	178,261	-	-	178,261
Federal Grant and State Programs	-	-	-	393,871	-	393,871
Other	-	-	-	-	1,179,144	1,179,144
Committed For:						
Continuing Appropriations	99,931	-	-	-	-	99,931
Budget Reserve Fund	93,454	-	-	-	-	93,454
Assigned To:						
Other	-	-	-	-	22,770	22,770
Unassigned	(1,146,053)	-	-	-	(5,441)	(1,151,494)
Total Fund Balances	(912,421)	703,376	208,931	393,871	1,297,132	1,690,889
Total Liabilities and Fund Balances	$ 2,046,939	$ 703,660	$ 238,621	$ 612,504	$ 1,568,885	$ 5,170,609

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, 2012
(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$	1,690,889
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	3,303,418		
Equipment	1,983,310		
Infrastructure	13,023,800		
Other Capital Assets	4,704,036		
Accumulated Depreciation	(12,079,317)		10,935,247
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.			84,179
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.			536,878
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.			40,010
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	(2,496,190)		
Net OPEB Obligation	(5,755,731)		
Worker's Compensation	(559,546)		
Capital Leases	(42,759)		
Compensated Absences	(540,069)		
Claims and Judgments	(44,942)		(9,439,237)
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	(17,999,851)		
Unamortized Premiums	(905,503)		
Less: Deferred Loss on Refundings	196,629		
Accrued Interest Payable	(170,105)		(18,878,830)
Net Assets of Governmental Activities		$	(15,030,864)

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, 2012
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Revenues						
Taxes	$ 13,923,530	$ -	$ 789,036	$ -	$ -	$ 14,712,566
Licenses, Permits and Fees	281,637	-	316,528	14,248	45,033	657,446
Tobacco Settlement	-	-	-	-	123,799	123,799
Federal Grants and Aid	4,157,747	-	12,915	2,229,415	90,439	6,490,516
Charges for Services	35,011	-	67,409	-	4,907	107,327
Fines, Forfeits and Rents	432,681	-	18,458	-	1,219	452,358
Casino Gaming Payments	344,645	-	-	-	-	344,645
Investment Earnings	881	1,467	739	1,300	9,999	14,386
Miscellaneous	157,766	-	8,977	411,138	126,524	704,405
Total Revenues	19,333,898	1,467	1,214,062	2,656,101	401,920	23,607,448
Expenditures						
Current:						
Legislative	100,700	-	-	2,812	-	103,512
General Government	1,019,532	-	5,306	355,078	496,333	1,876,249
Regulation and Protection	375,724	-	83,806	150,625	173,847	784,002
Conservation and Development	187,270	-	-	126,179	349,374	662,823
Health and Hospitals	2,158,069	-	-	208,628	7,996	2,374,693
Transportation	-	-	709,982	820,387	4,428	1,534,797
Human Services	6,455,873	-	241	499,782	11,148	6,967,044
Education, Libraries, and Museums	3,588,451	-	-	578,408	18,309	4,185,168
Corrections	1,915,455	-	-	19,249	4,387	1,939,091
Judicial	798,826	-	-	14,629	44,884	858,339
Capital Projects	-	-	-	-	547,212	547,212
Debt Service:						
Principal Retirement	1,199,619	274,275	-	-	-	1,473,894
Interest and Fiscal Charges	606,924	177,780	2,183	153,307	6,908	947,102
Total Expenditures	18,406,443	452,055	801,518	2,929,084	1,664,826	24,253,926
Excess (Deficiency) of Revenues Over Expenditures	927,455	(450,588)	412,544	(272,983)	(1,262,906)	(646,478)
Other Financing Sources (Uses)						
Bonds Issued	48,840	-	-	-	1,505,961	1,554,801
Premiums on Bonds Issued	1,704	143,569	-	-	168,442	313,715
Transfers In	413,529	442,888	82,915	223,070	80,829	1,243,231
Transfers Out	(1,155,607)	(2,666)	(459,282)	(331)	(557,615)	(2,175,501)
Refunding Bonds Issued	-	1,219,815	-	-	-	1,219,815
Payment to Refunded Bond Escrow Agent	(29,871)	(1,358,287)	-	-	-	(1,388,158)
Capital Lease Obligations	6,084	-	-	-	-	6,084
Total Other Financing Sources (Uses)	(715,321)	445,319	(376,367)	222,739	1,197,617	773,987
Net Change in Fund Balances	212,134	(5,269)	36,177	(50,244)	(65,289)	127,509
Fund Balances (Deficit) - Beginning (as restated)	(1,124,605)	708,645	169,817	444,115	1,362,421	1,560,393
Change in Reserve for Inventories	50	-	2,937	-	-	2,987
Fund Balances (Deficit) - Ending	$ (912,421)	$ 703,376	$ 208,931	$ 393,871	$ 1,297,132	$ 1,690,889

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, 2012

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 127,509
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	(1,554,801)	
Refunding Bonds Issued	(1,219,815)	
Premium on Bonds Issued	(313,715)	(3,088,331)
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	1,473,894	
Payments to Refunded Bond Escrow Agent ($15,174 reported in debt service)	1,403,332	
Capital Lease Payments	6,320	2,883,546
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		(6,084)
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	959,374	
Depreciation Expense	(918,294)	
Retirements	(789)	40,291
Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which purchases exceeded consumption of inventories.		2,987
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:		
Decrease in Accrued Interest	17,012	
Decrease in Interest Accreted on Capital Appreciation Debt	25,014	
Amortization of Bond Premium	95,129	
Amortization of Loss on Debt Refundings	(26,685)	
Decrease in Compensated Absences Liability	17,139	
Increase in Workers Compensation Liability	(48,133)	
Decrease in Claims and Judgments Liability	11,285	
Increase in Net Pension Obligation	(49,106)	
Increase in Net OPEB Obligation	(795,784)	(754,129)
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.		(98,471)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities.		2,577
Debt issue costs are recorded as expenditures in the governmental funds. However, these costs are amortized over the life of the bonds in the Statement of Activities. In the current year, these amounts are:		
Debt Issue Costs Payments	10,914	
Amortization of Debt Issue Costs	(5,964)	4,950
Change in Net Assets of Governmental Activities		$ (885,155)

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, 2012

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	**Original**	**Final**	**Actual**	**(negative)**
Budgeted:				
Taxes, Net of Refunds	$ 14,019,100	$ 13,824,400	$ 13,804,369	$ (20,031)
Casino Gaming Payments	375,500	344,600	344,645	45
Licenses, Permits, and Fees	271,200	283,400	283,414	14
Other	329,700	350,700	351,360	660
Federal Grants	3,589,700	3,607,500	3,607,163	(337)
Refunds of Payments	(38,300)	(83,500)	(85,376)	(1,876)
Operating Transfers In	384,500	409,900	409,857	
Operating Transfers Out	(61,800)	(61,800)	(61,800)	-
Transfer from the Resources of the General Fund	(81,000)	(81,000)	(91,999)	(10,999)
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	18,788,600	18,594,200	18,561,633	(32,524)
Expenditures				
Budgeted:				
Legislative	80,446	80,610	67,344	13,266
General Government	661,517	662,642	609,239	53,403
Regulation and Protection	284,489	287,908	262,898	25,010
Conservation and Development	152,430	152,810	137,294	15,516
Health and Hospitals	1,896,260	1,853,068	1,792,435	60,633
Transportation	609	609	-	609
Human Services	5,842,672	5,938,497	5,817,369	121,128
Education, Libraries, and Museums	4,329,820	4,333,551	4,235,428	98,123
Corrections	1,576,670	1,545,640	1,472,685	72,955
Judicial	576,941	579,284	545,650	33,634
Non Functional	4,284,777	4,258,046	3,841,292	416,754
Total Expenditures	19,686,631	19,692,665	18,781,634	911,031
Appropriations Lapsed	777,912	771,121	-	(771,121)
Excess (Deficiency) of Revenues Over Expenditures	(120,119)	(327,344)	(220,001)	107,343
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	200,985	200,985	200,985	-
Appropriations Continued to Fiscal Year 2013	-	-	(130,351)	(130,351)
Release of 2011 Surplus Reserve	-	-	143,517	143,517
Miscellaneous Adjustments	-	5,850	5,850	-
Total Other Financing Sources (Uses)	200,985	206,835	220,001	13,166
Net Change in Fund Balance	$ 80,866	$ (120,509)	-	$ 120,509
Budgetary Fund Balances - July 1			442,141	
Changes in Reserves			(307,566)	
Budgetary Fund Balances - June 30			$ 134,575	

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

Transportation Fund

Budget Original	Budget Final	Actual	Variance with Final Budget positive (negative)
$ 798,600	$ 788,300	$ 789,306	$ 1,006
-	-	-	-
381,300	372,000	371,420	(580)
12,500	2,000	2,208	208
13,100	12,900	12,915	15
(3,100)	(3,000)	(2,979)	21
81,900	81,900	81,550	(350)
(6,500)	(6,500)	(6,500)	-
-	-	-	-
(15,300)	(15,300)	(15,000)	300
1,262,500	1,232,300	1,232,920	620
-	-	-	-
7,157	7,157	5,396	1,761
69,965	69,965	54,028	15,937
-	-	-	-
-	-	-	-
613,147	613,147	551,211	61,936
131	140	139	1
-	-	-	-
-	-	-	-
-	-	-	-
665,622	665,613	582,634	82,979
1,356,022	1,356,022	1,193,408	162,614
53,536	120,995	-	(120,995)
	-		
(39,986)	(2,727)	39,512	42,239
40,554	40,554	40,554	-
-	-	(41,615)	(41,615)
-	-	-	
-	-	-	-
40,554	40,554	(1,061)	(41,615)
$ 568	$ 37,827	38,451	$ 624
		147,919	
		1,061	
		$ 187,431	

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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, 2012
(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	$ 347,139	$ 179,587	$ 22,929	$ 31,128
Deposits with U.S. Treasury	-	-	-	-
Investments	3,303	27,810	-	21,517
Receivables:				
Accounts, Net of Allowances	108,070	175,049	5,822	34,249
Loans, Net of Allowances	1,744	2,805	-	-
Interest	-	-	-	3,403
From Other Governments	-	2,432	884	-
Due from Other Funds	57,566	27,040	-	-
Inventories	14,238	-	-	-
Restricted Assets	160,524	-	15,903	-
Other Current Assets	8,400	3,795	142	2,105
Total Current Assets	700,984	418,518	45,680	92,402
Noncurrent Assets:				
Cash and Cash Equivalents	1,420	122,559	-	-
Investments	10,303	26,827	-	115,991
Receivables:				
Loans, Net of Allowances	10,494	9,253	-	-
Restricted Assets	4,028	-	115,854	-
Capital Assets, Net of Accumulated Depreciation	1,742,927	876,817	294,642	2,111
Other Noncurrent Assets	1,951	2,171	39,145	5,240
Total Noncurrent Assets	1,771,123	1,037,627	449,641	123,342
Total Assets	2,472,107	1,456,145	495,321	215,744
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	120,193	45,831	7,789	28,848
Due to Other Funds	10,097	3,382	1,896	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	58,661	18,017	14,245	22,204
Deferred Revenue	33,696	189,978	1,399	653
Other Current Liabilities	27,143	10,647	-	39,784
Total Current Liabilities	249,790	267,855	25,329	91,489
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	288,811	299,164	169,163	116,694
Total Noncurrent Liabilities	288,811	299,164	169,163	116,694
Total Liabilities	538,601	567,019	194,492	208,183
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	1,457,585	712,215	140,199	2,111
Restricted For:				
Debt Service	7,737	-	13,582	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	172,302	-	88,800	-
Nonexpendable Purposes	11,574	400	-	-
Bond Indentures	-	-	2,109	-
Loans	3,506	-	-	-
Other Purposes	23,033	50,404	-	5,403
Unrestricted (Deficit)	257,769	126,107	56,139	47
Total Net Assets (Deficit)	$ 1,933,506	$ 889,126	$ 300,829	$ 7,561

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Total		Internal Service Funds
$ -	$ 3,536	$ 131,061	$ 715,380		$ 9,227
198,965	-	-	198,965		-
-	-	-	52,630		-
191,889	-	13,632	528,711		2,735
-	230,173	4,896	239,618		-
-	8,616	242	12,261		-
8,434	18,705	309	30,764		-
2,048	-	121,771	208,425		533
-	-	-	14,238		3,667
-	-	-	176,427		-
-	-	208	14,650		486
401,336	261,030	272,119	2,192,069		16,648
-	183,658	47,397	355,034		-
-	18,140	-	171,261		-
-	651,673	63,070	734,490		-
-	373,752	81,483	575,117		-
-	-	680,309	3,596,806		30,637
-	10,994	1,580	61,081		-
-	1,238,217	873,839	5,493,789		30,637
401,336	1,499,247	1,145,958	7,685,858		47,285
-	17,711	59,346	279,718		2,587
3,391	-	-	18,766		1,520
2,558	-	-	2,558		-
-	70,578	10,878	194,583		101
-	-	3,279	229,005		430
-	-	285	77,859		-
5,949	88,289	73,788	802,489		4,638
632,026	742,491	159,969	2,408,318		2,637
632,026	742,491	159,969	2,408,318		2,637
637,975	830,780	233,757	3,210,807		7,275
-	-	640,924	2,953,034		30,637
-	-	4,508	25,827		-
-	499,779	119,177	618,956		-
-	-	-	261,102		-
-	-	20	11,994		-
-	-	-	2,109		-
-	-	-	3,506		-
-	-	103,366	182,206		-
(236,639)	168,688	44,206	416,317		9,373
$ (236,639)	$ 668,467	$ 912,201	$ 4,475,051		$ 40,010

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

For The Fiscal Year Ended June 30, 2012
(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	$ 893,631	$ 345,352	$ 47,622	$ 1,081,740
Assessments	-	-	-	-
Federal Grants, Contracts, and Other Aid	181,382	44,551	-	-
State Grants, Contracts, and Other Aid	22,078	14,419	-	-
Private Gifts and Grants	36,342	3,092	-	-
Interest on Loans	-	-	-	-
Other	99,905	18,073	-	72
Total Operating Revenues	1,233,338	425,487	47,622	1,081,812
Operating Expenses				
Salaries, Wages, and Administrative	1,528,513	567,033	40,368	103,246
Lottery Prize Awards	-	-	-	659,898
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	119,353	51,764	16,920	448
Other	141,088	22,939	-	6,313
Total Operating Expenses	1,788,954	641,736	57,288	769,905
Operating Income (Loss)	(555,616)	(216,249)	(9,666)	311,907
Nonoperating Revenue (Expenses)				
Interest and Investment Income	1,016	1,107	399	9,538
Interest and Fiscal Charges	(12,733)	(10,356)	(6,882)	(9,505)
Other	37,574	2,628	16,509	(1,893)
Total Nonoperating Revenues (Expenses)	25,857	(6,621)	10,026	(1,860)
Income (Loss) Before Capital Contributions, Grants, and Transfers	(529,759)	(222,870)	360	310,047
Capital Contributions	2,768	2,856	5,761	-
Federal Capitalization Grants	-	-	-	-
Transfers In	703,276	258,550	10,267	-
Transfers Out	-	-	-	(310,000)
Change in Net Assets	176,285	38,536	16,388	47
Total Net Assets (Deficit) - Beginning (as restated)	1,757,221	850,590	284,441	7,514
Total Net Assets (Deficit) - Ending	$ 1,933,506	$ 889,126	$ 300,829	$ 7,561

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	**Clean Water**	**Other Funds**	**Totals**	**Internal Service Funds**
$ -	$ -	$ 118,227	$ 2,486,572	$ 54,503
870,200	-	32,069	902,269	-
980,542	-	90,198	1,296,673	-
13,257	-	16,972	66,726	-
-	-	6,177	45,611	-
-	17,878	1,595	19,473	-
3,757	-	5,720	127,527	92
1,867,756	17,878	270,958	4,944,851	54,595
-	1,433	431,256	2,671,849	36,878
-	-	-	659,898	-
1,823,464	-	-	1,823,464	-
-	-	31,903	31,903	-
-	-	22,618	211,103	15,170
-	9,645	43,636	223,621	-
1,823,464	11,078	529,413	5,621,838	52,048
44,292	6,800	(258,455)	(676,987)	2,547
-	14,260	1,359	27,679	2
-	(42,252)	(6,233)	(87,961)	-
-	4,976	713	60,507	26
-	(23,016)	(4,161)	225	28
44,292	(16,216)	(262,616)	(676,762)	2,575
-	-	-	11,385	2
-	22,918	6,704	29,622	-
-	-	272,348	1,244,441	-
(3,364)	(3,240)	(10,267)	(326,871)	-
40,928	3,462	6,169	281,815	2,577
(277,567)	665,005	906,032	4,193,236	37,433
$ (236,639)	$ 668,467	$ 912,201	$ 4,475,051	$ 40,010

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2012
(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	$ 900,080	$ 344,698	$ 47,408	$ 1,071,031
Payments to Suppliers	(529,283)	(174,920)	(26,582)	(69,633)
Payments to Employees	(1,093,645)	(424,560)	(15,279)	(15,153)
Other Receipts (Payments)	325,422	81,205	-	(659,816)
Net Cash Provided by (Used in) Operating Activities	(397,426)	(173,577)	5,547	326,429
Cash Flows from Noncapital Financing Activities				
Retirement of Bonds and Annuities Payable	-	-	-	(26,691)
Interest on Bonds and Annuities Payable	-	-	-	(10,225)
Transfers In	399,441	220,546	10,267	-
Transfers Out	-	-	-	(310,000)
Other Receipts (Payments)	31,870	3,611	-	214
Net Cash Flows from Noncapital Financing Activities	431,311	224,157	10,267	(346,702)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	(158,611)	(73,260)	(5,353)	(28)
Proceeds from Capital Debt	200,000	49,040	-	-
Principal Paid on Capital Debt	(90,400)	(69,526)	(13,290)	-
Interest Paid on Capital Debt	(49,723)	(11,572)	(7,279)	-
Transfer In	137,739	52,240	-	-
Federal Grant	-	-	-	-
Capital Contributions	-	-	6,402	-
Other Receipts (Payments)	1,789	(571)	14,475	-
Net Cash Flows from Capital and Related Financing Activities	40,794	(53,649)	(5,045)	(28)
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	34,791	-	26,663
Purchase of Investment Securities	(54)	(23,893)	(4,652)	(2,114)
Interest on Investments	1,053	1,132	577	10,264
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	6,393	-	-	-
Net Cash Flows from Investing Activities	7,392	12,030	(4,075)	34,813
Net Increase (Decrease) in Cash and Cash Equivalents	82,071	8,961	6,694	14,512
Cash and Cash Equivalents - Beginning of Year	427,396	293,185	130,161	16,616
Cash and Cash Equivalents - End of Year	$ 509,467	$ 302,146	$ 136,855	$ 31,128
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (555,616)	$ (216,249)	$ (9,666)	$ 311,907
Adjustments not Affecting Cash:				
Depreciation and Amortization	119,353	51,764	16,920	448
Other	87,352	-	-	(48)
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(747)	(4,412)	(215)	(10,561)
(Increase) Decrease in Due from Other Funds	-	-	-	-
(Increase) Decrease in Inventories and Other Assets	6,131	(273)	-	1,539
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(53,899)	(4,528)	(1,492)	23,144
Increase (Decrease) in Due to Other Funds	-	121	-	-
Total Adjustments	158,190	42,672	15,213	14,522
Net Cash Provided by (Used In) Operating Activities	$ (397,426)	$ (173,577)	$ 5,547	$ 326,429
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 347,139	$ 179,587	$ 22,929	
Cash and Cash Equivalents - Noncurrent	1,420	122,559	-	
Cash and Cash Equivalents - Restricted	160,908	-	113,926	
	$ 509,467	$ 302,146	$ 136,855	

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

Business-Type Activities Enterprise Funds				Governmental Activities
Employment Security	Clean Water	Other	Totals	Internal Service Funds
$ 865,189	$ 86,420	$ 156,859	$ 3,471,685	$ 53,558
-	(9,645)	(84,746)	(894,809)	(112,299)
-	(1,136)	(363,251)	(1,913,024)	(12,754)
(820,897)	(72,811)	94,555	(1,052,342)	529
44,292	2,828	(196,583)	(388,490)	(70,966)
-	(70,687)	(6,508)	(103,886)	-
-	(35,226)	(2,391)	(47,842)	-
-	3,656	231,726	865,636	-
(3,364)	-	(10,267)	(323,631)	-
(40,928)	-	11,509	6,276	88,514
(44,292)	(102,257)	224,069	396,553	88,514
-	-	(10,090)	(247,342)	(16,465)
-	-	-	249,040	-
-	-	-	(173,216)	-
-	-	(3,172)	(71,746)	-
-	-	45,452	235,431	-
-	4,213	5,918	10,131	-
-	-	-	6,402	-
-	-	(83,338)	(67,645)	-
-	4,213	(45,230)	(58,945)	(16,465)
-	-	-	61,454	-
-	-	-	(30,713)	-
-	14,317	1,406	28,749	2
-	13,218	-	13,218	-
-	69,203	(6,521)	69,075	-
-	96,738	(5,115)	141,783	2
-	1,522	(22,859)	90,901	1,085
-	2,014	153,939	1,023,311	8,142
$ -	$ 3,536	$ 131,080	$ 1,114,212	$ 9,227
$ 44,292	$ 6,800	$ (258,455)	$ (676,987)	$ 2,547
-	-	22,618	211,103	15,170
-	-	(10,121)	77,183	-
(5,159)	(3,972)	(870)	(25,936)	(2,585)
148	-	-	148	1,639
179,762	-	56,824	243,983	8
(177,849)	-	(6,579)	(221,203)	(87,745)
3,098	-	-	3,219	-
-	(3,972)	61,872	288,497	(73,513)
$ 44,292	$ 2,828	$ (196,583)	$ (388,490)	$ (70,966)
		$ 131,061		
		-		
		19		
		$ 131,080		

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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, 2012

(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	$ 300,561	$ -	$ -	$ 138,476	$ 439,037
Receivables:					
Accounts, Net of Allowances	31,246	-	-	14,916	46,162
From Other Governments	693	-	-	-	693
From Other Funds	2,070	-	-	4,515	6,585
Interest	728	332	-	6	1,066
Investments	23,875,440	853,747	-	-	24,729,187
Inventories	-	-	-	12	12
Securities Lending Collateral	2,665,472	-	-	-	2,665,472
Other Assets	-	39	1,225	380,174	381,438
Total Assets	26,876,210	854,118	1,225	$ 538,099	28,269,652
Liabilities					
Accounts Payable and Accrued Liabilities	156,271	86	-	$ 48,182	204,539
Securities Lending Obligation	2,665,472	-	-	-	2,665,472
Due to Other Funds	10,059	-	-	-	10,059
Funds Held for Others	-	-	-	489,917	489,917
Total Liabilities	2,831,802	86	-	$ 538,099	3,369,987
Net Assets					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	23,873,812	-	-		23,873,812
Other Employee Benefits (Note 15)	170,596	-	-		170,596
Individuals, Organizations, and Other Governments	-	854,032	1,225		855,257
Total Net Assets	$ 24,044,408	$ 854,032	$ 1,225		$ 24,899,665

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, 2012
(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	$ 437,495	$ -	$ -	$ 437,495
State	2,289,432	-	-	2,289,432
Municipalities	59,348	-	-	59,348
Total Contributions	2,786,275	-	-	2,786,275
Investment Income	(138,035)	1,750	-	(136,285)
Less: Investment Expense	(87,180)	(177)	-	(87,357)
Net Investment Income	(225,215)	1,573	-	(223,642)
Escheat Securities Received	-	-	23,997	23,997
Pool's Share Transactions	-	249,005	-	249,005
Transfers In	14,700	-	-	14,700
Other	5,684	-	-	5,684
Total Additions	2,581,444	250,578	23,997	2,856,019
Deductions				
Administrative Expense	3,149	-	-	3,149
Benefit Payments and Refunds	3,741,845	-	-	3,741,845
Escheat Securities Returned or Sold	-	-	23,133	23,133
Distributions to Pool Participants	-	1,572	-	1,572
Other	3,122	-	1,800	4,922
Total Deductions	3,748,116	1,572	24,933	3,774,621
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	(1,166,672)	-	-	(1,166,672)
Individuals, Organizations, and Other Governments	-	249,006	(936)	248,070
Net Assets - Beginning	25,211,080	605,026	2,161	25,818,267
Net Assets - Ending	$ 24,044,408	$ 854,032	$ 1,225	$ 24,899,665

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, 2012

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-11)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 276	$ 203,267	$ 203,543
Investments	-	7,941	346,533	354,474
Receivables:				
Accounts, Net of Allowances	-	379	24,818	25,197
Loans, Net of Allowances	-	-	21,251	21,251
Other	-	-	1,057	1,057
Due From Primary Government	-	-	7,259	7,259
Restricted Assets	994,819	571,404	63,146	1,629,369
Inventories	-	-	6,479	6,479
Other Current Assets	-	123	6,871	6,994
Total Current Assets	994,819	580,123	680,681	2,255,623
Noncurrent Assets:				
Investments	-	-	54,042	54,042
Accounts, Net of Allowances	-	-	22,972	22,972
Loans, Net of Allowances	-	-	158,173	158,173
Restricted Assets	4,625,687	7,257	67,898	4,700,842
Capital Assets, Net of Accumulated Depreciation	3,478	158	404,066	407,702
Other Noncurrent Assets	-	-	22,438	22,438
Total Noncurrent Assets	4,629,165	7,415	729,589	5,366,169
Total Assets	5,623,984	587,538	1,410,270	7,621,792
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	27,729	657	32,775	61,161
Current Portion of Long-Term Obligations	271,780	-	25,892	297,672
Deferred Revenue	-	-	9,383	9,383
Amount Held for Institutions	-	571,404	-	571,404
Other Liabilities	26,876	-	5,074	31,950
Total Current Liabilities	326,385	572,061	73,124	971,570
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	4,339,878	2,191	364,051	4,706,120
Total Noncurrent Liabilities	4,339,878	2,191	364,051	4,706,120
Total Liabilities	4,666,263	574,252	437,175	5,677,690
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,478	158	263,933	267,569
Restricted:				
Debt Service	-	-	20,292	20,292
Bond Indentures	993,296	-	-	993,296
Expendable Endowments	-	-	93,929	93,929
Nonexpendable Endowments	-	-	283,329	283,329
Other Purposes	-	5,066	41,586	46,652
Unrestricted (Deficit)	(39,053)	8,062	270,026	239,035
Total Net Assets	$ 957,721	$ 13,286	$ 973,095	$ 1,944,102

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/11)	$ 225,580	$ 213,853	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,934	7,079	-	-
Other Component Units	289,552	281,526	19,888	16,609
Total Component Units	$ 521,066	$ 502,458	$ 19,888	$ 16,609

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

Net (Expense) Revenue and Changes in Net Assets			
Connecticut Housing Finance Authority (12-31-11)	**Connecticut Health & Educational Facilities Authority**	**Other Component Units**	**Totals**
$ (11,727)	$ -	$ -	$ (11,727)
-	1,145	-	1,145
-	-	28,471	28,471
(11,727)	1,145	28,471	17,889
65,552	12	(33)	65,531
-	-	37,937	37,937
65,552	12	37,904	103,468
53,825	1,157	66,375	121,357
903,896	12,129	906,720	1,822,745
$ 957,721	$ 13,286	$ 973,095	$ 1,944,102

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Notes to the Financial Statements
June 30, 2012

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. 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, 2011.

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.

The Clean Energy Finance and Investment Authority
The Clean Energy Finance and Investment Authority is a public instrumentality and political subdivision of the State. It was created to develop programs to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean

energy and the deployment of clean energy sources within the state.

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, the Connecticut Innovations, Incorporated and the Clean Energy Finance and Investment Authority.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers 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 2012 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 consist of investments in the Short-Term Investment Fund which 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, except for the University of Connecticut which uses an initial individual cost of more than $5,000. 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.

Escheat Property

Escheat property is private property that has reverted to the State because it has been abandoned or has not been claimed by the rightful owners for a period of time. State law requires that all escheat property receipts be recorded as revenue in the General fund. Escheat revenue is reduced and a fund liability is reported to the extent that it is probable that escheat property will be refunded to claimants in the future. This liability is estimated based on the State's historical relationship between escheat property receipts and amounts paid as refunds, taking into account current conditions and trends.

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)	$ -	$ 38,451
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	(295,248)	3,793
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	590,230	(13,944)
Salaries and Fringe Benefits Payable	131,304	9,252
Increase (Decrease) in Continuing Appropriations	(70,635)	1,061
Less:Realease of 2011 Surplus Reserve	(143,517)	-
Fund Reclassification-Bus Operations	-	(2,436)
Net change in fund balances (GAAP basis)	$ 212,134	$ 36,177

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, 2012, none of which constitutes a violation of statutory provisions (amounts in thousands).

Special Revenue	
Consumer Counsel Public Utility Control	$ 9
Capital Projects	
State Facilities	$ 1,113
Transportation	$ 718
Enterprise	
Bradley Parking Garage	$ 27,127

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, 2012, 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	$ 20,261	$ 20,261	$ -
Federal Agency Securities	1,788,811	1,758,814	29,997
US Gov. Guaranteed Securities	141,768	141,768	-
Government Money Market Funds	16,608	16,608	-
Repurchase Agreements	1,544,493	1,544,493	-
Money Market Funds	1	1	-
Total Investments	$ 3,511,942	$ 3,481,945	$ 29,997

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, 2012, the weighted average maturity of the STIF was 33 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, 2012, the amount of STIF's investments in variable-rate securities was $974 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, 2012, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Quality Ratings AAA	AA	A	Unrated
Floating Rate Notes	$ 20,261	$ -	$ -	$ -	$ 20,261
Federal Agency Securities	1,788,811	-	1,788,811	-	-
U.S. Government Guaranteed & Insure	141,768	-	111,768	-	30,000
Government Money Market Funds	16,608	16,608	-	-	-
Repurchase Agreements	1,544,493	-	-	1,544,493	-
Bank Commercial Paper	1	-	-	1	-
Total Investments	$ 3,511,942	$ 16,608	$ 1,900,579	$ 1,544,494	$ 50,261

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, 2012, 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
Merrill Lynch	$ 900,000
RBS Securities Inc.	$ 644,493
Federal Home Loan Bank	$ 630,586
Federal Farm Credit	$ 448,493
Fannie Mae	$ 402,290
Freddie Mac	$ 307,441

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, 2012, $1,379,250 of the bank balance of STIF's deposits of $1,380,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,291,300
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	87,950
Total	$ 1,379,250

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, 2012, 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
Asset Backed Securities	$ 3,319	$ 2,815	$ 504
Money Market Government Fund	1	1	-
Total Investments	$ 3,320	$ 2,816	$ 504

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, 2012, the weighted average maturity of STIF Plus was 86 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, 2012, STIF Plus's investment in variable-rate securities was $2.8 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, 2012, STIF Plus's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Plus Investment Fund

		Quality Rating		
Investment Type	Fair Value	AAA	A	CCC
Asset Backed Securities	$ 3,319	$ 1,568	$ 1,064	$ 687
Money Market Government Fund	1	-	1	-
Total	$ 3,320	$ 1,568	$ 1,065	$ 687

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, 2012, 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
ARSI 2004	$ 1,064
GRANM 2007	$ 1,063
RAMC 2005	$ 504
INDB 2006	$ 300
CITI MORT LOAN TR	$ 284

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, 2012, 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	$ 100,659	$ 664	$ 23,875,440
Other Investments	12,428	51,966	853,747
Total Investments-Current	$ 113,087	$ 52,630	$ 24,729,187

As of June 30, 2012, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 744,557	$ 461,915	$ 2,467	$ 20,657	$ 259,518
Asset Backed Securities	110,750	3,708	86,170	18,649	2,223
Government Securities	2,818,433	117,734	1,208,487	676,882	815,330
Government Agency Securities	893,470	3,883	39,971	36,210	813,406
Mortgage Backed Securities	206,448	1,745	31,536	10,485	162,682
Corporate Debt	1,745,459	74,877	668,053	736,793	265,736
Convertible Debt	32,495	491	12,221	8,686	11,097
Mutual Fund	336,487	-	-	-	336,487
Total Debt Investments	6,888,099	$ 664,353	$ 2,048,905	$ 1,508,362	$ 2,666,479
Common Stock	11,138,851				
Preferred Stock	55,941				
Real Estate Investment Trust	208,774				
Mutual Fund	1,317,906				
Limited Liability Corporation	1,115				
Trusts	992				
Limited Partnerships	4,465,662				
Total Investments	$ 24,077,340				

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, 2012, 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	$ 1,547,883	$ 20,400	$ 76,200	$ 269,081	$ 858,154	$ 126,653	$ 197,395	$ -	$ -
Aa	262,448	11,000	10,439	112,460	-	14,239	114,310	-	-
A	437,705	-	2,220	184,381	-	8,656	242,448	-	-
Baa	786,692	-	1,056	332,305	-	1,420	450,803	1,108	-
Ba	251,361	-	-	84,120	-	2,429	160,538	4,274	-
B	388,175	-	-	51,495	-	-	334,686	1,994	-
Caa	115,986	-	-	1,568	-	1,397	113,021	-	-
Ca	5,224	-	-	207	-	-	5,017	-	-
MIG	9,874	-	-	9,874	-	-	-	-	-
Prime 1	33,515	33,515	-	-	-	-	-	-	-
Government fixed not rated	1,808,257	-	-	1,772,941	35,316	-	-	-	-
Not Rated	1,240,979	679,644	20,836	-	-	51,652	127,241	25,119	336,487
	$ 6,888,099	$ 744,559	$ 110,751	$ 2,818,432	$ 893,470	$ 206,446	$ 1,745,459	$ 32,495	$ 336,487

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, 2012, 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	$ 1,370,000	$ 292,639	$ -	$ 1,077,361	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	384,964,578	1,566,626	-	13,141,025	-	68,472,795	-	-	281,119,688	-	20,664,444
Brazilian Real	209,827,415	2,685,734	-	36,096,864	-	7,261,047	134,728	-	139,993,856	23,655,186	-
Canadian Dollar	77,924,664	467,688	-	3,670,783	-	1,140,976	-	-	72,645,217	-	-
Chilean Peso	9,053,766	80,255	-	3,476,757	-	-	-	-	5,496,754	-	-
China Yuan Renminbi	408,914	31,807	-	377,107	-	-	-	-	-	-	-
Colombian Peso	17,293,591	-	-	9,874,878	-	6,029,149	-	1,389,564	-	-	-
Czech Koruna	9,076,710	105,628	-	-	-	-	-	-	8,971,082	-	-
Danish Krone	48,749,044	640,681	-	-	-	-	-	-	48,108,363	-	-
Egyptian Pound	10,880,831	148,714	-	143,129	-	-	-	-	10,588,988	-	-
Euro Currency	1,321,367,204	2,907,214	(28,726)	117,127,305	-	24,865,028	474,675	235,200	1,149,102,303	21,521,733	5,162,472
Ghana Cedi	540,438	-	-	540,438	-	-	-	-	-	-	-
Hong Hong Dollar	507,647,091	1,893,249	-	-	-	-	-	-	504,317,488	-	1,436,354
Hungarian Fornit	31,142,348	3,142,151	-	13,593,502	-	-	-	-	14,406,695	-	-
Iceland Krona	1,911	1,911	-	-	-	-	-	-	-	-	-
Indian Rupee	(3,153,551)	-	-	-	-	3,468,720	-	(6,622,271)	-	-	-
Indonesian Rupiah	91,149,176	358,739	-	6,676,958	-	5,290,991	-	-	78,822,488	-	-
Israeli Shekel	11,282,977	168,246	-	-	-	-	-	-	11,114,731	-	-
Japanese Yen	1,024,945,134	6,117,217	-	33,419,646	-	-	-	-	980,747,545	-	4,660,726
Malaysian Ringgit	73,244,280	5,146,271	-	21,138,911	-	-	-	-	46,959,098	-	-
Mexican Peso	109,252,120	584,429	-	58,040,141	-	467,829	-	-	50,159,721	-	-
Moroccan Dirham	581,671	50,171	-	-	-	-	-	-	531,500	-	-
New Russian Rubel	10,981,567	111,958	-	4,049,160	-	6,820,449	-	-	-	-	-
New Taiwan Dollar	69,126,524	593,672	-	-	-	-	-	(29,136)	68,561,988	-	-
New Zealand Dollar	68,229,826	238,780	-	53,036,856	-	3,497,739	-	-	11,361,703	-	94,748
Nigerian Naira	1,349,440	-	-	536,313	-	813,127	-	-	-	-	-
Norwegian Krone	38,946,535	399,054	-	-	-	-	-	-	38,547,481	-	-
Peruvian Nouveau Sol	5,350,951	248,277	-	5,102,674	-	-	-	-	-	-	-
Philippine Peso	43,388,672	296,239	-	550,749	-	-	-	-	42,541,684	-	-
Polish Zloty	68,170,697	92,907	-	45,281,501	-	-	-	-	22,796,289	-	-
Pound Sterling	922,305,802	925,907	-	15,534,234	458,772	1,758,223	-	-	897,009,962	-	6,618,704
Singapore Dollar	85,145,957	826,306	-	-	-	-	-	-	81,527,832	-	2,791,819
South African Rand	124,875,292	4,651,039	-	20,960,117	-	851,163	-	-	98,412,973	-	-
South Korean Won	394,316,407	485,154	-	-	-	-	-	(16,266)	386,784,962	7,062,557	-
Sri Lanka Rupee	408,987	-	-	-	-	-	-	-	408,987	-	-
Swedish Krona	88,046,121	224,373	-	-	-	-	-	-	87,821,748	-	-
Swiss Franc	299,639,011	3,628,421	-	-	-	-	-	-	296,010,590	-	-
Thailand Baht	108,729,540	281,384	-	7,926,632	-	-	-	-	100,521,524	-	-
Turkish Lira	98,456,225	323,051	-	17,274,157	-	-	-	-	80,859,017	-	-
Ukraine Hryvna	882,476	-	-	-	-	882,476	-	-	-	-	-
Uruguayan Peso	6,792,945	-	-	6,792,945	-	-	-	-	-	-	-
	$ 6,372,693,287	$ 39,715,892	$ (28,726)	$ 495,440,143	$ 458,772	$ 131,619,712	$ 609,403	$ (5,042,909)	$ 5,616,252,257	$ 52,239,476	$ 41,429,267

Derivatives
As of June 30, 2012, the CIFS held the following derivative investments:

Derivative Investments	Fair Value
Asset Backed Securities	$ 110,750
Mortgage Backed Securities	63,418
Collateralized Mortgage Obligations	142,967
TBA's	198,353
Interest Only Securities	2,696
Options	148
Adjustable Rate Securities	602,249
Total	$ 1,120,581

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, 2012, the fair value of contracts to buy and contracts to sell was $3,820.1 million and $3,790.2 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, 2012, the CIFS had deposits with a bank balance of $48.5 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, 2012, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Repurchase Agreements	$ 2,639	$ 2,639	$ -	$ -	$ -
State Bonds	31,455	1,659	300	29,496	-
U.S. Government and Agency Securities	184,477	55,916	49,669	76,809	2,083
Guaranteed Investment Contracts	236,988	4,930	44,157	104,871	83,030
Money Market Funds	8,091	8,091	-	-	-
Total Debt Investments	463,650	$ 73,235	$ 94,126	$ 211,176	$ 85,113
Annuity Contracts	137,508				
Endowment Pool	10,153				
Limited Partnership	150				
Total Investments	$ 611,461				

Credit Risk
As of June 30, 2012, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Quality Ratings AAA	AA	A	Unrated
Repurchase Agreements	$ 2,639	$ -	$ 2,639	$ -	$ -
State Bonds	26,060	-	26,060	-	-
U.S. Government Securities	75,809	69,925	-	5,884	-
Guaranteed Investment Contracts	236,988	6,529	39,459	191,000	-
Money Market Funds	8,091	-	-	-	8,091
Total	$ 349,587	$ 76,454	$ 68,158	$ 196,884	$ 8,091

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, 2012, $3,870 of the bank balance of the Primary Government of $426,155 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 2,600
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	1,270
Total	$ 3,870

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

Major Component Units

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	More Than 10
Collateralized Mortgage Obligations	$ 958	$ -	$ -	$ 958
Corporate Finance Bonds	5,023	5,023	-	-
Federated Funds	741	741	-	-
Fidelity Funds	16,103	16,103	-	-
GNMA Program Assets	801,909	-	-	801,909
Mortgage Backed Securities	1,643	-	152	1,491
Municipal Bonds	14,032	-	-	14,032
U.S. Government and Agency Securities	1,938	1,000	-	938
Structured Securities	555	-	-	555
Money Market Funds	577,954	577,954	-	-
Total	$ 1,420,856	$ 600,821	$ 152	$ 819,883

The CHFA and the CHEFA own 59.3 percent and 40.7 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 the 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 12-31-11 and 6-30-12, respectively, as follows (amounts in thousands):

	Component Units				
	Fair	Quality Ratings			
Investment Type	Value	BBB	B	D	Unrated
Collateralized Mortgage Obligations	$ 958	$ -	$ 958	$ -	$ -
Corporate Finance Bonds	5,023	5,023	-	-	-
Federated Funds	741	-	-	-	741
Fidelity Funds	16,103	-	-	-	16,103
GNMA Assets	801,909	-	-	-	801,909
Mortgage Backed Securities	1,643	-	-	-	1,643
Municipal Bonds	14,032	-	-	-	14,032
Structured Securities	555	-	-	555	-
Money Market Funds	577,954	-	-	-	577,954
Total	$ 1,418,918	$ 5,023	$ 958	$ 555	$ 1,412,382

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, 2011, 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 $2,855.3 million and $2,817.6 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 32.0 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, 2012, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,552,712	$ -	$ -
Accounts	1,086,616	621,050	25,751
Loans-Current Portion	-	239,618	23,672
Other Governments	620,568	30,764	-
Interest	313	12,261	1,057
Other (1)	8,033	-	-
Total Receivables	3,268,242	903,693	50,480
Allowance for Uncollectibles	(904,137)	(92,339)	(2,975)
Receivables, Net	$ 2,364,105	$ 811,354	$ 47,505

(1) Includes a reconciling amount of $8,030 from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2012 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 643,517	$ -	$ 643,517
Income Taxes	437,707	-	437,707
Corporations	49,878	-	49,878
Gasoline and Special Fuel	-	44,215	44,215
Various Other	377,395	-	377,395
Total Taxes Receivable	1,508,497	44,215	1,552,712
Allowance for Uncollectibles	(167,974)	(184)	(168,158)
Taxes Receivable, Net	$ 1,340,523	$ 44,031	$ 1,384,554

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2012, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 22,972
Loans	337,038	737,450	167,072
Total Receivables	337,038	737,450	190,044
Allowance for Uncollec	(2,344)	(2,960)	(8,899)
Receivables, Net	$ 334,694	$ 734,490	$ 181,145

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 $651.7 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 $103.8 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2012, 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	$ 703,376	$ -	$ -	$ -	$ 703,376
Total-Governmental Activities	$ 703,376	$ -	$ -	$ -	$ 703,376
Business-Type Activities:					
Bradley International Airport	$ 113,926	$ 15,903	$ -	$ 1,928	$ 131,757
UConn/Health Center	160,908	-	-	3,644	164,552
Clean Water	93,956	279,796	-	-	373,752
Other Proprietary	56,541	24,942	-	-	81,483
Total-Business-Type Activities	$ 425,331	$ 320,641	$ -	$ 5,572	$ 751,544
Component Units:					
CHFA	$ 770	$ 1,651,022	$ 3,606,571	$ 362,143	$ 5,620,506
CHEFA	7,338	571,323	-	-	578,661
Other Component Units	89,620	36,324	-	5,100	131,044
Total-Component Units	$ 97,728	$ 2,258,669	$ 3,606,571	$ 367,243	$ 6,330,211

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2012, 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	$ 117,679	$ 141,439	$ -	$ -	$ 259,118
Transportation	18,775	7,450	-	-	26,225
Other Governmental	203,355	13,521	-	3,337	220,213
Internal Service	1,632	647	-	308	2,587
Reconciling amount from fund financial statements to government-wide financial statements	-	-	170,105	4,556	174,661
Total-Governmental Activities	$ 341,441	$ 163,057	$ 170,105	$ 8,201	$ 682,804
Business-Type Activities:					
UConn/Health Center	$ 36,994	$ 58,272	$ -	$ 24,927	$ 120,193
State Universities	11,771	32,235	1,825	-	45,831
Other Proprietary	19,960	25,002	18,049	50,683	113,694
Total-Business-Type Activities	$ 68,725	$ 115,509	$ 19,874	$ 75,610	$ 279,718
Component Units:					
CHFA	$ -	$ -	$ 19,753	$ 7,976	$ 27,729
Other Component Units	2,508	-	1,364	29,560	33,432
Total-Component Units	$ 2,508	$ -	$ 21,117	$ 37,536	$ 61,161

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	$ 1,594,804	$ 45,082	$ 789	$ 1,639,097
Construction in Progress	2,340,153	1,231,383	986,255	2,585,281
Total Capital Assets not being Depreciated	3,934,957	1,276,465	987,044	4,224,378
Other Capital Assets:				
Buildings	3,275,887	54,717	27,030	3,303,574
Improvements Other than Buildings	471,291	14,138	5,249	480,180
Equipment	1,907,526	241,015	39,100	2,109,441
Infrastructure	12,655,722	368,078	-	13,023,800
Total Other Capital Assets at Historical Cost	18,310,426	677,948	71,379	18,916,995
Less: Accumulated Depreciation For:				
Buildings	1,799,382	82,587	27,030	1,854,939
Improvements Other than Buildings	294,713	23,866	5,249	313,330
Equipment	1,754,168	328,452	39,100	2,043,520
Infrastructure	7,472,822	490,878	-	7,963,700
Total Accumulated Depreciation	11,321,085	925,783	71,379	12,175,489
Other Capital Assets, Net	6,989,341	(247,835)	-	6,741,506
Governmental Activities, Capital Assets, Net	$ 10,924,298	$ 1,028,630	$ 987,044	$ 10,965,884

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 6,179
General Government	40,101
Regulation and Protection	37,946
Conservation and Development	15,926
Health and Hospitals	14,330
Transportation	689,140
Human Services	2,226
Education, Libraries and Museums	42,357
Corrections	47,864
Judicial	22,225
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	7,489
Total Depreciation Expense	$ 925,783

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 64,670	$ 83	$ 44	$ 64,709
Construction in Progress	295,488	150,287	22,345	423,430
Total Capital Assets not being Depreciated	360,158	150,370	22,389	488,139
Capital Assets being Depreciated:				
Buildings	4,050,454	121,432	7,949	4,163,937
Improvements Other Than Buildings	532,945	19,703	182	552,466
Equipment	954,562	74,071	43,642	984,991
Total Other Capital Assets at Historical Cost	5,537,961	215,206	51,773	5,701,394
Less: Accumulated Depreciation For:				
Buildings	1,535,066	122,235	5,496	1,651,805
Improvements Other Than Buildings	286,167	21,211	30	307,348
Equipment	608,808	66,784	42,018	633,574
Total Accumulated Depreciation	2,430,041	210,230	47,544	2,592,727
Other Capital Assets, Net	3,107,920	4,976	4,229	3,108,667
Business-Type Activities, Capital Assets, Net	$ 3,468,078	$ 155,346	$ 26,618	$ 3,596,806

Component Units

Capital assets of the component units consisted of the following as of June 30, 2012 (amounts in thousands):

Land	$ 29,031
Buildings	369,994
Improvements other than Buildings	2,961
Machinery and Equipment	433,615
Construction in Progress	14,137
Total Capital Assets	849,738
Accumulated Depreciation	442,036
Capital Assets, net	$ 407,702

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 6/30/2012	TRS 6/30/2012	JRS 6/30/2012
Retirees and beneficiaries receiving benefits	43,887	32,294	239
Terminated plan members entitled to but not yet receiving benefits	1,561	1,609	2
Active plan members	47,868	49,808	204
Total	93,316	83,711	445

State Employees' Retirement System

Plan Description

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

Funding Policy

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

Teachers' Retirement System
Plan Description

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

Funding Policy

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

Judicial Retirement System
Plan Description

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

Funding Policy

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

Annual Pension Cost and Net Pension Obligation

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

	SERS	TRS	JRS
Annual required contribution	$ 926,372	$ 757,246	$ 15,095
Interest on net pension obligation	247,664	(42,380)	2,719
Adjustment to annual required contribution	(195,138)	38,330	(2,118)
Annual pension cost	978,898	753,196	15,696
Contributions made	926,343	757,246	15,095
Increase (decrease) in net pension obligation	52,555	(4,050)	601
Net pension obligation (asset) beginning of year	2,913,694	(498,593)	31,983
Net pension obligation (asset) end of year	$ 2,966,249	$ (502,643)	$ 32,584

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	2010	$ 952,753	75.6%	$ 2,740,231
	2011	$ 999,261	82.6%	$ 2,913,694
	2012	$ 978,898	94.6%	$ 2,966,249
TRS	2010	$ 553,154	101.1%	$ (498,460)
	2011	$ 576,460	100.7%	$ (498,593)
	2012	$ 753,196	100.5%	$ (502,643)
JRS	2010	$ 15,400	0%	$ 15,449
	2011	$ 16,534	0%	$ 31,983
	2012	$ 15,696	96.2%	$ 32,584

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2012 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	9,745.0	23,018.8	13,273.8	42.3%	3,354.7	395.7%
TRF	13,734.8	24,862.2	11,127.4	55.2%	3,652.5	304.7%
JRF	174.7	319.5	144.8	54.7%	30.3	477.9%

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	6/30/2012	6/30/2012	6/30/12
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	19 Years	22.4 years	19 Years
Asset Valuation Method	5-year smoothed actuarial value	4- year smoothed market	5-year smoothed actuarial value
Actuarial Assumptions:			
Investment Rate of Return	8.00%	8.5%	8.00%
Projected Salary Increases	4.75%	3.75%-7.0%	4%-20%
Includes inflation at	2.75%	3.0%	3.75%
Cost-of-Living Adjustments	2.3%-4.75%	2.0%-3.0%	2.30-3.6%

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 $39.4 million and $21.9 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 7/1/2012	CPJERS 12/31/2011
Retirees and beneficiaries receiving benefits	6,095	342
Terminated plan members entitled to but not receiving benefits	703	32
Active plan members	8,711	330
Total	15,509	704
Number of participating employers	191	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	$ -	$ 125,194	$ -	$ -	$ 27	$ 265	$ 125,486
Receivables:							
Accounts, Net of Allowances	6,636	11,768	7	12,831	4	-	31,246
From Other Governments	-	693	-	-	-	-	693
From Other Funds	4	7	-	-	-	-	11
Interest	203	495	3	22	4	-	727
Investments	8,468,271	13,473,162	156,910	1,675,299	78,044	1,195	23,852,881
Securities Lending Collateral	950,394	1,476,215	20,141	205,745	9,360	161	2,662,016
Total Assets	9,425,508	15,087,534	177,061	1,893,897	87,439	1,621	26,673,060
Liabilities							
Accounts Payable and Accrued Liabilities	26	127,154	-	-	-	-	127,180
Securities Lending Obligation	950,394	1,476,215	20,141	205,745	9,360	161	2,662,016
Due to Other Funds	6,447	2,029	1	1,575	-	-	10,052
Total Liabilities	956,867	1,605,398	20,142	207,320	9,360	161	2,799,248
Net Assets							
Held in Trust For Employee Pension Benefits	8,468,641	13,482,136	156,919	1,686,577	78,079	1,460	23,873,812
Total Net Assets	$ 8,468,641	$ 13,482,136	$ 156,919	$ 1,686,577	$ 78,079	$ 1,460	$ 23,873,812

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	$ 68,776	$ 266,559	$ 1,565	$ 18,452	$ 249	$ 39	$ 355,640
State	926,343	757,246	15,095	-	-	-	1,698,684
Municipalities	-	-	-	59,307	-	-	59,307
Total Contributions	995,119	1,023,805	16,660	77,759	249	39	2,113,631
Investment Income	(59,436)	(96,538)	2,267	13,534	699	65	(139,409)
Less: Investment Expenses	(30,981)	(48,932)	(593)	(6,297)	(292)	(4)	(87,099)
Net Investment Income	(90,417)	(145,470)	1,674	7,237	407	61	(226,508)
Transfers In	-	-	-	-	200	-	200
Other	4,126	364	-	1,009	185	-	5,684
Total Additions	908,828	878,699	18,334	86,005	1,041	100	1,893,007
Deductions							
Administrative Expense	543	-	-	-	-	-	543
Benefit Payments and Refunds	1,424,666	1,545,867	20,313	106,583	4,384	1	3,101,814
Other	-	2,933	-	2	183	-	3,118
Total Deductions	1,425,209	1,548,800	20,313	106,585	4,567	1	3,105,475
Changes in Net Assets	(516,381)	(670,101)	(1,979)	(20,580)	(3,526)	99	(1,212,468)
Net Assets Held in Trust For Employee Pension Benefits:							
Beginning of Year	8,985,022	14,152,237	158,898	1,707,157	81,605	1,361	25,086,280
End of Year	$ 8,468,641	$ 13,482,136	$ 156,919	$ 1,686,577	$ 78,079	$ 1,460	$ 23,873,812

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. As of June 30, 2011 (date of the latest actuarial valuation), the plan had 64,860 retirees and beneficiaries receiving benefits.

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.

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, 2012 (date of the latest actuarial valuation), the plan had 35,215 retirees and beneficiaries receiving benefits.

Plan Funding

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

Annual OPEB Cost and Net OPEB Obligation

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

	SEOPEBP	RTHP
Annual Required Contribution	$ 1,354,738	$ 184,145
Interest on Net OPEB Obligation	73,689	2,172
Adjustment to Annual Required Contribution	(207,850)	(20,362)
Annual OPEB Cost	1,220,577	165,955
Contributions Made	541,262	49,486
Increase in net OPEB Obligation	679,315	116,469
Net OPEB Obligation - Beginning of Year [1]	4,508,054	451,893
Net OPEB Obligation - End of Year	$ 5,187,369	$ 568,362

[1] SEOPEBP balance restated. See Note 23

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				
	2012	$ 1,220,577	44.3%	$ 5,187,369
	2011	$ 1,165,510	46.7%	$ 4,508,054
	2010	$ 2,349,663	23.6%	$ 4,150,866
RTHP				
	2012	$ 165,955	29.8%	$ 568,362
	2011	$ 167,368	3.2%	$ 451,893
	2010	$ 115,321	10.5%	$ 289,837

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2011 and 2012, respectively, date of the latest actuarial valuations (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)
SEOPEBP	$49.6	$ 17,954.3	$ 17,904.7	0.3%	$ 3,902.2	458.8%
RTHP	$0	$ 3,048.3	$ 3,048.3	0.0%	$ 3,652.5	83.5%

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:

	SEOPEBP	RTHP
Actuarial Valuation Date	6-30-11	6-30-12
Actuarial Cost Method	Projected Unit Credit	Entry Age
Amortization Method	Level Percent of Pay, Closed, 30 Years	Level Percent of Pay, Open
Remaining Amortization Period	26 Years	26 Years
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	5.70%	4.5% (includes 3% inflation rate)
Projected Salary Increases	4.00%	3.75%-7.00% (includes 3% inflation rate)
Healthcare Inflation Rate	7.25% Initial, 5% Ultimate	7% 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 June 30, 2012 there were 9 municipalities participating in the plan with a total membership of 598 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	$ 83,298	$ 91,777	$ -	$ 175,075
Receivables:				
From Other Funds	3	2,056	-	2,059
Interest	-	-	1	1
Investments	-	-	22,559	22,559
Securities Lending Collateral	-	-	3,456	3,456
Total Assets	83,301	93,833	26,016	203,150
Liabilities				
Accounts Payable and Accrued Liabilit	23,584	5,507	-	29,091
Securities Lending Obligation	-	-	3,456	3,456
Due To Other Funds	-	-	7	7
Total Liabilities	23,584	5,507	3,463	32,554
Net Assets				
Held in Trust For Other Postemployment Benefits	59,717	88,326	22,553	170,596
Total Net Assets	$ 59,717	$ 88,326	$ 22,553	$ 170,596

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

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Additions				
Contributions:				
Plan Members	$ -	$ 81,385	$ 470	$ 81,855
State	541,262	49,486	-	590,748
Municipalities	-	-	41	41
Total Contributions	541,262	130,871	511	672,644
Investment Income	8	99	1,267	1,374
Less: Investment Expenses	-	-	(81)	(81)
Net Investment Income	8	99	1,186	1,293
Transfers In	14,500	-	-	14,500
Other	-	-	-	-
Total Additions	555,770	130,970	1,697	688,437
Deductions				
Administrative Expense	-	2,606	-	2,606
Benefit Payments and Refunds	545,700	93,326	1,005	640,031
Other	-	4	-	4
Total Deductions	545,700	95,936	1,005	642,641
Changes in Net Assets	10,070	35,034	692	45,796
Net Assets Held in Trust For Other Postemployment Benefits:				
Beginning of Year	49,647	53,292	21,861	124,800
End of Year	$ 59,717	$ 88,326	$ 22,553	$ 170,596

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):

2013	$ 26,233
2014	26,807
2015	27,931
2016	28,184
2017	26,619
Thereafter	100,362
Total	$ 236,136

Contingent revenues for the year ended June 30, 2012, were $94 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2012, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2013	$ 56,553	$ 10,173
2014	55,792	10,167
2015	41,040	5,698
2016	75,866	4,110
2017	7,749	2,906
2018-2022	-	11,179
2023-2027	-	6,124
2028-2032	-	4,870
Total minimum lease payments	$ 237,000	55,227
Less: Amount representing interest costs		12,468
Present value of minimum lease payments		$ 42,759

Minimum capital lease payments were discounted using interest rates changing from 3.79 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2012, were $56.6 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 $67 million at June 30, 2012.

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, 2012, (amounts in thousands):

Governmental Activities	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts due within one year
Bonds:					
General Obligation	$ 13,794,340	$ 2,319,540	$ 2,149,304	$ 13,964,576	$ 1,016,931
Transportation	3,357,595	455,075	525,330	3,287,340	313,735
	17,151,935	2,774,615	2,674,634	17,251,916	1,330,666
Plus/(Less) premiums and deferred amounts	526,112	277,184	94,422	708,874	70,530
Total Bonds	17,678,047	3,051,799	2,769,056	17,960,790	1,401,196
Long-Term Notes	915,795	-	167,860	747,935	174,570
Other L/T Liabilities: [1]					
Net Pension Obligation	2,447,084	1,906,716	1,857,610	2,496,190	-
Net OPEB Obligation [2.]	4,959,947	1,614,744	818,960	5,755,731	-
Compensated Absences	559,594	11,797	29,289	542,102	38,148
Workers' Compensation	511,413	149,921	101,788	559,546	102,844
Capital Leases	42,995	6,085	6,321	42,759	6,597
Claims and Judgments	56,227	8,347	19,632	44,942	9,701
Liability on Interest Rate Swaps	22,597	2,359		24,956	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	8,600,562	3,699,969	2,833,600	9,466,931	157,290
Governmental Activities Long-Term Liabilities	$ 27,194,404	$ 6,751,768	$ 5,770,516	$ 28,175,656	$ 1,733,056

[1.] **In prior years, the General and Transportation funds have been used to liquidate other liabilities.**

[2.] **The OPEB liability at 6/30/2011 has been restated see Note 23**

Business-Type Activities	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts due within one year
Revenue Bonds	$ 1,556,218	$ 49,040	$ 165,913	$ 1,439,345	$ 113,552
Plus/(Less) premiums, discounts and deferred amounts	50,942	2,193	6,773	46,362	324
Total Revenue Bonds	1,607,160	51,233	172,686	1,485,707	113,876
Lottery Prizes	161,697	3,189	26,691	138,195	22,204
Compensated Absences	154,748	32,129	30,795	156,082	50,039
Federal Loans Payable	809,876	122,868	300,718	632,026	-
Other	184,071	15,543	8,723	190,891	8,464
Total Other Liabilities	1,310,392	173,729	366,927	1,117,194	80,707
Business-Type Long-Term Liabilities	$ 2,917,552	$ 224,962	$ 539,613	$ 2,602,901	$ 194,583

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $44.5 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, 2012, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2012	Amounts due within year
Bonds Payable	$ 4,447,347	$ 233,287
Escrow Deposits	223,407	60,400
Closure of Landfills	49,200	2,628
Due to State	23,207	-
Deferred Revenue	3,969	885
Other	256,662	472
Total	$ 5,003,792	$ 297,672

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, 2012 were $747.9 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, 2012, were as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 174,570	$ 33,854	$ 208,424
2014	182,705	25,723	208,428
2015	191,280	17,147	208,427
2016	199,380	9,043	208,423
Total	$ 747,935	$ 85,767	$ 833,702

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, 2012, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2012-2032	2.00-6.394%	$ 1,829,396	$ 509,810
School Construction	2012-2032	1.50-5.750%	4,547,662	5
Municipal & Other Grants & Loans	2012-2030	0.25-6.398%	814,072	565,880
Housing Assistance	2013-2031	0.25-5.460%	189,860	104,693
Elimination of Water Pollution	2012-2027	3.10-5.09%	230,550	816,953
General Obligation Refunding	2012-2025	2.00-6.00%	3,878,315	-
Pension Obligation	2014-2032	4.20-6.27%	2,276,578	-
Miscellaneous	2012-2038	1.00-6.00%	116,485	556,246
			13,882,918	$ 2,553,587
Accretion-Various Capital Appreciation Bonds			81,658	
		Total	$ 13,964,576	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,016,931	$ 675,284	$ 1,692,215
2014	965,418	621,630	1,587,048
2015	940,389	568,641	1,509,030
2016	908,600	527,153	1,435,753
2017	859,638	487,211	1,346,849
2018-2022	3,756,795	1,923,084	5,679,879
2023-2027	2,979,857	1,308,634	4,288,491
2028-2032	2,442,855	379,498	2,822,353
2033-2037	10,170	2,125	12,295
2038-2042	2,265	138	2,403
Total	$ 13,882,918	$ 6,493,398	$ 20,376,316

Transportation Related Bonds

Transportation related bonds include special tax 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, 2012, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2012-2030	2.00-6.500%	$ 3,287,340	$ 2,559,221
			3,287,340	$ 2,559,221
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 3,287,340	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2013	$ 313,735	$ 151,305	$ 465,040
2014	265,435	138,929	404,364
2015	236,265	127,825	364,090
2016	211,195	117,761	328,956
2017	193,760	108,106	301,866
2018-2022	916,840	403,519	1,320,359
2023-2027	724,015	201,604	925,619
2028-2032	426,095	41,634	467,729
	$ 3,287,340	$ 1,290,683	$ 4,578,023

Variable-Rate Demand Bonds

As of June 30, 2012, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
General Obligation	20,000	1997	2014
Total	$ 20,000		

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 1997 GO series standby bond purchase agreement expires in the year 2014.

The agreement 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, 2012, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2012-2033	2.0-6.0%	$ 156,341
State Universities	2012-2036	2-6.0%	264,044
Clean Water	2012-2028	2-5.%	768,331
Drinking Water	2012-2027	2-5.%	55,444
Bradley International Airport	2012-2033	[1]	155,800
Bradley Parking Garage	2012-2024	6.125-6.6%	39,385
Total Revenue Bonds			1,439,345
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			(1,537)
State Universities			2,692
Clean Water			47,616
Bradley International Airport			(2,409)
Other			3,162
Revenue Bonds, net			$ 1,488,869

[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, 2012 the following bonds were outstanding:

a. 2001 Bradley International Airport Refunding Bonds in the amount of $8.5 million.
b. 2011 Bradley International Airport Refunding Bonds in the amount of $147.3 million.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport. As of June 30, 2012, $39.3 million of these bonds are outstanding.

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.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2013	$ 113,473	$ 63,490	$ 176,963
2014	105,033	58,579	163,612
2015	110,022	53,949	163,971
2016	110,744	48,964	159,708
2017	92,608	44,541	137,149
2018-2022	427,920	162,419	590,339
2023-2027	328,960	68,867	397,827
2028-2032	131,405	15,816	147,221
2033-2037	19,180	788	19,968
Total	$ 1,439,345	$ 517,413	$ 1,956,758

d. Component Units

Component units' revenue bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2012-2020	4.60-5.250%	$ 12,295
CT Housing Finance Authority	2012-2049	0.40-6.625%	4,155,537
CT Resources Recovery Authority	2012-2016	5.125-5.50%	4,134
CT Higher Education Supplemental Loan Authority	2012-2028	1.70-6.00%	166,065
Capital City Economic Development Authority	2012-2033	2.50-7.00%	97,535
UConn Foundation	2012-2029	3.875-5.00%	6,270
Total Revenue Bonds			4,441,836
Plus/(Less) premiums, discounts, and deferred amounts:			
CHFA			5,093
CRRA			3
CHESLA			741
CCEDA			(326)
Revenue Bonds, net			$ 4,447,347

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, 2012 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 $12.3 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, 2011, bonds outstanding under the bond resolution and the indenture were $4,090.2 million and $65.3 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 resolution and indenture capital reserve funds are 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 on all outstanding bonds. The required reserves are $279.2 million per the resolution and $4.6 million per the indenture at 12/31/11. As of December 31, 2011, the Authority has entered into interest rate swap agreements for $952.6 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. 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.

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, 2012, were as follows amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2013	$ 150,174	$ 127,597	$ 277,771
2014	164,127	122,275	286,402
2015	124,628	118,235	242,863
2016	227,520	129,524	357,044
2017	144,900	113,085	257,985
2018-2022	722,020	497,544	1,219,564
2023-2027	850,489	364,330	1,214,819
2028-2032	868,296	231,202	1,099,498
2033-2037	713,445	106,124	819,569
2038-2042	426,665	26,626	453,291
2043-2047	33,102	61,023	94,125
2048-2052	13,790	2,164	15,954
2053-2057	2,680	-	2,680
Total	$ 4,441,836	$ 1,899,729	$ 6,341,565

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, 2012 were $1,004.5 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, 2012, were $7,933.6 million, of which $271.6 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, 2012 was $66.3 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 $1,248.7 million of general obligation and special tax obligation refunding bonds with an average interest rate of 4.29 percent to advance refund $1,343.6 million of general obligation and special tax obligation bonds with an average interest rate of 5.47 percent. The reacquisition price exceeded the carrying amount of the old debt by $36.5 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 twelve years by $114.2 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $83.3 million. As of June 30, 2012, $1,556.5 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, 2012, 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	2,359	Non-current portion of LT Obligations	(24,956)	335,620
Business-type activities					
Cash flow hedges:					
Bradley Airport:					
Pay-fixed interest rate swap	Other Non-current Assets	(12,083)	Non-current portion of LT Obligations	(30,017)	152,380

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' governmental activities hedging derivative instruments outstanding at June 30, 2012, 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 2005 GO bonds	140,000	3/24/2005	3/1/2023	Pay 3.392% receive 60% of LIBOR+30bp	Aa1/AAA
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	A3/A
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%	Baa1/A-
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%	Baa1/A-
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%	Aa3/A
	Total Notional Amount	$ 335,620				

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, 2012, 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, 2012, the SIFMA rate was 0.18 percent, whereas 60 percent of LIBOR plus 30bp was 0.447 percent. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2012, 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, 2012, 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
2013	$ -	$ 3,461	$ 7,979	$ 11,440
2014	-	3,461	7,979	11,440
2015	-	3,461	7,979	11,440
2016	50,620	3,453	7,713	61,786
2017	55,000	2,676	6,771	64,447
2018-2022	220,000	4,388	15,944	240,332
2023-2027	10,000	14	221	10,235
Total	$ 335,620	$ 20,914	$ 54,586	$ 411,120

As of June 30, 2012, Bradley airport has entered into interest rate swap agreements for $147.3 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 6-30-10	$ 460,596	$ 18,315
Incurred claims	148,777	5,210
Paid claims	(97,960)	(3,086)
Balance 6-30-11	511,413	20,439
Incurred claims	149,921	52
Paid claims	(101,788)	(534)
Balance 6-30-12	$ 559,546	$ 19,957

Note 21 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2012, 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	$ -	$ -	$ 301,079	$ 824,766	$ 39,518	$ 14,158	$ 15,761	$ 2,048	$ 533	$ 4,556	$ -	$ 1,202,419
Debt Service	-	284	-	-	-	-	-	-	-	-	-	284
Restricted Grants & Accounts	1,985	-	-	-	-	-	-	-	-	-	230	2,215
Other Governmental	1,671	-	-	11,568	18,048	12,882	106,010	-	-	-	7,029	157,208
UConn	10,097	-	-	-	-	-	-	-	-	-	-	10,097
State Universities	3,382	-	-	-	-	-	-	-	-	-	-	3,382
Employment Security	-	-	-	3,391	-	-	-	-	-	-	-	3,391
Other Proprietary	386	-	1,510	-	-	-	-	-	-	-	-	1,896
Internal Services	1,520	-	-	-	-	-		-	-	-	-	1,520
Fiduciary	-	-	-	8,030	-	-	-	-	-	2,029	-	10,059
Component Units	23,206	-	-	-	-	-	-	-	-	-	-	23,206
Total	$ 42,247	$ 284	$ 302,589	$ 847,755	$ 57,566	$ 27,040	$ 121,771	$ 2,048	$ 533	$ 6,585	$ 7,259	$ 1,415,677

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, 2012, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)									
	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary	Total
Amount transferred from fund(s)										
General	$ -	$ 5,106	$ 81,550	$ 78,107	$ 61,800	$ 485,366	$ 209,202	$ 219,976	$ 14,500	$ 1,155,607
Debt Service	-	-	1,365	1,049	252	-	-	-	-	2,666
Transportation	-	437,782	-	21,500	-	-	-	-	-	459,282
Restricted Grants & Accounts	-	-	-	-	331	-	-	-	-	331
Other Governmental	103,529	-	-	122,414	1,575	217,910	49,348	62,639	200	557,615
Connecticut Lottery	310,000	-	-	-	-	-	-	-	-	310,000
Employment Security	-	-	-	-	3,364	-	-	-	-	3,364
Other Proprietary	-	-	-	-	13,507	-	-	-	-	13,507
Total	$ 413,529	$ 442,888	$ 82,915	$ 223,070	$ 80,829	$ 703,276	$ 258,550	$ 282,615	$ 14,700	$ 2,502,372

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, 2012, the beginning fund balances/net assets for the following activities were restated as follows (amounts in thousands):

	Balance 6-30-11 Previously Reported	Correction of Reported Assets/Liabilities	Balance 6-30-11 as Restated
Governmental Funds and Activities			
Major Funds			
General Fund	$ (1,297,309)	$ 172,704	$ (1,124,605)
Total Governmental Funds	$ 1,387,689	$ 172,704	$ 1,560,393
Proprietary Funds			
Nonmajor Funds			
Internal Service Funds			
Administrative Services Fund	$ (61,339)	$ 88,485	$ 27,146
Total Internal Service Funds	$ (51,052)	$ 88,485	$ 37,433
Governmental Activities:			
Net OPEB Obligation	$ (4,602,759)	$ (357,188)	$ (4,959,947)
Net Assets of Governmental Activities	$ (14,049,710)	$ (95,999)	$ (14,145,709)

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

The beginning net asset balance of the Administrative Services Fund was adjusted to correct an understatement in the balance of cash reported in prior years.

The beginning balance of the net OPEB obligation was adjusted to correct an understatement in the SEOPEBP obligation reported last year, resulting from not receiving required actuarial information on time.

During the year, the State changed the method used to calculate the escheat liability to be in compliance with the calculation method described in GASB Statement No. 21, "Accounting for Escheat Property." Because of this change, escheat revenue reported in the General fund increased by $336 million this year.

Fund Balance – Restricted and Assigned

As of June 30, 2012 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows:

	Restricted Purposes	Assigned Purposes
Grant and Loan Programs	$ 630,657	$ 9,405
Capital Projects	238,520	-
Environmental Programs	97,672	-
Housing Programs	109,955	-
Employment Security Administration	31,531	-
Banking	26,002	-
Other	44,807	13,365
Total	$ 1,179,144	$ 22,770

Restricted Assets

As of June 30, 2012, the government-wide statement of net assets reported $2,753 of restricted net assets, of which $163 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 2012, the State implemented the Governmental Accounting Standard Board Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." The objective of this statement is to clarify whether an effective hedging relationship continues after replacement of a swap-counterparty or a swap-counterparty's credit support provider and sets forth criteria that establish when hedge accounting should continue to be applied.

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, 2012, the Departments of Transportation and Public Works had contractual commitments of approximately $4,117 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,705 million.

Clean and drinking water loan programs $679 million.

Various programs and services $2,963 million.

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

Component Units

As of December 31, 2011, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $140 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.

As of June 30, 2012, the State reported an escheat liability of $242.2 million in the General fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of $207.6 million in the future.

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

Effective on July 1, 2012, Public act 12-1 sections 147 and 189 transferred all operations of the Connecticut Development Authority (CDA) to Connecticut Innovations Incorporated (CII), a quasi-public agency of the State of Connecticut.

Effective on July 1, 2012, Public act 12-149 combined the Connecticut Higher Education Supplemental Loan Authority (CHESLA) and made it a subsidiary of the Connecticut Health and Educational Facilities Authority CHEFA).

Effective on July 1, 2012, the General Assembly renamed the Capital City Economic Development Authority (CCEDA) to be hence forth known as the Capital Region Development Authority (CRDA) and expanded the powers of the renamed authority to allow it to collect certain payments in lieu of taxes.

In September 2012, the State issued $280.1 million of General Obligation bonds. The bonds will mature in 2032 and bear interest rates ranging from 2.0 percent to 5.0 percent.

In September 2012, the State issued $69.8 million of General Obligation refunding bonds. The bonds will mature in years 2013 through 2015 and bear interest rates ranging from 1.00 percent and 4.00 percent

In September 2012, the State issued $219.9 million of General Obligation SIFMA index bonds. The bonds will mature in 2024 and bear variable interest rates ranging from 2 to 65 basis points below the SIFMA index rate.

In November 2012, the State issued $175.2 million of General Obligation bonds. The bonds will mature in 2032 and bear interest rates ranging from 1.5 percent to 5.0 percent.

In November 2012, the State issued $224.8 million of Taxable General Obligation bonds. The bonds will mature in 2022 and bear interest rates ranging from .465 percent to 2.551 percent.

In December 2012, the Connecticut Health and Educational Facilities Authority (a component unit of the State of Connecticut) issued $34.060 million of Revenue Bonds on behalf of the Connecticut State University system. The bonds will mature in years 2013 through 2032 and bear interest rates ranging from 3.0 percent to 5.0 percent.

In December 2012, the State issued $502.3 million of Special Tax Obligation Transportation Infrastructure bonds. The bonds will mature in years 2014 through 2033 and bear interest rates ranging from 2.0 percent to 5.0 percent.

In December 2012, the State issued $125.1 million of Special Tax Obligation refunding bonds. The bonds will mature in years 2013 through 2025 and bear an interest rate of 5.0 percent.

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						
6/30/2007	$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%
6/30/2012	$9,745.0	$23,018.8	$13,273.8	42.3%	$3,354.7	395.7%
*No actuarial valuation was performed.						
TRS						
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%
6/30/2012	$13,734.8	$24,862.2	$11,127.4	55.2%	$3,652.5	304.7%
*No actuarial valuation was performed.						
JRS						
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%
6/30/2012	$174.7	$319.5	$144.8	54.7%	$30.3	477.9%
*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%
6/30/2012	$-	$3,048.3	$3,048.3	0.0%	$3,652.5	83.5%
*No actuarial valuation was performed.						
Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.						
SEOPEBP						
6/30/2011	$49.6	$17,954.3	$17,904.7	0.3%	$3,902.2	458.8%
June 30,2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was preforme						

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Employer Contributions

(Expressed in Millions)

	SERS		TRS		JRS		RTHP		SEOPEBP	
Fiscal Year	Annual Required Contribution	Percentage Contributed	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%	$0.0	0.0%
2006	$623.1	100.0%	$396.2	100.0%	$11.7	100.0%	$0.0	0.0%	$0.0	0.0%
2007	$663.9	100.0%	$416.0	99.0%	$12.4	100.0%	$0.0	0.0%	$0.0	0.0%
2008	$716.9	99.2%	$518.6	485.7%	$13.4	100.0%	$116.1	21.5%	$0.0	0.0%
2009	$753.7	92.8%	$539.3	100.0%	$14.2	100.0%	$116.7	25.3%	$0.0	0.0%
2010	$897.4	80.3%	$559.2	100.0%	$15.4	0.0%	$121.3	10.0%	$0.0	0.0%
2011	$944.1	87.5%	$581.6	100.0%	$16.2	0.0%	$177.1	3.0%	$0.0	0.0%
2012	$926.4	100.0%	$757.2	100.0%	$15.1	100.0%	$184.1	26.9%	$1,354.7	40.0%

Schedules of employer contributions for other postemployment benefit plans (RTPH) were required to be disclosed starting with fiscal year 2008. SEOPBP did not begin disclosing employer contributions until fiscal year 2012.

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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

JOHN C. GERAGOSIAN 210 CAPITOL AVENUE ROBERT M. WARD

HARTFORD, CONNECTICUT 06106-1559

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, 2012, which collectively comprise the State's basic financial statements and have issued our report thereon dated February 28, 2013. 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 Bradley International Airport Parking Facility, 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, 2012*, and in separately issued departmental audit reports covering the fiscal year ended June 30, 2012. 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 28, 2013
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
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

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, 2012. 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 $142,988,790 in Federal awards, which is not included in the Schedule of Expenditures of Federal Awards, during the year ended June 30, 2012. 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.

In our opinion, 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, 2012. However, the results of our auditing procedures disclosed 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.3., III.A.4., III.A.8, III.A.9., III.A.10., III.A.12., III.A.14., III.A.15., III.A.18., III.A.19., III.A.21., III.A.26., III.A.28., III.B.2., III.B.6., III.C.10., III.D.4., III.D.5., III.D.7., III.E.1., and III.E.2., III.F.1., III.I.1., III.J.1., III.J.2., III.J.3., III.J.4., III.K.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.F.1., and III.K.3. 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.A.29., III.A.30., III.A.31., III.B.1., III.B.2., III.B.3., III.B.4., III.B.5., 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,C.10., III.C.11., III.D.1., III.D.2., III.D.3., III.D.4., III.D.5., III.D.6., III.D.7., III.E.1., III.E.2., III.E.3., III.E.4., III.E.5., III.E.6., III.F.1., III.G.1., III.G.2., III.H.1., III.I.1., III.I.2. III.I.3., III.I.4., III.J.1., III.J.2., III.J.3., III.J.4., and III.K.1., III.K.2., III.L.1., III.M.1., III.M.2., III.M.3., III.M.4., III.M.5., III.M.6., III.M.7., III.M.8., III.M.9., III.M.10., III.M.11., III.M.12., III.M.13., III.M.14., and III.M.15 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2012, and have issued our report thereon dated February 24, 2013. 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 28, 2013
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, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Department of Agriculture		$
SNAP Cluster:		
Supplemental Nutrition Assistance Program (See Note 13 Re: ARRA, and Note 3)	10.551	708,680,038
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	33,117,260
Total SNAP Cluster		741,797,298
Child Nutrition Cluster:		
School Breakfast Program	10.553	22,512,178
National School Lunch Program (Note 3)	10.555	93,154,964
Special Milk Program for Children	10.556	303,232
Summer Food Service Program for Children	10.559	1,460,837
Total Child Nutrition Cluster		117,431,211
Enhancing Technology Transfer Activities Through Collaboration	10.07-JV-11242300-119	14,114
Professional Development for AG Service Providers in Applied Poultry Science	10.UM-S810	10,587
Forest Pest Outtreach and Survey Program	10.CAES-UC-2012-01	1,099
Plant and Animal Disease, Pest Control, and Animal Care	10.025	183,243
Federal-State Marketing Improvement Program	10.156	15,225
Market Protection and Promotion	10.163	49,607
Specialty Crop Block Grant Program	10.169	7,539
Specialty Crop Block Grant Program - Farm Bill	10.170	358,151
Grants for Agricultural Research, Special Research Grants	10.200	83,449
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210	195,325
Higher Education Multicultural Scholars Program	10.220	11,271
Beginning Farmer and Rancher Development Program	10.311	12,432
Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)	10.315ARRA	25,168
Crop Insurance	10.450	4,960
Crop Insurance Education in Targeted States	10.458	229,045
Food Safety Cooperative Agreements	10.479	194,455
Cooperative Extension Service	10.500	3,719,228
Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 7)	10.557	48,340,157
Child and Adult Care Food Program	10.558	15,223,046
State Administrative Expenses for Child Nutrition	10.560	1,868,585
Emergency Food Assistance Program (Administrative Costs)	10.568	555,524
WIC Farmers' Market Nutrition Program	10.572	362,965
Team Nutrition Grants	10.574	137,127
Senior Farmers Market Nutrition Program	10.576	89,809
WIC Grants To States	10.578ARRA	18,468
Child Nutrition Discretionary Grants Limited Availability	10.579	380,512
Supplemental Nutrition Assistance Program, Outreach/Participation Program	10.580	35,354
Fresh Fruit and Vegetable Program	10.582	2,413,798
Cooperative Forestry Assistance	10.664	628,713
Urban and Community Forestry Program	10.675	30,899
Forest Legacy Program	10.676	1,427,479
Forest Stewardship Program	10.678	68,665
Forest Health Protection	10.680	15,256
Rural Business Enterprise Grants	10.769	61,738
Resource Conservation and Development	10.901	146,740
Soil and Water Conservation	10.902	110,256
Environmental Quality Incentives Program	10.912	111,203
Farm and Ranch Lands Protection Program	10.913	(117)
Wildlife Habitat Incentive Program	10.914	233,869
Total Department of Agriculture		936,603,453
Department of Commerce		
Charter of R/V Ct by Woods Hole Group for Lis Adcp Recovery	11.PO# 10-0055	(18)
R/V Ct Charter for Bouy Deployment/ Recovery	11.PO#5100027644	25,600
Charter of R/V Ct for Esp Deployment And Recovery	11.M214788	44,628
Charter of R/V Ct by Umaine for Mooring Cruise	11.PO# 5100049412	25,600
Economic Development -Technical Assistance	11.303	50,412
Anadromous Fish Conservation Act Program	11.405	3,088
Interjurisdictional Fisheries Act of 1986	11.407	17,275
Sea Grant Support	11.417	9,829

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Coastal Zone Management Administration Awards	11.419	1,953,073
National Oceanic and Atmospheric Administration Cooperative Institutes	11.432	281,899
Habitat Conservation	11.463ARRA	9,301
Congressionally Identified Awards and Projects	11.469	17,941
Unallied Science Program	11.472	239,839
Coastal Services Center	11.473	26,611
Atlantic Coastal Fisheries Cooperative Management Act	11.474	182,980
Fisheries Disaster Relief	11.477	(391)
Public Safety Interoperable Communications Grant Program	11.555	2,516,257
Broadband Technology Opportunities Program (BTOP)	11.557ARRA	53,984,775
State Broadband Data and Development Grant Program	11.558ARRA	742,694
Total Department of Commerce		60,131,393
Department of Defense		
Attenuation Measurements & Analytical Support for Littoral Combat Ship Project	12.P010044603	9,258
Charter of Research Vessel Connecticut	12.AG120030	90,099
Program Integration & Analysis Support for Enabling Technology for Prediction	12.P010085689	13,837
R/V Ct Charter for Saic Block Island Sound Equipment Testing	12.# P010092028	9,684
Ipa Assignment	12.AG120166	68,159
R/V Ct Charter by Woods Hole Group for Mooring Recovery	12.PO #11-0046	5,799
R/V Ct Charter by Aps for Sea Trials	12.11-0003438-4	12,800
Assessing the Dynamics of Connecticut's Manufacturing Sector	12.#11-K021	19,093
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	20,306
Basic and Applied Scientific Research	12.300	10,000
Military Construction, National Guard	12.400	5,146,198
National Guard Military Operations and Maintenance (O&M) Projects	12.401	17,847,113
National Guard Military Operations and Maintenance (O&M) Projects	12.401ARRA	28,527
National Guard ChalleNGe Program	12.404	220,790
Total Department of Defense		23,501,663
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	4,678,153
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (See Note 1)	14.856	95,364
Total Section 8 Project-Based Cluster		4,773,517
CDBG - State-Administered CDBG Cluster:		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	17,600,563
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.255ARRA	1,198,266
Total CDBG State-Administered Small Cities Program Cluster		18,798,829
Supportive Housing for Persons with Disabilities (See Note 1)	14.181	1,482,971
Multifamily Housing Service Coordinators	14.191	301,528
Emergency Solutions Grant Program	14.231	1,159,765
Supportive Housing Program	14.235	1,582,904
Shelter Plus Care	14.238	10,470,451
Home Investment Partnerships Program	14.239	10,948,861
Housing Opportunities for Persons with AIDS	14.241	179,728
Homelessness Prevention and Rapid Re-Housing Program	14.257ARRA	4,246,759
Fair Housing Assistance Program-State and Local	14.401	244,144
Community Challenge Planning Grants and the DOT TIGER II Planning Grants	14.704	146,489
Demolition and Revitalization of Severely Distressed Public Housing	14.866	1
Section 8 Housing Choice Vouchers (See Note 1)	14.871	67,077,342
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	1,369,215
Total Department of Housing and Urban Development		122,782,504
Department of the Interior		
Fish and Wildlife Cluster		
Sport Fish Restoration Program	15.605	4,083,372
Wildlife Restoration and Basic Hunter Education	15.611	2,148,223
Total Fish and Wildlife Cluster		6,231,595
R/V Ct Charter for Sherwood & Trowbridge	15.PO #M214809	25,600
R/V Ct Charter by Usgs for Instrument Deployment/Recovery	15.G12PX00351	57,600

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Fish and Wildlife Management Assistance	15.608	6,510
Cooperative Endangered Species Conservation Fund	15.615	21,992
Clean Vessel Act	15.616	1,052,188
Sportfishing and Boating Safety Act	15.622	25,026
North American Wetlands Conservation Fund	15.623	20,106
Wildlifie Conservation and Restoration	15.625	3,393
Landowner Incentive Program	15.633	180,730
State Wildlife Grants	15.634	449,491
Endangered Species Conservation – Recovery Implementation Funds	15.657	15,095
Historic Preservation Fund Grants-In-Aid	15.904	628,182
Outdoor Recreation-Acquisition, Development and Planning	15.916	570,942
Total Department of the Interior		9,288,450
Department of Justice		
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,874,006
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803ARRA	1,322,746
Total JAG Program Cluster		4,196,752
Miscellaneous Programs	16.000	98,760
Program Evaluation Csp Methamphetamine Cops Training Program	16.AG120556	153
Law Enforcement Assistance_Narcotics and Dangerous Drugs_ State Legislation	16.002	13,272
Sexual Assault Services Formula Program	16.017	303,599
Juvenile Accountability Block Grants	16.523	234,332
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	177,904
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	535,338
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	101,263
Missing Children's Assistance	16.543	201,455
Title V_Delinquency Prevention Program	16.548	25,118
State Justice Statistics Program for Statistical Analysis Centers	16.550	65,000
National Criminal History Improvement Program	16.554	527,522
Crime Victim Assistance	16.575	5,502,835
Crime Victim Compensation	16.576	625,583
Edward Byrne Memorial Formula Grant Program	16.579	30,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants	16.580	94,258
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	517,895
Violence Against Women Formula Grants	16.588	760,021
Violence Against Women Formula Grants	16.588ARRA	336,026
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2,524
Residential Substance Abuse Treatment for State Prisoners	16.593	44,055
State Criminal Alien Assistance Program	16.606	700,341
Project Safe Neighborhoods	16.609	5,666
Public Safety Partnership and Community Policing Grants	16.710	62,736
Juvenile Mentoring Program	16.726	88,428
Enforcing Underage Drinking Laws Program	16.727	403,167
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	80,650
DNA Backlog Reduction Program	16.741	498,297
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	62,724
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	130,716
Capital Case Litigation	16.746	87,780
Convicted Offender and/or Arrestee DNA Backlog Reduction Program	16.748	12,521
Support for Adam Walsh Act Implementation Grant Program	16.750	121,909
Congressionally Recommended Awards	16.753	42,263
Harold Rogers Prescription Drug Monitoring Program	16.754	5,773
Recovery Act - Internet Crimes against Children Task Force Program	16.800ARRA	120,958
Recovery Act - State Victim Assistance Formula Grant Program	16.801ARRA	81,304
Second Chance Act Prisoner Reentry Initiative	16.812	571,372
NICS Act Record Improvement Program	16.813	477,520
John R. Justice Prosecutors and Defenders Incentive Act	16.816	98,437
Total Department of Justice		18,046,227

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Department of Labor		
Employment Service Cluster:		
Employment Service/Wagner-Peyser Funded Activities	17.207	8,474,162
Disabled Veterans' Outreach Program	17.801	1,018,000
Local Veterans' Employment Representative Program	17.804	813,548
Total Employment Service Cluster		10,305,710
WIA Cluster:		
WIA Adult Program	17.258	7,717,265
WIA Youth Activities	17.259	9,107,690
WIA Youth Activities	17.259ARRA	41,071
WIA Dislocated Workers	17.260	645,655
WIA Dislocated Workers	17.260ARRA	447,223
WIA Dislocated Worker Formula Grants	17.278	12,851,104
Total WIA Cluster		30,810,008
Labor Force Statistics	17.002	1,520,265
Compensation and Working Conditions	17.005	124,833
Unemployment Insurance (See Note 1 and Note 9)	17.225	1,911,989,111
Unemployment Insurance (See Note 1 and Note 9)	17.225ARRA	3,299,080
Senior Community Service Employment Program	17.235	1,016,971
Trade Adjustment Assistance	17.245	9,012,070
Workforce Investment Act	17.255	148,788
WIA Pilots, Demostrations, and Research Projects	17.261	51,497
Incentive Grants -WIA Section 503	17.267	411,131
Community Based Job Training Grants	17.269	1,295,377
Work Opportunity Tax Credit Program (WOTC)	17.271	177,992
Temporary Labor Certification for Foreign Workers	17.273	392,737
Prog. of Competitive Grants for Worker Training & Placement in High Growth & Emerging Industry	17.275	118,670
Prog. of Competitive Grants for Worker Training & Placement in High Growth & Emerging Industry	17.275ARRA	934,403
Workforce Investment Act (WIA) National Emergency Grants	17.277	233,526
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	164,907
Occupational Safety and Health-State Program	17.503	650,400
Consultation Agreements	17.504	1,218,113
Mine Health and Safety Grants	17.600	54,362
Women's Bureau	17.700	584
Total Department of Labor		1,973,930,535
U. S. Department of State		
Academic Exchange Programs - Undergraduate Programs	19.009	454,237
One-Time International Exchange Grant Program	19.014	15,895
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	254,585
Total U. S. Department of State		724,717
Department of Transportation		
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205ARRA	64,191,052
Highway Planning and Construction	20.205	465,341,132
Recreational Trails Program	20.219	1,099,115
Total Highway Planning and Construction Cluster		530,631,299
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	80,810,493
Federal Transit - Formula Grants	20.507ARRA	19,861,286
Federal Transit - Formula Grants	20.507	64,498,249
Total Federal Transit Cluster		165,170,028

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Highway Safety Cluster:		
State and Community Highway Safety	20.600	2,419,482
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,181,157
Occupant Protection Incentive Grants	20.602	199,528
Safety Belt Performance Grants	20.609	184,309
State Traffic Safety Information System Improvement Grants	20.610	310,105
Incentive Grant Program to Prohibit Racial Profiling	20.611	9,026
Incentive Grant Program to Increase Motorcyclist Safety	20.612	31,600
Total Highway Safety Cluster		4,335,207
Transit Services Programs Cluster:		
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	1,663,126
Job Access - Reverse Commute	20.516	966,872
New Freedom Program	20.521	374,487
Total Transit Services Programs Cluster		3,004,485
Federal Transit Admininstration - CT Project 26-1000	20.CT261000	20,621
Local Project Administration (Lpa) Edu- Cational Web-Based Video Dev-Phase I	20.DTFH6210P00034	6,184
Local Project Administration (Lpa) Edu- Web-Based Video Dev-Phase Ii	20.DTFH6211P00037	7,782
Airport Improvement Program	20.106	12,284,841
Aviation Research Grants	20.108	65,588
Highway Training and Education	20.215	(17,539)
National Motor Carrier Safety	20.218	1,117,713
Commercial Driver License State Program Improvement Grant	20.232	107,506
Safety Data Improvement Program	20.234	96,544
Commercial Vehicle Information Systems and Networks	20.237	295,439
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240	27,698
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	20.319ARRA	3,298,768
Formula Grants for Other Than Urbanized Areas	20.509ARRA	1,660,480
Formula Grants for Other Than Urbanized Areas	20.509	1,575,618
Public Transportation Research	20.514	6,411
Clean Fuels	20.519	1,924,246
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523ARRA	4,256,568
Alcohol Open Container Requirements	20.607	6,957,987
Pipeline Safety Program State Base Grant	20.700	674,039
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	152,636
PHMSA Pipeline Safety Program One Call Grant	20.721	8,506
Total Department of Transportation		737,668,655
Department of the Treasury		
Low Income Taxpayer Clinics	21.008	83,793
Office of Personnel Management		
Intergovernmental Personnel Act (IPA) Mobility Program	27.011	10,896
Equal Employment Opportunity Commission		
Employment Discrimination-State and Local Fair Employment Practices Agency Contracts	30.002	1,122,122
National Aeronautics and Space Administration		
Miscellaneous Programs	43.000	141,420
Charter of R/V Ct by Bigelow for Gants Survey	43.PO#26289/GRANT#34328	16,000
Science	43.001	121,894
Total National Aeronautics and Space Administration		279,314
National Endowment for the Arts		
Promotion of the Arts_Grants to Organizations and Individuals	45.024	4,040
Promotion of the Arts-Partnership Agreements	45.025	758,036
Total National Endowment for the Arts		762,076
National Endowment for the Humanities		
Promotion of the Humanities-Division of Preservation and Access	45.149	9,482
Promotion of the Humanities_Teaching and Learning Resources and Curriculum Development	45.162	54,432
Total National Endowment for the Humanities		63,914

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Institute of Museum and Library Services		
Grants to States	45.310	2,101,184
National Leadership Grants	45.312	125,825
Total Institute of Museum and Library Services		2,227,009
National Science Foundation		
NSF Intergovernment Personnel Act (Ipa) Assignment	47.PHY-1057992	190,413
R/V Ct Charter by Columbia University for Barclay Equipment Testing	47.PO #593903	8,676
Mathematical and Physical Sciences	47.049	7,756
Geosciences	47.050	440,899
Biological Sciences	47.074	47,083
Education and Human Resources	47.076	1,113,412
Trans-NSF Recovery Act Research Support	47.082ARRA	241,900
Total National Science Foundation		2,050,139
Small Business Administration		
Miscellaneous Programs	59.000	80,615
Commun Prof Bldg Renov-Avery Point $20,000-Part of $700,000 per Bot 1/26/11	59.PREAWARD	200,000
Commun Professional Bldg Renov-Avy Point $14,968.00-Part of $700,000 per Bot 1/26	59.SBAHQ-08-I-0073	12,527
Community Prof Bldg (Avery Point) Renov 105726	59.SBAHQ-08-I-0073	102,244
Farmington Technology Incubation Center	59.SBAHQ-11-I-0007	42,545
Small Business Development Centers	59.037	1,042,940
Federal and State Technology Partnership Program	59.058	98,573
State Trade and Export Promotion Pilot Grant Program	59.061	134,124
Total Small Business Administration		1,713,568
Department Of Veterans Affairs		
Bme Clinical Engineering Internship Program at the Boston Va Hospital	64.PO 523-C04700	10,891
Bme Internship Program at Providence Medical Center	64.PO 650-C00398	(14)
Bme Internship Program at Providence Medical Center	64.PO 650-C10293	11,142
Bme Internship Program at West Haven Va Ay 2010/11	64.PO#689C19131	19,272
Bme Internship Program at Boston Va	64.PO # 523C14149	23,855
Bme Internship Program at Providence Medical Center	64.650-C16068	23,855
Bme Internship Program with Va/ Connecticut Healthcare System	64.PO 689C20013	51,399
Grants to States for Construction of State Home Facilities	64.005ARRA	2,001,617
Veterans Dental Care	64.011	239,700
Veterans State Domiciliary Care	64.014	3,837,283
Veterans State Hospital Care	64.016	4,193,840
All-Volunteer Force Educational Assistance	64.124	161,479
Total Department Of Veterans Affairs		10,574,319
Environmental Protection Agency		
State Indoor Radon Grants	66.032	204,071
Ozone Transport Commission	66.033	3,234
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities-Clean Air Act	66.034	818,397
State Clean Diesel Grant Program	66.040	583,316
State Clean Diesel Grant Program	66.040ARRA	1,303,525
Congresionally Mandated Projects	66.202	45,412
State Public Water System Supervision	66.432	1,202,082
Surveys, Studies, Investigations, Demonstrations and Special Purpose Grants	66.436	30,077
Long Island Sound Program	66.437	1,245,925
Water Quality Management Planning	66.454	202,789
Water Quality Management Planning	66.454ARRA	186,863
Nonpoint Source Implementation Grants	66.460	492,674
Regional Wetland Program Development Grants	66.461	248,501
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	237,434
Beach Monitoring and Notification Program Implementation Grants	66.472	220,202
Water Protection Grants to the States	66.474	23,462
Science To Achieve Results (STAR) Fellowship Program	66.514	29,750
Performance Partnership Grants	66.605	9,749,434
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	46,575
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	240,054
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	194,337

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Pollution Prevention Grants Program	66.708	92,857
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	320,435
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	450,536
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	842,399
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805ARRA	327,167
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	179,540
State and Tribal Response Program Grants	66.817	1,074,171
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	293,842
Total Environmental Protection Agency		20,889,061
Nuclear Regulatory Commision		
Radiation Control Training Assistance and Advisory Counseling	77.001	(890)
Department of Energy		
National Energy Information Center	81.039	7,911
State Energy Program	81.041	433,173
State Energy Program	81.041ARRA	1,834,113
Weatherization Assistance for Low-Income Persons	81.042	(837,752)
Weatherization Assistance for Low-Income Persons	81.042ARRA	20,855,188
Office of Science Financial Assistance Program	81.049	290,478
Renewable Energy Research and Development	81.087	9,362
Renewable Energy Research and Development	81.087ARRA	53,939
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122ARRA	326,450
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128ARRA	3,857,072
Total Department of Energy		26,829,934
Department of Education		
Special Education (IDEA) Cluster:		
Special Education - Grants to States	84.027	133,851,385
Special Education - Preschool Grants	84.173	4,526,515
Special Education Grants to States, Recovery Act	84.391ARRA	4,389,022
Special Education - Preschool Grants, Recovery Act	84.392ARRA	88,700
Total Special Education (IDEA)Cluster		142,855,622
TRIO Cluster:		
TRIO-Student Support Services	84.042	657,148
TRIO-Talent Search	84.044	290,193
TRIO-Upward Bound	84.047	517,127
Total TRIO Cluster		1,464,468
Title I, Part A Cluster:		
Title 1 Grants to Local Educational Agencies	84.010	105,997,421
Title I Grants to Local Educational Agencies	84.010ARRA	83,087
Title I Grants to Local Educational Agencies, Recovery Act	84.389ARRA	2,242,321
Total Title I, Part A Cluster		108,322,829
Vocational Rehabilitation Cluster:		
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	28,301,126
Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390ARRA	1,043,676
Total Vocational Rehabilitation Cluster		29,344,802
Educational Technology State Grants Cluster:		
Education Technology State Grants	84.318	784,495
Education Technology State Grants, Recovery Act	84.386ARRA	257,665
Total Educational Technology State Grants Cluster		1,042,160
School Improvement Grants Cluster:		
School Improvement Grants	84.377	4,602,969
School Improvement Grants, Recovery Act	84.388ARRA	9,235,682
Total School Improvement Grants Cluster		13,838,651

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
State Fiscal Stabilization Fund Cluster:		
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394ARRA	193,661
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397ARRA	4,618
Total State Fiscal Stabilization Fund Cluster		198,279
Independent Living State Grants Cluster:		
Independent Living-State Grants	84.169	340,360
Independent Living State Grants, Recovery Act	84.398ARRA	71,900
Total Independent Living State Grants Cluster		412,260
Independent Living Services for Older Invididuals Who Are Blind Cluster:		
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	374,679
Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399ARRA	55,111
Total Independent Living Services for Older Individuals Who Are Blind Cluster		429,790
Education of Homeless Children and Youth Cluster:		
Education for Homeless Children and Youth	84.196	526,236
Education for Homeless Children and Youth, Recovery Act	84.387ARRA	925
Total Education of Homeless Children and Youth Cluster		527,161
Adult Education-Basic Grants to States	84.002	5,648,736
Title 1 State Agency Program for Neglected and Delinquent Children & Youth	84.013	1,289,590
Higher Education-Institutional Aid	84.031	705,540
Career and Technical Education -- Basic Grants to States	84.048	9,360,606
Higher Education- Veterans Education Outreach Program	84.064	816
Fund for the Improvement of Postsecondary Education	84.116	238,109
Rehabilitation Long-Term Training	84.129	288,902
Rehabilitation Services_Client Assistance Program	84.161	48,798
Magnet Schools Assistance	84.165	44,774
Javits Fellowships	84.170	43,975
Special Education - Grants for Infants and Families	84.181	4,442,724
Safe and Drug-Free Schools and Communities -National Programs	84.184	216,814
Byrd Honors Scholarships	84.185	35,940
Safe and Drug-Free Schools and Communities-State Grants	84.186	109,354
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	364,336
Bilingual Education	84.195	234,752
Graduate Assistance in Areas of National Need	84.200	1,799
Even Start-State Educational Agencies	84.213	4,991
Fund for the Improvement of Education	84.215	676,919
Centers for International Business Education	84.220	222,043
Assistive Technology	84.224	472,288
Program of Protection and Advocacy of Individual Rights	84.240	148,597
Tech-Prep Education	84.243	(76,079)
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	122,600
Charter Schools	84.282	22,162
Twenty-First Century Community Learning Centers	84.287	8,580,261
Special Education-State Personnel Development	84.323	769,606
Special Ed. - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	17,346
Special Ed.-Tech Assistance and Dissemination to Improve Services for Children with Disabilities	84.326	512,478
Advanced Placement Program	84.330	455,507
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	113,278
Comprehensive School Reform Demonstration	84.332	(1,573)
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,571,272
Assistive Technology-State Grants for Protection and Advocacy	84.343	50,790
Reading First State Grants	84.357	(2,840)
Rural Education	84.358	5,000
Early Reading First	84.359	515,405
English Language Acquisition State Grants	84.365	5,527,667
Mathematics and Science Partnerships	84.366	993,718
Improving Teacher Quality State Grants	84.367	23,749,327
Grants for State Assessments and Related Activities	84.369	3,311,774
Statewide Data Systems	84.372	10,568
Special Education_Technical Assistance on State Data Collection	84.373	215,350

STATE OF CONNECTICUT
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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
College Access Challenge Grant Program	84.378	1,124,170
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395ARRA	108,088
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396ARRA	78,639
Education Jobs Fund	84.410	75,714,534
National Writing Project	84.928	86,099
Total Department of Education (See Also Student Financial Assistance Cluster)		446,611,572
National Archives and Records Administration		
National Historical Publications and Records Grants	89.003	5,300
U.S. Election Assistance Commission		
Help America Vote College Program	90.400	8,288
Help America Vote Act Requirements Payments	90.401	1,987,314
Total U. S. Election Assistance Commission		1,995,602
Department of Health and Human Services		
Medicaid Cluster:		
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection	93.720ARRA	1,113
State Medicaid Fraud Control Units	93.775	856,964
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)	93.777	4,968,167
Medical Assistance Program	93.778	3,265,717,888
Medical Assistance Program	93.778ARRA	1,500,793
Total Medicaid Cluster		3,273,044,925
CCDF Cluster:		
Child Care and Development Block Grant	93.575	16,106,015
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	34,211,113
ARRA – Child Care and Development Block Grant	93.713ARRA	468,010
Total CCDF Cluster		50,785,138
Aging Cluster:		
Special Programs for the Aging-Title III, Part B-Grants for Support Services and Senior Centers	93.044	4,983,598
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	7,712,928
Nutrition Services Incentive Program	93.053	1,653,237
Total Aging Cluster		14,349,763
Immunization Cluster:		
Immunization Cooperative Agreements (See Note 3)	93.268	35,114,552
ARRA - Immunization (See Note 3)	93.712ARRA	507,926
Total Immunization Cluster		35,622,478
TANF Cluster:		
Temporary Assistance for Needy Families	93.558	240,109,297
Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs	93.714ARRA	1,183,941
Total TANF Cluster		241,293,238
Head Start Cluster:		
Head Start	93.600	112,358
ARRA - Head Start	93.708ARRA	250,000
Total Head Start Cluster		362,358
Connecticut Healthy Campus Initiative	93.AG110722	18,402
Reviewer Education in State of the Art Pharmaceutical Manufacturing Technology	93.UC2011-001	26,987
Implementation of Evidence-Based Practices for Criminal Justice Agencies	93.HHSN271201100708P	79,179
National Healthy Worksite Program	93.PREAWARD	14,856
Special Programs for the Aging-Title VII, Chapter 3-Prevention of Elder Abuse, Neglect and Exploit.	93.041	63,518
Special Programs for the Aging-Title III Part D-Disease Prevention and Health Promotion Services	93.043	262,835
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	853,335
Alzheimer's Disease Demonstration Grants to States	93.051	200,564
National Family Caregiver Support, Title III, Part E	93.052	1,906,269
Laboratory Training, Evaluation, and Quality Assurance Programs	93.064	185,878
Public Health Emergency Preparedness	93.069	8,084,188
Environmental Public Health and Emergency Response	93.070	719,056
Lifespan Respite Care Program	93.072	83,080

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	241,424
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	12,674
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	476,640
Food and Drug Administration_Research	93.103	226,687
Comprehensive Community Mental Health Services for Children with Serious Emotional Dist.	93.104	251,258
Maternal and Child Health Federal Consolidated Programs	93.110	437,256
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (See Note 3)	93.116	725,602
Emergency Medical Services for Children	93.127	113,022
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care	93.130	144,845
Injury Prevention and Control Research and State and Community Based Programs	93.136	405,988
Protection and Advocacy for Individuals with Mental Illness	93.138	551,456
Projects for Assistance in Transition from Homelessness (PATH)	93.150	861,662
Grants to States for Loan Repayment Program	93.165	40,313
Nursing Workforce Diversity	93.178	280,192
Childhood Lead Poisoning Prevention Projects and Surveillance of Blood Levels in Children	93.197	124,173
State Capacity Building	93.240	435,737
Mental Health Research Grants	93.242	22,078
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5,245,171
Universal Newborn Hearing Screening	93.251	411,590
Occupational Safety and Health Program	93.262	229,010
State Grants for Protection and Advocacy Services	93.267	62,985
Adult Viral Hepatitis Prevention and Control	93.270	369,366
Alcohol Research Programs	93.273	25,439
Substance Abuse and Mental Health Services-Access to Recovery	93.275	3,713,266
Drug-Free Communities Support Program Grants	93.276	16,521
Drug Abuse and Addiction Research Programs	93.279	38,297
The ACA: Centers for Disease Control and Prevention-Investigations and Tech Assistance	93.283	10,743,894
State Partnership Grant Program to Improve Minority Health	93.296	28,943
Advanced Education Nursing Traineeships	93.358	54,453
Nurse Education, Practice Quality and Retention Grants	93.359	399,979
ARRA - State Primary Care Offices	93.414ARRA	118,882
Food Safety and Security Monitoring Project	93.448	124,520
Pregnancy Assistance Fund Program	93.500	2,878,249
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	935,749
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Emp	93.506	102,477
PPHF 2012 National Public Health Improvement Innitiative	93.507	204,159
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	659,833
ACA: Public Health Training Centers Program, Resource Dev and Academic Support	93.516	58,852
Affordable Care Act – Aging and Disability Resource Center	93.517	310,908
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	269,276
Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Putting Pre	93.520	7,000
ACA: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemic	93.521	963,913
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	4,682,977
PPHF 2012: Community Transfromation Grants and National Dissemination and Support for Commu	93.531	179,025
Affordable Care Act - Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536	20,183
Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementa	93.538	460,629
PPHF 2012 (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immu	93.539	581,130
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinate	93.544	98,821
Promoting Safe and Stable Families	93.556	2,581,638
Child Support Enforcement (See Note 10)	93.563	44,550,998
Refugee and Entrant Assistance-State Administered Programs	93.566	1,158,283
Low-Income Home Energy Assistance	93.568	73,471,303
Community Services Block Grant	93.569	8,058,697
Refugee and Entrant Assistance-Discretionary Grants	93.576	597,075
State Court Improvement Program	93.586	527,654
Community-Based Child Abuse Prevention Grants	93.590	619,235
Grants to States for Access and Visitation Programs	93.597	103,498
Chafee Education and Training Vouchers Program (ETV)	93.599	642,661
Adoption Incentive Payments	93.603	453,635
Voting Access for Individuals with Disabilities-Grants for Protect and Advocacy Systems	93.618	55,113
Developmental Disabilities Basic Support and Advocacy Grants	93.630	776,578
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	29,144
Children's Justice Grants to States	93.643	216,469
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,704,787

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Social Services Research and Demonstration	93.647	46,057
Adoption Opportunities	93.652	466,244
Foster Care-Title IV-E	93.658	45,670,724
Foster Care-Title IV-E	93.658ARRA	(262,591)
Adoption Assistance	93.659	35,940,063
Adoption Assistance	93.659ARRA	248
Social Services Block Grant	93.667	46,251,475
Child Abuse and Neglect State Grants	93.669	361,681
Family Violence Prevention and Services/Grants for Battered Woman's Shelters Grants States, Ind. T	93.671	1,296,604
Chafee Foster Care Independence Program	93.674	1,616,216
Trans-NIH Recovery Act Research Support	93.701ARRA	316,031
ARRA - Preventing Healthcare-Associated Infections	93.717ARRA	707,221
ARRA - State Grants to Promote Health Information Technology	93.719ARRA	2,884,526
ARRA - Health Information Technology Professionals in Health Care	93.721ARRA	257,269
ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723ARRA	966,686
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725ARRA	208,738
Children's Health Insurance Program	93.767	16,689,445
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	3,671,437
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	910,934
Money Follows the Person Rebalancing Demonstration	93.791	13,386,091
Medicaid Transformation Grants	93.793	(13,513)
Health Care and Other Facilities	93.887	14,838
Specially Selected Health Projects	93.888	40,267
National Bioterrorism Hospital Preparedness Program	93.889	5,066,310
Alcohol Research Center Grants	93.891	213,284
Grants to States for Operation of Offices of Rural Health	93.913	190,130
HIV Care Formula Grants (See Note 11)	93.917	16,353,917
Healthy Start Initiative	93.926	562,882
Cooperative Agreements to Support School Health Educ. to Prevent AIDS	93.938	629,419
HIV Prevention Activities-Health Department Based	93.940	5,151,372
HIV Demonstration, Research, Public and Professional Education Projects	93.941	141,861
Epidemiologic Research Studies of (AIDS) and (HIV) Infection in Selected Population Groups	93.943	503,689
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surve	93.944	964,747
Assistance Programs for Chronic Disease Prevention and Control	93.945	(265,720)
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Progra	93.946	6,893
Block Grants for Community Mental Health Services	93.958	4,081,337
Block Grants for Prevention and Treatment of Substance Abuse	93.959	17,568,618
Preventive Health Services-Sexually Transmitted Diseases Control Grants (See Note 3)	93.977	846,930
Preventive Health and Health Services Block Grant	93.991	1,179,679
Maternal and Child Health Services Block Grant to the States	93.994	4,708,097
Total Department of Health and Human Services (See Student Financial Assistance Cluster)		4,032,179,455
Corporation for National and Community Service		
Coach for America	94.AG100797	7,672
State Commissions	94.003	268,016
Learn and Serve America-School and Community Based Programs	94.004	21,947
AmeriCorps	94.006	1,724,977
AmeriCorps	94.006ARRA	(5,922)
Program Development and Innovation Grants	94.007	56,553
Training and Technical Assistance	94.009	56,331
Total Corporation for National and Community Service		2,129,574
Social Security Administration		
Social Security-Disability Insurance	96.001	22,618,439
Social Security-Work Incentives Planning and Assistance Program	96.008	179,844
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	324,546
Total Social Security Administration		23,122,829

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Department of Homeland Security		
Non-Profit Security Program	97.008	188,972
Boating Safety Financial Assistance	97.012	1,561,679
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	222,111
Flood Mitigation Assistance	97.029	15,495
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	33,390,740
Hazard Mitigation Grant	97.039	213,663
National Dam Safety Program	97.041	102,885
Emergency Management Performance Grants	97.042	2,392,472
Cooperating Technical Partners	97.045	131,020
Pre-Disaster Mitigation	97.047	286,788
Emergency Operations Centers	97.052	364,448
Interoperable Emergency Communications	97.055	234,158
Port Security Grant Program	97.056	1,909,681
Competitive Training Grants	97.068	278,062
Homeland Security Grant Program	97.067	12,253,639
National Explosives Detection Canine Team Program	97.072	71,482
Rail and Transit Security Grant Program	97.075	3,645,764
Buffer Zone Protection Plan (BZPP)	97.078	352,948
Driver's License Security Grant Program	97.089	1,265,262
Severe Repetitive Loss Program	97.110	106,943
Advanced Surveillance Program (ASP)	97.118	844,134
Total Department of Homeland Security		59,832,346
Agency For International Development		
Eafm Program Plan for Uscti Support Program	98.AG110248	92,209
Miscellaneous Programs		
Oil Company Overcharge Recoveries	99.136	90,826
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
Department of Education		
Federal Supplemental Educational Opportunity Grants	84.007	2,329,782
Federal Work-Study Program	84.033	3,266,137
Federal Perkins Loan Program-Federal Capital Contributions (See Note 4)	84.038	30,723,858
Federal Pell Grant Program	84.063	139,444,152
Federal Direct Student Loans (See Note 6)	84.268	372,673,023
Academic Competitiveness Grants	84.375	36,778
National Science and Mathematics Access to Retain Talent Grants	84.376	2,000
Teacher Education Assistance for College and Higher Education Grants	84.379	54,264
Total Department of Education		548,529,994
Department of Health and Human Services		
Nurse Faculty Loan Program (See Note 5)	93.264	313,380
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantage (See Note 5)	93.342	570,796
Nursing Student Loans	93.364	19,503
ARRA - Nurse Faculty Loan Program	93.408ARRA	208,861
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	77,677
Total Department of Health and Human Services		1,190,217
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		549,720,211
TOTAL NON RESEARCH AND DEVELOPMENT GRANTS		**9,065,062,776**

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
RESEARCH AND DEVELOPMENT CLUSTER:			
Department of Agriculture			
Nutrient Management on Organic Vegetable Farms: A Research and Education Progran	RD	10.LNE09-285-UCONN-1	11,607
Envelope Proteins for Rapid Induction Immune Responses Classic Swine Fever	RD	10.58-1940-2-202	23,011
Agricultural Research-Basic and Applied Research	RD	10.001	1,072,715
Plant and Animal Disease, Pest Control, and Animal Care	RD	10.025	310,237
Specialty Crop Block Grant Program - Farm Bill	RD	10.170	26,489
Grants for Agricultural Research, Special Research Grants	RD	10.200	616,480
Cooperative Forestry Research	RD	10.202	201,300
Payments to Agricultural Experiment Stations Under the Hatch Act	RD	10.203	2,150,206
Grants for Agricultural Research_Competitive Research Grants	RD	10.206	642,101
Animal Health and Disease Research	RD	10.207	9,998
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	RD	10.210	73,366
Sustainable Agriculture Research and Education	RD	10.215	21,287
Biotechnology Risk Assessment Research	RD	10.219	263,198
Food Assistance and Nutrition Research Programs (FANRP)	RD	10.253	24,859
Integrated Programs	RD	10.303	482,733
Homeland Security-Agricultural	RD	10.304	58,641
Specialty Crop Research Initiative	RD	10.309	39,092
Agriculture and Food Research Initiative	RD	10.310	1,320,375
Cooperative Extension Service	RD	10.500	61,161
State Administrative Matching Grants for the Supplemental Nutrition	RD	10.561	576,205
Technical Assistance for Specialty Crops Program	RD	10.604	135,951
Cooperative Forestry Assistance	RD	10.664	1,865
Urban and Community Forestry Program	RD	10.675	1,348
Forest Health Protection	RD	10.680	326,328
Soil and Water Conservation	RD	10.902	1,067
Soil Survey	RD	10.903	3,762
Environmental Quality Incentives Program	RD	10.912	112,019
Scientific Cooperation and Research	RD	10.961	10,668
Total Department of Agriculture			8,578,069
Department of Commerce			
Seafloor Habitat Recovery Monitoring Program (Shrimp) At Stellwagen Bank	RD	11.469/0000300030	67,654
Science Support Activities for Stellwagon Bank National Marine Sanctuar	RD	11.AG101183	13,056
Functional Immune Assays to Support	RD	11.EA133C11SE1049	17,224
Development of Native Kelp Culture System Tech to Support Sea Vegetable	RD	11.AG110895	17,849
R/V Ct Charter By Umaine for Buoy Deployment/Recovery	RD	11.PO #5100033076	25,600
Integrated Ocean Observing System (IOOS)	RD	11.012	78,077
Sea Grant Support	RD	11.417	1,164,155
Fisheries Development and Utilization Research and Development Grants	RD	11.427	97,014
Undersea Research	RD	11.430	106,400
Climate and Atmospheric Research	RD	11.431	188,986
National Oceanic and Atmospheric Adm. Cooperative Institutes	RD	11.432	6,185
Marine Mammal Data Program	RD	11.439	19,838
Environmental Sciences, Applications, Data, and Education	RD	11.440	29,618
Chesapeake Bay Studies	RD	11.457	6,974
Special Oceanic and Atmospheric Projects	RD	11.460	179
Applied Meteorological Research	RD	11.468	66,163
Unallied Science Program	RD	11.472	5,504
Coastal Services Center	RD	11.473	347,149
Center for Sponsored Coastal Ocean Research Program	RD	11.478	14,553
Measurement and Engineering Research and Standards	RD	11.609	131,752
Total Department of Commerce			2,403,930
Department of Defense			
Selective Coatings for Microcantilever Explosive Detector	RD	12.TSI-2271-06-74687	(13,280)
Engineered Nano-Composite Oxides for High Durability Missile Domes	RD	12.4400234029	2,915
Advanced Numerical Simulation of Electromagnetic Wave Propogation	RD	12.W913E5-07-C-0008	32,199
3-D Passive Sensing, Detection & Recognition of Objects Occluded By Cloud	RD	12.FA8650-07-C-7740	16,466
Automation of Strategic Planning Frameworks	RD	12.OSD07-T001	(213)
Sysnthesis of Fluorinated Graft Copoly- Mers for Antifouling Applications	RD	12.46668-8659	(674)
Algorithms for Organizational Identifica Tion & Automated Development of Action	RD	12.0510-1440	(229)
Advanced Ballistic Missile Tracking and Fusion Algorithms	RD	12.HQ0147-08-C-0006	131,872

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Frequency-Agile, Ka-Baned Filters Based on Functionally Graded Bst Thin Films	RD	12.PO 41752-092508-01	(143)
Automated 3-D Target Reconstruction and Classification Using Distributed Passiv	RD	12.PO# 4100065823	800
Advance Sensor Data Fusion	RD	12.TSC 1002 38210	(879)
A New Imaging Paradigm Using Quantum Optics for 3d Visualization, Optical Dom	RD	12.FA8650-09-C-7934	111,375
Supporting Technology & Test Methods for Hearing Loss Prevention & Fitness	RD	12.N66596-09-IPA-0001	25,603
Investigations on Continuous Rota	RD	12.SB01609	(5,390)
Development of Control for Hybrid Projectiles	RD	12.P00087470	(1,195)
Defense Coastal/ Estuarine Research Program (Dcerp)	RD	12.SUB 11-321-0210294	99,259
Body Fluid Osmolality during Progressive Dehydration	RD	12.AG101124	10,020
Optoelectronic Directional Couplers	RD	12.AG100397	201,795
Gas Turbine Engine Sensor and Instrumentation Development	RD	12.AG091197	4,462
Ignition Studies of Premixed Hydrocarbon and Vitated Gas Mixtures at Atmospheric	RD	12.SB00710	33,487
Thermodynamic Modeling of a Rotating Detonation Engine	RD	12.SB01210	68,168
Probabilistic Inference Models for Graph Understanding, Analysis and Matching	RD	12.0671-1550	78,579
Assessment of Reduced Order Modelling of Flame Extinction in Bluff Body Flames	RD	12.21153 TASK # 73	12,312
Advanced Proto Gun-Launched Extended Munitions Utilizing Manned/Unmanned Proj	RD	12.343585	39,885
Design and Development of Zno Nanowire Based Uv/Ir Sensors for Threat Warning	RD	12.AG101128	60,073
Tunable Capacitive Micromachined Ultrasonic Receiver	RD	12.N66604-10-P-4998	15,729
Fast Speed Three Channel Photonic Time Delay Unit	RD	12.PO870423 N08-115II	152,823
Support of Transforming Projectiles Using Micro and Nano Components	RD	12.10-9-0002 10K131	24,724
Theoretical Development of Phase Field Theory for Application to Single Crystal	RD	12.21123 TASK #81	18,316
Advanced Coal-Biomass-to-Liquid (Cbtl) Systems Configurations & Efficiency	RD	12.11-K006	82,721
Framework for Large Streaming Data Analysis	RD	12.AG101407	22,979
Tracking the Update, Translocation Cycling & Metabolism of Munitions Comp.	RD	12.W912HQ-11-C-0051	554,654
Hybrid Power System for Under Water Vehicles	RD	12.PO 11-10475	104,747
Support for Environmental & Ship Motion Forecasting (Esmf)	RD	12.SUBCONT# APS-11-09	55,836
Design and Process Development for Gain Chip	RD	12.N66604-11-P-4252	9,903
Tem Characterization of Sam Al	RD	12.21153 TASK #85	18,762
Enabling Technology for Prediction of Noise-Induced Hearing Loss Incidence	RD	12.N66596-09-IPA-0001	20,954
Multi-Qubit Enhanced Sensing and Metro-	RD	12.5710003138	94,885
High Reliability, Low Cost Thermally Integrated Water Gas Shift (Ti-Wgs)	RD	12.PO 47665-000	10,714
Support for Testing the Mobile Offshore Platform for Wind Turbine Power Generati	RD	12.SUBCONT# APS-11-17	6,621
High Energy Density Nanocomposite Based on Tailored Surface Chemistry	RD	12.PO 215551	24,746
Application & Computational Implementat- Tion of Phase Field Theories in Finite E	RD	12.21153 TASK #92	17,791
Design and Process Development for Gain Chip	RD	12.N66604-12-P-1073	2,691
Reactive Spray Deposition Technology for High Temperature Proton Exchange Membra	RD	12.PO 11-10475	19,908
Development of Power Converter and Communications for the Distributed Power	RD	12.1163930 ARRA	10,246
Basic and Applied Scientific Research	RD	12.300	3,384,721
Department of Defense HIV/AIDS Prevention Program	RD	12.350	418,368
Basic Scientific Research - Combating Weapons of Mass Destruction	RD	12.351	400,123
Military Medical Research and Development	RD	12.420	2,068,034
Basic Scientific Research	RD	12.431	1,625,505
Basic, Applied, and Advanced Research in Science & Engineering	RD	12.630	100,477
Air Force Defense Research Sciences Program	RD	12.800	1,909,548
Mathematical Sciences Grants Program	RD	12.901	12,516
Research and Technology Development	RD	12.910	227,146
Total Department of Defense			12,323,455
Department of Housing and Urban Development			
Healthy Homes Technical Studies Grants	RD	14.906	7,176
Healthy Homes Production Grant Program	RD	14.913ARRA	13,376
Total Department of Housing and Urban Development			20,552
Department of the Interior			
CT Invertebrate Species of Greatest Conservation Need:Grassland/Ess Habitat	RD	15.DEPA00002070108	12,100
Analysis of the Common Loon for Corexit and Pahs	RD	15.G11PX02148	3,450
Sport Fish Restoration Program	RD	15.605	28,256
Fish and Wildlife Management Assistance	RD	15.608	16,040
Wildlife Restoration and Basic Hunter Education	RD	15.611	2,398
State Wildlife Grants	RD	15.634	45,210
Assistance to State Water Resources Research Institutes	RD	15.805	59,272
U.S. Geological Survey - Research and Data Collection	RD	15.808	22,940
Total Department of Interior			189,666

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Department of Justice			
Juvenile Accountability Block Grants	RD	16.523	132,427
Juvenile Justice and Delinquency Prevention_Allocation to States	RD	16.540	98,745
Part E - Developing, Testing and Demonstrating Promising New Programs	RD	16.541	22,851
National Institute of Justice Research, Evaluation, and Development Project Grants	RD	16.560	100,560
Congressionally Recommended Awards	RD	16.753	339,609
Total Department of Justice			694,192
Department of Labor			
WIA Pilots, Demonstrations, and Research Projects	RD	17.261	46,492
Department of Transportation			
Organization Behavior and Safety Culture Psychometric Instrumentation & Analysis	RD	20.DTRT57-07-P-80165	5,834
Reducing Fatigue in Wind-Excited Traffic Signal Support Structures Using Smart	RD	20.NCHRP-141	4,118
State Motor Vehicle Crash Data Repository	RD	20.0191-0732AC	119,988
Evaluating Application of Field Spectro- Scopy Devices to Fingerprint Commonly	RD	20.SHRP-R-06(B)	46,493
Development of Non-Proprietary Ultra- High Performance Concrete for Use In	RD	20.AG20015 REF 0492102	70,669
State Motor Vehicle Crash Data Repository	RD	20.0192-0732-AD	79,324
Highway Planning and Construction	RD	20.205	1,790,544
Railroad Research and Development	RD	20.313	33,095
Railroad Development	RD	20.314	74,492
University Transportation Centers Program	RD	20.701	630,347
Total Department of Transportation			2,854,904
Department of the Treasury			
Characteristics of Compliant Corporations	RD	21.TIRNO-10-P-00778	13,409
Characteristics of Compliant Corporations	RD	21.TIRNO-11-P-00515	23,385
Total Department of the Treasury			36,794
National Aeronautics and Space Administration			
Protein Expression in Salivary Glands: Effects of Extended Space Flight	RD	43.NNX09AP13G	38,495
Differentiating Sources of Backscattering In the Southern Ocean:	RD	43.NNX08AB10G(GODDARD)	12,500
Flex Droplet Flame Extinguishment in Microgravity	RD	43.NNX08AD13G (GLENN)	140,650
What Is the Ability of Global Land Surface Models To Simulate Land Surface	RD	43.NNX08AR31G(G)	1,240
Genome-Based Investigations into the Nature of the Common Ancestor of the	RD	43.NNX08AQ10G(GODDARD)	153,848
Adaptive Control with a Priori Guaranteed Performance Bonds and Robustn	RD	43.2009-00783-01/A3327	33,242
Fast-Response Engine Research (Faster) Adaptive Control	RD	43.21153 TASK #53	(1,033)
Energetic Atoms In the Martian Atmosphere, Past and Present	RD	43.NNX09AF13G	52,363
Investigating the Impact of Improved Model Error Characterization	RD	43.NNX09AO31H(G)	29,358
Fire, Phenology & Weather: Implications of Climate Change in Mediterranean	RD	43.NNX09AN82H(G)	34,005
Growing More Small Family Farms/ Florida	RD	43.UF09186	6,462
Data Reduction Techniques for Real Time Fault Detection & Diagnosis, & Multiple	RD	43.QSI-DSC-09-003	20,801
Portable Remote Imaging Spectrometer (Prism) for Ocean Biology Research	RD	43.SUBCONT NO. 1395906	105,731
Investigation of Satellite Qpe & Hydro Validation in Complex Terrain Basins	RD	43.NNX10AG91G	210,457
Testing the Suitability of Satellite Precip in Blue Nile Basin	RD	43.NNX10AG77G	111,238
Determining Geophysical Impacts on Scatterometer Wind Stress Accuracy	RD	43.11-039	27,481
Detecting Changes of Vegetation Biomass from Spacehorn L-Band Radar Polarimetry	RD	43.SUB #1426327	11,501
Investigation of A Novel Percussion Dynamic Cone Penetrometer for Lunar	RD	43.NNX06AC32H	10,042
Stable, Long Life Catalysts for Pem Fuel Cells and Electrolyzers	RD	43.SC 55351-6295	27,765
Leaping to Land--Physiology and Phyloge- Netics of Microscopic Desert Green Algae	RD	43.35640	32,751
Evaluation of the Performance of Nasa's Sofc-Lta on Methane As Fuel	RD	43.NNC11VE02P	30,180
Electrochemical H2 Reclamation	RD	43.AG110738	70,602
Lessons From the Last Frontier: Nasa's View of Historical Exploration	RD	43.#303120(P-463) 62140	1,892
Microchannel Thermo Catalytic Ignition for Advanced Mono- and Bipropellants	RD	43.6006-006-ASH-021210 ARRA	(144)
Science	RD	43.001	153,034
Total National Aeronautics and Space Administration			1,314,461
National Endowment for the Humanities			
Promotion of the Humanities-Fellowships and Stipends	RD	45.160	45,487
Promotion of the Humanities_Research	RD	45.161	69,010
Total National Endowment for the Humanities			114,497

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
National Science Foundation			
Sbir Phase 1: Mn02 as Novel Cathode Catalysts for Power Generation & Waste	RD	47.#1013813	485
Self Calibrating, Wireless, Needle Implantable Sensor Monitoring Glucose	RD	47.AG101340	14,256
Development of Seismic Protective Tech- Nologies for Ceiling-Piping-Partion No	RD	47.ADVANCE	19,850
Engineering Grants	RD	47.041	4,423,607
Mathematical and Physical Sciences	RD	47.049	3,331,094
Geosciences	RD	47.050	1,639,602
Computer and Information Science and Engineering	RD	47.070	2,151,972
Biological Sciences	RD	47.074	4,270,999
Social, Behavioral, and Economic Sciences	RD	47.075	973,268
Education and Human Resources	RD	47.076	2,060,530
Polar Programs	RD	47.078	207,213
International Science and Engineering	RD	47.079	31,083
Office of Cyberinfrastructure	RD	47.080	61,408
Trans-NSF Recovery Act Research Support	RD	47.082	73,243
Trans-NSF Recovery Act Research Support	RD	47.082ARRA	2,391,553
Total National Science Foundation			21,650,163
Small Business Administration			
High throughout Screening Resources for 400 Farmington Ave	RD	59.SBAHQ-11-I-0007	58,709
High throughout Screening Resources for 400 Farmington Ave	RD	59.SBAHQ-09-I-0199	1,947
Commun Prof Bldg (Avery Point) Renov 40596	RD	59.09-I-0131	143,816
Avery Point Incubation Center	RD	59.SBAHQ-09-I-0131	70,839
Total Small Business Administration			275,311
Department of Veterans Affairs			
Group Intervention for Dm Guideline Implementation	RD	64.650-D15012	5,887
Gender Differences in Addictive Behaviors among Returning Veterans	RD	64.AG110995	17,579
Study of Returning Veterans	RD	64.VA-241-12-C-0020	23,374
Total Department of Veterans Affairs			46,840
Environmental Protection Agency			
Bay Farms on-Farm Network	RD	66.AG090817	5,472
Development & Application of a Lis Gis-Based Eelgrass Habitat Suitabitlity	RD	66.AG101024	15,819
Epa Sbir Phase I Industrial Fuel Gas Cleanup Using Dfc Technology	RD	66.PO 46211-000	4,991
Electricity Generation in Pilot Scale Microbial Fuel Cells Treating Wastewater	RD	66.AG111218	67,966
The National Fish & Wildlife Foundation L.I.S. Eelgrass Restoration (Ct,Ny) Proj	RD	66.AG101187	23,700
Seaside Village Bioretention Demonstration Gardens	RD	66.AG120074	9,627
Environmental Finance Center Grants	RD	66.203	43,114
Long Island Sound Program	RD	66.437	716,761
Nonpoint Source Implementation Grants	RD	66.460	113,187
Science To Achieve Results (STAR) Research Program	RD	66.509	66,775
P3 Award: National Student Design Competition for Sustainability	RD	66.516	14,865
Total Environmental Protection Agency			1,082,277
Department of Energy			
Evaluating Alumnia Forming Austenitic Steels for Solid Oxide Fuel Cell Power S	RD	81.PO 2601309 ARRA	92,402
Deeply Virtual Compton Scattering With Polarized Traget	RD	81.06-P0005	12,546
Graduate Research Services Ikyoung Shin	RD	81.07A0299101	51,667
Synthesis and Characterization of New Materials for Advanced Battery Systems 2	RD	81.AG071021	3,737
Jlab/Uconn Mou for Bridge Position in Theoretics Nuclear Physics	RD	81.08C1751101	20,787
Development of Alternative, Low-Cost and Durable High Perfomance Cathode	RD	81.84750	11,578
Metals Program In Support of Stack Block Durability Testing	RD	81.AG091277	39,463
Mechanistic Evaluation of Degradation Processes in Solid Oxide Electrolysis	RD	81.97907	65,578
Evaluation of Bio-Based Fuels in Advanced Fuel Cells	RD	81.121977	11,213
Defect Free, Ultra-Rapid Thinning/Polish of Diamond Crystal Radiator Targets	RD	81.AG101393	13,408
Integration of Distributed Power Systems	RD	81.PO 2601184	48,373
Long Term Materials and Electrochemical Testing	RD	81.154319	193,990
Load Forecasting At the Distribution Level	RD	81.3481-4700194558	38,246
Mechanistic Evaluation of Thermo-Chemo & Electro Processes & the Role	RD	81.158038	50,424
High Absorptivity Low Emissivity Coating for Solar Boiler Tubes Phase I	RD	81.4410007616	35,930
Special Studies and Projects in Energy Education and Training	RD	81.045	61,576
Office of Science Financial Assistance Program	RD	81.049	2,832,847
Renewable Energy Research and Development	RD	81.087	3,060,343

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Fossil Energy Research and Development	RD	81.089	512,908
Defense Nuclear Nonproliferation Research	RD	81.113	8,593
Energy Efficiency and Renewable Energy Info. Dissemination Outreach, Training	RD	81.117	488,013
Total Department of Energy			7,653,622
Department of Education			
Overseas Programs - Faculty Research Abroad	RD	84.019	52,665
Rehabilitation Services_Independent Living Services for Older Individuals Who are Bli	RD	84.177ARRA	61
Safe and Drug-Free Schools and Communities_National Programs	RD	84.184	27,660
Bilingual Education_Professional Development	RD	84.195	326,873
Graduate Assistance in Areas of National Need	RD	84.200	862,996
Javits Gifted and Talented Students Education	RD	84.206	256,268
Centers for International Business Education	RD	84.220	2,459
Education Research, Development and Dissemination	RD	84.305	2,980,297
Research in Special Education	RD	84.324	2,090,733
Special Education -Technology and Media Services for Individuals with Disabilities	RD	84.327	9,499
Demonstration Projects to Support Postsecondary Faculty Staff, and Administrations in	RD	84.333	176,881
Gaining Early Awareness and Readiness for Undergraduate Programs	RD	84.334	(10,197)
Improving Teacher Quality State Grants	RD	84.367	5,372
Special Education_Technical Assistance on State Data Collection	RD	84.373	74,293
Total Department of Education			6,855,860
U.S. Election Assistance Commission			
Help America Vote Act Requirements Payments	RD	90.401	304,605
U.S. Election Assistance Commission Research Grants	RD	90.403	24,583
Total U.S.Election Assistance Commission			329,188
Department of Health and Human Services			
System for High-Throughput Proteome Characterization	RD	93.752202	90
Development of Qbd Guidance Elements on Design Space Specifications across Scale	RD	93.UC0002	1,947
Treatments for Epilepsy	RD	93.HHSA 290 2007 10067I	(1)
Process Endpoing Monitor for Lyophilized Drugs for Cancer Treatment	RD	93.SC49706-1657	54,536
Acute Coronary Syndrome Thrombectomy Cer	RD	93.HHSA 290 2007 10067I	19,936
New Antibiotic Targeting Fatty Acid Biosynthesis	RD	93.AG091018	1,773
Scale-Up of Lyophilization Using Dimensionless Prediction	RD	93.UC0003	10,538
Hptn 067 Behavioral Aspects of Prep Counseling for Intermittent Exposure	RD	93.812/0080.0056	37,915
General Epc Support: Methods and Dissemination	RD	93.HHSA 290 2007-10067I	5,759
Reduced Afterglow Scintillator Films	RD	93.C09-30	141
Vte Prophylaxis In Orthopedic Surgery and Other Patient Populations - Topic Re	RD	93.HHSA 290 2007 10067I	162,683
Ehc Program Learning Network Moderator	RD	93.HHSA 290 2007 10067I	148
Optical Coherence Tomography Based Freeze Drying Microscopy	RD	93.SC51955-1712	18,537
Impact of Prescription Drug Monitoring	RD	93.10MHA1017-03	27,098
Economic Outcomes of Unexpected Lifecycle Shocks	RD	93.AG101129	52,263
Liposomal Protein Drug Products: A Quality by Design Case Study to Understa	RD	93.PREAWARD	27,875
Niosh Doc Communication Project	RD	93.254-2010-M-35834	12,873
Dig Program Evaluation and Analysis	RD	93.10MHA1195	26,055
Development of a Mini Lyophilizer for Pharmaceutical Product Formulation	RD	93.SC53359-6265	23,395
Nhanes Chemosensory Development and Implementation Protocol - Task 2	RD	93.S8056	100,115
Reviewer Education in State of the Art Pharmaceutical Manufacturing Technology	RD	93.UC2011-001	(3,096)
The Use of Indirect Statistical Comparisons in Epc Reports	RD	93.HHSA 290 2007 10067I	24,033
Effect Size Metric Choices as Factors in Meta-Analytic Statistical Inferences	RD	93.HHSA 290 2007 10067	68,970
Biologic and Non-Biologic Systematic Agents and Phototherapy for Treatment Of	RD	93.HHSA 290 2007 10067I	190,674
Method of Dissolution for Nanosuspensions/Nanoparticles	RD	93.HHSF223201110077A	93,583
Dig Program Evaluation and Analysis	RD	93.11MHA1195	83,463
Hiv Prevention Trials Network Protocol Leadership: Hptn 069	RD	93.ID 0080.01.0160/958	17,912
Estimating the Causal Effects of Social Networks on Health Behaviors	RD	93.M12A11287(A08507)	25,601
Evaluation of Graphic Warning Labels on Tobacco Packages and Related Supporting	RD	93.PREAWARD	59,630
Hiv Prevention Trials Network Protocol Leadership: Hptn 069	RD	93.PREAWARD	2,224
Qbd for Lyophilized Protein Parenteral Manufacturing Processess	RD	93.UC0004	1,731
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	RD	93.048	55,087
Innovations in Applied Public Health Research	RD	93.061	26,796
Chronic Diseases: Research, Control, and Prevention	RD	93.068	12,685
Public Health Emergency Preparedness	RD	93.069	60,797
Affordable Care Act (ACA) Personal Responsibility Education Program	RD	93.092	239,566

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Food and Drug Administration_Research	RD	93.103	4,243
Area Health Education Centers Point of Service Maint. & Enhancement Awards	RD	93.107	403,506
Maternal and Child Health Federal Consolidated Programs	RD	93.110	336,216
Environmental Health	RD	93.113	1,005,198
Oral Diseases and Disorders Research	RD	93.121	3,734,643
Injury Prevention, Control Research, State and Community Based	RD	93.136	63,831
NIEHS Superfund Hazardous Substances_Basic Research & Education	RD	93.143	90,199
AIDS Education and Training Centers	RD	93.145	12,503
Human Genome Research	RD	93.172	319,478
Research Related to Deafness and Communication Disorders	RD	93.173	2,353,504
Research and Training in Complementary and Alternative Medicine	RD	93.213	680,897
National Center on Sleep Disorders Research	RD	93.233	239,309
Mental Health Research Grants	RD	93.242	6,158,894
Substance Abuse and Mental Health Services_Projects of Reg & Nat.	RD	93.243	1,281,836
Public Health Training Centers Program	RD	93.249	62,286
Poison Center Support and Enhancement Grant Program	RD	93.253	233,945
Occupational Safety and Health Program	RD	93.262	1,904,964
Alcohol Research Programs	RD	93.273	4,581,575
Drug Abuse and Addiction Research Programs	RD	93.279	6,215,649
Mental Health Research Career/Scientist Development Awards	RD	93.281	349,735
Mental Health National Research Service Awards for Research Traning	RD	93.282	343,978
Centers for Disease Control, Prevention_Investigations and Technical Assist	RD	93.283	277,512
Discovery and Applied Research for Technological Innovations to Improve Human Hea	RD	93.286	1,047,047
State Partnership Grant Program to Improve Minority Health	RD	93.296	67,691
Minority Health and Health Disparities Research	RD	93.307	260,876
Trans-NIH Research Support	RD	93.310	405,947
Nurse Education, Practice Quality and Retention Grants	RD	93.359	37,247
Nursing Research	RD	93.361	689,162
National Center for Research Resources	RD	93.389	1,899,626
Cancer Cause and Prevention Research	RD	93.393	1,316,798
Cancer Detection and Diagnosis Research	RD	93.394	1,001,721
Cancer Treatment Research	RD	93.395	1,036,324
Cancer Biology Research	RD	93.396	1,061,244
Cancer Centers Support Grants	RD	93.397	133,330
Cancer Control	RD	93.399	(60)
ARRA – Equipment to Enhance Training for Health Professionals	RD	93.411ARRA	94,750
Food Safety and Security Monitoring Project	RD	93.448	444,355
Affordable Care Act (ACA) Primary Care Residency Expansion Program	RD	93.510	159,011
Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative	RD	93.513	74,718
Affordable Care Act – Aging and Disability Resource Center	RD	93.517	34,259
Promoting Safe and Stable Families	RD	93.556	284,767
State Court Improvement Program	RD	93.586	15,272
Community-Based Child Abuse Prevention Grants	RD	93.590	137,044
Mentoring Children of Prisoners	RD	93.616	15,070
University Centers for Excellence in Developmental Disabilities Education, Research, a	RD	93.632	378,517
Trans-NIH Recovery Act Research Support	RD	93.701ARRA	8,035,633
Health Information Technology Regional Extension Centers Program	RD	93.718ARRA	76,840
ARRA - State Grants to Promote Health Information Technology	RD	93.719ARRA	175,568
Medicaid Infrastructure Grants To Support the Competitive Employment of People with	RD	93.768	190,135
Medical Assistance Program	RD	93.778	204,912
Cardiovascular Diseases Research	RD	93.837	3,858,635
Lung Diseases Research	RD	93.838	474,228
Blood Diseases and Resources Research	RD	93.839	12,020
Arthritis, Musculoskeletal and Skin Diseases Research	RD	93.846	4,874,700
Diabetes, Digestive, and Kidney Diseases Extramural Research	RD	93.847	2,821,250
Extramural Research Programs in the Neurosciences and Nureological Disorders	RD	93.853	4,312,086
Allergy, Immunology and Transplantation Research	RD	93.855	8,611,581
Microbiology and Infectious Diseases Research	RD	93.856	14,394
Biomedical Research and Research Training	RD	93.859	6,043,699
Child Health and Human Development Extramural Research	RD	93.865	3,719,895
Aging Research	RD	93.866	1,532,267
Vision Research	RD	93.867	2,216,776
Medical Library Assistance	RD	93.879	159,972
Grants for Primary Care Training and Enhancement	RD	93.884	283,485

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
National Bioterrorism Hospital Preparedness Program	RD	93.889	127,959
HIV Emergency Relief Project Grants	RD	93.914	403,765
HIV Care Formula Grants	RD	93.917	212,131
HIV Prevention Activities_Health Department Based	RD	93.940	321,865
Research, Prevention, and Education Programs on Lyme Disease in U. S.	RD	93.942	123,492
Block Grants for Prevention and Treatment of Substance Abuse	RD	93.959	15,701
International Research and Research Training	RD	93.989	81,265
Maternal and Child Health Services Block Grant to the States	RD	93.994	1
Total Department of Health and Human Services			91,696,204
Social Security Administration			
Social Security_Research and Demonstration	RD	96.007	35,137
Department of Homeland Security			
Gamma Ray Imaging of Special Nuclear Materials with a Liquid Xenon Time	RD	97.C12P11266(P00323)	34,913
Advanced Simulation & Testing of Border- Crossing Clandestine Tunnel Detection	RD	97.SUBCONTRACT #91200	19,327
Centers for Homeland Security	RD	97.061	1,273,877
Homeland Security Advanced Research Projects Agency	RD	97.065	213,041
Homeland Security-Related Science, Tech. Engineering and Math (HS STEM) Career D	RD	97.104	24,584
Homeland Security, Research Testing, Evaluation, and Demo. of Tech.	RD	97.108	6,982
Total Department of Homeland Security			1,572,724
Agency for International Development			
Characterization of Mycoplasma Gallisepticum Isolates From Pakistan and	RD	98.PGA-P210935	24,411
Cbaer in Senegal: Needs Assessment Unexpected Demand for Profesionals in Ag	RD	98.451066-19213	41,723
USAID Foreign Assistance for Programs Overseas	RD	98.001	213,783
USAID Development Partnerships for University Cooperation and Dev.	RD	98.012	540,601
Total Agency for International Development			820,518
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**160,594,856**
TOTAL FEDERAL ASSISTANCE			**9,225,657,632**

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note 1 – Summary of Significant Accounting Policies:

A. Reporting Entity:
The accompanying Schedule of Expenditures of Federal Awards includes all Federal programs administered by the State of Connecticut except for the portion of the ten 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 ten 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); *HUD's Emergency Homeowners' Loan Program* (CFDA #14.323); 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), *Energy Efficiency and Conservation Block Grant Program* (CFDA #81.128) and *Energy Efficiency and Renewable Energy Cooperative Agreement* (CFDA #81.117). During the year ended December 31, 2011, the Connecticut Housing Finance Authority expended $68,183,030, $956,475, $9,212,830, $24,412,687, and $119,588 in Federal awards under CFDA #14.856, CFDA #14.103, CFDA #14.258, CFDA #14.323 and CFDA #21.Unknown respectively. During the fiscal year ended June 30, 2012 the State of Connecticut expended $17,495,880 and $5,421,876 in Federal awards under CFDA #66.458 and CFDA #66.458 ARRA respectively, and the State expended $4,211,409 and $2,492,193 in federal awards under CFDA #66.468 and #66.468 ARRA respectively. The Connecticut Innovations Incorporated-Clean Energy Fund expended $8,769,895 in federal awards under CFDA #81.041 ARRA, $1,569,420 in federal awards under CFDA #81.128 ARRA and $44,936 in federal awards under CFDA #81.117 during the fiscal year ended June 30, 2012.

B. Basis of Accounting:
The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting, except for the following programs which are presented on the accrual basis of accounting: *Labor Force Statistics* (CFDA (17.002), *Employment Service/Wagner-Peyser Funded Activities* (CFDA #17.207), *Disabled Veterans' Outreach Program* (CFDA #17.801), *Local Veterans' Employment Representative Program* (CFDA #17.804), *Temporary Labor Certification for Foreign Workers* (CFDA #17.273), *Work Opportunity Tax Credit Program (WOTC)* (CFDA #17.271), *Trade Adjustment Assistance* (CFDA 17.245), and *Social Services Research and Demonstration* (CFDA #93.647), and the administrative portion of *Unemployment Insurance* (CFDA #17.225).

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, 2012. 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.

C. Basis of Presentation:
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.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

D. Matching Costs:
Except for the State's share of unemployment insurance, (See Note 9) the nonfederal share portion are not included in the Schedule.

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-Monetary Assistance amounts are included on this Schedule for the following Federal programs:

Supplemental Nutrition Assistance Program (10.551)	$708,680,038
National School Lunch Program (10.555)	11,365,632
Donation of Federal Surplus Personal Property (39.003) **	0
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to Clean Air Act (66.034)	89,563
Nutrition Services Incentive Program (93.053)	12,240
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (93.116)	42,029
Immunization Grants (93.268)	31,163,072
Public Health Emergency Preparedness (H1N1) (93.069)	6,498
Preventive Health Services - Sexually Transmitted Diseases Control Grants (93.977)	19,122

** There was no donated Federal Surplus Personal Property received during the fiscal year.

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, 2012, were $30,122,733.

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

Health Professions Student Loans
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, 2012, were $570,796.

Nurse Faculty Loan Program
New loans issued and outstanding at June 30, 2012 of $313,380 were made to faculty at University of Connecticut under the U.S. Department of Health and Human Services' *Nurse Faculty Loan Program* (93.264).

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

ARRA- Nurse Faculty Loan Program

Total loans outstanding at the fiscal year ended June 30, 2012, were $208,861. These loans were made to faculty at University of Connecticut under the U.S. Department of Health and Human Services' *ARRA-Nurse Faculty Loan Program* (93.408).

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, 2012, totaled $372,673.023.

Note 7 – Rebates on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

The total amount presented for the WIC Program includes cash rebates received from milk, infant formula and cereal manufacturers in the amount of $11,078,162 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 Chapter II Subchapter A, Part 246.16m as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received enabled the State to extend the program benefits to more recipients. In addition, the WIC program collected $24,453 in fines and penalties that were subsequently also used to increase WIC program benefits to more participants and is included in the total amount presented for the WIC program.

Note 8 – 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. The funds 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 $860,818,315. Total expenditures from the federal portion of the Unemployment Trust Fund equaled $978,976,137. The $75,673,739 in Unemployment Insurance program administrative expenditures was financed by the U.S. Department of Labor.

Note 9 – Child Support Enforcement

During the fiscal year ended June 30, 2012, the Department of Social Services expended a total of $44,550,998 (federal share) to accomplish the goals of the *Child Support Enforcement Program* (93.563). However, the State received $16,341,693 of the $44,550,998 through withholding of a portion of various collections received by the state through the process of implementing the Child Support Enforcement Program. The other $28,209,305 of the federal share of expenditures was reimbursed to the State directly from the federal government.

Note 10 – HIV Care Formula Grants

During the fiscal year ended June 30, 2012, the State expended a total of $16,353,917 for the *HIV Care Formula Grants* (93.917). This included $15,698,130 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 11 – 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, 2012, a grand total of $229,147,871 was expended. This amount includes $218,257,587 of non-research grants and $10,890,284 research grants.

Note 12 – 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 10.95 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

The amounts which were 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 13: Pass - Through Awards

This schedule details indirect Federal assistance received from non state pass through grantors. The amount included on the pass-through schedule is reported as federal revenue on the State's basic financial statements. To avoid duplication on the State's Schedule when federal financial assistance is received by one state agency and distributed to another state agency (pass through funds from a primary state recipient agency to a subrecipient state agency), the federal financial assistance does not include expenditures incurred as a subrecipient from a State of Connecticut agency.

Federal assistance received by the State from non state pass-through grantors is identified by CFDA Number, Grantor, Grantor ID and Expenditure Amount, and is presented on the following pages.

Note 14 – Amounts provided to Non State Subrecipients

Circular A-133 defines a sub-recipient as an entity that expends a federal award which is received from a pass-through entity. The amounts passed to external non-state recipients' are reported as expenditures on the Schedule. The total amounts by major programs provided to external subrecipients identified by CFDA number and program title are presented on the follow pages.

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 13 - Pass-through Grants:					
NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS					
Department of Agriculture					
National Institute of Food and Agriculture					
10.200		UOC	Maine Aquaculture Innovation Center	PROJECT # 10-05	8,348
10.200		UOC	Northeastern Regional Aquaculture Center	Z540501	75,101
10.311		UOC	Rhode Island Association of Conservation Districts	AGREEMENT NO 100	12,432
10.315	ARRA	UOC	University of Minnesota	SUBAWARD# H001344222	25,168
10.500		UOC	Auburn University	10-ACES-374584-CT	700
10.500		UOC	Kansas State University	SUB AGREEMENT S11145	42,151
10.500		UOC	Kansas State University	SUBAWARD S11132	11,018
10.500		UOC	Kansas State University	SUBAWARD S12012	39,132
10.500		UOC	Kansas State University	S09036.02	33,014
10.500		UOC	Kansas State University	S09036.01	(102)
10.500		UOC	Kansas State University	S12082	14,907
10.500		UOC	Kansas State University	S12207	34,720
10.500		UOC	University of Delaware	25931	16,283
10.500		UOC	University of Vermont	2010-47001-20819	91,553
10.500		UOC	University of Vermont	SNE11-01	35,344
10.500		UOC	University of Vermont	SARE COORDINATOR 09	21,348
10.500		UOC	University of Vermont	SNE10-01	24,751
Total National Institute of Food and Agriculture					485,868
Miscellaneous Programs					
10.UM-S810		UOC	University of Maine	UM-S810	10,587
Total Department of Agriculture					496,455
Department of Commerce					
National Oceanic and Atmospheric Administration					
11.417		UOC	University of Mississippi	UM #11-04-078	9,829
11.432		UOC	Florida Atlantic University	SUBCNT# URH96	281,899
11.469		UOC	Project Oceanology	AG080908	17,941
11.473		UOC	Research, Environmental and Management Support(REMSA)	#PSS-080411-1253	26,611
Total National Oceanic and Atmospheric Administration					336,280
Miscellaneous Programs					
11.PO# 5100049412		UOC	University of Maine	PO# 5100049412	25,600
11.PO#5100027644		UOC	University of Maine	PO#5100027644	25,600
11.M214788		UOC	Woods Hole Oceanographic Institution	M214788	44,628
11.PO# 10-0055		UOC	Woods Hole Group, Inc.	PO# 10-0055	(18)
Total Miscellaneous Programs					95,810
Total Department of Commerce					432,090
Department of Defense					
12.11-0003438-4		UOC	Applied Physical Sciences Corporation	11-0003438-4	12,800
12.#11-K021		UOC	Connecticut Center for Advanced Technology, Inc.	#11-K021	19,093
12.AG120030		UOC	Ocean Acoustical Services and Instrument Systems(OASIS)	AG120030	90,099
12.# P010092028		UOC	Science Applications International Corporation	# P010092028	9,684
12.P010044603		UOC	Science Applications International Corporation	P010044603	9,258
12.P010085689		UOC	Science Applications International Corporation	P010085689	13,837
12.PO #11-0046		UOC	Woods Hole Group, Inc.	PO #11-0046	5,799
Total Department of Defense					160,570

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Housing and Urban Development					
Office of Public and Indian Housing					
14.866		UOC	City of Stamford, CT, Housing Authority	AG060476	1
Office of Healthy Homes and Lead Hazard Control					
14.900		UOC	CT Children's Medical Center	AG101147	16,806
Total Department of Housing and Urban Development					16,807
Department of the Interior					
15.PO #M214809		UOC	Woods Hole Oceanographic Institution	PO #M214809	25,600
Department of Justice					
16.726		UOC	National 4-H Council	AG110566	78,864
16.726		UOC	National 4-H Council	AG120128	9,564
Total Departmet of Justice					88,428
Department of Labor					
Employment and Traning Administration					
17.255		CCC	Northwest Regional Investment Board	OSY-09-001 & ISY-10-002	4,284
17.255		CCC	Northwest Regional Investment Board	ISY-11-002	144,504
17.259		CCC	Northwest Regional Investment Board	OSY-10-003	5,084
17.259		CCC	Northwest Regional Investment Board	OSY11-0001	161,174
17.259		CCC	Northwest Regional Investment Board	OSY-11-002	102,036
17.259		CCC	The Workplace Inc.	AGR-9-14-10	24,789
17.259	ARRA	CCC	Eastern Workforce Investment Board	MOA-12-16-09	4,060
17.259	ARRA	CCC	Eastern Workforce Investment Board	MOA-12-23-09	7,030
17.259	ARRA	CCC	Workforce Alliance	MOA-12-28-09	28,367
17.261		CCC	Eastern Workforce Investment Board	AGR-6-19-08	51,497
17.275	ARRA	ECSU	Workplace Inc.	SGA//DFA PY 08-19	46,736
17.275	ARRA	ECSU	Office of Workforce Comp	GJ-19910-10-60-A-9	71,934
Total Department of Labor					651,495
National Aeronautics and Space Administration					
43.PO#26289/GRANT#34328		UOC	Bigelow Laboratory for Ocean Sciences	PO#26289/GRANT#34328	16,000
43.001		CCSU	University of Hartford	NNX06AC32H	24,437
43.001		CCC	University of Hartford	AGR 1-15-08	39,000
43.001		SCSU	University of Hartford	NNX06AC31H	30,367
Total National Aeronautics and Space Administration					109,804
National Endowment for the Humanities					
45.149		SCSU	Voices of Sept 11th	NA	9,482
Institute of Museum & Library Services					
45.312		UOC	City of Hartford, CT, Public Library	AG100794	63,922
45.312		UOC	Harvard University	137263-04	7,396
Total Institute of Museum & Library Services					71,318
National Endowment For The Arts					
45.024		ECSU	National Endowment for the Arts	FY13-15135	4,040
National Science Foundation					
47.074		UOC	New York State Museum Institute	AG050672	4,257
47.074		UOC	Smithsonian Institution/ Smithsonian Environmental Research Center	12SUBC440-0000250211	1,245
47.074		UOC	University of Washington	NO 723691	32,915
47.076		UOC	Harrisburg University of Science and Technology	AG110536	1,205

STATE OF CONNECTICUT
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
47.076		CCSU	New England Board of Higher Education	NSF AWARD #DUE-0903051	12,388
47.076		UOC	University of Massachusetts	06-003554-A-03	93,321
47.076		UOC	University of Massachusetts	12-006782 B 00	42,949
47.076		UOC	University of Massachusetts Amherst	UM# 05-003146 B 07	91,087
47.PHY-1057992		UOC	Columbia University	PO #593903	8,676
Total National Science Foundation					288,043
Environmental Protection Agency					
Office of Water					
66.437		UOC	National Fish and Wildlife Foundation	1401.11.028174	7,706
66.437		UOC	National Fish and Wildlife Foundation	2010-0071-002	6,908
66.437		UOC	National Fish and Wildlife Foundation	2010-0071-013/23961	8,230
Total Office of Water					22,844
Total Environmental Protection Agency					22,844
Department of Energy					
81.049		SCSU	WGBH Educational Foundation	N/A	
81.087		CCC	Hudson Valley Community College	AGR-9-20-10	9,362
81.087	ARRA	CCC	Hudson Valley Community College	AGR-9-20-10	53,939
81.122	ARRA	UOC	University of Minnesota	A000211554	7,818
Total Department of Energy					71,119
Department of Education					
Office of Vocational and Adult Education					
84.002		CCC	Education Connection, Foothill Adults & Cont. Ed.	AE 10-5	824
84.002		CCC	Education Connection, Foothill Adults & Cont. Ed.	AE 11-5	18,880
Total Office of Vocational and Adult Education					19,704
Office of Innovation and Improvement					
84.165		CCSU	Hartford, CT Board of Education	USDOE#U165A100064	44,774
84.215		UOC	City of Hartford, CT	AG101426	50,002
84.215		CCSU	Cromwell, CT Public Schools	USDOEU215X090637	171,585
84.396	ARRA	UOC	Ohio State University	6002916/RF01233626	78,639
Total Office of Innovation and Improvement					345,000
Office of Special Education and Rehabilitative Services					
84.224		SCSU	Handhold Adaptive	ED-IES-11-C-0400	63,648
84.326		UOC	University of Oregon	223561A	385,094
84.326		UOC	University of North Carolina	5-54490	127,384
84.373		SDE	University of Kentucky Research Foundation	3048104002-08-398	215,350
Total Office of Special Education and Rehabilitative Services					791,476
Office of Elementary & Secondary Education					
84.010		UOC	Providence Public Schools, Providence, RI	PO# 2102901-0	(64)
84.010	ARRA	UOC	Providence Public Schools, Providence, RI	2103560-0-PO	83,087
84.388	ARRA	UOC	Bridgeport, CT Public Schools	AG110475	722,818
84.389	ARRA	UOC	Providence Public Schools, Providence, RI	PO# 2102583	7,982
84.391	ARRA	UOC	Providence Public Schools, Providence, RI	PO# 2102582	(11,094)
84.395	ARRA	UOC	Providence Public Schools, Providence, RI	2105741-0-PO	108,088
Total Office of Elementary & Secondary Education					910,817
Office of Post Secondary Education					
84.116		CCC	LaGuardia Community College	#46285L	5,284

STATE OF CONNECTICUT
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Miscellaneous Programs					
84.928		UOC	National Writing Project Corporation	92-CT01	30,680
84.928		CCSU	National Writing Project Corporation	06-CT04 (USDOE U928A050001)	55,420
Total Miscellaneous Programs					86,100
Total Department of Education					2,158,380
Department of Health and Human Services					
Office of the Secretary					
93.721	ARRA	CCC	Tidewater Community College	AGR-7-7-10	257,269
Substance Abuse And Mental Health Services Administration					
93.242		CCSU	University of Pittsburgh	NNX06AC32H	22,078
93.243		CCSU	Clinton Youth & Family Service Bureau	N/A	5,654
93.243		CCC	Wheeler Clinic, Inc	LTR-3-14-12	7,750
93.275		CCSU	Yale University	1R01AA016599-01A2	6,925
93.275		CCSU	Yale University	1R01AA016599-01A2	107,654
93.276		CCSU	Clinton Youth & Family Service Bureau	2SP1213004	1,898
93.276		CCSU	Clinton Youth & Family Service Bureau	10-SP15833A	6,649
93.276		CCSU	Town of Southington, CT	1H79SP015686-01	7,974
93.243		DOC	Yale University	5H79TI019806-05	27,669
93.UC2011-001		UOC	National Institute of Pharmaceutical Technology and Education	UC2011-001	26,987
93.AG110722		UOC	Wheeler Clinic, Inc	AG110722	18,402
93.959		CCSU	Wheeler Clinic, Inc	N/A	4,644
Total Substance Abuse and Mental Health Services Administration					244,284
National Institutes of Health					
93.273		DOC	Yale University	5R01AA018944-04	25,439
93.279		DOC	Yale University	5R01DA030762-03	25,440
93.516		SCSU	Yale University	M12A11261(A08567)	58,852
93.701	ARRA	SCSU	Yale University	RS0011(M10A10804)	55,454
Total National Institutes of Health					165,185
Total Department of Health and Human Services					**666,738**
Corporation for National and Community Service					
94.AG100797		UOC	Up2Us	AG100797	7,672
94.006		UOC	Jump Start, Inc.	830200	38,390
Total Corporation for National and Community Service					46,062
Department of Homeland Security					
97.075		DOT	New York State Division of Homeland Security and Emergency Services	C157578	2,965,792
97.075		DOT	New York State Division of Homeland Security and Emergency Services	C172578	62,596
97.075		DOT	New York State Division of Homeland Security and Emergency Services	C157588	590,824
Total Homeland Security					3,619,211
United States Agency for International Development					
98.AG110248		UOC	Conservation International Fund	AG110248	92,209
TOTAL NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS					**9,030,696**

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED

RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS: (SEE NOTE 2)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA NO.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Agriculture					
National Institute of Food and Agriculture					
10.200	RD	UOC	N. Eastern Regional Aquaculture Ctr	Z520303	14,028
10.200	RD	UOC	N. Eastern Regional Aquaculture Ctr	Z514703	502
10.200	RD	UOC	University of Maine	UM-S844	14,795
10.200	RD	AES	Cornell University	Sub No. 62094-9545	14,354
10.200	RD	AES	Cornell University	61002-9310	11,234
10.200	RD	AES	Cornell University	61002-9323	11,606
10.200	RD	AES	Texas A & M	570512	6,257
10.206	RD	UOC	University of North Carolina at Wilmington	SUB NO.509450-10-01	25,054
10.206	RD	AES	Virginia Poly Tech Institute	19756-428382	2,845
10.215	RD	AES	Penn State University	4378-CAES-UV-0296	1,023
10.215	RD	UOC	University of Vermont	GNE11-020	4,713
10.215	RD	UOC	University of Vermont	ONE11-132	2,448
10.215	RD	UOC	University of Vermont	ONE12-152	941
10.215	RD	AES	University of Vermont	LNE09-279	4,304
10.215	RD	UOC	University of Vermont	LNE09-281	5,106
10.215	RD	UOC	University of Rhode Island	082410/0002574	2,578
10.303	RD	AES	Penn State University	4530-CAES-USDA-8446	7,800
10.303	RD	UOC	University of Maine	UM-S703	6,292
10.303	RD	UOC	University of Rhode Island	101408/0001946	67,327
10.303	RD	UOC	University of Rhode Island	121707/0001542	52,168
10.304	RD	UOC	Cornell University	54039-8584	39,904
10.304	RD	AES	Cornell University	54039-8576	18,737
10.309	RD	AES	Cornell University	64094-9752	6,995
10.309	RD	AES	Virginia Poly Tech Institute	422179-19756	26,773
10.309	RD	AES	University of Massachusetts Amherst	12-007055-A-00	5,324
10.310	RD	UOC	Purdue University	8000047623	8,231
10.310	RD	UOC	University of California, Berkeley	7712	27,668
10.310	RD	UOC	University of Nevada	UNR-12-02	3,977
10.310	RD	AES	University of Georgia	RC293-365/4693928	41,740
10.310	RD	UOC	Yale University	M00101 (M10M10477)	22,052
10.500	RD	AES	Cornell University	52632-8489	8,845
10.500	RD	UOC	University of Vermont	Coordinator 08	14,294
Total National Institute of Food and Agriculture					479,915
Natural Resources Conservation Service					
10.902	RD	UOC	University of Rhode Island	122909/0002399	1,067
Foreign Agricultural Service					
10.604	RD	AES	California Dried Plum Board	PN 11-22	98,368
Miscellaneous Programs					
10.LNE09-285-UCONN-1	RD	UOC	Mount Holyoke College	LNE09-285-UCONN-1	11,607
Total Department of Agriculture					590,957
Department of Commerce					
National Oceanic and Atmospheric Administration					
11.012	RD	UOC	Northeastern Regional Association of Coastal Ocean Observing Systems	SUBAWARD#:A002-001	78,077
11.431	RD	UOC	Univ. Corporation for Atmospheric Research	Subaward # S08-67963	78,392
11.432	RD	UOC	Woods Hole Oceanographic Institution	A100567	6,185
11.457	RD	UOC	University of New Hampshire	Subaward # PZ-11-012	6,974
11.460	RD	UOC	University of Louisiana	Subcontract #07-0397	179
11.473	RD	UOC	Rutgers - State University of New Jersey	PO# S1566258	88,672
11.473	RD	UOC	Rutgers - State University of New Jersey	S952046-3235	4,372

STATE OF CONNECTICUT
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
11.473	RD	UOC	Rutgers - State University of New Jersey	S1413015-4175	62,047
11.473	RD	UOC	Woods Hole Oceanographic Institution	A100555	27,184
11.473	RD	UOC	Northeastern Regional Association of Coastal Ocean	A001-001	164,876
11.478	RD	UOC	University of Rhode Island	SUB# 091811/0003087	5,780
11.478	RD	UOC	University of Rhode Island	012606/0000848	8,773
Total National Oceanic and Atmospheric Administration					531,511
Miscellaneous Programs					
11AG110895	RD	UOC	Ocean Approved, LLC	AG110895	17,849
11.AG101183	RD	UOC	National Marine Sanctuary Foundation	AG101183	13,056
11.469/0000300030	RD	UOC	Skidaway Institution of Oceanography	469/0000300030	67,654
11.PO #5100033076	RD	UOC	University of Maine	PO# 5100033076	25,600
Total Miscellaneous Programs					124,159
Total Department of Commerce					655,670
Department of Defense					
Office of the Secretary of Defense					
12.351	RD	UOC	Rensselaer Polytechnic Institute	A12049	287,991
12.351	RD	UOC	University of Texas at El Paso	26-0900-15-62	14,196
12.351	RD	UHC	Penn State University	4106UCHCDTRA0004	97,935
Total Office of the Secretary of Defense					400,122
Department of the Air Force, Materiel Command					
12.800	RD	UOC	University of Michigan	3001890465	15,099
12.800	RD	UOC	Princeton University	00001666	(1,510)
12.800	RD	UOC	Princeton University	00001684	395,390
Total Department of the Air Force, Materiel Command					408,979
Advanced Research Projects Agency					
12.910	RD	UOC	HRL Laboratories, LLC	9060-000708	174,662
12.910	RD	UHC	Yale University	C12K11278(K00175)	52,484
Total Advanced Research Agency					227,146
Department of the Navy, Office Of the Chief Of Naval Research					
12.300	RD	UOC	University of Texas at Austin	UTA09-000725	191,022
12.300	RD	UOC	Aptima, Inc.	0464-1412	114,714
12.300	RD	UOC	Aptima, Inc.	0565-1494	(19,627)
12.300	RD	UOC	Pennsylvania State University	4538-UOC-ONR-0688	39,237
Total Department of the Navy, Office of the Chief of Naval Research					325,346
U.S. Army Materiel Command					
12.431	RD	UHC	Triton Systems, Inc.	TSI-2394-11-100393	17,280
12.431	RD	UHC	Triton Systems, Inc.	TSI-2394-12-100873	14,189
12.431	RD	UHC	Eastern Carolina University	002623-2004-0407OSU	28,213
12.431	RD	UOC	University of California at Santa Barbara	KK1016	31,814
Total U. S. Army Materiel Command					91,496
Miscellaneous Programs					
12.PO870423 N08-115II	RD	UOC	Agiltron, Inc	PO870423 N08-115II	152,823
12.SUBCONT# APS-11-09	RD	UOC	Applied Physical Sciences Corporation	SUBCONT# APS-11-09	55,836
12.SUBCONT# APS-11-17	RD	UOC	Applied Physical Sciences Corporation	SUBCONT# APS-11-17	6,621
12.0510-1440	RD	UOC	Aptima, Inc.	0510-1440	(229)
12.0671-1550	RD	UOC	Aptima, Inc.	0671-1550	78,579
12.AG101124	RD	UOC	Cantimer Inc.	AG101124	10,020
12.46668-8659	RD	UOC	Cornell University	46668-8659	(674)
12.10-9-0002 10K131	RD	UOC	CT Center for Advanced Technology, Inc.	10-9-0002 10K131	24,724
12.11-K006	RD	UOC	CT Center for Advanced Technology, Inc.	11-K006	82,721
12.AG101407	RD	UOC	CyberConnect EZ, LLC	AG101407	22,979
12.PO 47665-000	RD	UOC	Fuelcell Energy, Inc	PO 47665-000	10,714
12.SB01210	RD	UOC	Innovative Scientific Solutions, Inc.	SB01210	68,168

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CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
12.SB00710		RD	UOC	Innovative Scientific Solutions, Inc.	SB00710	33,487
12.SB01609		RD	UOC	Innovative Scientific Solutions, Inc.	SB01609	(5,390)
12.PO# 4100065823		RD	UOC	Lockheed Martin Corporation	PO# 4100065823	800
12.AG101128		RD	UOC	Magnolia Optical Technologies, Inc.	AG101128	60,073
12.5710003138		RD	UOC	Massachusetts Institute of Technology	5710003138	94,885
12.AG100397		RD	UOC	ODIS, Inc	AG100397	201,795
12.AG091197		RD	UOC	Ohio Aerospace Institute	AG091197	4,462
12.4400234029		RD	UOC	Raytheon Company	4400234029	2,915
12.SUB 11-321-0210294		RD	UOC	RTI	SUB 11-321-0210294	99,259
12.OSD07-T001		RD	UOC	Sonalysts, Inc.	OSD07-T001	(213)
12.PO 11-10475		RD	UOC	Sonalysts, Inc.	PO 11-10475	124,655
12.PO 41752-092508-01		RD	UOC	Structured Materials Industries, Inc.	PO 41752-092508-01	(143)
12.TSC 1002 38210		RD	UOC	Technology Service Corporation	TSC 1002 38210	(879)
12.PO 215551		RD	UOC	TPL, Inc.	PO 215551	24,746
12.TSI-2271-06-74687		RD	UOC	Triton Systems, Inc	TSI-2271-06-74687	(13,280)
12.1163930	ARRA	RD	UOC	United Technologies-Research Center	1163930	10,246
12.21153 TASK # 73		RD	UOC	United Technologies-Pratt & Whitney	21153 TASK #73	12,312
12.21123 TASK #81		RD	UOC	United Technologies-Pratt & Whitney	21123 TASK #81	18,316
12.21153 TASK #85		RD	UOC	United Technologies-Pratt & Whitney	21153 TASK #85	18,762
12.21153 TASK #92		RD	UOC	United Technologies-Pratt & Whitney	21153 TASK #92	17,791
12.P00087470		RD	UOC	University of Hartford	P00087470	(1,195)
12.343585		RD	UOC	University of Hartford	343585	39,885
Total Miscellaneous Programs						1,255,571
Total Department of Defense						2,708,660
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	7,176
14.913	ARRA	RD	UHC	Connecticut Childrens Medical Center	CTLHH0174-08	13,376
Total Housing and Urban Development						20,552
Department of Justice						
National Institute of Justice						
16.560		RD	UOC	PA Coalition Against Domestic Violence	AG100118	28,136
Office of Juvenile Justice and Delinquency Prevention						
16.541		RD	UHC	Connection, Inc.	2008GPCX0030	22,851
Total Department of Justice						50,987
Department of Transportation						
Federal Highway Administration						
20.205		RD	UOC	New England Transportation Consortium	MOU-N0206P2-0-2008-4	3,750
Research and Innovative Technology Administration						
20.701		RD	UOC	Massachusetts Institute of Technology	5710002725	5,886
20.701		RD	UOC	Massachusetts Institute of Technology	5710002961	40,969
20.701		RD	UOC	Massachusetts Institute of Technology	5710002962	39,888
20.701		RD	UOC	Massachusetts Institute of Technology	5710002960	30,959
20.701		RD	UOC	Massachusetts Institute of Technology	5710002971	55,098
20.701		RD	UOC	Massachusetts Institute of Technology	5710002615	30,300
20.701		RD	UOC	Massachusetts Institute of Technology	5710002724	14,624
Total Research and Innovative Technology Administration						217,724
Miscellaneous Programs						
20.NCHRP-141		RD	UOC	NAS/Transportaion Research Board	NCHRP-141	4,118
20.SHRP-R-06(B)		RD	UOC	NAS/Transportaion Research Board	SHRP-R-06(B)	46,493
20.AG20015 REF 0492102		RD	UOC	Professional Service Industries	AG20015 REF 0492102	70,669
Total Miscellaneous Programs						121,280
Total Department of Transportation						342,754

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CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
National Aeronautics and Space Administration						
43.001		RD	UOC	University of Florida	UF12067/00097232	13,075
43.001		RD	UOC	University of Hartford	303116 P-538	18,057
43.001		RD	UOC	University of Hartford	303116-P534	24,813
43.001		RD	UOC	University of Hartford	303116-P535	15,457
43.001		RD	UOC	University of Hartford	314806	(33)
43.001		RD	UHC	University of Hartford	303116-63570	20,000
43.001		RD	UOC	United Technologies- Pratt & Whitney	21153 TASK#71	2,036
43.001		RD	UOC	Woods Hole Oceanographic Institution	A100890	23,006
43.001		RD	UOC	ZONA Technology Inc	ZTUC022011-PIO	16,995
43.SUBCONT NO. 1395906		RD	UOC	California Institute of Technology	SUBCONT NO. 1395906	105,731
43.35640		RD	UOC	Marine Biological Laboratory	35640	32,751
43.6006-006-ASH-021210	ARRA	RD	UOC	Plasma Processes, Inc.	6006-006-ASH-021210	(144)
43.SC 55351-6295		RD	UOC	Physical Sciences, Inc	SC 55351-6295	27,765
43.QSI-DSC-09-003		RD	UOC	Qualtech Systems, Inc.	QSI-DSC-09-003	20,801
43.AG110738		RD	UOC	Sustainable Innovations	AG110738	70,602
43.21153 TASK #53		RD	UOC	United Technologies-Pratt & Whitney	21153 TASK #53	(1,033)
43.UF09186		RD	UOC	University of Florida	UF09186	6,462
43.#303120(P-463) 62140		RD	UOC	University of Hartford	#303120(P-463) 62140	1,892
43.NNX06AC32H		RD	UOC	University of Hartford	NNX06AC32H	10,042
43.2009-00783-01/A3327		RD	UOC	University of Illinois	2009-00783-01/A3327	33,242
43.11-039		RD	UOC	University of New Hampshire	11-039	27,481
Total National Aeronautics and Space Administration						468,998
National Science Foundation						
47.041		RD	UOC	Fuss & O'Neill, Inc.	AG110713	5,533
47.041		RD	UOC	Sustainable Innovations	AG110554	19,317
47.041		RD	UOC	Purdue University	4101-33905	35,401
47.041		RD	UOC	Southwest Sciences, Inc	AG071060	(304)
47.041		RD	UOC	University of Massachusetts	08-004807 A 00	176,072
47.041		RD	UOC	University of Akron	534622/CMMI 1032201	2,789
47.041		RD	UOC	Washington University, St. Louis	WU-HT-09-07/2905086N	(268)
47.041		RD	UHC	University of Wisconsin	CBET-1057766/ SUBAWARD271K132	22,712
47.041		RD	UOC	Yale University	C11D10969	12,221
47.049		RD	SCSU	Yale University	C12D11227(D01804)	272,406
47.049		RD	UOC	Rensselaer Polytechnic Institute	A12111	132,186
47.049		RD	UOC	University of Cincinnati	SUBAWARD # 006740	5,338
47.049		RD	UOC	University of Pennsylvania	553113	39,301
47.050		RD	UOC	Consortium for Ocean Leadership	Task Order T319A29	53,788
47.050		RD	UOC	Woods Hole Oceanographic Institution	A100424	13,474
47.070		RD	UOC	Massachusetts Institute of Technology	5710002196	404
47.074		RD	UOC	American Museum of Natural History	10-2010	8,474
47.074		RD	AES	North Carolina State University	2006-0820-02	6,426
47.074		RD	UOC	University of Colorado at Boulder	SUBAWARD#1548625	23,951
47.074		RD	UOC	University of Maryland at College Park	Z479501	92,747
47.074		RD	UOC	University of Puerto Rico	534042	27,416
47.074		RD	UOC	University of Puerto Rico	AG060505	30,648
47.074		RD	UOC	University of Virginia	GA10618-137687	6,368
47.075		RD	UOC	Duke University	PREAWARD	2,836
47.076		RD	UOC	Purdue University	4101-37968	13,092
47.076		RD	UOC	Washington University, St. Louis	PO#29510P	(4)
47.082	ARRA	RD	UOC	Lab 21	IIP-0930494	(111)
47.082	ARRA	RD	UOC	Marine Biological Laboratory	SUBAWARD NO.40459	33,164
47.082	ARRA	RD	UOC	University of North Carolina at Wilmington	SUBAWARD5A0010-10-01	50,341
47.AG101340		RD	UOC	Biorasis, Inc	AG101340	14,256
47.#1013813		RD	UOC	Fuss & O'Neill, Inc.	#1013813	485
47.ADVANCE		RD	UOC	University of Nevada	ADVANCE	19,850
Total National Science Foundation						1,120,309

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CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Environmental Protection Agency						
Office of Water						
66.437		RD	UOC	National Fish and Wildlife Foundation	2010-0071-025	85,979
66.437		RD	UOC	National Fish and Wildlife Foundation	2010-0071-001	16,617
66.437		RD	UOC	New England Interstate Water Pollution Control Com	AG120096	16,211
Total Office of Water						118,807
Office of the Chief Financial Officer						
66.203		RD	UHC	The Cadmus Group, Inc.	EP-D-08-096	43,114
66.AG120074		RD	UOC	City of Bridgeport, CT	AG120074	9,627
66.AG101024		RD	UOC	Cornell University	AG101024	15,819
66.AG101187		RD	UOC	Cornell University	AG101187	23,700
66.AG111218		RD	UOC	Fuss & O'Neill, Inc.	AG080963	67,966
66.AG090817		RD	UOC	Environmental Defense Fund	AG090817	5,472
66.PO 46211-000		RD	UOC	Fuelcell Energy, Inc	PO 46211-000	4,991
Total Miscellaneous						127,575
Total Environmental Protection Agency						289,496
Department of Energy						
81.045		RD	UOC	Sinmat, Inc.	AG120181	61,576
81.049		RD	UOC	HiFunda	AG120179	26,053
81.049		RD	UOC	Princeton University	00001700	206,723
81.049		RD	UOC	North Carolina State University	2008-1923-02	114,946
81.049		RD	UOC	Southwest Sciences, Inc.	AG101264	53,116
81.049		RD	UOC	University of South Carolina	10-1721	248,569
81.049		RD	UOC	Yale University	C11E10984	24,992
81.087		RD	UOC	University of South Dakota	3TA155/YULIA KUZOVKI	30,106
81.087		RD	UOC	University of Hawaii	Z975726	237,872
81.089		RD	UOC	Praxair	AG120509	56,707
81.3481-4700194558		RD	UOC	Alstom Power Corporation	3481-4700194558	38,246
81.154319		RD	UOC	Battelle Memorial Institute	154319	193,990
81.121977		RD	UOC	Battelle Memorial Institute	121977	11,213
81.84750		RD	UOC	Battelle Memorial Institute	84750	11,578
81.97907		RD	UOC	Battelle Memorial Institute	00097907	65,578
81.AG101393		RD	UOC	Sinmat, Inc.	AG101393	13,408
81.AG091277		RD	UOC	Rolls Royce Fuel Cell Systems Inc	AG091277	39,463
81.4410007616		RD	UOC	United Technologies-Pratt & Whitney Rocketdyne	4410007616	35,930
81.PO 2601184		RD	UOC	United Technologies-Research Center	PO 2601184	48,373
81.AG071021		RD	UOC	Yardney Technical Products, Inc	AG071021	3,737
81.PO 2601309	ARRA	RD	UOC	United Technologies-Research Center	PO 2601309	92,402
Total Department of Energy						1,614,578
Department of Education						
Institute of Education Sciences						
84.305		RD	UOC	Center for Applied Linguistics	IES001-000-10	155,996
84.305		RD	UOC	Michigan State University	61-1708UC	166,377
84.324		RD	UOC	University of Oregon	223850B	57,077
84.324		RD	UOC	Texas A & M Research Foundation	S060054	375
Total Institute of Education Sciences						379,825
Office of Special Education and Rehabilitation Services						
84.327		RD	UOC	University of Oregon	223651A	9,499
Total Department of Education						389,324

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Health and Human Services					
Administration for Children and Families					
93.092	RD	UHC	Village for Families & Children Inc.	90AP2669/01	191,949
93.590	RD	UHC	Friends of Children Trust Fund, Inc.	20394-28217-52742	137,044
Total Administration for Children and Families					328,993
Center for Disease Control and Preventation					
93.061	RD	UOC	Family Planning Council	RSH11001	26,796
93.136	RD	UHC	University of Rochester	5-28312	63,831
93.262	RD	UHC	Mary Imogene Bassett Hospital	20090366	(5,240)
93.262	RD	UHC	Mary Imogene Bassett Hospital	5U50OH007542-08	(1,026)
93.262	RD	UHC	University of Massachusetts	S51130000015313	136,457
93.262	RD	UHC	University of Massachusetts	S51130000017516	135,844
93.262	RD	UOC	University of Massachusetts	S51130000017516	35,305
93.262	RD	UHC	Viridian Health Management	200-2011-42034	20,092
93.262	RD	UOC	UMASS at Lowell	S51130000015313	146,024
93.283	RD	UOC	Association for Prevention, Teaching and Research	TS-1444	19,179
93.283	RD	UHC	Association of University Centers on Disabilities	UNIVERSITIES CENTERS ON DISABILITIES	388
93.283	RD	UHC	Association of Maternal and Child Health Programs	2011-01-0127-13	2,875
Total Center for Disease Control and Prevention					580,525
National Institutes of Health					
93.103	RD	UOC	National Institute of Pharmaceutical Technology and Education	NIPTE-U01-CT-0012012	1,527
93.113	RD	UHC	Yale University	A07995 M11A10964	14,633
93.113	RD	UOC	Wadsworth Center	3269-02	(133)
93.113	RD	UOC	Wadsworth Center	3269-04	20,018
93.121	RD	UHC	University of Pennsylvania	551082	(4,739)
93.121	RD	UOC	Yale University	A07929 (M11A11041)	1,000
93.143	RD	UOC	Dartmouth College	857	90,199
93.172	RD	UOC	Albert Einstein Healthcare Network (AEHN)\ Moss Rehabilitation Research Institute	PO#91029591-0-9	32,863
93.172	RD	UHC	Regents University of CA Berkeley	6823740	319,478
93.173	RD	UOC	Brown University	350	44,292
93.173	RD	UOC	Stanford University	26366270-50588-B	42,862
93.173	RD	UOC	University of Florida	UF08115	6,256
93.242	RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	SUNY 54246PRJ:1087883	59,681
93.242	RD	UOC	City of San Francisco, CA, Department of Public Health	2417.001.001	19,136
93.242	RD	UHC	Northwestern University	610 5264000-60025890 SP0009501	7,036
93.242	RD	UHC	Northwestern University	60025890	15,743
93.242	RD	UOC	Research Foundation for Mental Hygiene, Inc.	P.O. #82315	88
93.242	RD	UOC	University of Mississippi Medical Center	67353-UC02	7,510
93.242	RD	UOC	University of North Carolina	UNC-CH 5-50176	68,963
93.242	RD	UHC	Veritas Health Solutions, LLC	2R44MH085350-02	13,699
93.242	RD	UOC	Yale University	A07952 (M09A10153)	1,278
93.242	RD	UOC	Yale University	M09A10153 (A08455)	9,493
93.242	RD	UOC	Yale University	M11A10864 (A08021)	16,085
93.242	RD	UOC	Yale University	A07617(M09A10153)	(13,250)
93.273	RD	UOC	Brown University	00000484/P275240	50,969
93.273	RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	1009189/58769	535,169
93.273	RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	2U10AA0084101	116,067
93.273	RD	UHC	General Hospital Corporation Institute for Health Policy	219663	21,840
93.273	RD	UHC	Yale University	M09A10062	58,667
93.273	RD	UHC	Yale University	M09A10250	(6)
93.273	RD	UHC	Yale University	MO9A10136	96,594
93.279	RD	UOC	Fordham University	AG080334	621
93.279	RD	UHC	Medical University of South Carolina	R01DA19708	89,534
93.279	RD	UHC	Medical University of South Carolina	MUSC 10-090	43,323
93.279	RD	UHC	University of Texas Medical Branch	11-028	90,218
93.279	RD	UOC	Northeastern University	542265OPO901349	60,280

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.279		RD	UOC	Yale University	A07466 (M08A10247)	19,269
93.279		RD	UHC	Yale University	M12A11188	52,665
93.279		RD	UHC	Yale University	M10A10351	352,496
93.286		RD	UOC	SibTech, Inc.	AG101049	63,277
93.286		RD	UOC	Biorasis, Inc.	AG091073	54,741
93.307		RD	UHC	Yale University	M11A11032	114,112
93.310		RD	UHC	Mount Sinai Sch Med NYU Hosp Ctr	0255-3761-4609	369,682
93.361		RD	UHC	Arizona State University Fnd	10-348	(217)
93.389		RD	UOC	Massachusetts General Hospital	R24RR018934/207916	86,691
93.389		RD	UOC	Radiation Monitoring Devices, Inc.	AG090251	6,040
93.393		RD	UOC	UMASS - Amherst	PO# 0001254189	127,761
93.393		RD	UHC	Univ Med & Dentistry New Jersey	2R01CA116399-05A1	11,826
93.394		RD	UHC	Nanoprobes, Inc.	5R44CA124190-03	169,036
93.394		RD	UHC	Nanoprobes, Inc.	R43CA134074-01	1,637
93.395		RD	UHC	California Institute of Technology	21B-1088933	106,859
93.395		RD	UHC	Nanoprobes, Inc.	1R44CA130225-01A2	(3,468)
93.395		RD	UHC	Nanoprobes, Inc.	4R44CA130225-02	68,453
93.395		RD	UHC	The Hospital of Central Connecticut	27469-121	1,909
93.395		RD	UHC	University of Arizona	Y56026Y	75,197
93.397		RD	UHC	John Hopkins University	2000796724	133,330
93.701	ARRA	RD	UHC	Duke University Office of Sponsored Programs	173530	21,192
93.701	ARRA	RD	UHC	George Mason University Foundation	E20014A1	162,976
93.701	ARRA	RD	UHC	Maine Medical Center	0992-001	14,916
93.701	ARRA	RD	UOC	University of Rochester	100037-D	15,523
93.701	ARRA	RD	UHC	Scripps Research Institute	TSRI-5-24243	17,079
93.701	ARRA	RD	UHC	Regents University Of CA Berkeley	6948677	132,644
93.701	ARRA	RD	UOC	Saint Louis University	7R21AA017717-03	59,169
93.701	ARRA	RD	UOC	Stanford University	26331050-50316-A	28,279
93.701	ARRA	RD	UOC	University of North Carolina	5-30092	(13)
93.837		RD	UHC	Sibtech, Inc.	R43HL105167-01	18,186
93.838		RD	UOC	Yale University	A08211 (M11A11069)	150,029
93.839		RD	UHC	University of Massachusetts	6128642/RF3900138	12,020
93.846		RD	UHC	Arizona State University Fnd	09-104	17,364
93.846		RD	UHC	The Jackson Laboratory	5R01AR053853-02	26
93.846		RD	UHC	Indiana University	IN4685566UC	7,077
93.846		RD	UHC	Maine Medical Center	0942-003	43,964
93.846		RD	UHC	The Trustees of the University of Pennsylvania	552410	9,692
93.846		RD	UHC	Yale University	A06916	(709)
93.846		RD	UOC	Yale University	A06534 (M07A00648)	64,751
93.846		RD	UHC	Yale University	A06534 M11A11030	137,852
93.846		RD	UOC	Yale University	A08013 (M11A11029)	22,759
93.847		RD	UOC	Ciencia, Inc	733102-UCONN	27,195
93.847		RD	UOC	Drexel University	232510	15,447
93.847		RD	UOC	Indiana University	IN-4683685-UC	95,480
93.847		RD	UHC	Mercer University	420610-01	7,580
93.847		RD	UHC	Mercer University	420623-04	134,233
93.847		RD	UHC	Nanoprobes, Inc.	R43DK000522-01A1	2,803
93.847		RD	UHC	University of Miami	M167558	9,016
93.853		RD	UHC	University of Pittsburgh	0015761	10,582
93.855		RD	UOC	Ciencia, Inc	783102	312,259
93.855		RD	UOC	Ciencia, Inc	783102-UCONN	1,377
93.855		RD	UHC	CT Children's Medical Center	12 179194 01	19,134
93.855		RD	UHC	Harvard Medical Center	149047.0964	76,312
93.855		RD	UHC	Harvard Medical Center	149047.0953	109,312
93.855		RD	UHC	Presidents and Fellows of Harvard College	149047.0853	(6,173)
93.855		RD	UHC	University of Kansas Ctr Research	2010-092	8,936
93.855		RD	UOC	Vanderbilt University	VUMC 38189	66,668
93.855		RD	UOC	Promiliad Biopharma, Inc	1 R42 AI0165143-02A1	333,774
93.856		RD	UHC	Harvard Medical Center	149047.5047084.1064	14,394
93.859		RD	UOC	Northwestern University	60029188UC	228,140
93.859		RD	UOC	Ciencia, Inc	723205	2,776
93.859		RD	UOC	Duke University	08-SC-NIH-1089	35,467
93.859		RD	UHC	Glycosan Biosystems, Inc	7668890	1,793

STATE OF CONNECTICUT
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY		GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.859		RD	UHC	Presidents and Fellows of Harvard College	148239.2006	233,582
93.859		RD	UHC	John Wayne Cancer Institute	R01GM077391	43,974
93.859		RD	UOC	University of Georgia	RR771-024/4786826	51,037
93.859		RD	UHC	University of Massachusetts	6131025/RFS2011218	33,709
93.859		RD	UOC	University of Nevada	10-697Y-00	70,464
93.859		RD	UHC	University of Virginia	BD12015.136212	19,503
93.859		RD	UHC	University of Washington	738392	9,223
93.865		RD	UOC	Beth Israel Deaconess Medical Center	5P01HD057853-03	393,173
93.865		RD	UOC	Beth Israel Deaconess Medical Center	AG031122	(134)
93.865		RD	UOC	Beth Israel Deaconess Medical Center	AG031124	663
93.865		RD	UOC	Beth Israel Deaconess Medical Center	AG031126	(6,764)
93.865		RD	UOC	Haskins Laboratories	AG091002	12,721
93.865		RD	UOC	University of Colorado at Boulder	PO 1000016161	33,095
93.865		RD	UOC	University of Minnesota	N643751402	1,920
93.865		RD	UOC	Yale University	MO7A00231	23,908
93.865		RD	UHC	Yale University	A08206M10A10768	94,705
93.865		RD	UHC	Yale University	M10A10768	89,957
93.866		RD	UHC	Arizona State University Fnd	09-196	1,441
93.866		RD	UHC	Hebrew Rehab Ctr Hebrew Seniorlife	10.10.92251	12,858
93.866		RD	UHC	Rensselaer Polytechnic Inst	A40290	48,314
93.866		RD	UHC	University of Maryland, Baltimore	UM SR00001487	227,265
Total National Institute of Health						7,584,185
Health Resources and Services Administration						
93.110		RD	UHC	University of Massachusetts	6121288/RFS2011045	49,837
93.110		RD	UHC	American Family Voices Inc.	201015	440
93.110		RD	UHC	New England Genetics Collaborative	12-010	21,770
93.110		RD	UHC	University of New Hampshire	PZ11057/U22MC10980	7,128
93.145		RD	UHC	University of Massachusetts	6136246 ETC-05	12,503
93.249		RD	UHC	Yale University	M12A11260	62,286
93.513		RD	UHC	CT Children's Medical Center	10-179257-01	6,113
93.513		RD	UHC	CT Children's Medical Center	11-179282-01 (HRSA-09-202)	68,605
93.914		RD	UHC	City of Hartford, CT & City Clerk	HHS2012-02Q	234,145
93.914		RD	UHC	City of Hartford, CT & City Clerk	HHS2012-02R	90,443
93.914		RD	UHC	City of Hartford, CT & City Clerk	HHS9066R	6
93.914		RD	UHC	City of Hartford, CT & City Clerk	20125174	21,278
93.914		RD	UHC	City of Hartford, CT & City Clerk	HHS2012-39Q MED CASE MGMT	20,373
93.914		RD	UHC	City of Hartford, CT & City Clerk	HHS2012-39Q OUTPATIENT/AMBULATORY	37,519
Total Health Resources and Services Administration						632,446
Substance Abuse and Mental Health Services Administration						
93.243		RD	UHC	Community Mental Health Affiliates Inc	CMHA H79SM0599584	29,317
93.243		RD	UHC	Community Mental Health Affiliates Inc	SAMHSA 3H79SM059564-0251	1,730
93.243		RD	UHC	Community Mental Health Affiliates Inc	1H79SM0599584-01	10,082
93.243		RD	UHC	Child Health & Development Institute of Connecticut	CT FAMILY AND COMMUNITY PARTNER	(493)
93.243		RD	UHC	Research Triangle Institute	11-312-0210700	369,008
93.243		RD	UHC	Justice Resource Institute, Inc	NATIONAL CHILD TRAUMATIC STRESS INITIATIVE	95,595
93.243		RD	UOC	Community Mental Health Affiliates, Inc.	AG091064	78,289
Total Substance Abuse and Mental Health Services Administration						583,528
Office of the Secretary						
93.296		RD	UHC	City of Hartford, CT	HHS 2012-44	6,067
93.718	ARRA	RD	UHC	Ehealth Connecticut, Inc.	90RC005301	76,840
Total Office of the Secretary						82,907
Miscellaneous Programs						
93.752202		RD	UOC	Ciencia, Inc	752202	90
93.812/0080.0056		RD	UOC	Family Health International	812/0080.0056	37,915
93.ID 0080.01.0160/958		RD	UOC	Family Health International	ID 0080.01.0160/958	17,912
93.PREAWARD		RD	UOC	Family Health International	PREAWARD	2,224
93.PREAWARD		RD	UOC	Harvard University	PREAWARD	59,630

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.UC2011-001	RD	UOC	Nat'l Institute for Pharmaceutical Tech and Educ.	UC2011-001	(3,096)
93.UC0002	RD	UOC	Nat'l Institute for Pharmaceutical Tech and Educ.	UC0002	1,947
93.UC0003	RD	UOC	Nat'l Institute for Pharmaceutical Tech and Educ.	UC0003	10,538
93.UC0004	RD	UOC	Nat'l Institute for Pharmaceutical Tech and Educ.	UC0004	1,731
93.SC53359-6265	RD	UOC	Physical Sciences, Inc	SC53359-6265	23,395
93.SC51955-1712	RD	UOC	Physical Sciences, Inc	SC51955-1712	18,537
93.SC49706-1657	RD	UOC	Physical Sciences, Inc	SC49706-1657	54,536
93.AG091018	RD	UOC	Promiliad Biopharma, Inc.	AG091018	1,773
93.C09-30	RD	UOC	Radiation Monitoring Devices, Inc.	C09-30	141
93.S8056	RD	UOC	Westat	S8056	100,115
93.M12A11287(A08507)	RD	UOC	Yale University	M12A11287(A08507)	25,601
Total Miscellaneous Programs					352,989
Total Department of Health and Human Services					10,145,573
Social Security Amdinistration					
96.007	RD	UOC	Boston College	5001537-9 SANDELL	35,137
Department of Homeland Security					
97.061	RD	UOC	University of North Carolina	UNC-CH #5-36441	154,700
97.061	RD	UOC	University of Texas at EL Paso	26-3001-62-61	148,220
97.065	RD	UOC	Battelle Memorial Institute	CONTRACT 128165	213,041
97.SUBCONTRACT #91200	RD	UOC	Mitre Corporation	SUBCONTRACT #91200	19,327
97.C12P11266(P00323)	RD	UOC	Yale University	C12P11266(P00323)	34,913
Total Department of Homeland Security					570,201
Agency for International Development					
98.001	RD	UOC	Oregon State University	RD011G-E	213,783
98.012	RD	UOC	American Council on Education	HED052-9740-ETH-11-0	427,297
98.012	RD	UOC	University of Georgia	RC710-025/3842128	113,305
98.PGA-P210935	RD	UOC	National Academy of Sciences	PGA-P210935	24,411
98.451066-19213	RD	UOC	Virginia Polytechnic Institute and State University	451066-19213	41,723
Total Agency for International Development					820,519
TOTAL RESEARCH PASS-THROUGH RESEARCH GRANTS					**19,823,715**
TOTAL PASS-THROUGH GRANTS					**28,854,411**

Identification of State Agencies:	
AES	Agricultural Experiment Station
DOC	Department of Correction
DOT	Department of Transportation
SDE	State Department of Education
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

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - Amounts Provided to Non-State Subrecipients

The State of Connecticut disbursed pass-through funds to non-state subrecipients 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	$ 10,372,459
14.871	Section 8 Housing Choice Vouchers	66,555,212
84.410	Education Jobs Fund	75,714,534
93.268	Immunization Cooperative Agreements	1,079,261
93.568	Low-Income Home Energy Assistance	73,088,429
93.667	Social Services Block Grant	21,666,121
93.713ARRA	ARRA – Child Care and Development Block Grant	113,062
93.714ARRA	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	1,183,941
93.778	Medical Assistance Program	209,198,272
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	22,605,067
10.551	Supplemental Nutrition Assistance Program	545,649
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	2,208,727
	SNAP Cluster	2,754,376
10.553	School Breakfast Program	21,533,815
10.555	National School Lunch Program	79,159,285
10.556	Special Milk Program for Children	303,232
10.559	Summer Food Service Program for Children	1,390,265
	Child Nutrition Cluster	102,386,597
17.258	WIA Adult Program	7,027,144
17.259	WIA Youth Activities	7,773,412
17.278	WIA Dislocated Worker Formula Grants	8,509,289
	WIA Cluster	23,309,845
20.205	Highway Planning and Construction	167,157
20.219	Recreational Trails Program	991,041
	Highway Planning and Construction Cluster	1,158,198
84.010	Title 1 Grants to Local Educational Agencies	102,166,371
84.389ARRA	Title I Grants to Local Educational Agencies, Recovery Act	1,870,438
	Title I, Part A Cluster	104,036,809
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	4,684,861
84.390ARRA	Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	12,197
	Vocational Rehabilitation Cluster	4,697,058
84.027	Special Education-Grants to States	114,762,711
84.173	Special Education-Preschool Grants	3,796,783
84.391ARRA	Special Education Grants to States, Recovery Act	4,062,902
84.392ARRA	Special Education - Preschool Grants, Recovery Act	88,700
	Special Education Cluster (IDEA)	122,711,096
	Reseach and Development Cluster	13,997,921
	Stimulus (ARRA) Reseach and Development Cluster	516,798
	Total	**857,145,056**

Major Programs - Non Research	**842,630,338.00**
Major Programs - Research and Development	**14,514,719.00**
Other Programs- Non Research	**269,026,470.00**
Total Funds Provided to Subrecipients	**1,126,171,527.00**

Schedule of Findings and Questioned Costs

STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2012
INDEX OF SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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, 2012
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
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	Unqualified
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
11.557	Broadband Technology Opportunities Program*
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*
84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.264, 93.342, 93.364, 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*
84.126 and 84.390	Vocational Rehabilitation Cluster*
84.410	Education Jobs 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 and 93.714	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
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
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: $27,676,973

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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Background: There are three main automated data processing (ADP) systems 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.

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 security reviews of the ADP systems involved in the administration of HHS programs.

Effect: DSS' assurance that its ADP systems 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 automated data processing system security reviews on a biennial basis as required by federal regulations.

Agency Response: "The department agrees with the finding and is currently finalizing a new process to perform the necessary ADP security review for the MMIS. A draft spreadsheet has been developed that documents security requirement cross walked among the ADP regulation, HIPAA requirements, BEST requirements, and MMIS contract requirements. The draft will be further refined to eliminate duplication and finalized shortly; Medical Operations staff expects to utilize the finalized template to initiate annual security reviews beginning April 2013. Subsequent quarterly reviews will be done to assess ongoing compliance and as well as the progress of any necessary corrective action."

III.A.2. 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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CTMAP

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, 2012. This data included client names and Social Security numbers (SSNs). The payments made on behalf of these clients totaled $5,378,461,209.

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 9,755 clients. The payments made on behalf of these 9,755 clients totaled $33,353,652, of which $16,890,764 was received in federal reimbursement. We selected 25 clients to determine whether the SSNs were included in the DSS Eligibility Management System (EMS) as a verification of the file obtained from DSS. The payments made on behalf of these 25 clients totaled $71,305, of which $35,827 was received in federal reimbursement.

Criteria: Title 42 United States Code Section 1320b-7 requires, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish their SSN to the state and the state shall utilize that 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 state 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 (CFR) 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 CFR Part 435 Section 910(g) provides that the state must verify the 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 EMS in 20 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 seven clients in which a SSN was not entered into EMS disclosed that a SSN was included in the hardcopy case file for one client. We also noted that for one of the five cases in which SSNs were entered into EMS, there was no indication within EMS that the SSN was verified.

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 and verify 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 findings. We will send a reminder e-mail to all staff and remind staff to the proper procedures regarding entering the SSNs. We will also remind our training staff to insure this is highlighted in training to new workers."

III.A.3. Allowable Costs/Cost Principles – Managed Care Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

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. Capitated payments were made by the Department of Social Services (DSS) to managed care organizations (MCOs) on behalf of clients who met the Medicaid eligibility requirements. The managed care program ended on December 31, 2011 and DSS made its final payment to the MCOs in February of 2012.
Criteria:	Title 42 Code of Federal Regulations Part 430 Section 30 provides that the state must submit Form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program) to the Centers for Medicare and Medicaid Services (CMS). Form CMS-64 is the state's accounting of actual recorded expenditures. CMS computes the Medicaid grant award based on the estimate of expenditures for the ensuing quarter, and the amounts by which that estimate is increased or decreased because of an underestimate or overestimate for prior quarters. The grant award authorizes the state to draw federal funds as needed to pay the federal share of Medicaid disbursements. Section 2500.2 of the State Medicaid Manual provides that the amounts reported on the Form CMS-64 and its attachments must represent actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed.
Condition:	Our review disclosed $454,684 in managed care expenditures that were claimed for federal reimbursement on the Form CMS-64 but were never paid by DSS.
Effect:	DSS claimed expenditures which were not actually paid, resulting in questioned costs totaling $227,342.
Cause:	Managed care expenditures were included on the March, April and May monthly expenditure reports that were used by DSS to prepare the Form CMS-64. DSS staff was uncertain why these expenditures were included on the report but confirmed that they should not have been claimed for federal reimbursement.
Recommendation:	The Department of Social Services should report the correct expenditures on the Form CMS-64 to ensure that the Centers for Medicare and Medicaid Services compute the correct Medicaid grant award.

Agency Response: "The department agrees with the recommendation and previously has made a prior period adjustment in the QE 12/31/12 CMS-64 to reduce the MCO payments in the amount of $450,997 for the month of March 2012. The remaining balance of $3,687 for April and May 2012 will be corrected in the QE 3/31/13 CMS-64."

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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

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 managed care program ended on December 31, 2011.

During the fiscal year ended June 30, 2012, the Department of Social Services (DSS) contracted with two brokers to coordinate non-emergency medical transportation (NEMT) services for Medicaid clients. Through December 31, 2011, NEMT brokers coordinated only NEMT services for clients that were not in the managed care program. The services for clients in the managed care program were coordinated by the managed care organizations (MCOs). Since January 1, 2012, the NEMT brokers have coordinated these services for all eligible Medicaid clients.

DSS provided us monthly files of individual capitated payments made to the MCOs and NEMT brokers on behalf of clients who met the Medicaid eligibility requirements. We reconciled the total payments recorded on these files to the expenditures claimed for federal reimbursement. We performed procedures using audit software to review the validity of the data included in the files. These files had 608,701 unique client identification numbers. DSS assigns each client an identification number at the time eligibility is determined. We extracted payments from the files for each service month made on behalf of clients with the same first and last name and same birth date. There were 121 such clients for which payments totaled $210,787. Of this amount, $107,776 was received in federal reimbursement. Each of these 121 clients had at least two different client identification numbers. Further review was performed on 10 clients for whom payments totaled $21,640. Of this amount, $10,820 was received in federal reimbursement.

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, provides that to be allowable under federal awards, costs 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. 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 clients who had similar names and birth dates disclosed that eight of these clients were listed on the file more than once. Our review disclosed that the monthly payments made to the MCOs and NEMT brokers during the fiscal year ended June 30, 2012, included duplicate payments totaling $9,732.

DSS was aware of two of the duplicate clients for which $3,782 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 and NEMT brokers.

Effect: Our testing disclosed questioned costs totaling $4,866.

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 and NEMT brokers.

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

Agency Response: “The Department of Social Services has procedures in place that support assignment of a single client identification number for each client. However, when an additional identification number is erroneously assigned, the department has processes that allow the merger of the second number with the original number in EMS. We will remind eligibility staff that they should not assign multiple client identification numbers and that should this occur, to merge the numbers.”

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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

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 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 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.

Condition: DSS did not perform any desk or field audits on cost reports for inpatient hospitals during the audited period. The last hospital cost reports reviewed were for the federal fiscal year ended September 30, 2008.

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: 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 appropriate rates are used to pay for inpatient hospital and LTCF 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 the DSS Medicaid Management Information System. Further, DSS did not consider the need to amend the State Plan to include its current procedures. We are unsure why DSS is behind on performing desk audits.

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 in the State Plan for inpatient hospital and long-term care facilities. In addition, the Department of Social Services should perform timely audits on cost reports used to establish payment rates to ensure that appropriate rates are being paid.

Agency Response: "DSS is currently completing desk reviews of the FFY 2009 hospital cost reports. DSS will initiate desk reviews of the FFY 2010 reports in the current state fiscal year. DSS will continue to make the cost reports a priority to ensure that they are reviewed in a timely manner and that the appropriate rates are being paid. In addition, DSS is in the process of reviewing and revising the regulations to eliminate the field audit language."

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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2008-2009, 2009-2010, 2010-2011
Federal Award Numbers: 05-0905CTARRA, 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 estimates 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 and expenditures for clients that would be eligible under the Children's Health Insurance Program (CHIP) 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), authorized a temporary increase in the federal medical assistance percentage to fund the state's Medicaid program in federal fiscal years 2008-2009 through 2010-2011. The Medicaid federal medical assistance rate generally was increased from 50 percent to 60.19 percent during the quarter ended December 31, 2008 through the quarter ended June 30, 2009, 61.59 percent during the quarter ended September 30, 2009 through the quarter ended 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, 2011 and March 31, 2012, and noted the following:

Quarter Ended September 30, 2011:

- The amount reported as Medical Assistance Payments on line 6 Expenditures in this Quarter part of the Form CMS-64 Summary Sheet, was $1,422,761,604, of which $715,369,941 was claimed for federal reimbursement under the Medicaid program. The correct amount was $1,422,771,850, of which $715,207,704 was attributable to Medicaid and $292,723 was attributable to ARRA-Medicaid. This resulted in net expenditures being understated by $10,246, the Medicaid federal share being overstated by $162,237, and the ARRA-Medicaid federal share being understated by $292,723. Errors were noted in the following expenditure categories:

Expenditure Category	Net Expenditures	Medicaid Federal Share	ARRA-Medicaid Federal Share
Medicaid Base	$ 374,612	$ 480,029	$(292,723)
Managed Care Waiver	450,897	225,449	-
CHIP – Medicaid Base	(384,858)	(250,158)	-
CHIP – Managed Care Waiver	(450,897)	(293,083)	-
Total Amount Over / (Under) Reported:	**$ (10,246)**	**$ 162,237**	**$(292,723)**

- The amount reported as Medical Assistance Payments on line 9D Collections: Other part of the Form CMS-64 Summary Sheet was $(35,480,655), of which $(18,035,614) was attributable to Medicaid. The correct amount was $(35,627,431), of which $(17,765,272) was attributable to Medicaid and $(295,233) was attributable to ARRA-Medicaid. This resulted in net expenditures being overstated by $146,776, the Medicaid federal share being understated by $270,342, and the ARRA-Medicaid federal share being overstated by $295,233.

- The amount reported as Medical Assistance Payments on line 10B Adjustments Decreasing Claims for Prior Quarters: Other part of the Form CMS-64 Summary Sheet was 319,428,066, of which $161,937,882 was attributable to Medicaid and $27,338,202 was attributable to ARRA-Medicaid. The correct federal share amount attributable to Medicaid was $161,937,629 and the correct federal share amount attributable to ARRA-Medicaid was $27,338,246. This resulted in the Medicaid federal share being overstated by $253 and the ARRA-Medicaid federal share being understated by $44.
- The amount reported as State and Local Administration on line 6 Expenditures in this Quarter part of the Form CMS-64 Summary Sheet was $44,139,376, of which $24,007,712 was attributable to Medicaid. The correct amount was $44,303,769, of which $24,089,909 was attributable to Medicaid. This resulted in net expenditures being understated by $164,393 and the Medicaid federal share being understated by $82,197.

Quarter Ended March 31, 2012:

- The amount reported as Medical Assistance Payments on line 6 Expenditures in this Quarter part of the Form CMS-64 Summary Sheet, was $1,605,371,007, of which $810,222,934 was claimed for federal reimbursement under the Medicaid program. The correct amount was $1,605,365,299, of which $807,236,807 was attributable to Medicaid and $2,983,017 was attributable to ARRA-Medicaid. This resulted in net expenditures being overstated by $5,708, the Medicaid federal share being overstated by $2,986,127, and the ARRA-Medicaid federal share being understated by $2,983,017. Errors were noted in the following expenditure categories:

Expenditure Category	Net Expenditures	Medicaid Federal Share	ARRA-Medicaid Federal Share
Medicaid Base	$ 454,241	$3,210,393	$(2,983,017)
Medicaid Base – Lowest Income Transitional Clients	(448,533)	(224,266)	-
Managed Care Waiver	(309,954)	(201,470)	-
CHIP – Individual and Family Support Waiver	214,773	139,602	-
CHIP – Katie Beckett Model Waiver	(94)	(61)	-
CHIP – Comprehensive Supports Waiver	95,275	61,929	-
Total Amount Over / (Under) Reported	**$ 5,708**	**$2,986,127**	**$(2,983,017)**

- The amount reported as Medical Assistance Payments on line 7 Adjustments Increasing Claims for Prior Quarters part of the Form CMS-64 Summary Sheet was $1,971,746, of which $1,009,896 was attributable to Medicaid and $221,326 was attributable to ARRA-Medicaid. The correct federal share amount attributable to Medicaid was $988,958 and the amount attributable to ARRA-Medicaid was $227,393. This resulted in the Medicaid federal share being overstated by $20,938 and the ARRA-Medicaid federal share being understated by $6,067.
- The amount reported as Medical Assistance Payments on line 9A Collections: Third Party Liability part of the Form CMS-64 Summary Sheet was $(4,835,101), of which $(2,417,552) was attributable to Medicaid. The correct amount was $(5,077,353), of which $(2,538,678) was attributable to Medicaid. This resulted in net expenditures being overstated by $242,252 and the Medicaid federal share being overstated by $121,126.
- The amount reported as Medical Assistance Payments on line 9D Collections: Other part of the Form CMS-64 Summary Sheet was $(127,821,447), of which $(69,340,715) was attributable to Medicaid. The correct amount was $(122,442,857) of which $(61,180,816) was attributable to Medicaid and $(5,429,991) was attributable to ARRA-Medicaid. This resulted in net expenditures being understated by $5,378,590, the Medicaid federal share being understated by $8,159,899, and the ARRA-Medicaid federal share being overstated by $5,429,991.
- The amount reported as Medical Assistance Payments on line 10B Adjustments Decreasing Claims for Prior Quarters: Other part of the Form CMS-64 Summary Sheet was $(273,761), of which $(137,639) was attributable to Medicaid and $(104) was attributable to ARRA-Medicaid. The correct federal share amount attributable to Medicaid was $(137,957). This resulted in the Medicaid federal share being overstated by $318.

Our review also noted that amounts reported as drug rebate offsets on the CMS-64 Financial Report are not being properly allocated to the associated federal medical assistance percentages. Offsets were not allocated to applicable waivers or to expenditures for clients that would be eligible under CHIP, which is claimed at 65 percent federal financial participation rate. The net effect of these errors was not determined.

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 $5,158,493. Based on the various federal participation rates, DSS under claimed $5,221,439 in federal reimbursement under Medicaid and over claimed $2,443,373 in federal reimbursement under 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. DSS staff informed us that adjustments will be made accordingly on the next submitted claim.

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 with the finding. The department has previously made a prior period adjustment to remove some of the errors noted in the quarter ended December 31, 2012 CMS-64. Any adjustments that have not been made, will be made on the quarter ended March 31, 2013 CMS-64 submission.”

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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Criteria: Title 42 Code of Federal Regulations (CFR) Part 455 Section 414 provides that the state Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every five years.

The Department of Social Services (DSS) has developed a Provider Enrollment/Re-enrollment 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 re-enrolled.

Title 42 CFR Part 442 Section 12 provides that a Medicaid agency may not execute a provider agreement with a facility for nursing facility services, nor make Medicaid payments to a facility for those services, unless the state survey agency has certified the facility.

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 Part 431 Section 107 and Part 447 Section 10; and Section 1902(a)(9) of the Social Security Act).

Condition: During the fiscal year ended June 30, 2012, DSS made payments to 7,695 providers. We selected 25 providers to determine whether the required 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 does not revalidate the enrollment of these providers, including state agency providers, at least every five years.
- One provider in our sample had not been re-enrolled to provide services in over five 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 providers not properly enrolled in the Medicaid program.
- DSS did not verify that out-of-state facilities with provider agreements for nursing facility services were certified by their state survey agency.
- DSS did not verify that out-of-state providers are properly licensed at the time that services are performed. DSS only verified that out-of-state providers were properly licensed at the time of enrollment or reenrollment.

Effect: DSS was not in compliance with federal regulations pertaining to the eligibility of providers of Medicaid services. In addition, DSS may be claiming, for federal reimbursement, payments made to providers who are not properly enrolled, certified or licensed.

Cause: DSS did not require DDS and DMHAS providers and state-owned providers to re-enroll. In addition, DSS has not established adequate controls for ensuring in a timely manner that all providers are properly enrolled, certified or licensed to provide services under Medicaid.

Recommendation: The Department of Social Services should establish controls that would prevent payments from being made to providers who are not properly enrolled, certified or licensed to provide services.

Agency Response: "The department agrees in part and disagrees in part with this finding. Specifically the department responds as follows:

1) The department disagrees with the condition related to the revalidation of enrollment of state-owned providers at least every five years on the following basis:

   42 CFR 455.414 provides in full that "The State Medicaid agency must revalidate the enrollment of all provider types regardless of provider type at least every 5 years." The term "provider" is not separately defined in 42 CFR Part 455. Accordingly, the general federal regulatory definition of provider applies, which is "any individual or entity furnishing Medicaid services under an agreement with the Medicaid agency." 42 CFR 400.203. Further, the term "services" is defined as "the types of medical assistance specified in section 1905(a) of the [Social Security] Act and defined in subpart A of part 440 of this chapter. 42 CFR 400.203. Because section 1905(a) of the Social Security Act and 42 CFR Part 440, Subpart A describe Medicaid State Plan services, not waiver services, the requirement at 42 CFR 455.414 does not include waiver providers. However, any waiver providers who are also "ordering or referring physicians or other professionals providing services under the State plan or under a waiver of the plan" would need to be screened under 42 CFR 455, Subpart E, which would presumably also require them to be revalidated in accordance with 42 CFR 455.414. See 42 CFR 455.410.

2) With respect to the condition related to the provider that had not been re-enrolled in over five years, we have researched the issue and determined that the provider noted in the sample had missed reenrollment due to an extension of reenrollment dates that was systematically applied as we moved from a two year to five year frequency to this provider type (Podiatrists); in other words, our reenrollment criteria changed. It was not the department's intent to extend any providers beyond 5 years. As corrective action the department will review the enrollment dates of all providers impacted by the extension (which are now over); any providers who require reenrollment because it has not been done in the required frequency will be identified and prioritized for reenrollment.

3) Overall the department disagrees with the finding expressed in the condition that "there are no controls in the system that would prevent payments from being made to providers not properly enrolled in the Medicaid program." There are several controls in the system for this; if the providers are not set up as screened and enrolled we could not pay claims. The issue at hand is whether operational controls connected with the reenrollment or the expiration of existing provider agreements is adequate. The Department intends to review current MMIS processing and operational procedures to determine what changes are necessary to

ensure additional controls in order to ensure compliance with the cited requirements.

4) With respect to the two conditions related to out-of-state providers, the department will review its process for approval of out of state providers, with particular attention to the process for validating licensure and, in the case of nursing facilities, certification by state survey agencies and make any adjustments necessary to ensure compliance with all requirements."

Auditors' Concluding Comments: Regarding the revalidation of DDS, DMHAS, and state-owned providers, Title 42 CFR Part 455 Section 410 requires that all ordering and referring physicians or other professionals providing services under the state plan or under a waiver of the plan be enrolled as participating providers. Therefore, the requirement to revalidate the enrollment of all providers regardless of provider type at least every five years would also apply to providers that perform services under a waiver.

With respect to the provider that had not been re-enrolled to provide services in over five years, the DSS re-enrollment criteria did not change for the particular provider type until fiscal year 2013. Based on the criterion that was in effect at the time, the provider should have been re-enrolled to provide services in September 2009, 24 months after its previous re-enrollment.

Finally, although DSS has implemented some system controls that prevent payments to providers that never enrolled in the program, DSS has not implemented adequate controls to prevent payments to providers that are not properly re-enrolled in the Medicaid program.

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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Background: Our audit population of fee-for-service payments disclosed that a Social Security number (SSN) was not listed for 9,755 clients who were over three years old. The payments made on behalf of these 9,755 clients totaled $33,353,652, of which $16,890,764 was received in federal reimbursement. We reviewed 25 clients that did not have a SSN listed. The payments made on behalf of these 25 clients totaled $71,305, of which $35,827 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 $49,912, of which $24,956 was received in federal reimbursement.

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 the 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 $3,135 that appear to have been paid on behalf of four 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 $1,567.

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 of Social Services has previously identified this issue and has an outstanding work request. The work request, once completed, would ensure that the EMS and MMIS have adequate controls in place to prevent the payment of claiming outside of the medical emergency. Due to other competing IT priorities, once the big IT lifts are in place; it will be an easier to complete."

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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Background: During the fiscal year ended June 30, 2012, the Department of Social Services (DSS) claimed, for federal reimbursement, payments made to fee for services providers and managed care organizations totaling $5,986,417,321. Of this amount, $3,023,558,923 was received in federal reimbursement. Our sample was selected from an audit population totaling $5,977,290,457. 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.

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 911 requires the state to establish time standards for determining eligibility. These standards may not exceed 90 days for applicants who apply for Medicaid on the basis of disability and 45 days for all other applicants.

Title 42 CFR Part 435 Section 916 requires the state to redetermine the eligibility of Medicaid recipients 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.

Title 42 United States Code Section 1320b-7 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.

Condition: We randomly selected 60 benefit payments totaling $75,446. Of this amount, $37,754 was received in federal reimbursement. Our review disclosed the following:

1. In 32 cases, we were not able to locate a written application submitted by the applicant. Four of these applicants were new clients during the fiscal year. Without the written application, we were unable to verify whether DSS determined the clients' initial eligibility in a timely manner.
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 client case files.
3. In one case, the client was ineligible to receive benefits under the program. An IEVS alert was generated through EMS indicating that the client had excess income, however, the alert was never resolved and the client continued receiving benefits.

Effect:

1. DSS was not in compliance with Title 42 CFR Part 435 Sections 907, 911 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 $513. Of this amount, $257 was received in federal reimbursement.
3. The payment was not eligible for Medicaid reimbursement because the client was ineligible to receive benefits. As a result, our sample had an

error totaling $524. Of this amount, $262 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 did not properly review and resolve the IEVS alert indicating that the client had excess income.

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. In addition, all Income and Eligibility Verification System alerts should be reviewed and resolved in a timely manner so that proper eligibility decisions are made.

Agency Response: "The Department of Social Services is currently undergoing a modernization project which will change our business processes. The modernization project includes a document imaging system. All incoming documents will be scanned into the system and indexed to the appropriate client, which should prevent the misplacing of information sent to this department.

In addition, the department is aware of the requirement to re-determine Medicaid cases no less often than annually and is working to ensure that this requirement is met.

Finally, the department recognizes the importance of processing IEVS alerts. IEVS alerts will be incorporated into the department's new workflow software (expected to become available this spring as part of the modernization project) where the alert will be assigned to a worker and tracked until it is processed."

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

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

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 or to any refunds of Medicaid premiums that may be received.

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, provides that to be allowable under federal awards, costs must be necessary and reasonable.

Title 42 Code of Federal Regulations (CFR) Part 431 Section 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: During the fiscal year ended June 30, 2012, DSS received $2,815,140 in refunds of Medicare premiums that were coded by MMIS with a non-Medicaid eligible code. We reviewed a sample of 10 of these refunds totaling $2,534, which disclosed that a portion of eight of the Medicaid premium refunds totaling $1,207 was attributed to Medicare premiums that were paid on behalf of Medicaid eligible clients. The federal share of the refunds that should have been returned to CMS was not returned.

Effect: The above error resulted in questioned costs totaling $604.

Cause: The MMIS assigns to 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 individuals in our sample were not Medicaid eligible at the time the refunds were received, the refunds were 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 this finding. DSS Medical Operations will work with the DSS Division of Finance and Administration to 1) review the existing accretion processing and supporting reports, and 2) make any necessary changes to accretion processing, reports, or overall procedure to ensure accurate accounting for federal/state share of refunds for overpayments."

III.A.11. Allowable Costs/Cost Principles – Disproportionate Share Hospital Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Background: The Disproportionate Share Hospital (DSH) program provides additional payments to hospitals which serve a disproportionate number of low-income patients. Each state must include in its Medicaid State Plan a description of the criteria used to designate hospitals as DSH hospitals and a description of the method used to calculate the payments.

During the fiscal year ended June 30, 2012, the Department of Social Services (DSS) claimed for federal reimbursement DSH payments made to 34 hospitals totaling $410,831,016. Of this amount, $205,415,508 was received in federal reimbursement.

Criteria: Section 1923(d) of the Social Security Act provides that no hospital may be defined or deemed as a DSH under a state plan unless the hospital has at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to medical assistance under the Medicaid State Plan. This requirement does not apply to a hospital whose inpatient clients are predominantly individuals under 18 years of age or to a hospital that did not offer non-emergency obstetric services to the general population as of December 22, 1987.

Condition: DSS did not verify that hospitals awarded DSH payments have at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to medical assistance under the Medicaid State Plan.

Effect: DSS may have made an unallowable DSH payment to a hospital inappropriately deemed a DSH.

Cause: DSS has not considered the need to verify compliance for hospitals in which DSH payments were made.

Recommendation: The Department of Social Services should implement procedures to ensure that hospitals that receive disproportionate share hospital payments have at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to medical assistance under the Medicaid State Plan.

Agency Response: "The department disagrees with recommendation. As noted on page 17 (labeled page 11), of the DSH 2009 report from PHBV partners, "The department collected this information for federal fiscal year 2011, 2012 and 2013 in September 2012."

Prior to this, the Office of Health Care Access collected data from all acute care hospitals. All acute care hospitals reported both accepting Medicaid patients and providing non-emergency obstetric services. The only two exceptions were; CT Children's Medical Center whose inpatients clients are predominantly under the age of 18 and Bradley Memorial (merged with New Britain General in 2007) which did not offer non-emergency obstetric services to the general population as of December 22, 1987."

Auditors' Concluding Comments: Determinations of whether hospitals satisfy the criteria under Section 1923(d) of the Social Security Act to be deemed as a DSH should be done prior to payments being made and claimed for federal reimbursement, otherwise, an unallowable payment could be made to a hospital inappropriately deemed a DSH.

III.A.12. Allowable Costs/Cost Principles – Fee for Services Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Background: The Department of Social Services (DSS) made fee-for-service payments totaling $4,382,402,870 during the fiscal year ended June 30, 2012. Of this amount, $2,212,899,928 was received in federal reimbursement. We separated the total population into six strata and randomly selected 25 transactions from each stratum for a sample of 150 payments totaling $159,084. Of this amount, $80,052 was received in federal reimbursement. A summary by strata follows:

Strata	Population Amount	Federal Portion of Population	Sample Amount	Federal Portion of Sample
Extended Care	$1,397,271,609	$698,654,652	$105,158	$52,579
Home Health	460,803,900	230,724,405	12,565	6,283
Medical Durable Goods	58,156,223	29,226,967	16,136	8,154
Pharmaceuticals	665,107,440	340,019,816	3,448	1,724
School Based	58,025,994	29,716,096	9,303	5,075
All Other	1,743,037,704	884,557,992	12,474	6,237
Total	$4,382,402,870	$2,212,899,928	$159,084	$80,052

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, provides that to be allowable under federal awards, costs must be necessary and reasonable and should be adequately documented.

The Individuals with Disabilities Education Act (IDEA) authorized federal funding to states for programs that impact Medicaid payment for services provided in schools. Under Part B of IDEA, school districts must prepare an Individualized Education Plan (IEP) for each child, which specifies all special education and related services needed by the child. The Medicaid program will pay for some of the health related services included in the IEP, if they are among the services specified in Medicaid law and included in the state's Medicaid Plan.

The DSS Medicaid State Plan allows for the reimbursement of School Based Child Health (SBCH) services that are provided by or through a Local Education Agency (LEA) to students with special needs pursuant to the IEP. Further, the State Plan provides that all bills submitted to DSS for payment must be substantiated by documentation in the eligible student's permanent service record.

DSS' Provider Manual for SBCH service providers states that a permanent service record shall include, but is not limited to:

1. the written evaluation and the results of any diagnostic tests;
2. the diagnosis(ses), in a manner acceptable to the department;
3. the IEP signed by a licensed practitioner of the healing arts; and
4. the actual service delivery record including: the type of service; the date of the service, the units of service; the name and discipline of the person performing services and, for persons affiliated with an organization under contract to the LEA, the name of the organization; the signature of the individual performing the service; and progress notes signed by a licensed

or certified allied health professional who performed or supervised the services within the scope of his or her practice under state law.

Condition: Our review noted the following errors by stratum:

<u>Home Health</u>:
Seven providers billed DSS on 33 separate occasions for an hour of nursing care in the home by a registered nurse or a licensed practical nurse although the provider's records indicate that less than an hour of care was provided. In 30 of the occasions, only a half hour of care was provided and in the other three occasions, 45 minutes of care was provided. This resulted in an over-claim of $1,587.

<u>Medical Durable Goods</u>:
We were unable to obtain any supporting documentation from three providers to support that services were actually rendered. This resulted in an over-claim of $3,638.

<u>School Based</u>:
Twenty-one LEAs were unable to provide us with sufficient service delivery records to support all the dates of service billed. In addition, we were unable to obtain two IEPs that cover SBCH services that were billed from two of these LEAs. This resulted in an over-claim of $7,145.

<u>All Other:</u>
We were unable to obtain any supporting documentation from one dental provider to support that services were actually rendered. This resulted in an over-claim of $231.

Effect: <u>Home Health</u>:
Our sample had questioned costs totaling $794.

<u>Medical Durable Goods</u>:
Our sample had questioned costs totaling $1,819.

<u>School Based</u>:
Our sample had questioned costs totaling $3,956.

<u>All Other:</u>
Our sample had questioned costs totaling $116.

Cause:

Home Health:
DSS does not have a procedure code available for providers to bill for nursing care in the home by a registered nurse or a licensed practical nurse for time increments of less than an hour.

Medical Durable Goods:
In one case, the provider did not maintain adequate documentation to support the amount billed. In the other cases, we were unable to locate the provider after numerous attempts. It appears that one of the providers is no longer in business.

School Based:
It appears that many of the LEAs were not aware of the requirement to prepare progress notes for every date of service. Prior to October 1, 2010, LEAs were paid fixed rates for treatment services and evaluations. Those rates were paid monthly on behalf of children that were provided any of these services during the month. Therefore, LEAs did not find it necessary to keep progress notes for every date that a child was provided services during the month. Further, in two cases, providers did not prepare an IEP or were unable to locate the IEP that covered the service periods in our sample.

All Other:
The provider did not maintain adequate documentation to support the amount billed.

Recommendation: The Department of Social Services should recoup any improper payment made to Medicaid providers and should consider performing quality reviews to determine whether errors noted were isolated instances or the result of significant deficiencies. In addition, the Department of Social Services should ensure that procedure codes are available so that providers are able to only bill for actual services provided.

Agency Response: "The department partially agrees with this recommendation.

For condition 1, procedure code S9123 is based on billing up to an hour and procedure code T1002 is for any services provided in excess of an hour. Further, the rate established for procedure code S9123 is based on this premise. Therefore, any services provided that are less than one hour are appropriately billed and paid under procedure code S9123. The department does not consider the errors noted by the auditors to be overpayments.

For conditions 2 to 4, the department will follow up with the specific errors noted in the audit report to determine whether overpayments have occurred.

For condition 3, in addition to the above follow up, the Reimbursement and CON Unit developed a SBCH services FFS Matrix and it was distributed to all LEAs participating in the SBCH program. Furthermore the Reimbursement and CON Unit is in the process of developing a SBCH web page where we will post all SBCH program relevant information and guidance."

Auditors' Concluding Comments: Although home health providers may have billed in compliance with DSS' policies, DSS should have a procedure code available for providers to bill for nursing care in the home by a registered nurse or a licensed practical nurse in time increments that more accurately represent the time spent providing services particularly in increments of less than one hour.

III.A.13. Allowable Costs/Cost Principles – Drug Rebates

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Background: Section 1927 of the Social Security Act allows states to receive rebates for covered outpatient drug purchases. Drug manufacturers are required to provide a listing of all covered outpatient drugs to the Centers for Medicare and Medicaid Services (CMS) and, on a quarterly basis, are required to provide for each covered outpatient drug their average manufacturer's price and their best prices by national drug code (NDC). Based on that data, CMS calculates a unit rebate amount for each drug, which it then provides to states. No later than 60 days after the end of the quarter, the state Medicaid agency must provide drug utilization data to manufacturers. Within 37 days of receipt of the utilization data from the state, the manufacturers are required to pay the rebate or provide the state with written notice of disputed items not paid because of discrepancies found.

Condition: The Department of Social Services (DSS) provided us, for the quarter ended September 30, 2011, an electronic data file of all drug claims paid by DSS, a list of all drug rebates that DSS billed to drug manufacturers, and the list of all covered outpatient drugs issued by CMS. These three files were merged to determine whether there were any covered drugs that DSS paid for during the quarter that were not included in the rebate amount billed to the drug manufacturers. We noted 140 unique NDCs for which rebates were not billed by DSS.

A further review of 10 of the 140 NDCs in which rebates were not billed disclosed that DSS should have billed the drug manufacturers a total of $12,651 for rebates for covered drugs, of which $6,326 should have been refunded to the federal government.

Effect: DSS is not billing drug manufacturers for all covered drugs resulting in less drug rebates being collected by DSS and the federal share of net expenditures being overstated.

Cause: It appears that due to oversight, DSS' Medicaid Management Information System (MMIS) was not programmed to rebate for the NDCs noted.

Recommendation: The Department of Social Services should ensure that drug manufacturers are properly billed for all covered outpatient drugs under the drug rebate program.

Agency Response: "The department has been working to identify the reasons why some NDCs were not rebated and have found the following:

- Over the Counter Drugs – The department will work with the vendor to make modifications. If a rate is on the CMS file, these NDCs will be pulled into rebate and will be invoiced.
- Hierarchical Code exclusions – related to bulk chemicals – First Data Bank has a different classification for bulk chemicals than CMS. The department will work with the vendor to be sure to include NDCs with rates on the CMS file.

The department is in agreement with the audit finding and as a result, a follow-up change order has been submitted to the MMIS to modify the exclusion process. We will invoice all NDC's with rates on the CMS file. The remaining NDCs will then go through the exclusion process and any remaining NDCs will be invoiced for zero rates."

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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, provides that to be allowable under federal awards, costs must be necessary and reasonable and should be adequately documented.

Condition: During the fiscal year ended June 30, 2012, the Department of Social Services (DSS) claimed for federal reimbursement payments for services processed by the Department of Developmental Services (DDS) and its fiscal intermediaries (FIs) totaling $925,441,009. Of this amount $462,758,324 was received in federal reimbursement. A review of 40 benefit payments totaling $278,393, of which $139,197 was received in federal reimbursement, disclosed overpayments totaling $1,446, as follows:

- In two instances, the service units documented on the FI's service invoice did not agree with the units claimed by DDS. Overpayment: $51.
- In one instance, the date of service was duplicated on the FI's service invoice. Overpayment: $40.
- In one instance, the FI's service invoice did not support the services provided. Overpayment: $1,350.
- In one instance, the service units and date of service on the FI's service invoice did not agree with that claimed by DDS. Overpayment: $5.

Effect: The above payments resulted in questioned costs of $723 attributable to the Medicaid program.

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

Recommendation: The Department of Developmental Services should ensure that all Medicaid services 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 the noted findings. The supporting documentation did not support the claimed services for the noted individuals. DDS will review with the Fiscal Intermediaries the importance of submitting claims for the invoiced services rendered and will notify providers that the billing invoices will be updated by the Fiscal Intermediaries based on the waivered services.

The adjusted claims will be implemented by the Department of Administrative Services within two months to return the over-claimed funds."

Response provided by the Department of Social Services:
"Although the Department of Social Services claims all Medicaid expenditures for the State of Connecticut, this finding is directed towards the Department of Developmental Services and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report."

Auditors' Concluding Comments: As the single state agency for the Medicaid program designated under 42 CFR Part 431, DSS is responsible to administer or supervise the administration of the program. Although the finding is directed towards DDS, DSS is directly accountable for the proper use of the federal Medicaid funds provided.

III.A.15. Eligibility – 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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Criteria: Section 1915(c) of the Social Security Act provides that by waiver a state plan approved under this title may include as "medical assistance" payment for part or all of the cost of home or community-based services (other than room and board) which are provided pursuant to a written plan of care to individuals with respect to whom there has been a determination that if not for such services the individuals would require the level of care provided in a hospital or a nursing facility or intermediate care facility for persons with mental retardation the cost of which could be reimbursed under the plan.

The State of Connecticut submitted proposals under Section 1915(c) of the Social Security Act to provide long term care services in-home and community-based settings under the Medicaid program. The Department of Developmental Services (DDS) oversees three approved waivers including the Individual and Family Support (IFS) Waiver, the Comprehensive Supports Waiver, and the Employment and Day Supports Waiver.

Condition: During the fiscal year ended June 30, 2012, the Department of Social Services (DSS) claimed for federal reimbursement payments for services provided under the IFS Waiver, the Comprehensive Supports Waiver, and the Employment and Day Supports Waiver totaling $701,506,674. Of this amount, $350,788,513 was received in federal reimbursement. A review of 40 benefit payments totaling $278,393, of which $139,197 was received in federal reimbursement, disclosed that a written plan of care was not on hand for one client.

Effect: Our sample had an error totaling $792 of which $396 was received in federal reimbursement.

Cause: It appears the documentation was misplaced or misfiled.

Recommendation: The Department of Developmental Services should ensure that all documentation supporting Medicaid clients is accurately filed and maintained.

Agency Response: Response provided by the Department of Developmental Services:
"We agree with this finding. The Individual Plan (IP) for the sampled period of time was not present in our case management record. Unfortunately the case manager from that period of time had since retired. All IPs have been in place since July 2011.

We will submit these claimed services to the Department of Administrative Services to return within two months."

Response provided by the Department of Social Services:
"Although the Department of Social Services claims all Medicaid expenditures for the State of Connecticut, this finding is directed towards the Department of Developmental Services and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report."

Auditors' Concluding Comments: As the single state agency for the Medicaid program designated under 42 CFR Part 431, DSS is responsible to administer or supervise the administration of the program. Although the finding is directed towards DDS, DSS is directly accountable for the proper use of the federal Medicaid funds provided.

III.A.16. Reporting – Medicaid Fraud Control Unit

State Medicaid Fraud Control Units (MFCU) (CFDA #93.775)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1101CT5050 and 1201CT5050

Background: Title 42 Code of Federal Regulations Part 1007 requires states as part of their Medicaid State Plans to maintain, separate and distinct from the state Medicaid agency, a Medicaid Fraud Control Unit (MFCU) to investigate and prosecute fraud in the administration of the Medicaid program, the provision of medical assistance, or the activities of Medicaid providers. The MFCU also reviews complaints alleging abuse or neglect of patients in health care facilities receiving payments and may review complaints of the misappropriation of patients' private funds in such facilities.

The State of Connecticut's MFCU was established within the Office of the Chief State's Attorney to investigate cases suspected of fraud as referred by the Department of Social Services.

Criteria: Federal Financial Reports (SF-425) to report cash transactions are required to be submitted on a quarterly basis to the Department of Health and Human Services (HHS). Instructions for the preparation of the SF-425 report require the recipient to enter cumulative amounts from the inception of the award through the end date of the reporting period on the report.

Condition: We reviewed the quarterly SF-425 reports for the MFCU and noted the following cumulative exceptions, as of June 30, 2012:

- The unobligated balance of federal funds reported on line 10h is overstated by $260,472.
- The remaining recipient share to be provided reported on line 10k is understated by $364,455.
- The federal share of indirect costs reported on line 11f is understated by $53,720.

Effect: SF-425 reports filed during the audited period do not accurately reflect the cumulative share of the reportable balances.

Cause: It appears that the MFCU was unaware of how to properly complete the SF-425 report.

Recommendation: The Office of the Chief State's Attorney's Medicaid Fraud Control Unit should ensure that amounts on the Federal Financial Reports are reported correctly in accordance with the Federal Financial Report Instructions.

Agency Response: Response provided by the Office of the Chief State's Attorney:
"With regard to the incorrect balances on the June 30, 2012 SF-425 for the MFCU please note that, upon review, it appeared that a number from line 10e on the March 31, 2012 report was inadvertently carried forward to the June 30, 2012 report in error. This caused errors in lines 10h and 10k. These have

been corrected and new SF-425 reports for all quarters of the MFCU 2012 program were submitted to the Office of the Inspector General on January 26, 2012, a copy of which was provided to you in my e-mail of January 26th. These final versions also applied cumulative totals to indirect costs, (line 11)."

Response provided by the Department of Social Services:
"Although the Department of Social Services claims all Medicaid expenditures for the State of Connecticut, this finding is directed towards the Office of the Chief State's Attorney and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report."

Auditors' Concluding Comment: As the single state agency for the Medicaid program designated under 42 CFR Part 431, DSS is responsible to administer or supervise the administration of the program. Although the finding is directed towards the Office of the Chief State's Attorney, DSS is directly accountable for the proper reporting of the federal Medicaid funds.

III.A.17. Reporting

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Year 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

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

Condition: We reviewed the TANF ACF-196 Financial Reports submitted for the quarters ended September 30, 2011 and March 31, 2012. Our review disclosed the following errors:

- The amount reported as Federal TANF Expenditures (column A) on line 6c1-Transportation-Job Access for the quarter ended March 31, 2012, was $1,506,353 but should have been $1,431,353, a difference of $75,000.

- The amount reported as State MOE Expenditures in TANF (column B) on line 6j-Administration for the quarter ended March 31, 2012, was $8,891,351 but should have been $8,810,232, a difference of $81,119.

Effect: DSS overstated the amounts reported on lines 6c1 and 6j by a total of $156,119.

Cause: The overstatements were due to clerical errors made during the calculation of the claim.

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

Agency Response: "The department agrees with the finding. Clerical errors were made in reporting these costs. Additional steps in our procedures checklist will be added to ensure that the correct number is used in claiming and that prior year information has been cleared in our data entry sheets."

III.A.18. 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 Year 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

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 A Part II of the TANF State Plan provides that all adult recipients must participate in work activities unless specifically exempted by state regulation.

The policies and procedures for determining eligibility and calculating benefit payments are found in the Department of Social Services' (DSS) Uniform Policy Manual (UPM). Section 8560.10 of the UPM states that if a recipient receives a government rental subsidy, a percentage of that subsidy is attributed as income to the recipient and the TANF benefit payment is reduced accordingly. The housing subsidy value is calculated differently for recipients exempted from participating in work activities.

Condition: We randomly selected 40 benefit payments totaling $15,899 made on behalf of TANF recipients from 198,553 payments totaling $79,637,866. Of this $79,637,866, $3,599,445 (or 5 percent) was claimed as direct federal expenditures and $76,038,421 (or 95 percent) was claimed as commingled federal/state funds. DSS does not identify which clients are being claimed under the different funding choices.

Our review disclosed that in seven cases, the housing subsidy value of exempt recipients was not calculated correctly in the DSS Eligibility Management System (EMS) according to the UPM.

Effect: Overpayments of between $10 and $17 were made per client totaling $79 during the tested months. For the state fiscal year ended June 30, 2012, these clients have been overpaid a total of $898 and they continue to be overpaid on a monthly basis.

Cause: DSS staff informed us that the UPM is correct and it appears that EMS has not been correctly programmed to calculate the correct housing subsidy value for exempt recipients.

Recommendation: The Department of Social Services should ensure that its Eligibility Management System is properly programmed to reflect the established policies and procedures related to benefit payment calculations.

Agency Response: "We agree that this is not a policy nor a training issue but rather a technical issue. We will raise this finding with our Information Technology (IT) division to consider in its list of other priority EMS changes."

III.A.19. 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 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

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 were claimed for federal reimbursement under TANF.

Case Management:
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), and 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 twenty 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 the eligibility of less than one year in duration multiplied by the total costs claimable to TANF which is reduced by twenty percent to account for retroactive changes in amounts allocated to IV-E.

To claim these reimbursements, DCF Revenue Enhancement eligibility service workers complete TANF eligibility determinations 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 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.

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, 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.

Condition: A review of the support for the TANF claims disclosed the following exceptions:

Case Management:
DSS claimed $11,547,115 of DCF in-home and $4,436,650 of DCF out-of-home case management services expenditures for the quarter ended December 31, 2011.

The total amount reported for in-home case management services, after a twenty percent reduction, was based on an eligibility rate of 87.30 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 thirteen 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 2.35 percent.

The total amount reported for out-of-home case management services, after a twenty percent reduction, was based on an eligibility rate of 43.10 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 2011. Our review disclosed discrepancies between the number of children per the summary reports and the detailed reports for ten codes. The net difference for all codes was 6.44 percent.

Foster Care Maintenance:
We randomly selected 25 foster care maintenance payments totaling $26,488 out of 743 payments totaling $723,530 of which $682,791 was claimed for federal TANF reimbursement for the fiscal year ended June 30, 2012.

Our review disclosed that DCF determined that two children were not eligible and those determinations were correctly reflected in the DCF eligibility system. However, since these amounts were included on the TANF-eligible summary report, DSS claimed for federal reimbursement payments totaling $9,029, which were made for clients that should have been deemed ineligible. Payments outside of our sample claimed on behalf of the two children totaled $9,356.

We also noted that one of the 25 foster care maintenance payments appears to have been over-claimed by $231. During the month for which the payment was claimed, the child entered their fifth month in foster care, and therefore, only part of that month's maintenance payment was eligible to be claimed under TANF. However, we could not reconcile the difference between the maintenance payment and the amount claimed.

Effect:

Case Management:
DSS claimed $973,757 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 $9,029 in payments for two children who were not determined eligible for TANF. We identified additional payments outside of our sample, totaling $9,356, which were inappropriately claimed on behalf of the two children.
- It appears that DSS over-claimed $231 of a monthly maintenance payment made on behalf of a child who entered their fifth month in foster care.

Cause:

Case Management:
The 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.

Recommendation: The Department of Social Services should not claim Department of Children and Families' case management expenditures until the information produced from the reporting system is reliable.

The Department of Social Services should ensure that the foster care maintenance payments claimed for federal TANF reimbursement are accurate and adequately supported.

Agency Response: Response provided by the Department of Social Services:
"The department does not dispute the conditions observed, but does disagree with the audit recommendation that all case management claims be discontinued pending the completion of DCF system changes.

Based on similar state fiscal year 2011 audit findings, DSS had changed its procedures to recognize the shortfalls in the current Maximus reporting system. For the Case Management claim, the amount of total costs claimed to TANF were reduced by a 20 percent factor, an increase over the prior 10 percent factor. This factor had been used to account for the difference in initial and final reports, in which claims originally assigned to TANF were later adjusted to other programs. This factor more than compensated for the observed difference in the revised reports. Similarly, for the Foster Care (Residential Care Months 5-12), 10 percent was taken off the claimable amount when in the past there had been no reduction

Case Management:
For quarter ended December 2011, DSS reduced the TANF claimable amount by 20 percent, from the reported $26.5 million to $23.5 million, a difference of $3 million. This more than compensated for the revised percentage as noted in the audit workpapers (84.95 percent for TANF Eligibility Rates and 36.65 percent for cases less than 1 year). We therefore conclude that the state has more than adequately adjusted for the discrepancies in the Maximus reports.

Foster Care Maintenance:
For quarter ended December 2011, DSS reduced the claimable amount for Foster Care Maintenance by 10 percent or $40,700. For quarter ended March 2012, in the original filing, DSS did not reduce the claim by 10 percent. In the quarter ended September 2012 filing, this error was corrected.

We would note that even with the reduction to only one quarter, the $40,700 more than covers the $9,260 in reporting errors.

DCF Systems:
DSS is waiting for DCF to complete programming a new computer system that will address the deficiencies noted in this audit finding. They are anticipating going on-line with the system this summer.

Until the new system is in place, DSS will continue to discount the claimable TANF amount by 20 percent to offset potential claiming discrepancies in Case Management and 10 percent for Foster Care Maintenance. We feel that these discounts will adequately address the reporting issues."

III.A.20. Allowable Costs/Cost Principles – Judicial Branch

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558)
Federal Awarding Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

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 in the Community (AIC), Multi-Systemic Therapy (MST), and Court Based Assessment Services (CBAS) programs were determined to be eligible for federal TANF reimbursement.

The providers of AIC, MST, and CBAS are responsible for compiling the TANF eligibility information of 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 Eligibility Summary Reports to Judicial, which show the number of eligible, ineligible, unknown, and total clients, as well as a calculated TANF eligibility rate. Judicial's current procedure is to recalculate the eligibility rates on the form 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) as 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 the prior audit, DSS and Judicial were in the process of establishing a program to verify the eligibility of clients reported by Judicial's providers. During the audited period, a pilot program was established to review clients reported for the AIC program through a web-based reporting system maintained by Judicial. Our reviews disclosed that verifications of client eligibility reported by providers were still not adequately performed. Further, a review of 40 TANF Eligibility Determination/Re-Determination Forms for clients that were processed as eligible and claimed for TANF reimbursement, noted that four (an exception rate of 10 percent) were marked no in the TANF eligibility status box indicating that the client was not TANF eligible.

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

Cause: DSS and Judicial 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 Judicial Branch, Court Support Services Division (CSSD) has implemented the following changes in response to the recommendation: (1) Policy 5.16 "Oversight of Contracted Services" has been revised to include reviews of TANF eligibility forms and documentation in the applicable programs; (2) The User Guide for the contract monitoring system used within CSSD known as the Contract Compliance Audit System (CCAS), includes a clear directive to review TANF information in clients' files; (3) As of January 2012, participating program vendors not on the automated Contractor Data Collection System (CDCS) which includes Multi-Systemic Therapy and Court-Based Assessment programs were issued letters directing them to report monthly client level data to CSSD; (4) For participating program vendors, which includes the Alternative in the Community (AIC) program, available reporting provides client level data on TANF eligibility; (5) the CDCS Data Quality Review audit process includes a cross-check of CDCS TANF data to client file TANF eligibility form with criteria for verification in the following three categories: Form is Present, Form is Complete/Incomplete and Forms Match/Do Not Match; (6) In July 2012 a memo was sent to the AIC programs along with an attached FY 2013 TANF eligibility form, (7) In February 2013 a second memo was sent to all AIC programs with an attached fiscal year 2013 TANF eligibility form and a reminder to use ONLY the current form and discard/discontinue use of the older versions; and (8) CSSD and the Department of Social Services (DSS) agreed to regularly exchange client level data so that DSS may also verify TANF eligibility."

Response provided by the Department of Social Services:
"The Judicial Branch TANF program contractors use the TANF Eligibility Form that the Department of Social Services sends to the Judicial Court Support Services Division each year with the updated amounts for 75 percent of State Median Income. TANF eligibility is based on family income below

75 percent SMI and other factors included on the form. Judicial submits quarterly financial reports which include expenditures and the percent TANF eligible based on the number of clients that met the TANF eligibility per the forms. The TANF eligible fiscal claim is based on expenditures per program and program contractor times the percent TANF eligible as outlined in the audit finding background section. In instances where a client's TANF eligibility status is unknown, Judicial does not include the expenditures. The Judicial Department and the Department of Social Services have agreed that the more conservative approach for reporting, or what might be considered per the audit finding as underreporting, is appropriate, and that there may be cases where TANF eligible expenditures for clients found as TANF eligible, may not be claimed, as there may be more expenditures than the state needs to claim in the federal TANF and State MOE TANF fund categories.

The Judicial Department sends the Department of Social Services a list of all clients included in the Judicial TANF eligibility reports and includes name, date of birth, social Security number (when available to program), town of residence and TANF eligibility. The Department of Social Services runs a match of the list of clients determined eligible, not eligible or unknown to compare against the Eligibility Management System (EMS) databases to identified eligibility including Temporary Family Assistance, Medicaid, and/or Supplemental Nutrition Assistance Program (SNAP).

Judicial CSSD TANF Eligibility determination is used for TANF eligibility and cost allocation, as it is based on reported income from clients for TANF Eligibility at 75 percent SMI which is approx. twice the income as Medicaid, SNAP and TFA. Comparison to DSS databases to demonstrate partial match and has a high match rate demonstrating confidence in the CSSD TANF eligibility process. The TANF income eligibility is a much higher income level than the DSS program for Medicaid, SNAP and Temporary Family Assistance (TFA). For example: the income for a family of 3 at 185 percent of Federal Poverty Level is $2,943, while the TANF income limit for a family of 3 is $5,854.

Clients in a Judicial CSSD TANF program, that are also identified as a recipient of, or eligible for, one of the DSS 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 are still be eligible for TANF, but just happen to not receive services from both DSS and Judicial. The eligibility determined at the program level with other client documentation to demonstrate TANF eligibility with the additional support and high confidence level of checking client's matches against the much lower DSS income eligibility programs should be more than sufficient to demonstrate appropriateness in determination of client eligibility."

III.A.21. 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 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

Background: Title 45 Code of Federal Regulations (CFR) 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 Residential Services programs were determined to be eligible for federal TANF reimbursement.

The DOC, in accordance with the TANF State Plan, uses population reporting to allocate costs for TANF reimbursement. Ratios of TANF eligible inmates (inmates with dependent children under 19) over total inmates receiving services are applied to program costs on a quarterly basis. DOC provides reports to DSS that are used to prepare the TANF claim. DSS claimed under TANF the following expenditures incurred by DOC for the fiscal year ended June 30, 2012:

Component	Amount
Education and Training	$ 1,537,211
Addition Services	3,871,157
Residential Services	17,342,023
Total:	$22,750,391

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, provides that to be allowable under federal awards, costs must be necessary and reasonable, allocable to federal awards, and adequately documented. Also, payroll costs charged to federal awards must be documented and supported by personal activity reports or equivalent documentation that is signed by the employee.

Title 45 CFR Part 265 Section 3 requires that the state must file on a quarterly basis, the data specified in the TANF Financial Report. Instructions for the preparation of the TANF ACF-196 Financial Report require that all amounts reported must be actual expenditures or obligations made in accordance with all applicable statutes or regulations.

Condition:	A review of the support for TANF quarterly reports sent by DOC to DSS disclosed the following exceptions: 1. A review of the DOC TANF eligibility ratios for the quarters ended December 31, 2011 and June 30, 2012, disclosed overstatements in the ratios for the Education and Training, Addition Services and Residential Services programs resulting in excess claims totaling $267,767. 2. A review of 25 payments to vendors providing residential services claimed under the TANF program during the state fiscal year ended June 30, 2012, disclosed that claims for payments to one vendor were based on budgeted costs rather than actual payments resulting in an excess claim of $1,738. 3. A review of 25 payroll transactions claimed under the TANF program for the state fiscal year ended June 30, 2012, noted that 17 supporting timesheets were not signed by the employees.
Effect:	Without accurate records and supporting documentation, there is a lack of assurance that costs claimed under TANF are allowable. In addition: 1. TANF claiming based on overstated eligibility ratios resulted in questioned costs totaling $267,767. 2. TANF claiming of expenditures that were not actually paid resulted in questioned costs totaling $1,738. 3. Personnel activity reports that are not signed by employees do not adhere to OMB Circular A-87 related to allowable costs.
Cause:	1. Eligibility ratios appear to have been overstated due to the inclusion of ineligible inmates in the population, the failure to archive database reports used to compile quarterly TANF claims, and undetected data entry and other human errors. 2. Overstated claims for payments made to the vendor were due to the failure to properly adjust quarterly payments following a reduction in the program budget. 3. Unsigned timesheets appear to have been a management oversight.
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 procedures and a corrective action plan to ensure the amounts reported to the Department of Social Services are accurate and adequately supported. Note, we have immediately contacted DSS and confirmed that the revised information can

be retroactively submitted for the quarterly reports in question. Upon validation of the revised numbers, we will immediately forward the information to DSS."

Response provided by the Department of Social Services:
"Although the Department of Social Services claims all TANF expenditures for the State of Connecticut, this finding is directed towards the Department of Corrections and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205, DSS has the authority to administer or supervise the TANF program. Although the finding was directed towards DOC, DSS is directly accountable for the proper use of the federal TANF funds provided.

III.A.22. 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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture (USDA)
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
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 8, 2013, 12,844 alerts for the Medicaid, TANF and SNAP programs that were generated during the quarter ended September 30, 2011, have not been investigated, resolved or removed, as appropriate. The dates that these alerts were due to be resolved ranged from July 11, 2011 through November 14, 2011. Each alert is assigned a specific due date generated by the system. It should be noted that the report dated January 8, 2013, that was provided to us only includes those alerts that were originally generated during the quarter ended September 30, 2011, 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 November 9, 2011, the total number of alerts generated during the quarter ended September 30, 2011, was at least 37,951.

Our review of 15 alerts generated during the quarter ended September 30, 2011, that have not been resolved as of January 8, 2013, 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, 2011, that had been resolved as of January 8, 2013, disclosed 12 alerts that were resolved without the eligibility worker properly updating information in EMS. The eligibility workers failures to properly correct the information in EMS when resolving the alerts would likely result in the alert being regenerated. None of the reviewed cases 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 outdated information. The proper review and disposition of alerts is not taking place because of the large numbers of alerts. 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.23. 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 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTSOSR and G1201CTSOSR

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTLIEA and G1201CTLIEA

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) and Low-Income Home Energy Assistance Program (LIEAP), 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. The Department of Social Services (DSS) contracts with subrecipients require the contractors to submit to DSS various financial, programmatic and statistical, and monitoring reports in order for DSS to monitor the use of federal awards.
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.

Title 2 CFR Part 25 provides that for subawards made on or after October 1, 2010, a pass-through entity is responsible for determining whether an applicant for a subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award.

Condition: Our review of DSS procedures related to monitoring consisted of testing a combined sample of 25 subrecipients of the TANF, SSBG and LIHEAP programs. It should be noted that all 25 subrecipients received SSBG funding, of which five also received TANF funding and four also received LIHEAP funding. Our testing disclosed the following:

- Award Information:
  Two subrecipients were not provided with all the required federal award 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.
- Monitoring Activities:
  Some financial status, programmatic and statistical or monitoring reports required by the contracts were not on file or were submitted late for 15 subrecipients.
- DUNS Numbers:
  Fourteen subrecipients did not provide a DUNS number to DSS.

Effect: DSS is not meeting its responsibility for monitoring subrecipients that 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 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: "LIHEAP:
The Department of Social Services (DSS) has procedures in place where all LIHEAP contracts include the DUNS number of the contractor.

DSS will ensure that all new and amended SSBG/TANF contracts include the DUNS number of the contractor. For these contracts that also receive LIHEAP funding, the DUNS number will be provided.

Most monitoring has been completed on a timely basis for the LIHEAP contracts. In a couple of instances, the monitoring and subsequent reports were not timely as the staff was on maternity leave and the monitoring was completed upon her return.

SSBG:
Due to continued need for additional staffing, DSS was unable to implement some of the procedures that were going to be implemented. In addition the SSBG procurement was postponed and two employees are still responsible for monitoring over 40 SSBG contracts in addition to their other functions. The procurement should take place for FFY 14 and will significantly reduce the number of contracts that will be administered.

We are in concurrence with the key findings cited and will develop a corrective action plan to address the findings. The majority of the programs that receive SSBG and SSBG-TANF within the Department of Social Services are now currently under the one manager within the Office of Community Services. This will ensure that all contractual changes and requirements are followed up on and addressed appropriately. The department will:

1. Develop a desk guide for subrecipients that identify program requirements specific to SSBG and SSBG-TANF
2. 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.
3. DSS will require that all subrecipients that subcontract SSBG and SSBG-TANF services to submit copies of the agreement, prior to final execution. In addition 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.

4. Develop and issue a chart to all subrecipients and program staff identifying reporting due date of financial status, programmatic and statistical or monitoring reports.
5. Add contractual language for all new and amended contracts to require DUNS numbers.

The Statistical Quarterly Reporting Tool has been developed and will ensure timely submittal of reports. This will be in place with the new contracts are in place as a result of the SSBG procurement."

III.A.24. 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 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTSOSR and G1201CTSOSR

Background: The Department of Social Services (DSS) is designated as the principal state agency for the allocation and administration of the Social Services Block Grant (SSBG) program in the State of Connecticut. SSBG funds support the programs of several state agencies in addition to DSS.

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. During the fiscal year ended June 30, 2012, the Department of Social Services drew down TANF funds totaling $26,678,810 that were to be used to carry out programs under SSBG. Of this amount, $15,697,930 was allocated to the State Department of Education for child day care services and $3,209,614 was allocated to the Department of Children and Families (DCF) for residential treatment services. The remaining $7,771,266 was allocated mainly to DSS service programs.

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, including any funds allocated to and expended by SDE and DCF, were 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: There was no analysis performed to determine whether 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, in cooperation with other state agencies including the departments of Education and Children and Families, 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: Response provided by the State Department of Education:
"We cannot agree or disagree with this finding as it is directed to DSS. SDE will certainly work with DSS to whatever extent is necessary."

Response provided by the Department of Children and Families:
"The department agrees with this finding. The department will seek guidance from DSS on federal SSBG TANF earmarking documentation requirements to ensure the department is appropriately charging expenses to the SSBG appropriation."

Response provided by the Department of Social Services:
"The department has completed working with the department's Information and Technology Division in developing an electronic Statistical Quarterly Reporting Tool for the SSBG and SSBG/TANF based upon the current DSS Excel worksheet. The new system has been designed to collect income levels and to provide client count by defined age groups, gender and ethnicity. In addition, the system will have the ability to provide quarterly reports by contractor for program staff to review for accuracy and a consolidated year-end report for submission to the federal government. The implementation of the system has been put on hold until FFY 2014 to coincide with the new contracts that will be selected through the procurement process.

The contract also specifies the 200 percent income eligibility requirement programs with SSBG/TANF funding. Field representatives review this requirement on their visits to their contractors."

III.A.25. 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 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTSOSR and G1201CTSOSR

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 Social Services Block Grant (SSBG) funding to subrecipients. Our review disclosed that DSS normally advances SSBG funds to subrecipients on a quarterly basis. As a result, those subrecipients could have cash on hand on various occasions throughout the year that exceeded their average weekly disbursements. Our review of 25 subrecipient financial reports disclosed that 20 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 limit 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: "Due to the continuing volume of SSBG subrecipients, the volume of quarterly payments and the number of available staffing in the programmatic and the fiscal areas, the department at this time cannot advance cash to its subrecipients on a weekly basis. 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.

The impact on the submittal and processing of weekly payments needs to be taken into consideration for the staffing needs at the subrecipients as well as the divisions within the department regarding their capability to process payments within that frequency."

III.A.26. 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 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTCCDF and G1201CTCCDF

Background: The Department of Social Services (DSS) has been designated the lead agency to administer the Child Care and Development Fund (CCDF) in accordance with Title 45 Code of Federal Regulations (CFR) 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, 2012, child care payments totaled \$100,187,567. 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 \$100,187,567, \$41,885,146 (or 41.8 percent) was claimed as direct federal expenditures and \$58,302,421 (or 58.2 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 CFR Part 98 Section 13 provides that DSS must submit a CCDF Plan.

Title 45 CFR Part 98 Section 42 states that DSS 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.

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, their family income should be less than 50 percent of the SMI. Families remain eligible for the program until income reaches 75 percent of SMI.

Condition: We randomly sampled 60 child care payments totaling $22,264 made to child care providers from the total population. Our audit disclosed three errors, as follows:

- One family underpaid its share by $226. The head of household (HOH) had two jobs but only submitted documentation of income for one of the jobs and the correct family income was not entered into the DSS Child Care Management Information System (CCMIS). As a result, the state paid $226 in child care services that should have been paid by the client (the 41.8 percent federal portion amounted to $95).

- One family overpaid its share by $50. The family fee was not calculated correctly because all of the family's income information was not properly entered into CCMIS. As a result, the client paid $50 in child care services that should have been paid by the state (the 41.8 percent federal portion amounted to $21).

- One family's child care services payment was underpaid by $13. The payment was calculated based on an incorrect provider rate that was entered into CCMIS. As a result, the state underpaid $13 (the 41.8 percent federal portion amounted to $5).

Effect: The exceptions resulted in net questioned costs of $163 ($68 based on the 41.8 percent federal participation).

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

Recommendation: The Department of Social Services should verify the accuracy of the information that is entered in the Child Care Management Information System to ensure that the program complies with the approved plan and all federal requirements.

Agency Response: "We agree with the finding. We will send a reminder e-mail to the Care 4 Kids (C4K) vendor to remind staff to the proper procedures regarding C4K eligibility. We will also ask the C4K vendor to highlight this information in their training to new workers."

III.A.27. Special Tests and Provisions – Inadequate Documentation

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 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTCCDF and G1201CTCCDF

Background: The Department of Social Services has been designated the lead agency to administer the Child Care and Development Fund (CCDF) in accordance with Title 45 Code of Federal Regulations (CFR) Part 98 Section 10.

Title 45 CFR Part 98 Section 60 provides that DSS should recover child care payments that are the result of fraud from the responsible party.

Title 45 CFR Part 98 Section 13 provides that DSS must submit a CCDF Plan. According to the plan, the DSS Quality Assurance Division includes an Active Case Assessment Unit that is responsible for investigating closed child care cases that are error prone or suspected of fraud. The child care providers and families suspected of committing fraud in amounts of $2,000 or more are referred to the Chief State's Attorney for prosecution. Collections on criminal cases are made through the Judicial Branch's Office of Adult Probation. DSS refers claims to the Department of Administrative Services (DAS), Division of Collection Services.

DAS has established a designated billing code to identify recoveries of child care payments that are the result of fraud. During the fiscal year ended June 30, 2012, 16 new billings totaling $421,503 were created under the designated billing code for the recovery of such fraudulent payments.

Criteria: Title 45 CFR Part 98 Section 90 provides that DSS should retain any records that are needed to substantiate compliance with CCDF requirements for a period of three years from the day DSS submits the financial reports required for the program period. If any litigation, claim, negotiation, audit, disallowance action, or other action involving the records has been started before the expiration of the three-year retention period, the records shall be retained until completion of the action and resolution of all issues that arise from it, or until the end of the regular three-year period, whichever is later.

Condition: For our testing of fraud detection and repayments, we selected seven new fraud recovery cases created during the fiscal year ended June 30, 2012. Our review disclosed that two out of the seven cases did not have complete investigation files on hand to support the fraudulent payments identified by DSS. It should be noted that, at the time of our audit, DAS was still in the process of recovering the fraudulent payments in both cases.

Effect: Without detailed investigation files on hand, we cannot determine whether proper investigation procedures were followed. In addition, DSS failed to retain CCDF records for the appropriate time period in accordance with applicable federal requirements.

Cause: DSS does not have adequate procedures in place to ensure that detailed files are properly maintained pertaining to investigations and recoveries of fraudulent child care payments.

Recommendation: The Department of Social Services should maintain for the appropriate time period complete files to authenticate any child care payments identified as fraudulent and the recoveries of those fraudulent payments.

Agency Response: "The department agrees with this finding. The Department of Social Services will continue to comply with Title 45 CFR Part 98 Section 90 which states that DSS should retain any records that are needed to substantiate compliance with CCDF requirements for a period of three years from the day DSS submits the financial reports required for the program period."

III.A.28. Allowable Costs/Cost Principles – Department of Public Health

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 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTCCDF and G1201CTCCDF

Background: The Department of Social Services (DSS) has been designated the lead agency to administer the Child Care and Development Fund (CCDF) in accordance with Title 45 Code of Federal Regulations (CFR) Part 98.

Title 45 CFR Part 98 Section 13 provides that DSS must submit a CCDF plan. In accordance with the plan, child care licensing and enforcement personnel are supported by inspections performed by the state Department of Public Health (DPH) to insure basic health and safety standards are met.

DSS claimed costs incurred by DPH for licensing support services totaling $3,505,410 for the state fiscal year ended June 30, 2012.

Criteria: In order for the expenditures claimed by the DPH to meet the requirements of the CCDF and to be eligible as matching funds, the activities performed must be allowable. Title 42 United States Code Section 9858c(c)(3)(B) defines an allowable activity as an activity that the state deems appropriate to promoting parental choice, providing comprehensive consumer education information to help parents and the public make informed choices about child care, providing child care to parents trying to achieve independence from public assistance, and implementing the health, safety, licensing, and registration standards established in state regulations.

Therefore, when expenditures are claimed for CCDF, DPH must verify that all expenditures are for allowed activities or allowable costs.

Condition: We reviewed support for quarterly expenditure reports prepared by DPH and submitted to DSS to determine whether only allowable costs were claimed. Our review noted the following:

- Salary and fringe benefit costs totaling $63,341 for an employee who performed no activities related to CCDF were included in two quarterly expenditure reports.
- Non-program related activity costs totaling $12,848, for two employees, were included in one quarterly expenditure report. These costs consisted of lump sum leave payouts upon retirement and had no direct relationship to program activities allowed.

Effect: DPH's quarterly claims for the period under review were overstated by approximately $76,189.

Cause: DPH procedures for the preparation of the quarterly claim reports are not sufficient to prevent, detect and correct the claiming of unallowable costs.

Recommendation: The Department of Public Health should establish procedures to ensure that quarterly expenditure reports sent to the Department of Social Services contain only allowable costs.

Agency Response: Response provided by the Department of Public Health:
"The Department of Public Health (DPH) agrees with this finding. DPH acknowledges that it is imperative that correct information regarding matching funds is submitted to the Department of Social Services (DSS). As a result of this finding**,** DPH is developing new procedures to ensure that quarterly claim reports that are sent to the DSS contain allowable costs only.

Checks and balances involving staff from the Program, Human Resources and Fiscal units will be instituted. DPH anticipates that new procedures will be implemented by May 1, 2013."

Response provided by the Department of Social Services:
"Although the Department of Social Services claims all CCDF expenditures for the State of Connecticut, this finding is directed towards the Department of Public Health and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 98, DSS has the broad authority to administer the program through other governmental agencies, however, DSS shall retain overall responsibility for the administration of the program. Although the finding was directed towards DPH, DSS is directly accountable for the proper use of the federal CCDF funds provided.

III.A.29. Cash Management – Inadequate Controls Over Subrecipient Cash Advances

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTLIEA and G1201CTLIEA

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

Condition: The Department of Social Services (DSS) provides a majority of its Low-Income Home Energy Assistance Program (LIHEAP) funding to subrecipients for program services. Our review disclosed that DSS did not have adequate controls in place to provide reasonable assurance that funds advanced to some of the subrecipients of these programs were made in a timely manner.

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 credit the amount of unused benefits that were advanced for each client to reflect the client's actual usage. DSS relies on the utility companies to maintain each client's account and to refund any unused benefits.

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

Effect: The federal government incurs interest costs because money is advanced to subrecipients before the subrecipients need the funds 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 and implement 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: "Due to the available staffing in the programmatic and fiscal areas, it is difficult to have separate staff be responsible for the preparation and approval of payments/advances. Backup information (W-1270) from the contractor is provided with each request as verification of the payment/advance. There is also adequate separation of duties within the fiscal office.

DSS has to ensure that the subrecipients have adequate funding to make payments in a timely manner to the vendors providing services to LIHEAP-eligible households. Households may not receive fuel deliveries if vendors are waiting for payments for deliveries and cannot secure the product to be delivered. Currently payments are made on a weekly basis in an effort to reduce the amount of time that a subrecipient receives a payment/advance to actual disbursement of these funds. DSS would be unable to handle payments with more frequency."

III.A.30. Reporting – Federal Financial Report

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2011-2012
Federal Award Number: 1205CT5MAP

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2011-2012
Federal Award Number: G1202CTTANF

Child Support Enforcement (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Year: Federal Fiscal Year 2011-2012
Federal Award Number: 1204CT4005

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 2011-2012
Federal Award Number: G1201CTCCDF

Background: Title 2 Code of Federal Regulations (CFR) Part 215 Section 52 requires that recipients submit the Federal Cash Transactions Report (SF-272), and when necessary, its continuation sheet (SF-272a). These reports will be used by the federal agency to monitor cash advanced to recipients and to obtain disbursement information for each agreement with the recipients.

The Office of Management and Budget directed that the Federal Financial Report (SF-425) and its attachment (SF-425a) replace the SF-272 and SF-272a, requiring that all federal agencies and federal grant recipients use these reports for financial reporting beginning October 1, 2009. Title 2 CFR Part 215 Section 52 has not been updated to reference the new forms.

Criteria: Federal Financial Reports (SF-425) to report cash transactions are required to be submitted on a quarterly basis to the Department of Health and Human Services (HHS). Instructions for the preparation of the SF-425 require the recipient to enter cumulative amounts from the inception of the award through the end date of the reporting period. The instructions define disbursements as the sum of actual cash disbursements of federally authorized funds.

Condition: Our review of the Department of Social Services' (DSS) SF-425 Federal Financial Report filings for the quarters ended December 31, 2011 and March 30, 2012, disclosed that DSS did not report the correct disbursement amount. Our review of the reports filed for the quarters ended March 30, 2012 and June 30, 2012, disclosed that the discrepancies noted in the respective prior quarter's filings 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 sum of actual disbursements of federal authorized funds.

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 Financial Reports.

Agency Response: "The department does not agree with this finding. This audit finding references reported disbursement amounts on the SF-425 Federal Financial 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 SF-425 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 SF-425 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 SF-425, which would then push us past the submission deadline. Please note that if the SF-425 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 SF-425 filing deadline there is necessarily a quarter lag in reporting actual expenditures for these programs on the SF-425. 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 they process our quarterly expenditure reports.

We believe the amounts we are reporting on the SF-425 are accurate for these awards to the best of our ability given the due dates for the expenditure reports and the SF-425 report."

Auditors' Concluding Comments: The federal regulations provide that this report will be used by the federal agency to obtain disbursement information for each agreement with the recipients. Further, as indicated in the instructions for the preparation of the SF-425, disbursements are defined as the sum of actual cash disbursements for direct charges, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to subrecipients and contractors. The disbursement amount reported should be based on actual federal expenditures incurred by DSS and not on the federal draws made by DSS.

III.A.31. 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 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTSOSR and G1201CTSOSR

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 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTCCDF and G1201CTCCDF

Child Support Enforcement (Title IV-D) (CFDA #93.563)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1104CT4004 and 1204CT4005

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Federal Awarding Agency: Department of Agriculture
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Number: 4CT400400

Section 8 Housing Choice Vouchers (CFDA #14.871)
Federal Award Agency: Department of Housing and Urban Development
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
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 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTLIEA and G1201CTLIEA

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 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.

Criteria: Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, 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.

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

Condition: Our review of the allocation bases used in the DSS CAP disclosed that the administrative overhead costs (for example, utilities and office lease) accumulated by some of the DSS regional offices were improperly allocated to DSS federal and state programs. Employees of the state Department of Rehabilitative Services (DORS) are working at some of the DSS regional offices and the administrative overhead costs related to these regional offices are not being allocated to DORS in accordance with the relative benefits received.

Effect: Some costs are not being properly allocated to federal awards in accordance with the relative benefits received. The above error does not have a significant effect to the gross expenditures made under the federal programs administered by DSS.

Cause: The error is related to the DSS automated cost allocation process developed by the vendor.

Recommendation: The Department of Social Services should review current cost allocation methods to ensure that costs claimed under federal awards are properly allocated relative to the benefits received.

Agency Response: "We concur with this finding and will review methods of adjusting the Cost Allocation Plan to address this finding."

B. DEPARTMENT OF TRANSPORTATION

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

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, 2012

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, 2012

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 sub-recipient.” Sub-recipients 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 sub-recipient 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 sub-recipient or vendor payment. The expenditure of these funds should be reported in the prime recipient tab in FederalReporting.gov.

Condition: The Connecticut Department of Transportation (DOT) received ARRA funding from the Federal Highway Administration (FHWA), and the Federal Transit Administration (FTA). DOT received 155 awards from FHWA and six from FTA.

We found that the conditions noted in a prior audit finding still existed in reports on www.Recovery.gov as of March 31, 2012, for both the FHWA and FTA awards. DOT's reporting on www.Recovery.gov was 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. DOT also continued to enter into agreements with municipalities (sub-recipients), but did not report the amount given to the municipalities. Instead, DOT reported the amount the municipalities paid to the vendors hired by the municipalities. We found that DOT assigned all expenditures to the vendor, even the costs it paid directly to DOT or another state agency.

Federal FHWA has been working with DOT to properly report its awards in RADS (Resource Act Data System). 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. For the audited period, DOT only entered total expenditures to date in RADS each month and did not break down the expenditures for its incidental costs and payments to vendors. The RADS file is downloaded into a folder and the information is uploaded into FederalReporting.gov. 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 were informed that corrections would appear for the quarter ended September 30, 2012. However, while a review of three awards found that some of the vendor information is more accurate, the reporting still does not comply with the reporting requirements. For example, one of the awards now shows total expenditures in excess of the total award. DOT was able to document that it has had difficulty with the federal reporting systems accepting the changes that needed to be made.

For FTA, RADS is not used. The information entered into FederalReporting.gov is eventually uploaded into www.Recovery.gov. DOT provided responses to FTA on our prior audit findings and FTA found these responses to be acceptable. Our review of DOT's responses found that DOT stated that FTA found no exceptions with DOT's reporting of sub-awards and vendors. However, FTA would not have knowledge of vendor information since it does not have access to Core-CT. Webinars on FTA's website suggest that it is possible to enter the vendor information into FederalReporting.gov.

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

Cause: Since DOT and FHWA were actively working on a solution to comply with our audit finding, corrections to reports on www.Recovery.gov were not able to be performed during this audit period. The RADS has evolved over time and updates have been made to the RADS manual. It is unclear whether the system can allow the changes that are needed.

DOT has not changed how it reports for FTA awards because it has not been instructed by FTA that it is incorrectly reporting these awards.

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

Agency Response: "The department agrees with this finding in part regarding FHWA.

Reporting changes that would reflect the concerns of the initial finding did not occur until the period ending September 30, 2012. FHWA issued Recovery Act Data System (RADS) Version 3.1, on September 24, 2012, that provided guidance for the submittal of ARRA data into the format requested, whereas, payments to towns were clearly identified, their payments to the prime contractor segregated, and costs incurred by State forces also reported. Once quarterly data is entered into RADS, they provide ARRA project information in a format that is then uploaded to Federalrecovery.gov which is the basis for Recovery.gov information.

In the submittal process of ARRA data to RADS for the periods ending September 30, 2012 and December 31, 2012, which is then uploaded to Federalrecovery.gov, difficulties were experienced in entering ARRA project data in the requested format. Although guidance was issued by FHWA on September 24, 2012, entering the data in the new format revealed that the system would not accept the information on a consistent basis. At times, projects that required entering data beyond the former format resulted in rejection notices. To allow for limited acceptance, FHWA had to manually adjust the submitted data in a format that would be accepted by their system.

Corrective action in the submittal of data for ARRA projects with FHWA was completed as of the September 30, 2012 quarterly submittal.

The department does not agree with this finding regarding FTA.

FTA has found no deficiencies with the reporting of sub-awards and vendors for our ARRA grants. As the grantor agency, FTA has access to ConnDOT reports that are filed on the FederalReporting.gov (FRG) website. When a report is filed, FTA reviews the FRG data and posts a comment for the response and/or update section of the grant recipient if the information is determined to be incomplete, unclear, overly general or erroneous.

FTA also retains a contract with ARRA Report Validation Review Specialists, reviews the separately reported ARRA Quarterly Progress Reports (QPR) and Financial Status Report (FSR) filed by ConnDOT in FTA's Transportation Electronic Award Management System (TEAM) and participates in the regular Capital Progress meetings staffed by FTA senior management and their outside Project Management Oversight (PMO) consulting firms. On the basis of the level of oversight accorded to the ARRA grant awards, FTA has not found deficiencies in ConnDOT's FTA ARRA grant reports. FTA Region One has provided in an e-mail dated November 5, 2012, support for the department's reporting.

Per federal OMB M-10-08, FTA is required to report on Significant Errors or Material Omissions if a report is considered to have not met the standard for transparency by providing sufficient information for the public to discern the grant's purpose and activities. ConnDOT has not been informed of the need for such action by FTA in connection with our reporting.

In the FY2012, ARRA Review Draft Report of October 2012 conducted by a consulting firm under the authority of FTA Region 1, no findings were cited. Unless instructed by FTA to change our current reporting format, no further revisions will be made. "

Auditors' Concluding Comment:

Recovery.gov is a website available to the public for viewing how ARRA funds are spent. The public does not have access to view DOT's reports on FederalReporting.gov.

FTA's website contains "Tips for Successful 1512 Reporting." One of the tips is to report awards to vendors (contractors) when the total payments to vendors are more than $25,000 on the separate tab for vendors.

Clarification of M-10-08 Guidance states all vendor payments must be reported. Vendor payments greater than $25,000 must be reported separately with either the DUNS number or the vendor name and the zip code of the vendor's headquarters.

Our review of the final report of the consulting firm did not indicate that it reviewed DOT's ARRA reports on www.Recovery.gov. This report did not indicate that it disagreed with our finding, but did note deficiencies in federal financial reports, and deficiencies in the procurement process. The method of reporting by DOT denies the public the transparency intended by ARRA.

III.B.2. Matching

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, 2012
Federal Project Numbers: CT-05-0107
State Project: DOT03020007CN

Background: Funding provided by FTA features a degree of flexibility for pairing state projects with federal projects. Within the terms of a federal grant, funding may be provided for more than one state project and a state project may be funded, in whole or in part, by more than one federal grant.

Criteria: The federal share of allowable costs for projects is established in the grant agreement between the State Department of Transportation (DOT) and the FTA. Grant CT-05-0107 provides for 80 percent federal funding for the covered projects, with the state matching 20 percent.

Condition: During the audited period, DOT neglected to properly allocate the federal and state share of various expenditures for project DOT03020007CN. In our review of 40 expenditures charged to various FTA grants, we found that five expenditures totaling $1,167,025, for the above-referenced project, were part of a billing transaction totaling $7,548,919 that was split between two FTA grants. The department billed $4,878,570 to grant CT-96-0004, which provides 100 percent federal funding, and $2,670,349 to grant CT-05-0107. However, DOT charged all expenditures to these two grants at 100 percent, when grant CT-05-0107 allows for only 80 percent federal funding.

Effect: DOT overbilled the FTA $534,070, which represents the state's 20 percent share of expenditures totaling $2,670,349 that were billed to grant CT-05-0107.

Cause: The department neglected to modify billing rates in Core-CT when it transitioned project billing from grant CT-96-0004 to grant CT-05-0107.

Recommendation: The Department of Transportation should make an adjustment to correct the overbilling on grant CT-05-0107 and establish internal controls to ensure that DOT bills project expenditures at the established rates when transitioning from one FTA grant to another.

Agency Response: "The department agrees with the finding and has included the credit of $534,069.79 on invoice FED40641 dated February 20, 2013 for Grant CT-05-0107. This invoice was submitted to FTA (Message 3052150123) on February 21, 2013. Payment was received from FTA on February 22, 2014 signifying the return of funds.

The department's Federal Billing Unit has put in place new procedures, effective February 20, 2013, for managing Day 1 and Day 2 over limit transactions to ensure that the pro rata is confirmed before the over limit process is begun. The new procedures also require follow up queries to ensure that the correct billing transactions were created and that the billing amount is accurate.

The new over limit confirmation record will be signed off by the employee indicating that all steps were performed. The over limit transaction will be added to the FTA attestation checklist prior to submission of invoices to FTA. A copy will be maintained with the billing and also placed in the grant folder upon the payment of the invoice by FTA."

III.B.3 Allowable Costs – Construction Orders

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, 2012
Federal Project Number: 0951(196)
State Project: DOT01380221CN

Criteria: Payments from federal grant awards should be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the government unit. DOT's Construction Manual "outlines the organization, policies and procedures of the Department in administering construction contracts from their execution to completion, and serves to clarify and unify construction procedures and practices." According to the construction manual, progress payments are made to a contractor for work under contract on the "payment estimate" and must include payment for work completed up to and including the ending date of the estimate period. A "payment estimate" is a document that summarizes actual costs for each line item to be paid for a particular period. Documentation includes original quantity to be purchased based on original contract values, the associated item number and a unit price per item. The estimate quantity used is shown both for the current estimate and in total for all estimates to date. In addition, a revised estimate quantity is also shown which is based on any change orders that have been processed. The term change order is used interchangeably with the term construction order. Chapter 8, section 1-800 of the construction manual states that construction orders are "issued to authorize changes to the contract" and are utilized to make increases or decreases in quantities in the contract. The construction order must be processed for there to be approval of the change.

Chapter 9, section 1-906 of the construction manual states that payments for contract overruns that are not the result of a change in the contract, may be made without a construction order in place provided that there are sufficient funds available, the cumulative increase for the item is not greater than 25 percent of the original estimated quantity, and the item overrun will be incorporated by construction order or be contained in a draft pending a construction order before the next progress estimate payment.

Condition: We reviewed several line items from three estimates for project DOT01380221CN. We reviewed the estimated numbers for one paid on November 1, 2011, four paid on November 10, 2011, and six paid December 23, 2011. We found that the quantity paid for several items was more than the original estimated quantity per the contract and would have required a change order; however, no change order had been processed as of February 14, 2013. The following items required a change order:

- Item 0653001, Clean Existing Catch Basin, original estimate 24 – as of estimate number 6, quantity of 77 paid to date (exceeded 25 percent of the original estimated quantity);
- Item 0507721, Reset Type C-L Catch Basin, original estimate 1 – as of estimate number 6, quantity of 2 paid to date (exceeded 25 percent of the original estimated quantity); and
- Item 0824052, Remove Existing Concrete Barrier Curb, original estimate 1600, quantity of 1809.70 paid to date (the item overrun was not incorporated in a change number before the next estimate payment.

Effect: DOT is not in compliance with policies and procedures of its construction manual. For item 0653001, the amount paid above the estimate amount was $6,625 at a unit cost of $125. For item 0507721, the amount paid above the estimate amount at a unit cost of $550 was $550. For item 0824052, a change order was not completed in a timely manner. The additional cost for the quantity over 1,600 was $8,388.

Cause: DOT did not believe that it had to complete a change order because these overruns did not meet the $25,000 threshold for minor item cost adjustments.

Recommendation: The Department of Transportation should improve its procedures to ensure that change orders are processed in accordance with its construction manual.

Agency Response: "The department agrees with this finding regarding the following construction items for Project No. 138-221, Milford/Stratford, Moses Wheeler Bridge:

Item 0653001 – Clean Existing Catch Basin
Original Quantity: 24
Revised Quantity: 100

Item 0507721 – Reset Type C-L Catch Basin
Original Quantity: 1
Revised Quantity: 11

These item overruns are included on Construction Change Order No. 17 for approval by February 27, 2013. The revised quantity includes both current payments and anticipated quantities.

The department agrees in part with the finding regarding Construction Item 082405, Remove Existing Concrete Barrier Curb also for Project No. 138-221, Milford/Stratford, Moses Wheeler Bridge. The original quantity is 1600 and the revised quantity is 1492.70. The item overrun was corrected on February 19, 2013, on DWR No.548D and included on Pay Estimate No. 35. There is currently no quantity overrun.

The CE&I staff and department staff have been reminded of the department's policy on the timely completion of construction change orders and the requirements that must be met prior to making construction item payments."

III.B.4. Allowable Costs/Cost Principles – Documentation for Payments Made

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, 2012
Federal Project Number: 000R(723)
State Project Number: DOT01703151CN

Background: DOT hired a contractor to provide disaster debris management services (removal) and debris monitoring services through the use of a state Department of Administrative Services (DAS) contract. The removal contractor was hired to remove trees and hazardous limbs along the state's right of way after storm Alfred. The monitor was hired to perform monitoring services of the removal of trees and debris as well as monitoring the collection and hauling of debris to various disposal sites throughout the state.

The DAS contracts required the use of a debris load ticket which included the geographic location of the work performed, contractor information including the truck number and driver name, the debris area, the debris loaded on the truck, information detailing the departure of the truck from the loading area to the disposal site, and authorizations from field monitors at both the loading and disposal site. The contract also allowed for the use of an automated debris management system for managing load tickets and the accounting for information on these tickets. The monitor was allowed to use load tickets it created to document debris collection from the debris area and the transportation to the disposal site. A unit rate ticket was used to document the removal of hazardous limbs and trees. Some of the items included a unit count, measurement, start and end time and date, and the location of the debris removal by using GPS coordinates and the street name.

Criteria: The Office of Management and Budget (OMB) Circular A-87 includes factors dictating allowable costs. For a cost to be allowable under federal awards it must meet the following general criteria:

- Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.
- Be adequately documented.

The federal aid project agreement between FHWA and DOT for the statewide storm event known as Alfred states that costs will be reimbursed for cleanup along federal aid roads.

FHWA notified DOT Commissioner James P. Redeker by letter dated December 8, 2011, that the location of the highway should be documented to determine whether work is related to the first pass or the second pass on that particular highway. FHWA agreed to pay for all costs for the first pass.

The contract award for debris removal services states that, for the removal of hazardous limbs (hangers), payment is $195 each.

The contract award states that "payment for debris hauled will be based on the quantity of debris hauled in truck measured cubic yards or units as identified in the cost schedule and the distance hauled depending on where the debris is taken. Debris hauled to a temporary debris storage and reduction site (TDSRS) or final recycling or disposal facility will require a validated load ticket. Drivers will be given load tickets at the loading site by the state or by its' designated agent."

The load ticket to be used for trees and limbs is the Unit Rate Ticket.

Condition: We reviewed five invoices for this project. Three of our five sampled invoices included 35,905 load tickets used for this project. The other two invoices contained 4,285 load tickets for debris removal. We reviewed a total of 41 load tickets from our five sampled invoices: 11 were for hauling debris and 30 were for the removal of trees and tree limbs. We found that GPS coordinates on the load tickets did not agree with the location named for two of the 11 load tickets (19 percent) for hauling debris and for four of the 30 load tickets (14 percent) for tree and tree limb removal. We could not read the GPS coordinates for one of the 30 load tickets (4 percent). We also found that the contractor's name was illegible on 10 of the 30 load tickets (34 percent) for tree limb removal.

We were unable to determine in our initial review of the 30 load tickets that charges for limb removal were on a per-tree basis or on a per-limb basis. Our review found load tickets showed a unit amount of one. Contract pricing for this unit is $195. We noted that for these tickets, only one measurement was provided. For example, ticket 7615693 showed one unit with a three inch diameter. It could not be determined if all the limbs for that ticket were of three inch diameter or if only one limb that had a three inch diameter was removed. We also noted for this same ticket that the start time was 11:30 and the end time was 11:35 leading us to believe that there were not many limbs for this tree. Other tickets reviewed showed a time of one minute, and another three minutes, with the same unit of one and only one diameter measurement. DAS informed us that it clarified with the contractor that the per-limb charge of $195 was for limb removal per tree and not per limb.

Documentation provided by DAS indicated that the number of hazardous limbs could be as much as 25 per tree. We were informed by DAS that it did not inform the monitor of the per-tree clarification. However, that contractor informed us that the load ticket unit of one means per tree and not per limb.

The invoices from the debris removal contractor were submitted to DOT by the monitor along with a memo certifying the accuracy of the invoices. DOT's initial review found various items that needed correction. For example, one invoice was overstated by $372,000. DOT sent invoices back to the monitor for correction. Other errors found by DOT included overbilling for mileage. A DOT employee had found that trucks were driving to a disposal site further than the one authorized for federal billing purposes. However, upon receiving revised invoices, DOT's procedures were to sample only an additional 10 load tickets for review and this review found no exceptions. DOT informed us that it felt this review was adequate since the errors were based on the system that generated the invoices rather than the actual load tickets themselves.

Effect: In the absence of correct GPS coordinates that agree with the street name, we cannot say with certainty that the location of the cleanup was along a state road.

We were unable to determine that hazardous limbs with a unit price of $195 were billed correctly since there was not adequate documentation on hand for us to make that determination. There is only a verbal statement from the monitor that the unit price is per tree and not per limb.

Without performing an extensive review of load tickets, DOT did not obtain reasonable assurance that the load tickets were accurate. We noted that even though the monitor was hired to perform a review, DOT did find errors in the billings reviewed by the monitor and had the monitor correct these errors. However, DOT should have reviewed more load tickets for errors. It is the ultimate responsibility of DOT to ensure that payments to vendors are adequately documented and supporting documentation is properly completed.

Cause: Because of the nature of this work, the FHWA required it to be completed in 180 days. The amount of the cleanup was extensive and at various locations throughout the state. The location of the work was not always adequately documented. While the load ticket may have listed a state-owned road, the GPS coordinates did not appear to be on the state-owned road in some instances. It is possible that the employees were not properly trained in documenting GPS coordinates since one employee had two of the four incorrect coordinates and another employee had the other two incorrect coordinates.

Although the terms were not clearly stated in the contract, it appears that DAS clarified the pricing with the vendor as being per tree instead of per limb. The load tickets used did not provide enough detail for us to determine whether the unit one meant one limb or several limbs on one tree since the measurement on the ticket only included one measurement.

Recommendation: The Department of Transportation should provide adequate documentation for auditors to determine compliance with federal requirements that work is conducted on all state-owned highways on the federal-aid system. Payments on invoices from vendors should show contract requirements. Load tickets, or other documentation used to support invoices, should provide adequate information to determine whether the amount charged is correct.

Agency Response: "The department does not agree with this finding.

Snow storm Alfred struck Connecticut on October 29, 2011. As a result of the severe tree damage sustained throughout the state, the DAS Disaster Debris Management Services (08PSX0027) and Disaster Debris Monitoring Services (08PSX0028) contracts were activated. The Interagency Debris Management Task Force (IDMTF) was also activated and began daily conference calls that included numerous state agencies as well as representatives from the removal contractor and the monitor. Immediately following the storm, the Department of Transportation began damage assessments. As a result of the early assessments, it was clear that the storm had caused damage resulting in an extraordinary number of trees with numerous damaged/hanging limbs that required removal for public safety. Since the original intent of both noted contracts were to respond to a significant hurricane strike to Connecticut, and the damage sustained as a result of snow storm Alfred deviated from what would be expected from a hurricane strike, the contract items were evaluated to determine the appropriateness of assignment of specific tasks to the removal contractor. There were several contract items that required clarification, which included item II. D-1.1.1 "Operations: Removal of Hazardous Limbs (Hangers)". Item D-1.1.1 reads "Contractor shall remove limbs greater than 2" in diameter that are still hanging in a tree and threatening a public use area…," and the contract rate is defined as $195/each. The contract language for several items, including the hanger rate, was discussed in detail during numerous IDMTF conference calls in which the removal contractor & the monitor were represented. The agreed upon interpretation by all agencies involved was that the $195/each rate was to be documented as per each tree, not each limb. This clarification was then documented in an email on November 16, 2011 from Paul Greco (DAS) to Charlene Casamento (DOT), Judy Pahl (DESPP-DEMHS,IDMTF), Diane Duva (DEEP,IDMTF), Wally Lugli (DOT), Robert

Card (DOT), Ralph Dahlgren and John Noble (removal contractor), Ralph Natale (monitor) and Carol Wilson, in which amongst several other contract clarifications, the limb pay item was clarified as follows:

> "Hazardous Trees II. D-1.1.1 Operations: Removal of Hazardous Limbs, the contract has the word "each" and implies a per limb rate but is not clear. Per limb rates are frowned upon with FEMA. Cost for line item is per tree. The range of hangers/limbs can be any quantity of limbs requiring cutting from each tree."

Based on the clarification discussed during the IDMTF conference calls as well as the subsequent email noted above, the limb payment rate was well known by all parties involved, which included the removal contractor as well as the monitor.

Regarding the audited tickets that indicated a single measurement being provided for limb removal work and a short duration for the documented work, the accepted practice of the contractors and the monitors, was that once it was confirmed that any of the removed limbs met the contractual 2 inch diameter threshold, the remaining limbs were not required to be documented. This was determined to be an acceptable practice since the clarified pay item was $195 per tree regardless of whether there were one or twenty-five limbs requiring removal on any one tree.

The Department's participation in the state's Interagency Debris Management Task Force (IDMTF) spans a number of years. As part of the task force, the department helped to develop the framework for the financial processes related to the state's Debris Removal and Monitoring contracts. One of the major goals in the development of the financial framework was the requirement to establish a system that provided adequate documentation for the work being performed. There were two key components of that system; load tickets that identified the work performed and adequately supported contract price schedules, and oversight of the debris removal work by an independent monitoring firm. The load tickets used for storm Alfred are a multipart form which quantify the specific work performed and identify the monitor's name. The debris removal firm ultimately uses the load ticket information to compile and submit their invoice to the monitoring firm identifying the amounts billed by load ticket. The monitor's role in addition to providing on site monitoring is to review each invoice to determine if the individual load ticket information submitted by the removal contractor agrees with the load ticket copies the monitor has in its possession. Only after discrepancies are corrected, are invoices submitted to the state for payment. This system of cross checking combined with the fact that in the field removal crews were directed by department personnel to work on specific state roads, resulted in a system that had a very low risk with regard to billing for work that was not related to debris removal on federal aid roadways.

The department performed significant reviews on each invoice submitted for payment. Reviews included load ticket sampling, verification that all unit prices billed were in compliance with contract price schedules, electronic verification ensuring no duplicate billings of load tickets, and numerous emails and phone calls with the vendors requesting additional information. Throughout this process we found minimal control issues surrounding the billings. Copies of load tickets were supplied for every sample requested and although some global issues were identified, they were corrected prior to payment. The one issue of concern related to load ticket documentation was identifying location. The load ticket contains two areas to support location; Street/Load Origin box, and a notes area that generally contained the GPS coordinates.

In every sample tested by the Department the written location identified a state road, but in some cases the GPS coordinates were difficult to identify. In most cases, including all of the samples identified in this finding, further review of the coordinates provided support to the written location. Sometimes the coordinates were just off by one digit, and in other cases they were listed in degree, minutes and seconds format verses decimal degrees. The department did not verify the sub-contractor name as part of the review process because it did not have a bearing on the validity of the billing considering the process described above.

With regard to the overstated invoice of $372,000 referred to in the finding, that amount was not an overstatement, but actually the amount calculated by the department as being withheld until additional documentation was provided. This issue was not directly financial, but operational. A review of the invoice in question demonstrated a larger than expected percentage of load tickets billing for debris hauled more than 15 miles. Discussions with the vendors revealed that although load tickets were completed correctly, in one location some of the sub-contractors had been inadvertently directed to haul debris to the wrong temporary debris storage site. In some cases this brought the mileage over the contractual 15 mile limit resulting in a higher requested reimbursement. When this issue was identified the vendor immediately performed an extensive review of all load tickets in that area, reducing the mileage in cases where a closer temporary debris storage site may have been available. A revised invoice was submitted to the department, additional sampling was performed, and no variances were identified. The vendor was then paid for the revised invoice total reduced by the previous partial payment.

In summary, the department believes its thorough understanding of the debris management operation contract, in addition to its continuous oversight of field operations as well as daily communications with all parties involved ensured compliance with all state and federal requirements. The department also believes its thorough understanding of the debris management operation and accompanying financial system combined with its extensive reviews of each invoice did provide adequate support for the amounts paid, and was in compliance with all state and federal requirements."

Auditors' Concluding Comment: As of March 11, 2013, we have not received all supporting documentation regarding the monitor's procedures for completing load tickets. Further, we were not provided with the email dated November 16, 2011, referenced in the agency response, concerning the clarification of the contract rate for the removal of hazardous limbs. We initially obtained clarification from DAS, however, no indication was made that the monitor was formally made aware of the clarification. Without adequate documentation of the standards for preparing the load tickets, to which all parties should be held accountable, we cannot rely on the agency's oral representation that the load tickets were prepared accurately and the limb payment was well known by all parties.

The department's policy was to perform a sample review of only 10 load tickets per invoice. Each invoice was supported by thousands of load tickets. We dispute that this constitutes a significant review, especially given that the original invoice submitted and recommended for full payment by the monitor was not accurate or complete.

III.B.5. Equipment and Real Property Management

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, 2012
Federal Project Numbers: Unknown
State Project: Not applicable

Background: Federally funded equipment owned by DOT that is no longer needed or obsolete must be transferred to the Department of Administrative Services to be auctioned in accordance with state law and procedures. DOT's Asset Management Unit creates a disposal request which specifies which account the proceeds from the sale of the equipment should be deposited. The funds are to be deposited in accounts for designated for transportation purposes. DOT receives a surplus sales deposits report from DAS. This report should be reconciled with the initial disposal request to assure that funds are received for assets sold and are properly deposited in the correct DOT accounts.

Criteria: OMB Circular A-133 requires that a state use, manage and dispose of equipment acquired under a federal grant in accordance with state laws and procedures. Proceeds from the sale of federally funded equipment should be used for transportation related activities. It is important for DOT to follow-up on this since it is DOT's responsibility to assure that proceeds from these sales are used for transportation purposes.

Condition: We found that proceeds of $7,400 from the sale of federally funded equipment were not deposited into the DOT account specified in DOT's disposal request. DOT informed DAS to deposit the funds into the Infrastructure Improvement Fund, so that the funds could be used for transportation purposes. Instead, DAS deposited the funds into the General Fund. No reconciliation was performed by DOT to ensure the proper depositing of funds.

Effect: DOT was not aware that these funds were not deposited into the correct fund. As a result, these funds would not be used for transportation purposes.

Cause: It appears that controls are inadequate to provide for follow-up by DOT as to the disposition of funds received from the sale of federal assets.

Recommendation: The Department of Transportation should improve controls over the sale of federally funded assets to ensure that the proceeds from these sales are used for transportation purposes.

Agency Response: "The department agrees with this finding. As stated in the audit, the Department of Administrative Services did not deposit the proceeds from the April 28, 2012 vehicle auction into the funding string provided by the department. It doesn't appear that the internal reconciliation process was performed by Asset Management as required. These internal controls will be modified to require a signature, date of completion, and any subsequent action taken."

III.B.6. Reporting - Federal Funding Accountability and Transparency Act Reporting

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, 2012
Federal Project Numbers: Various
State Project: Various

Criteria: Sub-award data is required to be reported in the Federal Funding Accountability and Transparency Sub-award Reporting System (FSRS). Data input into FSRS by DOT is uploaded into USASpending.gov, the publicly available website for reviewing sub-award information. Several key data elements are required to be reported for compliance with the Transparency Act. These key elements are the sub-award date, sub-awardee DUNS number, amount of sub-award, sub-award obligation/action date, date of report submission and sub-award number.

The sub-award obligation and action date is defined as the date the sub-award agreement was signed.

Condition: We tested ten reports from FSRS. From these reports, we obtained the federal award number and reviewed what was reported on USASpending.gov to determine if the key elements were correct. We obtained the federal-aid and sub-award agreements for these awards. We added six additional reports to our review since the total in the federal-aid agreement may have had more than one report from FSRS. We found that the sub-award obligation and action date was incorrect in all of the USASpending.gov reports. DOT used the federal-aid agreement date instead of the date the sub-award agreement was signed.

Effect: Users of USASpending.gov are not provided with accurate information.

Cause: It appears that DOT was not aware that it was using the incorrect date for the date of the sub-award obligation/action date.

Recommendation: The Department of Transportation should correct the sub-award obligation/action dates for all awards reported in order to comply with the Federal Funding Accountability and Transparency Act.

Agency Response: “The department agrees with this finding in part.

The department has consistently reported the federal-aid agreement authorization date as the sub-award obligation/action date. Based on the limited instruction materials provided by FHWA, the department believed that the authorization date for the federal aid agreement was the correct date, as it represented federal funds being obligated on a local project.

In a letter dated October 8, 2010, to Commissioner Parker from the FHWA Connecticut Division Administrator, regarding the new Transparency Reporting requirements, the following direction was provided:

> For example, a state administered FHWA project, the prime awardee would be the Connecticut Department of Transportation (CTDOT). There would be no sub-awardee. In the case of a locally administered project, the prime awardee would be the State of Connecticut DOT and the sub-awardee would be the local municipality. An award is considered to be made when the money is obligated by FHWA.

In this directive from FHWA it appeared to be saying that both prime awards and sub-awards were considered made when the money was obligated by FHWA – which is the authorization date on a federal aid agreement in FMIS.

Based on that direction, the department believed it was correct in using the federal authorization date as the sub-award date.

If the department started using the date an agreement is executed with a town as the sub-award date, it would not be reporting on that sub-award until the month after the agreement is executed, which is often many months after the federal agreement is authorized. It is unclear what date would be used for the sub-award date when a project is being modified to add additional funds, as the agreement between the town and state is not always modified at that time. The department requested that our FHWA Division Office review this issue and confirm their agreement with using the date that the Town-State agreement is executed, and also provide direction on how to handle modifications to sub-awards."

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 (CFDA # 17.260, 17.277, 17.278)
Federal Award Agency: Department of Labor
Award Years: Program Year 2010-2011, Federal Fiscal Year 2011-2012
Federal Award Numbers: AA-21386-11-55-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) imposed 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 subaward 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. The memoranda also required reporting key data elements, including the subaward obligation/action date, which is the date the subaward agreement was signed.

Condition: Our review for the fiscal year ended June 30, 2012, disclosed that the department did not report subaward data as subawards were made which is required by the Transparency Act, and did not develop procedures to collect and report subawards as also required by the Transparency Act. After our auditors requested to review subaward documents, the department reported subawards totaling $22,988,432. These subawards were reported from four to twelve months late. In addition, we noted that in all five instances, the department reported the subaward obligation/action date incorrectly.

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

Cause: There was not an appropriate assignment of responsibility or delegation of authority for subaward reporting decisions during fiscal year ended June 30, 2012.

Recommendation: The Department of Labor should develop and implement procedures for reporting subawards to ensure compliance with the Federal Funding Accountability and Transparency Act.

Agency Response: "We agree with this finding. A staff person has been assigned the responsibility to report subaward data under the Transparency Act following the month the subaward was made. In regard to the subaward obligation/action date being reported incorrectly, the WIA Administration Unit now understands this should be the full execution date of the contract and will report the correct date moving forward."

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)
WIA Dislocated Workers (CFDA # 17.278)
Federal Award Agency: Department of Labor
Award Years: Program Years 2008-2009, 2009-2010, 2010-2011, Federal Fiscal Years 2008-2009, 2009-2010, 2010-2011, 2011-2012
Federal Award Numbers: AA-18630-09-55-A-9, AA-20185-10-55-A-9, AA-21386-11-55-A-9 and EM-18072-09-60-A-9

ARRA - Workforce Investment Act (WIA) Dislocated Workers National Emergency Grant (CFDA #17.260)
Federal Award Agency: Department of Labor
Award Years: Federal Fiscal Year 2008-2009
Federal Award Number: EM-20481-10-60-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 accrued expenditures and total cumulative administrative expenditures charged to statewide activities. In addition to quarterly reports, a closeout report is required to be submitted no later than 90 calendar days after the grant end date.

Condition: Our review of the ETA-9130 financial reports for the quarter ended June 30, 2012, revealed that the Department of Labor overstated total cumulative administrative expenditures by $1,773,819 and understated total cumulative accrued expenditures by $20,883. We also noted that the department submitted one closeout report approximately six months after the required deadline.

Effect: There is non-compliance with U.S. DOL financial data reporting instructions. Although the financial reporting errors 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 and delayed reporting of 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 level instead of the actual administrative expenditures incurred.

The department does not have adequate procedures in place to ensure accuracy and timeliness 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. WIA fiscal staff assigned to report quarterly on the ETA-9130 has been instructed and trained on how to correctly compile actual expenditures instead of maximum expenditures. In addition, the WIA Administration Unit has developed written policies and procedures 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 (CFDA # 17.278)
Federal Award Agency: Department of Labor
Award Years: Program Years 2009-2010 and 2010-2011, Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: AA-20185-10-55-A-9 and AA-21386-11-55-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, 2012, revealed that the Department of Labor provided seventeen cash advances to two WIBs in excess of immediate cash needs, totaling $1,895,313. We noted that the majority of funds advanced had not been disbursed by the WIBs from over two weeks to six months after the cash advances were made.

The department does not have procedures in place to ensure that interest earned on excess cash advances to subgrantees is being reported by the subgrantees to the department.

Effect: The federal government incurs interest costs when money is advanced to subgrantees before the subgrantees 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 subgrantees for the Workforce Investment Act program.

Agency Response: "We agree with this finding. The WIA Administration Unit's financial staff will submit a Cash Management Policy memorandum to the five Workforce Investment Boards (WIBs) 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 [Employment and Training Administration]. The memorandum will reiterate that requests for cash advances will only be considered for transactions that occur between the period of the request and the receipt of funds 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. Earmarking

Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)
WIA Dislocated Workers (CFDA # 17.278)

Federal Award Agency: Department of Labor
Award Years: Program Year 2010-2011, Federal Fiscal Year 2011-2012
Federal Award Numbers: AA-21386-11-55-A-9

Criteria: Public Law 105-220, the Workforce Investment Act (WIA) of 1998, Section 133(b)(4), as amended by Public Law 108-7, authorizes workforce investment boards, with the approval of the Governor, to transfer up to 30 percent of adult activities funds to dislocated workers activities and up to 30 percent of dislocated workers activities funds to adult activities. Per the State Workforce Investment Plan, the Governor has designated the Connecticut Department of Labor as the administrative entity for purposes of WIA administration. The department distributes all regularly issued state guidance to local workforce investment boards.

The department's Administrative Procedure Memo 01-04, *Allowable Transfer of WIA Title I Funds*, states that the department governs the transfer of funds and that the department shall approve or disapprove a workforce investment board request for the transfer of funds within 30 days of receipt of the request. The policy states that if no action is taken within the 30 day period, the request is deemed to be approved.

Condition: Our review revealed that the department did not approve one workforce investment board request to transfer funds totaling $340,000 from WIA adult activities to WIA dislocated worker activities and that the workforce investment board transferred the requested funds before the 30 day period.

Effect: Funds may be transferred without proper justification or beyond required limits. Transferred funds may be used for unallowable activities.

Cause: The department did not properly monitor the Workforce Investment Board's transfer of funds.

Recommendation: The Department of Labor should strengthen internal controls to ensure compliance with U.S. DOL earmarking requirements regarding the transfers of funds.

Agency Response: "We agree with this finding. The Department's WIA Administration Unit agrees that the "no action….deemed approved" clause does not meet federal requirements of WIA Section 133(b)(4) which requires approval from the Governor. The WIA Administration Unit will revise current policy AP 01-04 Change 1 to remove the "no action….deemed approved" clause by February 28, 2013. A local area request to transfer funds will be approved or disapproved within thirty (30) days of receipt of the request and all necessary supporting documentation."

III.C.5. Activities Allowed Unallowed – Contracts

Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)
WIA Youth Activities (CFDA # 17.259)
WIA Dislocated Workers (CFDA # 17.278)
Federal Award Agency: Department of Labor
Award Years: Program Year 2010-2011, Federal Fiscal Year 2011-2012
Federal Award Numbers: AA-21386-11-55-A-9

Background: The Department of Labor enters into contracts with Workforce Investment Boards (WIBs) for the award of WIA funds. In part, each contract includes a purpose, implementation plan, and budget along with requirements, terms, conditions, assurances, and certifications. Contracts are normally signed by the WIB, the Commissioner of the Department of Labor, the Business Management Unit in the Department of Labor, and the Attorney General.

Criteria: Public Law 105-220, the Workforce Investment Act of 1998, Section 184(a)(2) requires that each state receiving funds comply with the Office of Management and Budget Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, which includes factors affecting whether costs are allowable. Allowable costs, under federal awards, must be adequately documented.

Condition: Our review revealed that the department paid eight requests for payment totaling $1,521,954 to one Workforce Investment Board prior to the contract being completed with an approved budget and prior to signature by the Business Management Unit of the Department of Labor and the Attorney General.

Effect: The department could make payments for expenditures that may not be for allowable activities.

Cause: We were informed that the former commissioner signed the contract to allow a ten percent advance of funds while the department's WIA Unit worked with the WIB to resolve outstanding contract issues, such as the proposed use of funds and budgeted line items that were not in compliance with federal regulations and budgeted costs that could not be adequately traced through the indirect cost structure. However, the WIA Unit continued to approve the WIB's requests for payment beyond the ten percent advance. The department's WIA Unit eventually came to agreement with the WIB approximately five months after payments on the contract began.

Recommendation: The Department of Labor should strengthen internal controls by ensuring that contracts for the administration of the Workforce Investment Act program are complete prior to making payments.

Agency Response: "We agree with this finding. An exception should not have been made to allow a payment to be processed for a WIA sub-grantee prior to the grant agreement being finalized and executed. The action was intended to ensure that WIA employability services would continue to be delivered, without disruption, to those being served while lengthy negotiations concerning outstanding budgetary issues were being concluded. When these budgetary issues continued to be unresolved for additional months, follow-up payments were authorized to the WIA sub-grantee. In order to ensure that this does not happen again, all of the WIA sub-grantees are being notified that cash advances or payments of any kind will not be processed until the grant agreements have been signed and are fully executed. In addition all program and business office staff have been instructed not to enter any contracts into Core-CT until the final executed agreement is fully approved."

III.C.6. Performance Reporting – ETA-9091 WIA Annual Report

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)
WIA Dislocated Workers (CFDA #17.278)
Federal Award Agency: Department of Labor
Award Years: Program Years 2008-2009 and 2009-2010, Federal Fiscal Years 2009-2010 and 2010-2011
Federal Award Number: AA-18630-09-55-A-9, AA-20185-10-55-A-9, EM-18928-09-60-A-9, EM-18072-09-60-A-9 and EM-18566-09-60-A-9

ARRA – Workforce Investment Act (WIA) Adult Program (CFDA #17.258)
ARRA – WIA Youth Activities (CFDA #17.259)
ARRA – Dislocated Workers and National Emergency Grants (CFDA #17.260)
Federal Award Agency: Department of Labor
Award Years: Program Year 2007-2008, Federal Fiscal Year 2008-2009
Federal Award Numbers: AA-17112-08-55-A-9 and EM-20481-10-60-A-9

Criteria: The Department of Labor is required to submit an ETA-9091, *WIA Annual Report*, to the U.S. Department of Labor. The Employment and Training Administration (ETA) of the U.S. Department of Labor is responsible for issuing guidance for the ETA-9091, *WIA Annual Report.*

Training and Employment Guidance Letter (TEGL) No. 3-03, *Data Validation Policy for Employment and Training Programs*, requires states and grantees to validate data submitted to the ETA to ensure the accuracy and reliability of reported information. The ETA data validation requirement consists of two parts. The first part is report validation, which evaluates the validity of aggregate reports submitted to the ETA by checking the accuracy of the reporting software used to calculate the reports. The second part is data element validation, which assesses the accuracy of participant data records by reviewing samples of participant records against source documentation to ensure compliance with federal definitions.

Per TEGL 3-03, the ETA has validation software that is available for states and grantees to use to validate data. The ETA software can be used to generate the aggregate information required in reports submitted to the ETA. States and grantees that use the software provided by the ETA to generate this aggregate information are not required to perform report validation. States and grantees may use an alternative methodology and tools if the methodology meets criteria for sampling and confidence intervals. States and grantees that do not use the validation tools provided by the ETA are required to document that the alternative methodology is statistically valid.

The ETA WIA Data Reporting and Validation System User Handbook explains that after a data element has been validated, it is rated with either a pass or fail to indicate that the data element either passed or failed validation.

TEGL No. 27-10, *Program Year 2010/Fiscal Year 2011 Performance Reporting and Data Validation Timelines*, requires states to submit WIA Standardized Record Data (WIASRD) files no later than September 15, 2011; complete report validation prior to submitting the WIA Annual Report, which is due no later than October 3, 2011; and submit data element validation no later than February 1, 2012.

The Workforce Investment Act (Public Law 105-220) Section 136(h) requires sanctions for a Workforce Investment Board's (WIB's) failure to meet performance measures. Sanctions for the initial year of failure include providing technical assistance. If such failure continues for a second consecutive year, the sanctions include corrective actions, which may include the development of a reorganization plan that may require the appointment and certification of a new WIB, prohibit the use of eligible providers, or take other actions as determined appropriate.

Condition: Our review of the department's performance reporting practices disclosed that the department does not have formal written procedures in place to explain how to compile performance reporting data.

Our review of the department's data element validation for program year 2010 revealed that the department entered all results of participant wage validation as "pass" into the ETA software, even though the department did not validate any participant wage data elements.

Our review of the program year 2010 WIA Annual Report as submitted on October 3, 2011 to the U.S. Department of Labor and posted on the department's state website disclosed the following:

- Data tables A through N, which contain participants' education, earnings and employment information, were incorrectly reported with the prior year's performance data instead of the current year's performance data.
- The actual performance level of the entered employment rate for dislocated workers in table O for one Workforce Investment Board was incorrectly reported as 7,408 percent instead of 74.8 percent.
- Two actual performance levels and statuses for the younger youth in table O for one WIB were incorrectly reported as follows:

Measurement	Negotiated Performance Level	Actual Performance Level	Status
Credential/Diploma Rate	66.8%	65.8%	Met
Skill Attainment Rate	85.0%	84.4%	Met

The data should have been reported as calculated from the ETA software as follows:

Measurement	Negotiated Performance Level	Actual Performance Level	Status
Credential/Diploma Rate	66.8%	18.4%	Not Met
Skill Attainment Rate	85.0%	51.8%	Not Met

Since the department reported data that was not supported by the ETA software, the department was required to, but did not document that the alternative methodology used for the two actual performance levels and statuses was statistically valid or met the criteria for sampling and confidence intervals.

On October 21, 2011 the ETA contacted the WIA program manager to inquire about deviations between the data tables from the submitted WIA Annual Report and the ETA software that were revealed during a quality assurance check. The WIA program manager informed the ETA that the data tables in the WIA Annual Report were accurate without a thorough review being conducted.

In March 2012, the department conducted a thorough review of the data of the two actual performance levels in table O. On April 4, 2012 the department resubmitted to the ETA and reposted to the department's state website the WIA Annual Report with corrections to tables A through O, which coincided with the original data from the ETA software. In June 2012, the WIA program manager issued a sanction letter to the WIB that did not achieve the two performance measures.

Effect: There is non-compliance with ETA performance data reporting requirements. Inaccurate or misstated performance data could impact future federal and state grant awards, incentives and sanctions.

By manually changing the performance levels in table O, it appeared that one WIB had met or exceeded all performance levels, when the WIB had not met two performance levels for a second consecutive year.

Cause: Although the department corrected, resubmitted and reposted the WIA Annual Report in April 2012, the department does not have adequate procedures in place to ensure accuracy and completeness of performance reporting data prior to the required annual deadline in October.

We were informed that the WIA program manager requested programming staff to manually change two actual performance levels and statuses for one WIB in table O of the WIA Annual Report to levels that were not supported by the ETA software.

Recommendation: The Department of Labor should strengthen internal controls to ensure compliance with ETA performance data reporting requirements.

Agency Response: "We agree with this finding. The WIB met with DOL's newly established Performance and Accountability Unit to discuss the specific issue and relative system errors. Based on this discussion, it was identified the WIB was below 80 percent of the negotiated target levels on two measures in PY [program year] 2010 pertaining to Younger Youth: Credential/Diploma Rate and Skill Attainment. However, the WIB's inability to reach the negotiated performance level for the Younger Youth Credential/Diploma Rate was attributed to miscommunication between the Connecticut Department of Labor's WIA Administration and Performance Units and the WIB. Specifically, the WIA Administration and Performance Units provided technical assistance to the WIB that inadvertently included a misinterpretation of TEGL 17-05. Due to the departure of the lead analyst in the Performance Unit, there was a lack of understanding of the coding that correctly excluded the data. The discovery of this misinterpretation was not revealed until an April 2012 meeting with the agency's newly established Performance and Accountability Unit. It is the belief of the WIA Administration Unit that accurate interpretation of TEGL 17-05 and associated accurate guidance would have improved actual performance in the Younger Youth Credential/Diploma Rate measure for the WIB.

In spite of this singular occurrence, the significant achievements and ongoing improvements the WIB made to its local performance can be attributed to the collaborative efforts of the Connecticut Department of Labor and the WIB. Moving forward, staff from the WIA Administration and Performance Accountability Units will continue to proactively monitor performance of the state's WIBs and to continue to strengthen internal controls to ensure compliance with ETA performance data reporting requirements."

III.C.7. 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

Background: The Benefit Accuracy Measurement (BAM) system is designed to determine the accuracy of paid and denied claims in three major Unemployment Insurance (UI) programs: State UI, Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service members (UCX). State workforce agencies select weekly random samples of UI payments and denied claims. BAM investigators audit these paid and denied claims to determine whether the claimant was properly paid or denied eligibility.

Criteria: Title 20 Code of Federal Regulations (CFR) Sections 602.11 paragraph (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.

The Employment and Training Administration (ETA) Handbook No. 395, 5th edition, provides instructions for states in operating an Unemployment Insurance Benefit Accuracy Measurement system. The handbook requires that a minimum sample size of 480 paid claims per calendar year be selected for review.

Condition: The Department of Labor did not meet the minimum sample size for paid claims during calendar year 2011 by selecting only 468 paid claims for review.

Effect: There is non-compliance with federal instructions requiring an annual minimum of 480 paid claims be reviewed per calendar year. The accuracy of the department's benefit payments cannot be properly evaluated when the required number of claims is not reviewed.

Cause: The sample generated for the department by the Department of Information Technology included claims from programs other than UI, UCFE and UCX, which were not eligible for BAM review. The Department of Labor failed to select additional replacement claims to ensure that the minimum required number of claims was reviewed.

Recommendation: The Department of Labor should strengthen internal controls to ensure that the minimum annual requirement of claims is selected for BAM review.

Agency Response: "We agree with this finding. The BAM unit strengthened its internal controls in regard to selecting the minimum required number of cases to review each year. The cumulative number of cases selected is reviewed each month to ensure that the proper number of cases is selected. The BAM unit selected 489 paid claims for review in 2012 which is in excess of the required 480 paid claims."

III.C.8. Performance Reporting – Trade Activity Participant Report

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: Department of Labor
Award Years: Federal Fiscal Year 2011-2012
Federal Award Number: UI-22266-12-55-A-9

Background: The U.S. Department of Labor uses information from the Trade Activity Participant Report (TAPR) completed by states to establish state funding needs and evaluate the effectiveness of state administration of the Trade Adjustment Assistance (TAA) program under the Trade Act.

Criteria: Training and Employment Guidance Letter (TEGL) No. 6-09 and TEGL 6-09 Change Number 1 include the TAPR Data Preparation and Reporting Handbook, which includes important reporting and record keeping instructions for use by all cooperating state agencies administering the TAA program and related programs financially assisted by the U.S. Department of Labor. The handbook establishes a standardized set of data elements, definitions, and specifications that will be used to describe the characteristics, activities, and outcomes of TAA participants.

The TAA Handbook, Section D – Performance Outcomes, tracks performance-related outcomes for the participant including whether the participant was employed in the first, second, third, and fourth quarter after exiting the program, as well as wage data for three quarters prior to participation, and wage data for four quarters after program exit.

Condition: For the quarter ended June 30, 2012, the department reported information regarding 1,723 TAA participants in the Trade Activity Participant Report. Our review disclosed that for 549 participants who had exited the program, the department reported that the participants were not employed and had no wages in either the first, second, third, or fourth quarters subsequent to exit, when the department should have reported that the information was not yet available. We also noted that for all 914 participants that had not exited the program, the department reported that the participant's data was not yet available and had no wages in the quarters subsequent to exit, but should have left these data elements blank.

Effect: When incorrect information is reported, the administration of the TAA program cannot be effectively evaluated.

Cause: Improper coding is causing the department to report employment and wage data incorrectly when the information is not yet available or when the participant has not exited the program.

Recommendation: The Department of Labor should strengthen internal controls over the preparation of the Trade Activity Participant Report.

Agency Response: "We agree with this finding. The Performance and Accountability Unit will revise the coding for the data elements identified in this audit finding manually to accurately report outcomes for Trade Adjustment Assistance (TAA) program participants and exiters for all future reports. Once a new database is secured and placed into production by the agency to track Trade Adjustment Assistance data, this coding will be automated. The TAA Unit will collaborate with the agency's Performance and Accountability Unit to sample, review, and approve TAA program reports including the TAPR prior to submission to the USDOL."

III.C.9. Reporting – ETA 227 Overpayment Detection and Recovery Activities

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: Department of Labor
Award Year: Federal Fiscal Year 2011-2012
Federal Award Number: UI-22266-12-55-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 instructions for Section E, Aging of Benefit Overpayment Accounts state that the amount to be reported in each benefit overpayment account should reflect the outstanding balance (accounts receivable) at the close of business on the last day of the report period. The sum of Total Accounts Receivable (line 507) must equal the sum Outstanding at the End of Period (line 313).

The U.S. Department of Labor (U.S. DOL) Unemployment Insurance Program Letter (UIPL) No. 8-12 requires key data previously reported on the ETA 9000 regarding fraud overpayments and prosecutions to now be reported as a sub-category under the Fraud Overpayments on the ETA 227 report. Changes include reporting of fraud and non-fraud overpayments exceeding $5,000.

The U.S. DOL UIPL No. 11-09 requires that states report Federal Additional Compensation (FAC) overpayments (established and recovered) 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, 2012, found that the amounts reported in Section E Aging of Benefit Overpayment Accounts were inaccurate for regular UI, Unemployment Compensation for Ex-Federal Government Worker/Unemployment Compensation for Ex-Federal Serviceman (UCFE/UCX) and Extended Benefits (EB). The department's supporting detail included activity that occurred between the last date of the reporting period and July 25, 2012, which was the date that the supporting report was run. In addition, the amounts reported on line 506 of Section E were adjusted for UI and UCFE/UCX without supporting documentation so that lines 507 and 313 would match. For EB, the amounts reported on lines 507 and 313 did not match.

For 11 overpayments in Section A, we vouched the department's supporting documentation to the department's IBM system, which is used to record overpayments. Our review disclosed one overpayment that was not correctly split between UI and EB in Section A, Line 112 (High Dollar Fraud Overpayments).

Federal Additional Compensation overpayment activity was not reported in the comments section of the ETA 227.

Effect: When reports are not properly prepared, the state's integrity efforts cannot be effectively assessed.

Cause: The department's supporting report contained activity that occurred subsequent to the reporting date which caused the reported figures to be incorrect.

One reported high dollar overpayment was not appropriately split between UI and EB due to a programming error.

Federal Additional Compensation was omitted from the report because the department believed such reporting was no longer required.

Recommendation: The Department of Labor should strengthen internal controls to ensure that supporting reports contain correct information and that figures reported on the ETA 227 are accurate and complete.

Agency Response: "We agree with this finding. As described in the U.S. DOL approved business plan, the Department made significant modifications to incorporate multiple mandated overpayment line items for the second quarter 2012 submission. However, due to data errors, additional program changes were discovered and addressed for the third quarter 2012 submission. This project was accomplished over the course of several months of business and technology commitments.

The line items 507 and 313 did not balance due to a programming/calculation error. In addition, an error condition was detected after the second quarter 2012 closed (July 2012). This error included the July overpayment balances in Section E. These two error conditions were corrected for the third quarter 2012 submission and significant accounting/auditing controls are now in place to prevent recurring error(s).

The high dollar fraud overpayment line item contained an error as identified by audit. This was corrected in the third quarter 2012 submission.

The Federal Additional Compensation (FAC) "remarks area" failed to include the amounts. This error condition was a miscommunication, and was remedied upon the State Audit discovery. The quarterly submission(s) were amended to include FAC. This error condition was addressed and significant accounting/auditing controls are now in place to prevent recurring error(s)."

III.C.10. 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 U.S. 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, subsection (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.

Title 20 CFR Section 603.23 paragraph (b) provides 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 U.S. Secretary of Labor, to be productive in identifying ineligibility for benefits and preventing or discovering incorrect payments. Section 31-227, subsection (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 paragraph (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 CFR Section 615.8 paragraph (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 paragraph (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 $16,608 for compliance with federal eligibility requirements. Our sample was comprised of 34 regular benefit payments totaling $8,784, 17 emergency unemployment compensation (EUC) benefit payments totaling $4,631, and nine extended benefit payments totaling $3,193. Our sample was randomly selected from an audit universe of 5,821,370 unemployment checks totaling $1,839,614,452 paid during the state fiscal year ended June 30, 2012, of which $860,818,315 was for regular benefit payments, $799,796,961 was for emergency unemployment compensation benefit payments, $160,601,994 was for extended benefit payments, and $18,397,182 was for other federal benefit payments.

Our review disclosed that for a total of 13 transactions, totaling $3,918, 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 three claimants, 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, because the department was unable to provide us with the paper documentation to support the attestations provided to an agent by phone.
- For one claimant that collected benefits under the EUC program, there was no evidence that an initial EUC application was prepared and submitted.
- For nine claimants that collected benefits under the EB program, there was no evidence that an initial EB application was prepared and submitted, because the department does not have an initial application process in place for claimants filing for extended benefits.
- For seven claimants, there was no evidence that claimants receiving extended benefits provided tangible evidence of a systematic and sustained effort to seek work.
- For one claimant who was identified as earning wages and collecting unemployment benefits in the same quarter, the department's quarterly wage match failed to detect this claimant's employment.

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 has not developed or implemented a process for extended benefit claimants to file initial applications. Although the department implemented procedures 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: "We agree with this finding. Agency personnel are required to document the manual processing of weekly continued claims for which attestations are received verbally from the claimant by telephone. Such documentation is recorded on the electronic message file for the subject claimant. Claims processing personnel were reminded of the need to accurately document the manual processing of claimant's attestations.

The majority of Emergency Unemployment Compensation (EUC) claims are processed via automated self-service applications. The systems capture the claimant's attestations and store them in the database. Claims processing personnel may also accept manual applications for individuals who are not able to utilize the automated system. The personnel are required to complete a written application and file it away for later retrieval. Refresher training will be administered to reinforce the need to properly document all EUC claims. Filing procedures will be reviewed to ensure the ability to retrieve EUC documents as needed.

Insufficient Information Technology resources prevented the agency from implementing a process for Extended Benefits (EB) claimants to submit initial claim applications. Connecticut "triggered off" of EB as of May 12, 2012 and is no longer paying EB. The agency remains committed to remedying this deficiency in the event that Connecticut "triggers on" to EB once again."

III.C.11. Subrecipient Monitoring

Workforce Investment Act (WIA) Adult Program (CFDA #17.258)
WIA Youth Activities (CFDA #17.259)
WIA Dislocated Workers (CFDA #17.278)
Federal Award Agency: Department of Labor
Award Years: Program Years 2009-2010 and 2010-2011, Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: AA-20185-10-55-A-9 and AA-21386-11-55-A-9

Criteria: Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, Subpart D, Section 400(d)(3) provides that pass-through entities shall monitor the activities of subrecipients 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. OMB annually issues a compliance supplement that is based on the requirements and revisions to OMB Circular A-133.

Condition: The Department of Labor provides WIA funds to five subrecipients. The department conducts subrecipient monitoring through site visits that are structured on written monitoring tools, which are based on the OMB compliance supplement. Our review of the department's subrecipient monitoring documentation for the fiscal year ended June 30, 2012, disclosed that the department used monitoring tools that have not been updated in many years.

Effect: The department may not be monitoring subrecipients according to current federal compliance requirements.

Cause: The department does not have adequate procedures in place to ensure that monitoring tools are current with federal compliance requirements.

Recommendation: The Department of Labor should develop procedures to ensure that monitoring tools used for subrecipient monitoring are current with federal compliance requirements.

Agency Response: "We agree with this finding. On January 9, 2013, the Financial Monitoring Tool was revised in accordance with the Uniform Administrative Requirements and specific WIA requirements. Slight revisions to these compliance tools will be made in order for the monitors to use them in their compliance/financial monitoring reviews."

D. DEPARTMENT OF PUBLIC HEALTH

III.D.1. 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 2010-2011 and 2011-2012
Federal Award Number(s): 5H23IP122525-09 and 5H23IP122525-10

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 drawdowns by their sub-grantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.

Title 45 CFR Section 92.21(c) provides that subgrantees shall be paid in advance, provided they demonstrate the ability to minimize the elapsed 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: Our current-period expenditure testing for the Immunization Program found that 20 subrecipients received scheduled contract payments to develop and implement an immunization plan. While the payments to the subrecipients were made in accordance with their contracts, the payments were not timed to the subrecipients' actual immediate funding requirements to carry out the program.

Effect: The department's use of scheduled contract payments to subrecipients does not assure that the elapsed time between the transfer of funds and their subsequent disbursement by the town is minimized. As a result, scheduled payments can differ from than the town's actual immediate funding requirements to carry out the program or project.

Cause: To date, the department 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.

Recommendation: The Department of Public Health should establish policies and procedures that minimize the elapsed time between the transfer of Immunization Program funds and their subsequent disbursement by subrecipients in compliance with federal requirements.

Agency Response: "DPH agrees with this finding. Department of Public Health's (DPH) Immunization and Vaccine Program will institute a new cash management policy and procedure for all sub-recipient contractors. The contractors will no longer receive scheduled contract payments. Rather, payments, including the initial payment after contract execution will be based on a Cash Needs Statement compiled by the sub-recipient and sent to DPH for review. This new process is expected to be implemented by September 1, 2013."

III.D.2. 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: Federal Fiscal Year 2011- 2012
Federal Award Number: 2011IW100344

Criteria: The Treasury-State agreement between the State of Connecticut and the U.S. Treasury requires that funds shall be distributed to 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 Treasury-State agreement, the department is required to reconcile the estimated and actual expenditures to determine the difference between the estimated drawdowns and the actual expenditures.

The state interest liability should be calculated in accordance with the Treasury-State agreement and should use the correct interest rate prescribed by the U.S. Treasury.

Condition: Our current review of cash management for the WIC program noted that the department 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 15 large WIC program subrecipients found that 12 programs received two scheduled contract payments in June 2012 totaling $788,520.

Effect: While the payments to subrecipients were made in accordance with their contracts, the payments were not timed to the subrecipients' actual immediate funding requirements to carry out the program. As a result, scheduled payments can differ from the subrecipients actual immediate funding requirements to carry out the program or project.

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 elapsed time between the transfer of WIC program funds and their subsequent disbursement by subrecipients in compliance with federal requirements.

Agency Response: "DPH agrees with this finding. Effective September 30, 2012, the Department of Public Health (DPH) WIC Program changed its cash management policy and procedures for WIC sub-recipients. The sub-recipients no longer receive payments based on a scheduled date. Rather, sub-recipients are required to submit actual expenditure reports monthly with projections for the following month. The amounts paid are adjusted based on 'cash on hand' and the amount projected."

III.D.3. Subrecipient Monitoring – Financial and Program Compliance Review

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 2011- 2012
Federal Award Number: 2011IW100344

Criteria: Grantees are responsible for ensuring that subrecipients expending $500,000 or more in federal awards during a subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that required audits are completed within 9 months of the end of the subrecipient's fiscal year. Grantees are also responsible for issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to complete the required audits, the pass-through entity shall take appropriate action using available sanctions.

Rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

The costs of audits performed in accordance with, the Single Audit Act, as implemented by Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" are allowable charges to federal grants. Other audit costs are allowable if included in a cost allocation plan or indirect cost proposal, or if specifically approved by the awarding agency as a direct cost to an award.

State agencies must establish an ongoing management evaluation system which includes the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans, the monitoring of the implementation of corrective action plans, and on-site reviews. The on-site reviews of local agencies shall include evaluation of management, certification, nutrition education, civil rights compliance, accountability, financial management systems, and food delivery systems. These reviews must be conducted on each local agency at least once every 2 years, including on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater (Title 7 Code of Federal Regulations Section 246.19(b)).

Condition: We reviewed the department's fiscal and programmatic monitoring of its WIC program subrecipients for the fiscal year 2012. As part of that review, we examined a sample of WIC program subrecipient audit reports, budget revisions, expenditure reports and biennial reviews. Our testing resulted in the following conditions.

Subrecipient Audits:

- The corrective action plan for federal fiscal year 2010 for one local WIC agency had not been received and was significantly past the six month due date.

- The federal fiscal year 2011 Federal Single Audit of one local WIC agency was either incomplete or not available despite several attempts by the department to procure it.

Unsupported Costs:

- One local WIC agency reported rent expenditures for the year that had increased from $22,000 to $64,948 and were approved by the department without evidence that the increased rates were reasonable based upon rental costs of comparable property and market conditions in the area.

- Expenditure details from the subcontractor of one local WIC agency were missing from its September 2012 expenditure report.

- One local WIC agency submitted and received approval for a budget revision request that included additional funding for a subcontractor's audit fees. The department's approval was not accompanied by a justification for the increased costs. At our request, the department subsequently obtained the subcontractor's expenditure detail which showed that total audit costs paid were $24,909. This amount represented more than fifty percent of all non-payroll related costs for federal fiscal year 2012.

- One local WIC agency's expenditure report included wages and fringe benefits for a nutritionist on maternity leave. This represented approximately 30 percent of the reported nutritionist hours for the period. However, there was no evidence that the department evaluated the impact of the reduced nutritionist hours on program effectiveness or whether the maternity leave payments resulted in additional program costs.

Management Evaluations:

- The required administrative review has not been completed for two local WIC agencies. While the site visits were performed, the exit conferences hadn't been held and the corrective action plans had not been submitted for response.

- For one local WIC agency, the required nutrition component of the administrative review had not been completed.

- In four of six local agency administrative site reviews, the assessments by DPH staff did not have any evidence of a supervisory review. For two of those local agencies, exit conferences were held and corrective action was taken without supervisory review and concurrence. In one instance, the finalized report and corrective action request letter was not provided to the local agency until nine months after the site visit was performed.

Effect: The department has not ensured that all subrecipients have met the audit completion requirement of OMB A-133 and taken timely and appropriate corrective action on all audit findings.

In the absence of supporting documentation, the department may have incurred WIC program expenditures that are not reasonable or allowable.

The department is not in compliance with the management evaluation requirement for the WIC program. Also, missing or incomplete management evaluations may subject the department to an increased risk that subrecipient activities are not meeting the objectives of the program.

Cause: The department had not taken appropriate action, including the use of sanctions, to ensure that subrecipients respond to the management decision issued on the audit and take corrective action in a timely and appropriate manner on all audit findings.

The department had not periodically reviewed rental arrangements to determine if circumstances had changed and whether other options were available prior to approving substantial rental rate increases.

The department did not seek justification for other costs when those costs appeared to be unallowable, excessive or unreasonable.

Resource constraints prohibited the department from completing the management evaluations within the two-year time period.

Recommendation: The Department of Public Health should ensure that subrecipients respond to their management decisions in a timely and appropriate manner for all audit findings. Appropriate sanctions should be considered for those subrecipients who demonstrate a continued inability or unwillingness to have the required audits completed or take corrective action.

The department should ensure that a careful review of budget revisions and submitted expenditure reports is performed. Unusual or unreasonable costs should be questioned and appropriate support obtained prior to acceptance and payment.

The department should provide the necessary resources to perform the management evaluations to ensure that subrecipients are meeting the objectives of the WIC program.

Agency Response: "Part I: DPH agrees with this finding. The Department of Public Health WIC Program is instituting a monitoring program that will track required reports of its sub-recipients. The Program Director and the DPH Audit Unit will review the report monthly to determine untimely or non-reporting requirements of its sub-recipients and take the appropriate corrective action. First, the sub-recipient will receive a letter of notification from the Program Director explaining that the sub-recipient is not in compliance with required report due dates. If the sub-recipient does not take action to submit the reports in a timely and appropriate manner, the Program Director will suspend payments until the report(s) are received.

Part II: DPH agrees with this finding. The Department of Public Health WIC Program acknowledges that approvals of all unusual and/or unreasonable costs submitted by sub-recipients must be reviewed in accordance with federal guidelines and a justification by the DPH WIC Program accompany any and all such approvals, which should be filed in the sub-recipients file folder. In the future, all sub-recipients will be required to substantiate all unusual requests and the Program Director will consult with the DPH Fiscal Section and together prepare and sign a justification for the file.

Part III. The DPH agrees with this finding. A reassignment of the duties associated with the site reviews was necessary during the required review period. Unfortunately, the DPH employee responsible for the management evaluations as cited in the findings was on leave from state service for long periods of time and was subsequently separated from state service. Management review of all the administrative site reviews as reported in the findings and required reports were completed by the WIC Program Director and the Nutrition Unit Lead."

III.D.4. Allowable Costs/Cost Principles – Expenditures Claimed

Child Care and Development Fund Cluster (CCDF), (CFDA #93.575 and 93.596)
Federal Award Agency: United States Department of Human Services
Award Year: Federal Fiscal Years 2010-2011 and 2011- 2012
Federal Award Number: G1201CTCCDF

Background: The Department of Social Services (DSS) has been designated as the lead agency to administer the Child Care and Development Fund Cluster **(**CCDF) in accordance with Title 45 Code of Federal Regulations (CFR) Part 98, Section 10.

Title 45 CFR Part 98 Section 13 provides that DSS submit a CCDF plan. In accordance with the plan, child care licensing and enforcement personnel are supported by the state Department of Public Health (DPH) to conduct inspections to insure basic health and safety standards are met. DSS claimed costs incurred by DPH for licensing support services totaling $3,505,410 for the fiscal year ended June 30, 2012.

Criteria: In order for the expenditures claimed by DPH to meet the requirements of the CCDF and be eligible as matching funds, the activities performed must be allowable. Title 42 United States Code Section 9858c(c)(3)(B) defines an allowable activity as an activity that the state deems appropriate to promoting parental choice, providing comprehensive consumer education information to help parents and the public make informed choices about child care, providing child care to parents trying to achieve independence from public assistance, and implementing the health, safety, licensing, and registration standards established in state regulations.

Therefore, when expenditures are claimed for the CCDF, DPH must verify that all expenditures are for allowed activities or allowable costs.

Condition: We reviewed the quarterly expenditure reports prepared by the department to determine whether only allowable costs were claimed. Our review found the following conditions:

- One employee had $63,341 of salary and fringe benefits included in two quarterly expenditure reports (totaling $1,861,221) submitted to the Department of Social Services. However, our review found that the employee performed no activities related to child care program.

- DPH also included non-program related activity costs for two employees in the amount of $12,848 in one quarterly expenditure report (totaling $970,047) submitted to the Department of Social Services. These costs consisted of lump sum leave payouts upon retirement and had no direct relationship to program activities allowed.

Effect: The department's quarterly claims for the period under review were overstated by approximately $76,189.

Cause: The department's procedures for the preparation of quarterly claim reports are not sufficient to prevent, detect and correct the claiming of unallowable costs.

Recommendation: The Department of Public Health should establish procedures to ensure that quarterly claim reports sent to the Department of Social Services contain only allowable costs.

Agency Response: "DPH agrees with this finding. The Department of Public Health acknowledges that it is imperative that correct information regarding matching funds is submitted to the Department of Social Services. As a result of this finding**,** the Department of Public Health is developing new procedures to ensure that quarterly claim reports that are sent to the Department of Social Services contain allowable costs only. Checks and balances involving staff from the Program, Human Resources and Fiscal units will be instituted. The department anticipates that new procedures will be implemented by May 1, 2013."

III.D.5. Reporting – Federal Funding Accountability and Transparency Act

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 2011- 2012
Federal Award Number: 2011IW100344

Criteria: The Federal Funding Accountability and Transparency Act (FFATA), enacted in 2006, requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov.

The FFATA Subaward Reporting System (FSRS) is the reporting tool federal prime awardees (prime contractors and prime grants recipients) use to capture and report subaward and executive compensation data regarding their first-tier subawards to meet the FFATA reporting requirements. The sub-award information entered in FSRS will then be displayed on www.USASpending.gov associated with the prime award furthering federal spending transparency.

Prime grant recipients awarded a new federal grant greater than or equal to $25,000 as of October 1, 2010 are subject to FFATA sub-award reporting requirements as outlined in the Office of Management and Budget's guidance issued August 27, 2010. The prime awardee is required to file a FFATA sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to $25,000.

Condition: Our review found that the department was registered in the FSRS. As of calendar year end 2012, none of the quarterly sub-award data for the WIC program had been submitted.

Effect: The department, as a prime grant recipient, was not in compliance with the reporting requirements of the Federal Funding Accountability and Transparency Act.

Cause: The department cited insufficient resources to address this new federal requirement.

Recommendation: The Department of Public Health should take the necessary steps to ensure its compliance with the reporting requirements of the Federal Funding Accountability and Transparency Act.

Agency Response: "DPH agrees with this finding**.** The Department of Public Health's WIC Program has undergone staff changes in its fiscal area during 2012. The Department of Public Health is taking the necessary steps to ensure that it complies with this reporting Federal requirement and anticipates compliance in 2013."

III.D.6. Monitoring - Conflicts of Interest for Medicaid Surveys

Medicaid Cluster, (CFDA #93.778, 93.775 and 93.777)
Federal Award Agency: United States Department of Human Services
Award Year: Federal Fiscal Years 2010-2011 and 2011- 2012
Federal Award Number: 05-1105CT5028 and 05-1205CT5028

Criteria: Under Title 42 Code of Federal Regulations Section 488.314(a), surveyors of Medicare and Medicaid facilities are specifically prohibited from participating in the survey of a facility when a prima facie conflict of interest exists. The Centers for Medicare and Medicaid Services (CMS) in the State Operations Manual provides that state employees should be required to make a declaration of any outside interests and update it whenever such interests are acquired as both CMS and the state are responsible for evaluating the need for preventive measures to protect the integrity of the certification program.

The quality and integrity of Medicaid surveys by the Department of Public Health is enhanced when effective controls are in place to ensure best efforts on the part of employees (surveyors, 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 declarations of conflicts in order to properly assess and mitigate those disclosures.

Condition: Our review of ICF/MR, nursing home, and hospital certification survey processes at the department, found the following related conditions:

- The department does not have formal policies and procedures to prevent, detect or resolve conflict of interest situations with respect to Medicaid surveys and complaint investigations.

- There are no guidelines established to assist employees in identifying real or perceived conflicts of interest for surveys and complaint investigations.

- Periodic requests for a declaration of conflicts from employees performing or associated with surveys or complaint investigations are not performed. 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 would result in their disqualification from certain surveying or complaint investigation assignments. Management may not be aware of conflict of interest situations that require assessment or mitigation.

Cause: The department does not currently request a declaration from employees regarding real or perceived conflict of interests. Employees are also not provided with guidance on what might constitute a conflict of interest situation based on federal regulations.

Recommendation: The Department of Public Health should implement formal policies and procedures that meet the guidelines outlined by CMS for Medicare/Medicaid surveys to prevent, detect or resolve conflict of interest situations. The policies and procedures should include guidelines to assist employees in identifying real or perceived conflicts of interests. Documentation should be retained as evidence that management assessed and addressed any conflict of interest declarations.

Agency Response: "The Department of Public Health agrees with this finding. Although the department has a process of informing and advising employees about their obligation to notify their supervisor of a conflict of interest, the department will take a more formal approach and develop policies and procedures for this process. The department will ensure that the appropriate employees sign a certification letter and submit this letter to management annually. The certifying letter will include examples of conflicts of interest so that employees can fully understand what comprises a conflict of interest as outlined in the CMS guidelines. The signed certification letters will be reviewed by management and those certifications that indicate a conflict will be addressed. A formal process is expected to be established by June 30, 2013."

III.D.7. Special Tests – Health and Safety Requirements

Child Care Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care & Development Fund (CCDF) (CFDA #93.596)

Federal Award Agency: United States Department of Human Services
Award Year: Federal Fiscal Years 2010-2011 and 2011- 2012
Federal Award Number: G1201CTCCDF

Background: The Department of Public Health is responsible for the administration of child day care and youth camp licensing programs. Family day care homes, group day care homes and child day care centers are required to be licensed. The department's Community Based Regulation Section licenses more than 4,000 child day care facilities.

Required background checks are sent to the department's Legal Office for processing. Background checks that generate legal "hits", which represent certain criminal convictions and other matters, are entered into a database and forwarded to the department's Community Based Regulation, Child Day Care Unit. That unit performs the necessary background check follow-up with the child care providers.

Criteria: According to Title 45 Code of Federal Regulations Section 98.41, "each Lead Agency shall certify that there are in effect, within the state (or other areas served by the Lead Agency), under state, local or tribal law, requirements designed to protect the health and safety of children that are applicable to child care providers of services for which assistance is provided under this part."

Section 19a-80, subsection (c), of the General Statutes states that, "The Commissioner of Public Health, within available appropriations, shall require each prospective employee of a child day care center or group day care home in a position requiring the provision of care to a child to submit to state and national criminal history records checks. The criminal history records checks required pursuant to this subsection shall be conducted in accordance with Section 29-17a. The commissioner shall also request a check of the state child abuse registry established pursuant to Section 17a-101k. …"

For all categories of care except in-home day care, background checks (Child Abuse Registry, State/Territory Criminal Background, and FBI Criminal Background) are required for all program staff upon initial entrance into the system as well as all individuals residing in a family home daycare.

Condition: We reviewed the department's ongoing monitoring and enforcement activities designed to ensure that all program staff entering the child care system have been identified and submitted for background checks. We also reviewed a sample of new program staff whose background checks by the department's Legal Office identified legal matters requiring follow-up.

- Our review of the department's licensing files that normally document site visits to child care facilities found that the files did not contain evidence that the department verified that all new child care employees had the required background checks. We were also informed that provider employees selected for review during monitoring visits were not necessarily verified against a list of completed background checks.

- We reviewed a sample of ten new program staff or household members whose background checks by the department's Legal Office identified certain legal matters that required follow-up by the department:

  - In one instance, a referral from the department's Legal Office dated November 2010 was not found in the licensing file, nor was there any evidence of follow-up on the matter until after our inquiry in January 2013.

  - In one instance, a referral from the Legal Office dated June 2012 was not found in the licensing file, nor was there any evidence of follow-up on this referral.

  - In five instances, referrals from the Legal Office appeared to have been acted upon. However, there was no evidence in the licensing files that management had reviewed and accepted the actions taken by the provider in response to the department's follow-up.

  - In one instance, a request for information was sent directly to a provider's employee in June 2012. The employee responded in August 2012. The department did not evaluate the response until December 2012, at which time it requested additional documentation which remained outstanding as of February 2013.

- Our review noted that some background checks identified new program staff with pending legal charges. The department does not track these pending cases to determine if subsequent resolution of the legal charges requires follow-up action by the department.

Effect: Child care providers and their employees may be operating without the required completed background checks. As a result, children in licensed child care facilities are at an increased risk of coming into contact with individuals unsuitable for day care employment.

Cause: The department does not have a unified monitoring and enforcement system capable of ensuring that all program employees employed by the child care system in Connecticut are identified, have received background checks and follow-up has taken place in all instances where a background check reveals legal matters of concern.

The department relies on a highly manual process that does not provide management with real time feedback of background check activity. The Legal Office communicates background check “hits” to the Child Care Unit by paper memoranda. The Child Care Unit uses several different manual systems for tracking and documenting their follow-up activities with respect to background checks.

The department does not currently have the capacity to track pending legal matters identified as part of their background check procedures. In the absence of such capacity, individuals with potentially disqualifying pending legal matters may not be identified or may not be identified in a timely manner for follow-up.

The department currently relies upon the good faith of providers to report convictions as required by statute. For entities that may choose to disregard the law, the department has no process in place to identify noncompliance and exercise appropriate enforcement. As such, it remains the department’s responsibility to act upon existing information already in its possession, such as the record of pending legal matters from the completed background checks.

Recommendation: The Department of Public Health should establish a uniform system for monitoring and enforcement that ensures all program employees entering child care in Connecticut have completed background checks. All background checks that reveal legal matters of concern, pending or otherwise, should be acted upon by the department in a full and timely manner and all provider responses should be evaluated and approved by management.

Agency Response: “DPH agrees with this finding. DPH is carefully reviewing all options to improve the process, including legislation, and improved policies and procedures. The DPH Commissioner’s Office has made this finding a priority by forming and leading a management team that will examine all aspects of its process for conducting background checks. Resulting outcomes will need to be considered against available state appropriations.

Since this audit was conducted, the manual process for following up on background checks that reveal a “hit” has been standardized among the Child Care Licensing Supervisors. All background checks that reveal a protective services or criminal conviction history requiring follow-up will include documentation of a final review and any responsive action taken by a DPH manager.”

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 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1401 and 1202CT1401

ARRA - Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1404 and 1202CT1404

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 federal foster care program outlined in Title 45 Code of Federal Regulations (CFR) Section 1356.21 and sections referenced therein.

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.

Sections 471(a)(20)(A) and (C) of the Social Security Act requires state Title IV-E agencies to perform criminal records checks on any prospective foster parent, including fingerprint-based checks of national crime information databases on or after October 1, 2006..

Condition: We reviewed a sample of 60 foster care maintenance payments totaling $128,569 ($64,285 federal share) for compliance with federal eligibility requirements. Our sample was randomly selected from an audit universe of $42,871,876 ($21,173,348 federal share) for the fiscal year ended June 30, 2012. We did not determine the number of transactions in the audit universe. Our review disclosed the following:

a) For one (1) transaction, federal reimbursement was claimed on behalf of a child who was ineligible. The child, who previously was 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. We requested that the department perform an eligibility determination for this child.

The department subsequently determined the child was ineligible for the foster care program for the payment period.

b) Supporting documentation of a fingerprint-based criminal records check was missing for two (2) transactions.

Effect: The auditor questions payments that were claimed for federal reimbursement during the audited period in the amount of $22,981 ($11,490 federal share) which includes $2,050 ($1,023 federal share) of payments tested in our sample. These payments are summarized by condition as follows:

a) One payment of $299 ($149 federal share) made on behalf of an ineligible child.

b) All payments made to the two foster care families $22,682 ($11,341 federal share) during the audited period due to the lack of documentation evidencing that finger-print checks were performed.

Cause: The payment claimed on behalf of the ineligible child resulted from a payment coding error. Eligibility determinations are manually performed for the foster care and adoption assistance programs based on eligibility requirements for each program. Children determined eligible for either program are assigned eligibility code 100. The results of the determinations are entered into the department's eligibility system which does not distinguish between programs.

The eligibility file is integrated with the payment file to determine transactions reimbursable under the Title IV-E programs. Pre-determined service codes are set up in the payment system and are linked to both programs including whether the services are allowable under the programs. Payments coded to an allowable service made on behalf of an eligible child are claimed for federal reimbursement.

An eligibility determination under the Adoption Assistance Program was performed in 2003 on the child in our sample transaction, at which time the child was assigned eligibility code 100. Since eligibility is not re-determined for adoption cases, the assigned eligibility code 100 remained the same at the time of payment. The adoption was subsequently disrupted requiring the child to return to state care. Clothes purchased for the child upon her return were incorrectly coded to an allowable foster care service resulting in the payment being claimed under the foster care program.

The department's internal controls designed to ensure that finger-print checks are performed and documented were inadequate.

Recommendation: The Department of Children and Families should improve internal controls to ensure that fingerprint checks are performed and documented.

Agency Response: "The department agrees with this finding in part. In the case of condition (a), related to one transaction claimed on behalf of an ineligible child, the department feels that this is not a systemic problem, but rather a miscoding of a payment code. The department has made a manual entry to correct this one time error and it was posted to the December 2012 IV-E claim. The department will also take this opportunity to retrain staff on this payment coding issue.

In the case of the finding related to the lack of finger-print based criminal records checks missing for two transactions, the department offers this further explanation: The audit references two foster families that did not have the proper background checks performed. The following is our response to these specific cases:

The first foster family (Sample #10) was originally licensed in 2000. The second foster home (Sample #23) was originally licensed in 2002. DCF performed all background checks for both families that were required at that time, with the desired positive reports.

In subsequent years, the Administration of Children and Families (ACF) published policy requiring that states add further elements to the background checks necessary to license foster homes. However, ACF did not require that families that held valid licenses prior to these publications be caught up with the added elements and, if no break in licensing occurred and a family's license was continuous, ACF acknowledged the validity of these licenses, with no further work required of the department.

The audit is holding these two cases as an error because the department did not obtain further background check information for homes that were continuously licensed and did not require subsequent additions to their background checks. The department believes that this decision is incorrect."

Auditors' Concluding Comments: ACF is clear in its guidance that families licensed prior to the new requirements are not subject to the added elements and acknowledges the validity of licenses for families that did not have a break in licensing; however, ACF is not clear as to whether the added elements were applicable to subsequent licensing episodes for families for which the checks were not previously performed.

III.E.2. Eligibility and Activities Allowed or Unallowed – 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 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1407 and 1202CT1407

ARRA – Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1405 and 1202CT1405

Criteria: Adoption assistance subsidy payments may be paid on behalf of a child and claimed for federal reimbursement only if certain requirements are met.

Title 42 United States Code (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 prospective adoptive parent may be finally approved for placement of a child regardless of whether adoption assistance payments are to be made on behalf of the child under the state plan.

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 prospective adoptive parent may be finally approved for placement of a child, regardless of whether adoption assistance payments are to be made on behalf of the child under the state plan.

Title 45 Code of Federal Regulations Section 1356.30 further mandates 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 (federal share) 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 the prospective adoptive parent has been convicted within the last five years of a felony involving physical assault, battery, or a drug-related offense.

Title 42 USC Section 673(c)(1)(B)(B), as amended or added by Public Law 110-351, states that the child shall not be considered a child with special needs if, in part, a reasonable, but unsuccessful, effort has not been made to place the child with appropriate adoptive parents without providing adoption assistance except where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in the care of such parents as a foster child. Title 42 USC Section 673(a)(2)(A)(i)(II) states that the state may make adoption assistance payments to the parents who adopt a child with special needs.

Condition: We reviewed a sample of 60 adoption assistance subsidy payments, totaling \$56,018 (\$28,009 federal share), for compliance with federal activities allowed and unallowed or eligibility compliance requirements. Our sample was randomly selected from an audit universe of \$47,428,878 (\$23,714,687 federal share) for the fiscal year ended June 30, 2012. We did not determine the number of transactions in our audit universe.

Our review disclosed that for 13 of the 60 transactions, totaling \$11,831 (\$5,916 federal share), one or more of the federal activities allowed or unallowed or eligibility criteria was not met. For 12 of the transactions, criminal history, including fingerprint-based checks or abuse and neglect checks on prospective adoptive parents were not performed, not adequately documented or were not performed prior to the children's adoption. For the other transaction, there was inadequate documentation contained in the file to support that the child fully met the special needs criteria specifically relating to their emotional ties with the prospective adoptive parents. Payments outside of our sample which were made on behalf of the 13 children associated with the exceptions noted above and claimed for federal reimbursement during the fiscal year ended June 30, 2012 totaled \$118,044 (\$59,022 federal share).

Effect: The department's adoption assistance claims included \$11,831 (\$5,916 federal share) 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 activities were allowable or eligibility criteria were met. Additional payments outside of our sample made on behalf of these children during the fiscal year totaled \$118,044 (\$59,022 federal share). One payment of \$807 (\$404 federal share) contained in the total above was on behalf of a child who was incorrectly determined eligible. Additional payments outside of our sample, also contained in the total above, made on behalf of this child during the fiscal year ended June 30, 2012 totaled \$8,720 (\$4,360 federal share).

Cause: We could not determine if the department misplaced the prospective adoptive parents' criminal history and abuse and neglect check information or if the procedures were not performed in a timely manner due to oversight.

The department did not adequately review, document, and/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 adequately documented.

Agency Response: "The department agrees with this finding. The department initiated a corrective action plan effective February 2012. The DCF subsidy unit began a three tiered review process prior to finalization of all adoptions to ensure compliance in meeting the special needs criteria, including the emotional ties to the pre adoptive family. Adoption packets are also reviewed for compliance with background check requirements prior to the finalization of the adoption. The department has also begun the practice of scanning the entire record to microfiche to ensure the safekeeping of documents and ease of future retrieval of all adoption files."

III.E.3. Level of Effort – Inadequate Documentation of How Savings are Spent

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1407 and 1202CT1407

ARRA – Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1405 and 1202CT1405

Background: The Fostering Connections to Success and Increasing Adoptions Act (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 delinked 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.

The act imposed a level of effort requirement on Title IV-E agencies providing agencies the flexibility to determine how savings are calculated and required agencies to document how the savings were spent.

Criteria: A Title IV-E agency must spend any savings generated from the implementation of the revised adoption assistance eligibility criteria on child welfare services permitted under Title IV-B or IV-E (Title 42 United States Code Section 673(a)(8)).

Agencies must document how savings, if any, are spent when using the applicable child eligibility criteria in the Title IV-E adoption assistance program (Sections 473(a)(2)(A)(ii) and (e) of the act).

Condition: Our review of the department's procedures to administer the level of effort compliance requirement disclosed that the department did not document how savings were spent.

Effect: The department has less assurance that savings were reinvested in permitted Title IV-B or IV-E child welfare services.

Cause: Internal controls over the level of effort compliance requirement were not effectively designed.

Recommendation: The Department of Children and Families should implement internal controls that document how savings are spent from the implementation of the revised adoption assistance eligibility criteria on child welfare services.

Agency Response: "The department agrees with this finding. The department is developing a spending plan to budget and track expenditures made in accordance with the program requirements."

III.E.4. 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 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1401 and 1202CT1401

ARRA - Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1404 and 1202CT1404

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1407 and 1202CT1407

ARRA – Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1405 and 1202CT1405

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 performed by several units within the department responsible for ensuring that entities doing business with the department were not suspended or debarred from federal programs. Our review disclosed various procedures between units including some that may not identify suspended or debarred providers from federal programs 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 from the unit verifies new providers against debarment lists on the federal Department of Health and Human Services Office of the Inspector General and EPLS websites during the request for proposal (RFP) process. The unit does not periodically verify in subsequent years whether existing providers are excluded from these debarment lists.

Purchasing Unit
Buyers in the Purchasing Unit check the state Department of Labor debarment list prior to setting up new 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.

Fiscal Unit – New Provider
This 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 subsequent 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
Following the end of each fiscal year, another employee in this unit compares providers paid by the department through Link in the prior year to the EPLS system and the state Department of Labor debarment list. Confirmed matches are communicated to the Revenue Enhancement Unit to ensure that payments are not claimed for federal reimbursement and to the Child Welfare Accounting (CWA) Unit to flag the providers in LINK.

Effect: The department has less assurance that payments are not being made to entities suspended or debarred from federal programs.

Cause: Internal controls were not adequately designed to determine whether entities doing business with the department were debarred or suspended from federal programs.

Recommendation: The Department of Children and Families should establish internal controls that ensure that payments are not made to providers or vendors suspended or debarred from federal programs.

Agency Response: "The department agrees with this finding. The department will establish internal controls that require that employees will more regularly check that providers and vendors have not been suspended or debarred. The initial implementation will be a manual process of checking the federal website prior to commitment. The department will attempt to create an automated process to regularly match the department's vendor lists with the federal listing."

III.E.5. Allowable Costs – Eligibility Rates of TANF Clients Served

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Year 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

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 determine TANF eligibility for each client that they serve and enter the results of the determinations into DCF's Programs and Services Data Collection and Reporting System (PSDCRS). PSDCRS is DCF's data and reporting system for community-based programs. At the conclusion of each quarter, DCF provides DSS with summary eligibility data for each provider and service along with the amounts advanced to the provider in the quarter. DSS uses this information to claim federal reimbursement for the percentage of TANF eligible clients.

Criteria: Data collection and reporting systems should be adequately designed to collect all relevant information needed for reporting purposes.

Condition: We reviewed the PSDCRS TANF eligibility summary and detail reports for the quarter ended December 31, 2011. We judgmentally selected one program and verified that the total number of clients determined eligible on the summary report was supported by the clients listed on the detail report. Although the two reports matched, we noted that the information captured on the detail report did not provide the dates the clients received the services. The report only provided episode start and end dates. We were informed that the episode start date is typically indicative of when the client entered a program and does not necessarily indicate when the client received services. When the client no longer receives services, an episode end date is entered. Our review of the detail report found that there were many episode start dates prior to the start of the reporting period. We were also informed that the TANF eligibility determination date is not captured by the system.

Effect: DSS claimed $26,865,914 in DCF expenditures which may have been based on inaccurate eligibility rates of TANF clients served.

Cause: The PSDCRS does not capture all of the information necessary to accurately determine the TANF-eligible population served in a given period.

Recommendation: The Department of Children and Families should not provide the TANF eligibility data to the Department of Social Services until the system is enhanced to capture the information necessary to calculate eligibility rates based on TANF clients served.

Agency Response: "The department agrees with this finding. The department has identified these issues outlined in the recommendation and is working with the data vendor to make the appropriate corrections."

III.E.6. 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 Years: Federal Fiscal Year 2010-2011 and 2011-2012
Federal Award Numbers: G1102CTTANF and G1202CTTANF

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 determine TANF eligibility for each client that they serve and enter the results of the determinations into DCF's Programs and Services Data Collection and Reporting System (PSDCRS). PSDCRS is 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. The amounts claimed under the TANF program is then reported to DCF.

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: DCF did not communicate to providers the portion of their expenditures 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 and the completion of an A-133 audit. Therefore, without the department communicating to the provider the amount of their expenditures that were claimed under TANF, the provider may not have met the A-133 reporting requirement.

Cause: Although the department states in its agreement with providers that a portion of program funding is provided through the TANF program and then obtains the claimed TANF amounts from DSS, it does not have procedures in place to notify its providers of the amount of their payments that were claimed under the TANF program.

Recommendation: The Department of Children and Families should implement procedures to report payments claimed under the TANF program to its providers.

Agency Response: "The department agrees with this finding. The department has been in contact with DSS regarding this finding and will work with DSS to create a mechanism for reporting this information to DCF so it can be shared with DCF's providers."

F. DEPARTMENT OF EDUCATION

III.F.1. Subrecipient Monitoring

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: G1101CTSOSR and G1201CTSOSR

Background: The Department of Social Services (DSS) is designated as the principal state agency for the allocation and administration of the Social Services Block Grant (SSBG) program in the State of Connecticut. States may transfer up to ten percent of their Temporary Assistance for Needy Families (TANF) funds to carry out programs under the SSBG program. DSS allocated $15,697,928 in SSBG TANF funds to the Department of Education (SDE) for child day care services in the fiscal year ended June 30, 2012. In addition, through a memorandum of agreement, effective July 1, 2011, DSS assigned its responsibility for administering the child day care portion of the SSBG program and its existing provider contracts to SDE.

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 31, which applies to the Social Services Block Grant (SSBG), provides that grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 and the revised Office of Management and Budget (OMB) Circular A-133, and that 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:

- Advise recipients of the 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.

- Monitor the activities of subrecipients to ensure that federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements and determine whether performance goals are achieved.

- 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.

Title 2 CFR Part 25 provides that for subawards made on or after October 1, 2010, a pass-through entity is responsible for determining whether an applicant for a subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number.

Condition: Our review of SDE procedures consisted of testing 18 SSBG program subrecipients. Our testing disclosed the following:

1. <u>SSBG Family Income Requirement:</u>
   SDE contracts provided the incorrect SSBG program family income eligibility guidelines to its subrecipients.

2. <u>Audit Requirements:</u>
   Four subrecipients expending more than $500,000 in federal awards did not include the SSBG federal program and its CFDA number in the reports issued by the independent auditors.

3. <u>Monitoring Activities:</u>
   Some program status reports required by the contracts were not on file for nine subrecipients.

4. <u>DUNS Numbers:</u>
   Eighteen subrecipients did not provide a DUNS number to SDE.

Effect: SDE monitoring procedures do not provide reasonable assurance that federal funds are used for allowable activities. In addition, SDE is not meeting its responsibility for communicating correct federal program requirements to subrecipients.

Cause: SDE did not properly inform recipients of the SSBG requirements under the contracts. In addition, SDE incorrectly treated these subgrantees as vendors rather than subrecipients. Therefore, SDE does not have adequate procedures in place to include the federal award information in all the contracts for which SSBG funds are provided.

Recommendation: The State Department of Education should properly administer the SSBG program by implementing 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: "We agree with this finding in part. This finding comes as the result of determination by APA that these contracts are not vendor agreements, and are in fact grant awards. Though we accept that determination, the SDE did not execute the initial agreements and only executed an amendment to the existing agreements for the purposes of extending the end date and required funds in order to prevent a lapse in service to the population served by this program. To that end, the programmatic issues underlying this program were transferred to SDE from DSS. It was SDE's understanding that they were vendor relationships under the OPM Purchase of Service guidance. As they are not, the result of that determination is basis of this finding, though additional conditions exist that rest squarely on SDE to perform.

As such, the SDE will 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.

Additionally, SDE will ensure that future contracts or amendments will include the appropriate guidance per the program."

G. DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION

III.G.1. Allowable Costs/Cost Principles – Undocumented Reimbursement for Equipment Usage in Excess of FEMA's Schedule of Equipment Rates

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)
Federal Award Agency: Department of Homeland Security
Award Year: 2011-2012
Federal Award Number: DR 4023-CT

Criteria: Title 44 Code of Federal Regulations (CFR) Section 206.228(a) generally requires that reimbursement for operation costs of applicant-owned equipment used to perform eligible work shall be in accordance with the Schedule of Equipment Rates established by the Federal Emergency Management Agency (FEMA).

Title 44 CFR Section 206.228(a)(ii) states, "If an applicant wishes to claim an equipment rate which exceeds the FEMA Schedule, it must document the basis for that rate and obtain FEMA approval of an alternate rate."

Condition: In our testing of allowable costs at the Department of Emergency Services and Public Protection (DESPP), we selected a sample of payments to 40 subrecipients to review the underlying charges. From this sample, we noted a payment for the use of various pieces of equipment owned by one subrecipient. The rates for the equipment reimbursement exceeded the FEMA Schedule of Equipment Rates. There was no documentation on file that would allow for these excess rates.

The federal portion of unallowable costs in this reimbursement totaled $109.28. The federal reimbursements in our sample totaled $3,075,543, while the federal expenditures charged to the program totaled $32,990,691.

Effect: This reimbursement was made at rates exceeding the FEMA Schedule of Equipment Rates.

Cause: The cause is unknown.

Recommendation: The Department of Emergency Services and Public Protection should ensure that all reimbursements for equipment usage are in compliance with federal requirements.

Agency Response: "DESPP agrees with this finding for the period of review in question.

DESPP/DEMHS PA staff will continue to provide the FEMA Schedule of Equipment Rates to potential subgrantees at the applicants briefings along with notification that any claim for reimbursement of an equipment rate which exceeds the FEMA schedule of equipment rates will require submission to DESPP of a calculation of how the alternative rate was determined, which DESPP will forward onto FEMA for approval. All related documentation will be retained by DESPP in the subgrantees file and the approved alternate equipment rate will be shown as a part of the Project Worksheet/Subgrant Application."

III.G.2. Reporting – Subaward Reporting Under the Transparency Act

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)
Federal Award Agency: Department of Homeland Security
Award Year: 2011-2012
Federal Award Number: DR 1904-CT, DR 1958-CT, DR 4023-CT, DR 4046-CT

Criteria: Under The Federal Funding Accountability and Transparency Act of 2006 (FFATA) or Transparency Act – Public Law 109-182, as amended by Section 6202(a) of Public Law 110-252, grantees are required to report certain information regarding subawards from any federal awards of $25,000 or more via the FFATA Subaward Reporting System (FSRS). Information required to be reported includes the name of the entity receiving the subaward, the amount, funding agency, CFDA number, award title, location of entity, DUNS number, and total compensation and names of the top 5 executives of the entity receiving the subaward (if certain criteria are met), as well as the total compensation and names of the top 5 executives of the prime award recipient (if certain criteria are met).

Condition: The Department of Emergency Services and Public Protection (DESPP) does not have a process in place to perform the required reporting.

Effect: DESPP was not in compliance with the reporting requirement.

Cause: DESPP was unaware of the requirement.

Recommendation: The Department of Emergency Services and Public Protection should implement a procedure to meet the requirements of the Transparency Act by reporting all subawards of $25,000 or more in the FSRS website.

Agency Response: "DESPP agrees with this finding for the period of review in question.

As of July 2012, the DEMHS Division of DESPP began the compliance with the Transparency Act in providing the necessary documentation to the FFATA Subaward Reporting System (FSRS) for those entities that meet the funding threshold. All other Divisions of DESPP will provide the necessary documentation if they meet this requirement."

H. DEPARTMENT OF REHABILITATION SERVICES

III.H.1. Eligibility

Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA # 84.126)
Federal Awarding Agency: Department of Education
Award Years: Federal Award Years 2010-2011 and 2011-2012
Federal Award Numbers: H126A110007 and H126A120007

ARRA – Vocational Rehabilitation Services to States (CFDA #84.390)
Federal Awarding Agency: Department of Education
Award Years: Federal Award Years 2010-2011 and 2011-2012
Federal Award Number: H390A090007

Criteria: Per Section III. E.1. of the June 2012 OMB Circular A-133 Compliance Supplement, the state vocational rehabilitation agency (Connecticut Department of Rehabilitation Services) must determine eligibility for program services within 60 days of a client's initial application unless an extension has been agreed to with the client or the client is currently undergoing a working test period.

Condition: We reviewed 40 cases to determine compliance with eligibility requirements and found one case in which eligibility determination was made after the 60 day window had expired with no extension form on file. The department's case management system indicated that 24 active cases pending eligibility determination, at the time of our review, exceeded 60 days without having an extension on file.

Effect: The department is not in compliance with the program specific eligibility requirements, which leads to potential clients having to wait an unreasonable period of time after submittal of their application.

Cause: The department may not be emphasizing the importance of ensuring that the 60 day eligibility requirement is met or an extension letter has been agreed to.

Recommendation: The Department of Rehabilitation Services should establish procedures to ensure that eligibility determinations are made within the required time frame or that extensions are granted.

Agency Response: "We agree with this finding. We can address that case directly with the counselor. Beyond this individual performance approach, the department will continue to emphasize the importance of the 60-day eligibility requirement. Eligibility, including the 60-day requirement, was the primary focus of statewide training in the fall of 2012, which is after the period of the sample. The training was mandatory. There are also caseload management tools in place that aid counseling staff and field supervisors in routinely identifying cases that are approaching the 60 day threshold so appropriate actions can be taken in a timely fashion. We will send correspondence to all staff reminding them of the importance of the 60-day requirement, as well as reminding them of these caseload management tools available through our electronic case management system."

I. DEPARTMENT OF ADMINISTRATIVE SERVICES

III.I.1. Activities Allowed/Unallowed - Overbillings

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1105CT5MAP and 1205CT5MAP

Background: The Department of Administrative Service's (DAS) Collection Services Division provides billing and collection services for the Department of Children and Families and other state agencies. This is done through claims processing to Medicaid, Medicare and other third party payers.

The Department of Social Services (DSS) claims federal reimbursement from the Medicaid program for services provided by the Department of Children and Families' (DCF) Albert J. Solnit Psychiatric Center (Solnit) to Medicaid-eligible children and adolescents. Solnit provides comprehensive care to youth with severe mental illness and related behavioral and emotional problems who cannot be safely assessed or treated in a less restrictive environment.

DSS's rate setting unit determines a per-diem cost of services provided to children at Solnit and that rate is used to claim federal reimbursement.

Patient admission, movement and discharge information is entered into DCF's Institutional Case Reporting System (ICRS) by medical records specialists at Solnit and electronically transmitted to DAS for Medicaid billing.

DAS downloads a census report from the ICRS data and the resultant patient movement information produced by the report is manually entered into the DAS Avatar system for billing.

Criteria: To be allowable, Medicaid costs for medical services must be for an allowable service rendered and supported by medical records or other evidence indicating that the service was actually provided. (Office of Management and Budget, Circular A-133, 2012 Compliance Supplement, page 4-93.778-12).

Condition: We initially reviewed 25 randomly selected claims totaling $257,280 from an audit universe of 5,359 claims totaling $29,976,000 that were processed in the fiscal year ended June 30, 2012. The total claims universe included 199 patients.

Our review disclosed that a claim of $1,920 was filed for dates of service after the patient had been discharged from Solnit. Further examination found an additional 17 claims totaling $145,920 that were filed after the patient's discharge date. Based on these findings we decided to perform the following additional testing:

We obtained the admission and discharge dates of all patients included in the audit universe. We compared the dates to claim information to determine whether dates of service were claimed within the period the patient was admitted at Solnit. Our review identified an additional 20 claims involving eight patients totaling $1,086,980 with dates of service that fell outside the patient's admission and discharge period.

We reviewed an additional 352 claims totaling $7,111,400 claimed on behalf of 25 patients whose claimed amounts were the highest during the audited period. We compared census documentation for the patients to dates of service claimed to the Medicaid program to determine whether the patient was at Solnit on the dates services were claimed. We identified one claim for $1,920 for dates of service when the patient was not at Solnit.

We provided our findings to DAS staff to corroborate the exceptions we had found. DAS concurred with our findings and identified an additional 55 claims totaling $2,195,580 associated with the eight patients requiring further adjustments. The additional claims identified by DAS pertained to claims that were processed before or after the fiscal year ended June 30, 2012.

Effect: Claims amounting to $3,432,320 were improperly submitted for federal reimbursement. As of January 31, 2013, DAS had processed claim adjustments for all but one claim for $1,920.

Cause: Internal controls over DAS' data entry of claims into its Avatar system were inadequate. We were informed by DAS staff that the Avatar system continually claims federal reimbursement for patients if a discharge date is not manually entered into the system. In addition, DAS did not have procedures in place to reconcile census information received from Solnit to information entered into Avatar.

Recommendation: The Department of Administrative Services should implement internal controls that ensure that claims made on behalf of DCF children are only made for dates of service the children are actually admitted to the Solnit Psychiatric Center.

Agency Response: "We agree with this finding."

III.I.2. Allowable Cost/Cost Principles – No Verification Methodology for Employees Charged to the Revolving Fund

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: Department of Health and Human Services
Awards Years: Federal Fiscal Years 2010-2011 and 2011-2012

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 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 (SWCAP) for the fiscal year ended June 30, 2012.

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 payroll documented in accordance with generally accepted practices 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 services-related efforts of approximately 77 filled positions of which 73 positions were reported to the federal government by DAS. DAS does not obtain personnel activity reports or equivalent documentation reflecting the actual activity of each employee charged to the GSRF. DAS did not have a formal, periodic process in place to verify that the costs of the employees directly or indirectly charged to the fund correspond 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. 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 ensure that employee costs that have been charged to the activities accounted for by the GSRF are based on the level of effort applied to each activity.

Recommendation: The Department of Administrative Services should implement a system to verify and document that employees charged to the GSRF work on fund-related activities as required by OMB Circular A-87.

Agency Response: "DAS agrees with this finding in part. DAS has established a Core-CT time code to document hours worked by employees on GSRF programs, which has been used by employees for approximately a year. DAS has entered into a Memorandum of Understanding (MOU) with the Office of the State Comptroller (OSC) to hire a consultant that will provide DAS with recommendations and assistance to address several audit findings and concerns regarding the administration and operation of the GSRF, including issues regarding the proper documentation of employee time that should be charged to the GSRF."

III.I.3. Allowable Cost/Cost Principles - Billing Rates Development and Adjustment Methods

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: Department of Health and Human Services
Awards Years: Federal Fiscal Years 2010-2011 and 2011-2012

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 is fleet operations, which makes up approximately 67 percent of the GSRF expenditures.

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; 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 cash reserve 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 2010, DAS was unable to document that it sent its proposal for new rates for activities associated with the GSRF for approval by OPM**.** In fact, 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 excessive working capital was retained in the fund.

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.

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, increasing the risk that customer agencies are inaccurately (either over or under) charged for the services rendered. A failure to make the required adjustments further 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 noncompliant procedures will result in noncompliant rates.

Cause: DAS cited a lack of resources and staffing issues as contributing factors to the conditions noted. 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 noted.

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 the OPM.

DAS should analyze the financial condition of the GSRF and perform the necessary reconciliation of revenues to actual costs 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 with this finding in part. In 2010, DAS did not timely submit rate adjustment proposals to OPM; however, the agency has since formalized rate development procedures and policies. DAS also has established procedures to analyze the financial condition of the GSRF regularly and to perform the necessary reconciliation of revenues to actual costs to determine if adjustments are required. For Fiscal Year 2013, DAS submitted and received approval from OPM to modify rates for fleet operations, and for State Police. Additionally, Governor Malloy has proposed modifications to the GSRF in his budget proposal for fiscal years 2014 and 2015 that will mitigate some of the concerns regarding this fund; specifically, the Governor has proposed to remove state mail and courier services from the GSRF, which will make it easier to make necessary rate adjustments for remaining services in this fund moving forward."

III.I.4. Allowable Cost/Cost Principles – Reliability of Financial Information as Presented

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: Department of Health and Human Services
Awards Years: Federal Fiscal Years 2010-2011 and 2011-2012

Background: Historically, there have been areas of contention between the Department of Administrative Services (DAS) and the Office of the State Comptroller (OSC) regarding the recognition of various accounts and the presentation of financial data, which have led to previously reported instances of noncompliance. As of fiscal year 2012, OSC and DAS have worked together to resolve any disparities even though it will not be evident until the SWCAP for the fiscal year ended June 30, 2014.

In several prior audits, we have determined that the financial information presented by DAS for the General Services Revolving Fund (GSRF) was not reliable.

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, the 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 2010. Through a cursory review of the fiscal year 2012 financial statements for the GSRF, we determined that the statement of cash flows had been included.

When the fiscal year 2010 statements were prepared DAS did not recognize certain adjustments made centrally by the OSC, which involved certain legacy accounts that carried forward balances from the prior accounting system into Core-CT. The OSC includes the adjustments and legacy accounts in its presentation of the GSRF financial information in the Comprehensive Annual Financial Report.

For fiscal year 2010, DAS presented a positive fund position of approximately $10.9 million while the OSC presented a deficit fund position of approximately $32.7 million; the disparity was in excess of $43.6 million. Additionally, this disparity presents two vastly different interpretations of the financial state of the fund. It is not clear that either set of financial statements for fiscal year 2010 was accurate or were reasonably presented. It is worthy of additional note that DAS obtains financial data from Core-CT, the state's main financial system, loads it into QuickBooks, and then uses QuickBooks to prepare its financial statements. While the use of such a system is not prohibited by state statute or regulation, its use could introduce the opportunity for additional error through incomplete or inaccurate data transfer from the Core-CT Financials system.

Effect: DAS is not compliant with state or federal directives. The errors in presentation indicate that the information presented in the financial statements, which is 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, nor were sufficient resources allocated to the tasks associated with the preparation of the financial statements for the GSRF.

Recommendation: The Department of Administrative Services should implement internal controls to ensure that the GSRF financial statements are prepared in a manner compliant with state and federal regulations and accounting standards and pronouncements. DAS should ensure that all staff assigned to GSRF-related financial activities receives sufficient training. DAS should consider using the Core-CT Financials system to increase efficiency in the reporting process and to eliminate the likelihood of errors in the data transmission process.

Agency Response: "DAS agrees with this finding. DAS has worked with OSC to resolve the disparities in the reported financial position of the GSRF, and all financial reporting has been current and GASB compliant since 2012."

J. UNIVERSITY OF CONNECTICUT

III.J.1. Allowable Costs/Cost Principles – Time and Effort

Cooperative Extension Service (CFDA #10.500) Non Major Program
Federal Award Agency: Department of Agriculture
Award Year: State Fiscal Year Ended June 30, 2012
Federal Award Number: 2012-41100-00700

Federal Award Agency: Various
Award Year: State Fiscal Year Ended June 30, 2012
Research and Development Programs:
ARRA - Various
Various

Criteria: Per OMB Circular A-21, the distribution of salaries and wages must be supported by after the fact activity reports signed by responsible persons who have used suitable means to verify that the work was performed. The majority of the charges to Federal Research and Development Programs are for personal services costs. Accordingly, the accuracy and integrity of the time and effort reporting system is crucial.

Condition: The university deadline for the submission of fall 2011 time and effort reports was April 4, 2012. Ten of 35 time and effort reports necessary to support summer or fall 2011 transactions included in our test of payroll charges were not on file as of August 28, 2012. University records showed that, as of September 5, 2012, only 72 percent of the fall 2011 time and effort reports had been submitted. Similarly, when we tested cost transfers in November 2012, we found that two time and effort reports necessary to support fall 2011 transactions in our sample were not on file.

We were able to confirm directly, with responsible persons, that all of the charges tested were commensurate with the level of effort devoted to the awards. However, the lack of timely compliance with this requirement indicates that the university's time and effort reporting system is not functioning properly.

Effect: Since the university does not generally maintain detailed records of researcher activity, the accuracy of the time and effort reports is largely dependent on the memories of those verifying that the work was performed. Delays in the completion of the reports will inevitably affect their accuracy.

Cause: Researcher time and effort reports are preprinted with estimated percentages of effort devoted to various projects by each researcher on a semester basis.

These percentages are estimated by dividing the amount charged to each account by the total charged to all accounts on a biannual (July through December and January through June) basis.

Many researchers are nine-month employees who work September through May, but are compensated on a 12-month basis. The charges recorded for a biannual period do not completely correspond with the employees actual personal services costs for the semester, as accounts are charged when compensation is paid, not earned.

For example, charges for amounts paid to a nine-month employee in July will be aggregated into the succeeding fall semester. However, these costs actually relate to work performed over the preceding fall and spring semesters.

The preprinted percentages reflect the apportionment of salaries paid during the period, not salaries paid for work performed during the period. Overlapping payments for summer semester work create an additional complication. These inconsistencies, which make it difficult to readily correlate the percentages reflected on the time and effort reports with the work actually performed, may have delayed the completion of the reports.

Recommendation: The University of Connecticut should charge restricted accounts for the full cost of personal services when the costs are incurred.

Agency Response: “We agree with this finding. We are currently reviewing how the university is addressing the federal time and effort reporting requirement. We will be hiring a staff person to oversee the process, and we are into purchasing or building a web-based user-friendly system, which track both paid and cost-shared time and effort and facilitate timely accurate responses.”

III.J.2. Cash Management

Federal Award Agency: Department of Defense
Award Year: State Fiscal Year Ended June 30, 2012
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 December 31, 2012

Criteria: Per OMB Circular A-110, cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in order to carry out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

Condition: Average daily cash balances in excess of $100,000 were maintained for two 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 $659,175 was maintained for award W81XWH-09-1-0711; the average amount expended each day was $638. An average daily cash balance of $362,961was maintained for award FA9550-09-1-0588; the average amount expended each day was $2,829.

Effect: Excess cash balances were maintained.

Cause: With respect to awards W81XWH-09-1-0711 and FA9550-09-1-0588, 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.

Conclusion: This condition was deliberately brought about by the grantor agencies; they bear the responsibility for taking appropriate remedial action.

Agency Response: "Not applicable."

III.J.3. Davis-Bacon

Small Business Administration (CFDA #59.000) Non Major Program
Federal Award Agency: Small Business Administration
Award Year: State Fiscal Year Ended June 30, 2012
Federal Award Number: SBAHQ-11-I-0006
Federal Award Number: SBAHQ-08-I-0073
Federal Award Number: SBAHQ-09-I-0131

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 provisions in their construction contracts that require the contractor or subcontractor comply with the Davis-Bacon Act and applicable Department of Labor regulations. 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 $200,000, $101,787 and $143,816 to construction accounts established for awards SBAHQ-11-I-0006, SBAHQ-08-I-0073 and SBAHQ-09-I-0131, respectively, under a single contract. These charges were the only charges for the fiscal year ended June 30, 2012, which were subject to Davis-Bacon Act requirements. The contract did not include the required prevailing wage rate clauses and the required certified payrolls were not on file.

Cause: The contract was let before contracting personnel were notified that the project involved federal funding.

Effect: The university did not comply with Davis-Bacon Act requirements.

Recommendation: The University of Connecticut should amend existing contracts, subject to the Davis-Bacon Act, that do not include the required provisions in order to add those provisions.

Agency Response: "We agree with this finding. The project referenced within the finding was a one-time effort, processed through a task-labor contract with a defined scope. In this case, procurement personnel were not notified that Davis-Bacon Act requirements applied. It is the university's understanding that upon identification of federal funds for projects, the Davis-Bacon Act requirements are initiated within the bidding phase, and later incorporated within the resultant contract that include payroll signoffs and monitoring requirements. The university will amend the aforementioned contract to incorporate Davis-Bacon Act requirements, recognizing that steps to mitigate this project have been addressed during the performance of the project work and included associated compliance requirements. Further procedures have been initiated within procurement services, architectural, engineering and building services and campus planning to prevent a similar error."

III.J.4. Subrecipient Monitoring

Grants for Agricultural Research, Special Research Grants (CFDA #10.200)
Non Major Program
Federal Award Agency: Department of Agriculture
Award Year: State Fiscal Year Ended June 30, 2012
Federal Award Number: Z540501

Federal Award Agency: Department of Agriculture
Award Year: State Fiscal Year Ended June 30, 2012
Research and Development Programs:
Grants for Agricultural Research – Competitive Research Grants (CFDA #10.206)
Account #524603 – "Mechanistic Bases for the Reciprocal Interaction between Lipid Oxidation and Myoglobin Redox Instability" – 2007-35503-18482 from the Cooperative State Research, Education and Extension Service, project period September 1, 2007 through February 28, 2012
Mental Health Research Grants (CFDA #93.242)
Account #524228 – "Language Functioning in Optimal Outcome Children with a History of Autism" – 5 R01 MH076189-04 from the National Institute of Mental Health, project period July 1, 2006 through May 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, 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: We reviewed all subrecipient audit reports on file. Three of the audit reports had audit findings related to federal awards provided by the university. The university reviewed the audit reports, but did not issue management decisions on the audit findings.

Effect: The university cannot properly fulfill its monitoring responsibility without addressing all subrecipient audit findings.

Cause: There was an abrupt, unexpected change in staff's assigned duties. In the aftermath, the responsibility for issuing management decisions on the audit findings was not clearly designated and written procedures for subrecipient monitoring did not address this requirement.

Recommendation: The University of Connecticut should modify its written procedures for subrecipient monitoring to incorporate the issuance of a management decision on subrecipient audit findings.

Agency Response: "We agree with this finding. We will modify our written procedures to incorporate the issuance of a management decision on subrecipient audit findings."

K. UNIVERSITY OF CONNECTICUT HEALTH CENTER

III.K.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, 2012
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.

Condition: During our testing of the University of Connecticut (UConn) Health Center's equipment inventory, we concluded that equipment records lacked evidence that a physical inventory had been conducted in a complete and timely fashion.

Effect: The UConn Health Center's equipment inventory records do not demonstrate compliance with the cost principals and administrative requirements established by OMB Circulars A-21 and A-110.

Cause: The implementation of a new accounting system caused a delay in updating of equipment inventory records.

Recommendation: The University of Connecticut Health Center should maintain records relating to their physical inventory of equipment in a manner that demonstrates the timeliness and completeness of the physical inventory.

Agency Response: "We agree with this finding. Although the physical inventories were completed in a timely fashion, implementation of the new accounting system caused a delay in updating the Health Center's equipment records with the inventory results. The inventory records were updated as of December, 2012 and are now up-to-date."

III.K.2. Allowable Costs

Federally-Sponsored Research and Development Programs
Federal Award Agency: Various Federal Agencies
Award Year: State Fiscal Year Ended June 30, 2012
Research and Development Programs

Criteria: OMB Circular A-21 requires that facilities and administrative costs (F&A) be recovered in accordance with an approved F&A rate.

Condition: When calculating F&A recoveries, the University of Connecticut Health Center included tuition and tuition remission. The Health Center's approved F&A rate specifically excludes tuition and tuition remission from F&A recovery.

Effect: F&A costs, estimated at $25,000, were charged to federal grants in error.

Cause: The implementation of a new accounting system caused unforeseen problems.

Recommendation: The University of Connecticut Health Center should exclude tuition and tuition remission when calculating facilities and administrative costs recoveries.

Agency Response: "We agree with this finding. The setup of Banner at implementation did not exclude tuition and tuition remission charges from the automatic calculation and posting of indirect costs. The setup was corrected and tuition and tuition remissions are now excluded from the calculation and posting of indirect costs. Grants inappropriately charged indirect expense for tuition and tuition remissions charges have been identified and the indirect expense reversed."

III.K.3. Allowable Costs

Federally-Sponsored Research and Development Programs
Federal Award Agency: Various Federal Agencies
Award Year: State Fiscal Year Ended June 30, 2012
Research and Development Programs

Criteria: The University of Connecticut Health Center's cost disclosure statement states that the Health Center supports direct charges to federal grants for salary and wages using after the fact activity records. OMB Circular A-21 requires that after the fact activity records be prepared no less frequently than every six months.

Condition: A review of the Health Center's time and effort reporting system found that the Health Center after the fact activity records for the first reporting period of the fiscal year ended June 30, 2012, spanned nine months.

Effect: The Health Center has not complied with the cost principals established by OMB Circular A-21.

Cause: The Health Center implemented a new enterprise-wide human resource and accounting system on July 1, 2011. The implementation diverted staff responsible for effort reporting to instead plan for and implement the new grants management and grants billing systems. Staff was not available to rewrite the effort reporting system in time to meet OMB Circular guidelines to have after the fact activity records prepared no less frequently than every six months.

Recommendation: The University of Connecticut Health Center should prepare their After the Fact Activity Records at least every six months.

Agency Response: "We agree with this finding. The implementation of the new HR and accounting systems resulted in the need to rebuild the effort reporting system to accept data from the new systems. Resource limitations prevented the Health Center from being able to issue effort reports earlier than April 2012 at which point 3 quarters of effort was available for after the fact verification. The reports issued in April covered the period July 1, 2011 through March 31, 2012. Effort reports for subsequent quarters have resumed the quarterly distribution stipulated by Health Center policy."

L. SOUTHERN CONNECTICUT STATE UNIVERSITY

III.L.1. Allowable Costs/Cost Principles – Time and Effort Reporting

Federal Award Agency: Various
Award Year: State Fiscal Year Ended June 30, 2012
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. These reports are known as time and effort reports.

Condition: In our prior audit covering the fiscal year ended June 30, 2011, we noted that Southern Connecticut State University lacked a time and effort reporting system for student workers whose payroll costs were charged to federal programs.

Our follow-up testing disclosed that student worker timesheets were revised but still do not serve as time and effort reports because the revised timesheets do not identify the specific grant worked on. Therefore, there is no after-the-fact certification that student labor charges were correctly assigned to particular grants.

The following presents the university's student labor charges to federal programs during the fiscal year ended June 30, 2012, which were not adequately supported by a time and effort reporting system:

CFDA #	Program Title	Expenditures
	Research and Development Programs:	
47.049	Mathematical and Physical Sciences	$4,010
47.078	Polar Programs	5,555
47.082	Trans-NSF Recovery Act Research Support	2,486
	Non Research and Development Programs:	
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	2,610
84.116	Fund for the Improvement of Postsecondary Education	2,030
84.215	Fund for the Improvement of Education	1,854
84.224	Assistive Technology	2,187
93.516	Affordable Care Act Public Health Training Centers Program, Resources Development and Academic Support to the Public Health Training Centers Program and Public Health Infrastructure and Systems Support	30,000
	Total	$50,732

Effect: The university did not fully comply with the time and effort reporting requirements established by OMB Circular A-21. Therefore, the university lacked supporting documentation to confirm that student worker wages were appropriately charged to federal programs, and federal grantors cannot be assured that these charges are accurate and allowable.

Cause: The university appears to have taken the position that because there is documentation that indicates that students were hired to work on specific federal grants, and there are student worker timesheets documenting that work was performed, the two documents combined constitute a time and effort reporting system. However, according to Circular A-21, time and effort reports must reflect an "afterthefact reporting of the percentage distribution of activity" and must "reflect activity applicable to each sponsored agreement." The university's revised student worker timesheets do not specify the program worked on. Rather, they contain a generic statement that says, "If this student worker is grant funded, I further certify that all of the time reflected was spent on tasks in furtherance of the Grant Statement of work."

Recommendation: Southern Connecticut State University should improve its time and effort reporting system for student workers whose wages are charged to federal programs by complying with the time and effort reporting requirements prescribed by OMB Circular A-21.

Agency Response: "The university agrees with the finding. The university will further enhance the student timesheet to include the specific grant name(s) to each timesheet submitted if related to grant activity.

M. 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, 2012:

Institution	Office of Post-Secondary Education (OPE) ID
University of Connecticut	00141700
University of Connecticut School of Medicine	00141700
University of Connecticut School of Dental Medicine	00141700
Central Connecticut State University	00137800
Eastern Connecticut State University	00142500
Southern Connecticut State University	00140600
Western Connecticut State University	00138000
Charter Oak State College	03234300
Asnuntuck Community College	01115000
Capital Community College	00763500
Gateway Community College	00803700
Housatonic Community College	00451300
Manchester Community College	00139200
Middlesex Community College	00803800
Naugatuck Valley Community College	00698200
Northwestern Community College	00139800
Norwalk Community College	00139900
Quinebaug Community College	01053000
Three Rivers Community College	00976500
Tunxis Community College	00976400
A.I. Prince Technical High School	00982200
Bullard-Havens Technical High School	01149600
E.C. Goodwin Technical High School	00927700
Eli Whitney Technical High School	00730000
Ella T. Grasso Southeastern Technical High School	02213000
Emmett O’Brien Technical High School	02562400
H.C. Wilcox Technical High School	01218500
Henry Abbott Technical High School	01326400
H.H. Ellis Technical High School	02058900
Howell Cheney Technical High School	02245300
Norwich Technical High School	01184300
Oliver Wolcott Technical High School	03231400
Platt Technical High School	02565000
Vinal Technical High School	01169700
W.F. Kaynor Technical High School	02300000
Windham Technical High School	00731100

III.M.1. Cash Management

Federal Pell Grant Program (CFDA # 84.063)
Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: Department of Education
Award Year: 2011-2012

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 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: During our review of cash management at Central Connecticut State University, we noted the following exceptions:

Due to a federal Pell Grant (Pell) program adjustment made on September 21, 2011, excess cash of between $2,617 and $11,817, was on hand for eight days from September 21, 2011 through September 29, 2011.

Due to a Pell award adjustment made on October 25, 2011, excess cash of between $4,129 and $6,204, was on hand for 14 days from October 25, 2011 through November 8, 2011.

Due to a Pell award adjustment made on September 18, 2012, excess cash of between $2,555 and $11,317, was on hand for eight days from September 18, 2012 through September 26, 2012.

Due to a Pell award adjustment made on October 17, 2012, excess cash of $280 was on hand for eight days from October 17, 2012 through October 25, 2012.

Due to a Pell award adjustment made on October 26, 2012, excess cash of between $100 and $62, was on hand for 13 days from October 26, 2012 through November 8, 2012.

Due to a federal Direct Student Loans program adjustment made on May 4, 2012 in the amount of $12,323, excess cash of between $12,323 and $3,547 was on hand for 11 days from May 4, 2012 through May 15, 2012.

Effect: The university was not in compliance with federal regulations governing cash management.

Cause: The university did not follow established cash management procedures.

Recommendation: Central Connecticut State University 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: "We agree with this finding."

III.M.2. Student Eligibility – Pell Grant

Federal Pell Grant Program (CFDA # 84.063)
Federal Award Agency: Department of Education
Award Year: 2011-2012

Criteria: On an annual basis, the United States Department of Education (DOE) provides institutions *Payment and Disbursement Schedules* for determining Pell awards based on the maximum Pell amount established by Congress. The payment schedule is used to determine the annual award for a full-time student.

Condition: In total, we selected 160 recipients for eligibility testing from several state universities and colleges. Of the 160 selected, we selected 21 Title IV recipients for eligibility testing at Southern Connecticut State University. From this sample of 21, ten students received Pell funds. Based upon our review, we noted one instance where the university incorrectly awarded and disbursed Pell funds. In this instance, the student was under-awarded $346.

Effect: The university was not in compliance with federal regulations related to awarding and disbursing Pell funds. In this instance, the student was not awarded and disbursed the correct Pell amount.

Cause: The Pell award was incorrectly calculated by the staff member who was responsible for determining the award.

Recommendation: Southern Connecticut State University should implement procedures to ensure compliance with the federal regulations relating to awarding and disbursing federal Pell Grants.

Agency Response: "We agree with this finding. To address the under awarded Pell Grant, the university supplemented the student's overall award with a $346 scholarship."

III.M.3. Student Eligibility – Federal Supplemental Educational Opportunity Grants

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Award Agency: Department of Education
Award Year: 2011-2012

Background: *Housatonic CC:* We compared the list of all students that received a Federal Supplemental Educational Opportunity Grant (FSEOG) to those students that 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, 2011, where we identified three students that were ineligible to receive FSEOG, as these students 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 who will also receive federal Pell Grants in that year.

Condition: *Housatonic CC:* We noted that two out of 1,023 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 $200.

Three Rivers CC: We noted that three out of 484 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 $300.

Effect: *Housatonic CC:* Two students received FSEOG awards that they were ineligible to receive.

Three Rivers CC: Three students received FSEOG awards that they were ineligible to receive.

Cause: Due to a processing error, these colleges' automated systems allowed these awards to be awarded and disbursed.

Recommendation: Housatonic Community College and Three Rivers 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 the finding."

Three Rivers CC: "We agree with the finding."

III.M.4. Reporting – Financial Reporting

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: 2011-2012

Criteria: Per the Catalog of Federal Domestic Assistance, for the Nurse Faculty Loan Program (NFLP) and the ARRA-Nurse Faculty Loan Program (ARRA-NFLP), the NFLP Annual Operating Report (AOR) is due within 45 days (August 15) following the last day of the project period and should reflect the loan fund activity for the reporting period.

Condition: We reviewed the Nurse Faculty Loan Program (NFLP) and ARRA-Nurse Faculty Loan Program (ARRA-NFLP) Annual Operating Report (AOR) submitted for reporting period July 1, 2011 through June 30, 2012, and noted the following:

NFLP AOR Current Student Data –
- The total number of NFLP student borrowers enrolled was reported as 9. The supporting documentation for the figure noted that it should have been reported as 11.

NFLP AOR Cumulative Student Data –
- The total number of NFLP student borrowers enrolled was reported as 21. The supporting documentation for the figure noted that it should have been reported as 17.
- The total number of NFLP graduates was reported as 5. The supporting documentation for the figure noted that it should have been reported as 8.

ARRA-NFLP AOR Cumulative Student Data –
- The total number of NFLP student borrowers enrolled was reported as 14. The supporting documentation for the figure noted that it should have been reported as 11.
- The total number of NFLP graduates employed as nurse faculty was reported as 4. The supporting documentation for the figure noted that it should have been reported as 2.

NFLP Program Accounts Section –

- The period of last audit and the date the audit was submitted to the regional audit agency was incorrectly reported as July 2011 to June 2012, submitted in July 2012. The last audit covered was for the period from July 2010 to June 2011, and was submitted in March 2012.
- Corrections were posted to current year cash entries for prior year mispostings in the NFLP-AOR report. The current year end of report period cash balance was correct.

ARRA-NFLP AOR Program Accounts Section –

- The period of last audit and the date the audit was submitted to the regional audit agency was incorrectly reported as July 2011 to June 2012, submitted in July 2012. The last audit covered was for the period from July 2010 to June 2011, and was submitted in March 2012.

Effect: The university did not report accurate and/or complete information to the federal government as required.

Cause: The university did not follow the instructions for completing the AOR's.

Recommendation: The University of Connecticut should establish internal controls to ensure that data reported on the Nurse Faculty Loan Program Annual Operating Report and ARRA-Nurse Faculty Loan Program Annual Operating Report is accurate and in agreement with appropriate supporting documentation.

Agency Response: "We agree with the finding in part. Annual Operating Reports (AOR) generated in the Health Resources and Services Administration (HRSA) electronic handbooks (eHBs) may result in the double counting of students. Cumulative enrollment numbers are auto-populated by the reporting system from previous years. Each year the School of Nursing is asked for the number of enrolled students. Since many students receive funds for several years, the same students are counted in multiple years resulting in errors. The School of Nursing Project Director contacted the HRSA Program Officer, regarding problems with the auto-calculations in the eHBs in August 2012 and she was told that HRSA was aware of the problems."

III.M.5. Reporting – Fiscal Operations Report and Application to Participate (FISAP)

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 Award Agency: Department of Education
Award Year: 2011-2012

Criteria: The instructions for completing the FISAP are contained in the *Instructions Booklet for Fiscal Operations Report for 2011–2012 and Application to Participate for 2013–2014 (FISAP*).

Condition: We reviewed the FISAP at University of Connecticut (UConn) and noted the following:

- The total number of graduate/professional students was reported as 7,897. The supporting documentation for this figure noted that it should have been reported as 7,900.
- The Federal Perkins Loan Program (FPL) institutional capital contribution deposited to the fund of $3,528,150 was inadvertently reported as short-term loans to the fund.
- The FPL number of borrowers total principal repaid for loans in default for more than five years was reported as 69. The supporting documentation for this figure noted that it should have been reported as 39.
- The Federal Work-Study Program (FWS) total earned compensation was reported as $3,618,451. The supporting documentation for this figure noted that it should have been reported as $3,612,000. As a result, this difference also affects amounts reported on the following fields of the FISAP:
    - On-campus and off-campus earned compensation
    - Total institutional share of earned compensation
    - Distribution of FWS recipients and funds by type of student
    - Administrative cost allowance worksheet
- We were unable to reconcile the information reported about FWS students employed in community service activities to the supporting documentation. The number of students in community service employment was reported as 580. The federal share of community service earned compensation was reported as $342,684, and the nonfederal share of community service earned compensation was reported as $114,228.
- The total FWS less-than-full-time and "automatic" Zero Estimated Financial Contribution Students recipients was reported as 620 and 444, respectively. The total funds for these income categories were reported as $940,564 and $661,138, respectively. The supporting documentation for the number of recipients was 556 and 391, and for the funds totals was $848,682 and $582,077, respectively.
- The total unduplicated recipients for undergraduate dependent student type with income of $60,000 and over was reported as 1,068. This amount was greater than the number of recipients reported within the various fund columns, which totaled 1,037.

We reviewed the FISAP at Western Connecticut State University (CSU) and noted the following:

- The total amount of federal Pell Grant expenditures was reported as $6,333,810. The supporting documentation for this amount noted that it should have been reported as $6,313,106.
- The total cumulative amount of FPL funds advanced to students was reported as $9,843,076. The supporting documentation for this amount noted that it should have been reported as $9,842,951.
- The total earned compensation amount for FWS was reported as $184,974. The subsidiary supporting documentation for this amount was listed as $188,956.

We reviewed the FISAP at Three Rivers Community College (CC) and noted the following:

- The total cumulative amount of FPL funds advanced to students was reported as $802,214. The supporting documentation for this amount was listed as $796,364.
- The total cumulative amount of FPL principal assigned to and accepted by the United States was reported as $103,948. The supporting documentation for this amount was listed as $102,948.
- The total cumulative amount of FPL interest income on loans was reported as $134,116. The supporting documentation for this amount was listed as $133,549.
- The total cumulative amount of FPL other income was reported as $112,867. The supporting documentation for this amount was listed as $116,930
- The total cumulative amount of FPL reimbursements to the fund on the amounts canceled on loans made July 1, 1972 and after was reported as $13,515. The supporting documentation for this amount was listed as $3,174.
- The total cumulative amount of FPL loan principal and interest assigned to and accepted by the United States was reported as $131,585. The supporting documentation for this amount was listed as $130,426.

In addition, we also noted that the supporting documentation for many of the amounts noted above did not agree with the amounts recorded on the reports issued by the college's FPL service provider.

Effect: The FISAPs that these institutions submitted to the United States Department of Education contained errors. If an institution provides inaccurate data, the level of funding for its campus-based programs could be affected.

Cause: *UConn:* Departments inadvertently submitted inaccurate summary information to the office responsible for the submission of the FISAP. In certain instances the reason for the differences was unknown.

Western CSU: The university did not follow the guidelines in the instructions booklet for reporting various amounts on the FISAP.

Three Rivers CC: It appears that the college did not reconcile amounts submitted on the FISAP to the accounting system.

Recommendation: The University of Connecticut, Western Connecticut State University and Three Rivers Community College should establish internal controls to ensure that data reported on the Fiscal Operations Report and Application to Participate (FISAP) is accurate and in compliance with instructions provided by the United Stated Department of Education. These institutions should make necessary corrections to the FISAP data submitted for 2011-2012. Three Rivers Community College should reconcile its internal records with those records maintained by the college's third party Federal Perkins Loan service provider.

Agency Response: *UConn:* "We agree with the finding."

Western CSU: "We agree with the finding."

Three Rivers CC: "We agree with the finding. Condition bullet numbers 1, 3 and 4 - The amount reported on the FISAP is the amount that has been accepted by the Department of Education (DOE) for a number of years. Since the form has built in validations, there is no way to change any of the amounts that were previously reported. We are in the process of closing the program and all reported values will be validated at that time.

Condition bullet numbers 2 and 6 - The college had not actively assigned any new loans to the DOE in many years. However, the amount reported by our servicer increased at some point by $1,000. It's not clear whether an error was made by the servicer or if we should've booked an entry to record a new assignment. We are in the process of closing the program and all reported values will be validated at that time.

Condition bullet number 5 - Several years ago we were contacted by the DOE and asked to change the amount that we were reporting on the FISAP ($3,174) because it did not match the amount that was reflected in their records ($13,515). We changed the amount on the FISAP, but did not make any formal adjustment to our accounting records. Since the FISAP is an electronic form that has built in validations, there is no way to change this amount without producing an error message. We are in the process of closing the program and all reported values will be validated at that time. It should be noted that we have been reporting the same amount consistently for a number of years."

III.M.6. 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: 2011-2012

Background: When disbursing Pell funds, entities must report certain disbursement records through the Common Origination and Disbursement (COD) System.

Criteria: The 2011-2012 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 Western Connecticut State University, we noted that Pell disbursement transmissions to COD for two students were submitted late. Both transactions were submitted eight days late.

Effect: The university was not in compliance with federal requirements related to the timely submission of Pell payment data.

Cause: Established control procedures were not followed.

Recommendation: Western Connecticut State University should comply with the federal regulations related to the timely submission of Pell Grant payment data.

Agency Response: "We agree that two reported disbursement dates were eight days late."

III.M.7. 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: 2011-2012

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 Applications for Federal Student Aid 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; 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 to data found on the Institutional Student Information Report (ISIR). Further, it confirms household data and other untaxed income items found on the verification worksheet to data found on the ISIR.

Condition: From a sample of ten students selected for verification testing at Central Connecticut State University (CSU), we noted exceptions with nine students. Our testing disclosed the following specific conditions:

- In nine instances, the parent and/or student's amount for the making work pay credit on the income tax return did not agree with the reported amount on the ISIR.
- In one instance, the parent's amount for the first-time homebuyer credit on their income tax return did not agree with the reported amount on the ISIR.

From a sample of ten students selected for verification testing at Eastern CSU, we noted exceptions with all ten students. Our testing disclosed the following specific conditions:

- In ten instances, the parent and/or student's amount for the making work pay credit on their income tax return did not agree with the reported amount on the ISIR.
- In one instance, the student's amount for an education credit on their income tax return, did not agree with the reported amount on the ISIR.

From a sample of ten students selected for verification testing at Western CSU, we noted exceptions with eight students. Our testing disclosed the following specific conditions:

- In eight instances, the parent and/or student's amount for the making work pay credit on their income tax return did not agree with the reported amount on the ISIR.
- In one instance, the number of household members reported on the verification worksheet did not agree with the number on the ISIR.

From a sample of seven students selected for verification testing at Housatonic Community College (CC), we noted exceptions with all seven students. Our testing disclosed the following specific conditions:

- In seven instances, the parent and/or student's amount for the making work pay credit on their income tax return did not agree with the reported amount on the ISIR.
- In one instance, the parental amount for an education credit on their income tax return, did not agree with the reported amount on the ISIR.
- In one instance, the amount of other untaxed income per the verification worksheet, did not agree with the reported amount on the ISIR.
- In one instance, the college 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 themself as an exemption.

Effect: These institutions were not in compliance with verification requirements.

Central CSU: In seven of these instances the students' Estimated Family Contribution (EFC) amount was affected, with six students' awards being affected. The aggregate over-payment of federal Pell Grant awards to these students was $2,730. Upon notification, the university processed adjustments to the Pell program.

Eastern CSU: In four of these instances the students' EFC amount was affected, with three students' awards being affected. The aggregate underpayment to these students was $587. Upon notification, the university processed these students institutional aid.

Western CSU: In six of these instances, the students' EFC amount was affected, with three students' awards being affected. The aggregate over-payment of Pell awards to these students was $600.

Housatonic CC: In five of these instances, the students' EFC amount was affected, with three students' awards being affected. The aggregate underpayment to these students was $62. Upon notification, the college processed these students' institutional aid. In the instance of conflicting tax information, the verification process should not have been completed until the tax data was updated.

Cause: Established verification procedures were not followed.

Recommendation: Central Connecticut State University, Eastern Connecticut State University, Western Connecticut State University and Housatonic Community College should review their procedures to ensure compliance with the federal regulations pertaining to verification.

Agency Response: *Central CSU:* "We agree with the finding."

Eastern CSU: "We agree with the finding on the "Making Work Pay Credit" and the "Education Credit".

Western CSU: "We agree that this verification requirement was overlooked based on a clerical error in nature."

Housatonic CC: "We agree with the finding."

III.M.8. 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: 2011-2012

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 University of Connecticut (UConn), we noted the following:

- In three instances, the Return of Title IV Funds calculation was incorrect. This resulted in the university under-returning $22 to the federal Direct Student Loans (Direct Loan) Program.
- In two instances, the university used the incorrect withdrawal date in performing the Return of Funds calculation. This resulted in the university under-returning an aggregate of $2,500 to the federal Pell Grant Program, $750 to the Federal Supplemental Educational Opportunity Grant (FSEOG) program, and $755 to Direct Loan.
- In one instance, the university did not obtain a written statement from a student rescinding their intent to withdraw. The student subsequently withdrew. There was no formal documentation for the last day of attendance at an academically related activity to substantiate the later effective date of withdrawal. This resulted in the university under-returning $3,305 to Direct Loan Program.

From a sample of ten students who were selected for Return of Title IV Funds testing at Central Connecticut State University (CSU), we noted the following:

- In all ten instances, the Return of Title IV Funds calculation was incorrect. As a result of these miscalculations, the university under-returned $845 to the Direct Loan Program and over-returned a total of $158 to the Direct Loan Program.
- In two instances, the university did not notify the students prior to their post-withdrawal disbursement of loan funds. In addition, the post-withdrawal notification letters that were sent lacked language, which would require confirmation of whether the loan funds are to be credited to the student's account or disbursed directly to the student.
- In one instance, the university was unable to provide us with documentation confirming the student's withdrawal date.

From a sample of five students who were selected for Return of Title IV Funds testing at Eastern CSU, we noted the following:

- In three instances, where students unofficially withdrew, the university did not determine the withdrawal date within the timeliness requirements of the federal regulations. In all three instances, the university performed the Return of Title IV Funds calculation 77 days after the end of the payment period.
- In two instances, the Return of Title IV Funds calculation was incorrect. This resulted in the university under-returning $504 to the Direct Loan Program.
- In one instance, the university used the incorrect withdrawal date in performing the Return of Funds calculation.

From a sample of five students who were selected for Return of Title IV Funds testing at Southern CSU, we noted the following:

- In two instances, the university did not complete a Return of Title IV Funds calculation in a timely manner, which prohibited the return of Title IV funds within the timeliness requirements of the federal regulations. In both of these instances, the students withdrew in October 2011, and the Return of Title IV Funds calculation was performed on June 1, 2012. At the time of our review, the university had not yet returned the Title IV funds. As a result, the institution under returned $6,058 to the Direct Loan Program.
- In one instance, the Return of Title IV Funds calculation was incorrect. This resulted in the university over-returning $27 to Direct Loan.

From a sample of ten students who were selected for Return of Title IV Funds testing at Western CSU, we noted the following:

- In six instances, the Return of Title IV Funds calculation was incorrect. In three of these instances, the university under-returned $37 and over-returned $35 to the Direct Loan Program. In the other three instances, where students received a post-withdrawal disbursement, the university under-returned $14 to the Pell Program and $36 to the Direct Loan Program.
- In three instances, the university did not complete a Return of Title IV Funds calculation in a timely manner, which prohibited the return of funds within the timeliness requirements of the federal regulations. In these instances, the students withdrew in October 2011, and the Return of Title IV Funds calculation was performed for two of the students on December 27, 2011 and the other student on December 28, 2011.
- In one instance, the university did not notify the student prior to the post-withdrawal disbursement of loan funds. In addition, the post-withdrawal notification letter that was sent lacked the language which would require confirmation of whether the loan funds are to be credited to the student's account or disbursed directly to the student.

We also noted that consumer information regarding the Return of Title IV Funds was incomplete.

From a sample of five students selected for Return of Title IV Funds testing at Gateway Community College (CC), we noted five instances in which the college incorrectly calculated the Return of Title IV Funds. As a result of the incorrect calculations, the college under-returned $418 to the Pell Program and $338 to the Direct Loan Program.

From a sample of five students selected for Return of Title IV Funds testing at Housatonic CC, we noted two instances in which the college incorrectly calculated the Return of Title IV Funds. As a result of the incorrect calculations, the college under-returned $250 to the Pell Program.

From a sample of ten students selected for Return of Title IV Funds testing at Three Rivers CC, we noted seven instances where the college incorrectly calculated the Return of Title IV Funds. As a result of the incorrect calculations, the college under-returned an aggregate of $272 to the Pell Program.

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 fall term end date within the Return of Title IV Fund system module was incorrect.
- The university did not determine an appropriate withdrawal date for two students with a deceased status.
- The university did not obtain documentation for rescission of a student's withdrawal or for the last date of attendance at an academically related activity for subsequent withdrawal date.

Central CSU: We noted that:

- The university included the incorrect amount of institutional charges in the Return of Title IV Funds calculation.
- Established procedures were not followed.
- It appears that the university inadvertently misplaced the official withdrawal form.

Eastern CSU: We noted that:

- Attempts to determine the actual withdrawal date from the faculty were not obtained within the federal timeline requirements.
- The university did not include all of the required institutional charges in the Return of Title IV Funds calculation.
- It appears that an incorrect withdrawal date was inadvertently entered into the Return of Title IV Funds calculation.

Southern CSU: We noted that:

- The university did not perform the Return of Title IV Funds calculation in a timely manner because the financial aid office did not receive the withdrawal notification in a timely manner. Once the calculation was performed, they were unable to return the funds because the university is currently undergoing a Federal Program Review. We were informed by a representative of the university that the institution should not return any funds back to the Direct Loan Program until the federal review is complete.
- The university's initial Return of Title IV calculation was performed utilizing the incorrect number of days in the semester.

Western CSU: We noted that:

- In five of the six instances noted, the university used the incorrect number of days in the semester. In one of the six instances noted, the university used the incorrect amount of institutional charges in their return calculations. In one of the six instances noted, the Return of Title IV Funds calculation was performed using the incorrect withdrawal date.
- Established procedures were not followed.
- The university's post-withdrawal notification letters do not meet all of the necessary compliance requirements.

In addition, consumer information was not updated to reflect all of the federal requirements.

Gateway CC: We noted that:

- In four of the instances noted, the college used the incorrect amount of institutional charges in their return calculations.
- In three of the instances noted, the Return of Title IV Funds calculation was performed using the incorrect number of days in the enrollment period. In all three of these instances, the students withdrew in the spring 2012 semester.

Housatonic CC: We noted that:

- In two of the instances noted, the college used the incorrect amount of institutional charges in their return calculations.
- In one of the instances noted, the Return of Title IV Funds calculation was performed using the incorrect withdrawal date.

Three Rivers CC: We noted that:

- In six of the instances noted, the Return of Title IV Funds calculation was performed using the incorrect number of days in the enrollment period. In all six of these instances, the students withdrew in the spring 2012 semester.

- In two of the instances noted, the college used the incorrect amount of institutional charges in their return calculations.
- In one of the instances noted, the Return of Title IV Funds calculation was performed using the incorrect withdrawal date.

Recommendation: The University of Connecticut, state universities, and community colleges should review their procedures to ensure compliance with the federal regulations contained in 34 CFR 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. Central Connecticut State University should make restitution to the federal government for the amount of questioned costs. Additionally, Western Connecticut State University 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 findings on Return of Title IV Funds regarding:
1. late return of funds,
2. under-return of funds, and,
3. an incorrect date of withdrawal being used in a calculation of Return of Title IV Funds.”

Southern CSU: “We agree with the finding. The Director of Financial Aid & Scholarship submitted the program review to the federal auditor on November 7, 2012. The federal auditor is reviewing the information reported. The university has been asked not to affect any student records in Banner until the federal auditor completes their review process and send instructions on how to proceed.”

Western CSU: “We agree with the finding.”

Gateway CC: “We agree with the finding and will insure compliance with this regulation.”

Housatonic CC: “We agree with the finding. Due to staffing deficiencies at the System Office level, procedures to account for institutional charges were not implemented until Spring 2012. These auditor findings are from the Fall 2011 semester.”

Three Rivers CC: "We agree with the finding."

III.M.9. Special Tests: Return of Title IV Funds – Policy Issues

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: 2011-2012

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.

Per Dear Colleague Letter (DCL) GEN-04-03, if a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

DCL GEN-11-14 provides additional guidance on the Return of Title IV Funds regulations stipulated in 34 CFR Section 668.22 regarding the treatment of Title IV HEA program funds when a student withdraws from the summer payment period, or a program in which classes do not span the entire length of the payment period.

Condition: *University of Connecticut (UConn), Southern Connecticut State University (CSU), Western CSU and Three Rivers Community College (CC):*
These institutions did not comply with DCL GEN-04-03, which requires that an institution determine whether a Title IV recipient who began attendance during a period, and who failed to obtain a passing grade in at least one course, completed the period or should be treated as a withdrawal.

Southern CSU, Western CSU Gateway CC, Housatonic CC and Three Rivers CC:
These institutions did not comply with DCL GEN-11-14, which prescribes the treatment of Title IV HEA program funds when a student withdraws from

the summer payment period or a program in which classes do not span the entire length of the payment period.

Effect: These institutions were not in compliance with the federal regulations governing the Return of Title IV Funds.

Cause: *UConn:* The university's office of Student Financial Aid Services does not believe that the guidance in DCL GEN-04-03 provided to assist schools with Return of Title IV aid calculations and procedures regarding the treatment of a student who fails to receive a passing grade in any class is explicitly stated within the CFR.

Southern CSU and Western CSU: These universities did not have a procedure to identify students that unofficially withdrew during the audit period. These universities did not have a policy or procedure for conducting Return of Title IV Fund calculations during the summer payment period.

Three Rivers CC: It appears that the college did not follow an established system-wide procedure, which would have identified students that may have unofficially withdrawn during the audit period.

Housatonic CC, Gateway CC and Three Rivers CC: These colleges did not disburse any Title IV aid until late in the summer payment period. It was the colleges' policies to award Title IV aid based on a student's enrollment at the time of disbursement. As a result, the colleges would remove any Title IV aid awarded for those students that withdrew.

Recommendation: The University of Connecticut, state universities, and community colleges should develop procedures for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal. The state universities and community colleges should develop procedures for conducting Return of Title IV Fund calculations during the summer payment period.

Agency Response: *UConn:* "We agree with the finding."

Southern CSU: "We agree with the finding. The Director of Financial Aid & Scholarship submitted the program review to the federal auditor on November 7, 2012. The federal auditor is reviewing the information reported. The university has been asked not to affect any student records in Banner until the federal auditor completes their review process and send instructions on how to proceed."

Western CSU: "We agree with the finding."

Gateway CC: “We agree with the finding.”

Housatonic CC: “We agree with the finding. However, at the present time there is no automated process in place at the Community College System level to allow for Return of Title IV Funds for each individual session within the summer semester. The System Office for the Community Colleges was notified of the findings and will work on a solution.”

Three Rivers CC: “We agree with the finding.”

III.M.10. Special Tests: Enrollment Reporting

Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: Department of Education
Award Year: 2011-2012

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.

Proper internal control over enrollment to the National Student Clearinghouse requires that data submitted be accurate and complete.

Condition: From a sample of 12 student borrowers who received Federal Direct Student Loans (Direct Loan) program funds that separated from University of Connecticut (UConn), we noted the following:

- The National Student Loan Data System (NSLDS) was not made aware of two students who were dismissed at the end of the spring semester until the fall 2012 first of term submission, submitted on September 10, 2012, two months late. The effective status date for the withdrawal was indicated as the end of the spring term, May 5, 2012, rather than the date of dismissal of June 13, 2012.
- Two borrowers who were deceased were reported to the NSLDS as withdrawn. The effective date of the enrollment change was reported with a date subsequent to the date of death.

From a sample of ten student borrowers who received Direct Loan program funds that separated from Central Connecticut State University (CSU), we noted the following:

- One borrower who was enrolled as a full time student during the Fall 2011 and Spring 2012 semesters was never reported to the NSLDS.

- One borrower's change in enrollment status was not reported to the NSLDS in a timely manner. In this case, a student's return to full time enrollment for the Spring 2012 semester beginning January 25, 2012, after an approved leave of absence, was not reported to the NSLDS until May 30, 2012.

From a sample of six student borrowers who received Direct Loan program funds that separated or dropped to less-than-half-time from Gateway Community College (CC), we noted the following:

- Two borrowers' enrollment statuses, as reported to the NSLDS, were not accurate. In both instances, the students' enrollment statuses were reported as withdrawn when they actually graduated.
- One borrower's change in enrollment status was reported to the NSLDS approximately three months late.

From a sample of ten student borrowers who received Direct Loan program funds that separated or dropped to less-than-half-time from Three Rivers CC, we noted three borrowers' enrollment status, as reported to the NSLDS, were not accurate. In all three instances, the students' enrollment status was reported as less-than-half-time when they were actually withdrawn. In two of these instances, the withdrawal effective date reported to the NSLDS was not accurate. The effective withdrawal date was one business day off.

Effect: Enrollment information was not provided to the NSLDS for certain students in an accurate and/or timely manner.

Cause: *UConn:* We were informed by the registrar's office that a spring dismissal report was submitted to the National Student Clearinghouse on June 18, 2012, but it appears it was never accepted.

The university is not using the enrollment status code of 'D' for reporting students known to be deceased. The university relied in erroneous/incomplete information when reporting the date of death for these students.

Central CSU: A staff member of the registrar's office informed us that the student who was not reported to NSLDS did not have a social security number in Banner at the time of reporting, thus the student's information was never identified and reported to the NSLDS.

Regarding the student whose change was not reported in a timely manner, we were informed that because this student's approved leave of absence was coded in Banner with an anticipated return date of Fall 2012, this student's full time registration record for the Spring 2012 semester was never picked up and reported as such.

Gateway CC: Established procedures for reporting enrollment changes were not followed.

Three Rivers CC: It appears that a report that the college was using to report student status changes did not capture these students' correct enrollment status.

Recommendation: The University of Connecticut, Central Connecticut State University and community colleges should implement procedures to ensure that enrollment status changes are accurately submitted in a timely manner to the National Student Loan Data System in accordance with federal regulations.

Agency Response: *UConn:* "We agree with the finding."

Central CSU: "We agree with the finding."

Gateway CC: "We agree with the finding."

Three Rivers CC: "We agree with the finding."

III.M.11. Special Tests: Student Loan Repayments

Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education
Award Year: 2011-2012

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 provide the exit counseling material to the borrower within 30 days after learning that the borrower did not complete the exit counseling.

Condition: From a sample of ten borrowers at University of Connecticut (UConn) who entered repayment during the audited period, we noted the following:

- In three instances, the borrowers' conversion to repayment was untimely. The university's service provider received notification of the change in status for these borrowers 61 days after they ceased to be enrolled at least half-time. Additionally, the separation date for these borrowers was reported incorrectly to the service provider.

From a sample of ten borrowers at Central Connecticut State University (CSU) who entered into repayment during the audited period, we noted one instance where the university was aware that the student was graduating and it did not conduct exit counseling before the borrower graduated. In this instance, the change in the borrower's enrollment status was reported to the university's service provider 67 days after the graduation date. In this instance, the borrower was not provided the exit counseling package and repayment schedule in a timely manner.

From a sample of ten borrowers at Eastern CSU who entered into repayment during the audited period, we noted the following:

- In five instances in which the university was aware that the student was graduating, it did not conduct exit counseling before the borrower graduated.

  In all five instances, the change in the borrowers' enrollment status was reported to the university's service provider 37 to 67 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.

- In one instance in which it was determined that a student withdrew, the change in the borrowers' enrollment status was reported to the university's service provider 102 days after a Return of Title IV Funds calculation was performed. In addition, in this instance the borrower's separation date was reported incorrectly.

From a sample of ten borrowers at Western CSU who entered into repayment during the audited period, we noted six instances in which the borrowers' conversion to repayment was untimely. The university's service provider received notification of the change in status for these borrowers 40 to 131 days after the student's graduation date.

Effect: These universities were not in compliance with federal due diligence requirements.

Cause: It appears that their Perkins Loan offices did not become aware of these borrowers change in enrollment status in a timely manner.

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 related to the due diligence requirements on Perkins student loan repayment."

Western CSU: "We agree with the finding."

III.M.12. Special Tests: Student Loan Repayments- Cancellations

Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education
Award Year: 2011-2012

Criteria: Per Title 34 Code of Federal Regulation (CFR) Section 674.52(a), to qualify for cancellation of a loan, a borrower shall submit to the institution to which the loan is owed, by the date that the institution establishes, both a written request for cancellation and any documentation required by the institution to demonstrate that the borrower meets the conditions for the cancellation requested.

Condition: From a sample of nine students at University of Connecticut (UConn) with a Perkins Loan cancellation during the audited period, we noted two instances in which 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 have the proper paperwork on file to support the cancellation. In our sample of nine, we are questioning cancellations made of $1,325.

Cause: Established federal cancellation procedures were not followed. The university cancelled certain loans based upon acceptance of incomplete documentation.

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.M.13. Special Tests: Student Loan Repayments - Default

Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: Department of Education
Award Year: 2011-2012

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 Western Connecticut State University (CSU) whose loans went into default during the audited period, we noted one instance where one or more of the required contact letters were not sent to the borrower as required by 34 CFR Section 674.42(c).

Effect: The university was not in compliance with federal requirements.

Cause: Established due diligence procedures were not followed.

Recommendation: Western Connecticut State University should ensure that policies and procedures are in place to ensure that the Perkins Loan due diligence requirement is performed in accordance with federal regulations.

Agency Response: *Western CSU:* "We agree with the finding."

III.M.14. Special Tests: Borrower Data Transmission and Reconciliation

Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: Department of Education
Award Year: 2011-2012

Background: When disbursing Federal Direct Student Loans (Direct Loan) program 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 as described in the *Direct Loan School Guide*: 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.

Condition: Central Connecticut State University (CSU), Eastern CSU and Three Rivers Community College (CC) did not maintain sufficient evidence to support that a monthly Direct Loan reconciliation was performed between COD and the institutions' internal records.

Effect: These institutions were not in compliance with the federal regulations governing the Direct Loan program.

Cause: These institutions did not have adequate policies and procedures in place to ensure compliance with federal requirements.

Recommendation: Central Connecticut State University, Eastern Connecticut State University and Three Rivers Community College should maintain complete reconciliation records to evidence that a monthly Direct Loan reconciliation was performed between the Common Origination and Disbursement System and the institutions' internal records.

Agency Response: *Central CSU:* "We agree with the finding."

Eastern CSU: "We agree with the finding related to the reconciliation of Direct Loans."

Three Rivers: "We agree with the finding."

III.M.15. 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 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: 2011-2012

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 University of Connecticut (UConn) as participating in a written arrangement with another institution, we noted two instances where there was no evidence that the agreements on file were 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."