State of Connecticut
Single Audit Report

For the Fiscal Year Ended June 30, 2013

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

STATE OF CONNECTICUT

Single Audit Report

For the Year Ended June 30, 2013

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Letter of Transmittal

STATE OF CONNECTICUT

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

JOHN C. GERAGOSIAN

ROBERT M. WARD

March 28, 2014

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, 2013.

This report on that audit complies with state audit requirements and with those audit requirements placed upon the state as a condition of expending more than $8,989,000,000 in federal financial assistance during the fiscal year ended June 30, 2013. Of this amount, the state expended more than $135,927,000 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, 2013.

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
JOHN C. GERAGOSIAN 210 CAPITOL AVENUE ROBERT M. WARD
HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
Members of the General Assembly

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

<u>Government-wide Financial Statements</u>

- the financial statements of the Special Transportation Fund account within the Transportation Fund and the Transportation Special Tax Obligations account within the Debt Service Fund, which in the aggregate, represent six percent of the assets and eight 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, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 63 percent of the assets and 28 percent of the revenues of the Business-Type Activities;
- the financial statements of the discretely presented component units;

<u>Fund Financial Statements</u>

- the financial statements of the Special Transportation Fund account, which represents 96 percent of the assets and 96 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 System, the Connecticut Community Colleges, Bradley International Airport, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 63 percent of the assets and 28 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.

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 from material misstatement. In addition, the financial statements of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Bradley International Airport, Connecticut Development Authority, Capital Region 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 audited by other auditors in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits of the financial statements of the Bradley International Airport Parking Facility, John Dempsey Hospital, Connecticut State University System, Connecticut Community Colleges and the University of Connecticut Foundation and University of Connecticut Law School Foundation were not conducted in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013; 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.

Other Matters

Required Supplementary Information
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.

Supplementary and Other Information
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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, 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 *Auditors' Report on Internal Control – Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2013,* 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.

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.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 28, 2014
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, 2013. 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, 2013, the State had a combined net position deficit of $10.5 billion, a decrease of $106 million when compared to the prior year ending deficit balance. This annual improvement resulted from an increase of $167 million in the net position of business-type activities, which was offset by a $61 million increase in the net position deficit of governmental activities.

Fund Level:
The governmental funds had a total fund balance of $2.0 billion at year-end. Of this amount, $3.2 billion represents fund balance that is considered mainly restricted or committed for specific purposes by external constraints or by the Legislature and $1.2 billion represents unassigned fund balance deficit. This deficit, which belongs to the General Fund, did not change significantly during the fiscal year.

The Enterprise funds had a total net position of $4.6 billion at year-end, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt:
Total long-term debt was $29.5 billion for governmental activities at year-end, of which $19.1 billion was bonded debt.

Total long-term debt was $2.4 billion for business-type activities at year-end, 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 position presents information on all of the State's non-fiduciary assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, Connecticut Community Colleges, Bradley International Airport, 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 Lottery Corporation, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Resources Recovery Authority, Connecticut Innovations, Incorporated, the Capital Region 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, the Restricted Grants and Accounts Fund, and the Grants and Loan Programs 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 POSITION

As noted earlier, net position may serve over time as a useful indicator of the State's financial position. During the current fiscal year, the combined net position deficit of the State decreased 1.0 percent to $10.5 billion. In comparison, last year the combined net position deficit increased 6.1 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012*	2013	2012*
ASSETS:						
Current and Other Assets	$ 4,163	$ 3,944	$ 3,773	$ 3,854	$ 7,936	$ 7,798
Capital Assets	11,987	10,966	3,809	3,597	15,796	14,563
Total Assets	16,150	14,910	7,582	7,451	23,732	22,361
Deferred Outflows of Resources	18	-	20	-	38	-
LIABILITIES:						
Current Liabilities	3,531	3,498	716	693	4,247	4,191
Long-term Liabilities	27,729	26,443	2,252	2,291	29,981	28,734
Total Liabilities	31,260	29,941	2,968	2,984	34,228	32,925
NET POSITION:						
Net Investment in Capital Assets	5,825	5,305	3,179	2,951	9,004	8,256
Restricted	2,283	1,648	999	1,101	3,282	2,749
Unrestricted	(23,200)	(21,984)	456	415	(22,744)	(21,569)
Total Net Position (Deficit)	$(15,092)	$ (15,031)	$ 4,634	$ 4,467	$(10,458)	$(10,564)

* Restated for comparative purposes. See Note 23.

The net position deficit of the State's governmental activities increased $61 million (0.4 percent) to $15.1 billion during the current fiscal year. Of this amount, $5.8 billion was invested in capital assets (buildings, roads, bridges, etc.) and $2.3 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $23.2 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 $6.3 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 $10.4 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB obligations and compensated absences).

Net position of the State's business-type activities increased $167 million (3.7 percent) to $4.6 billion during the current fiscal year. Of this amount, $3.2 billion was invested in capital assets and $1.0 billion was restricted for specific purposes, resulting in unrestricted net positions of $0.4 billion. These resources cannot be used to make up for the net position deficit of the State's governmental activities. The State can only use these net positions 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 POSITION

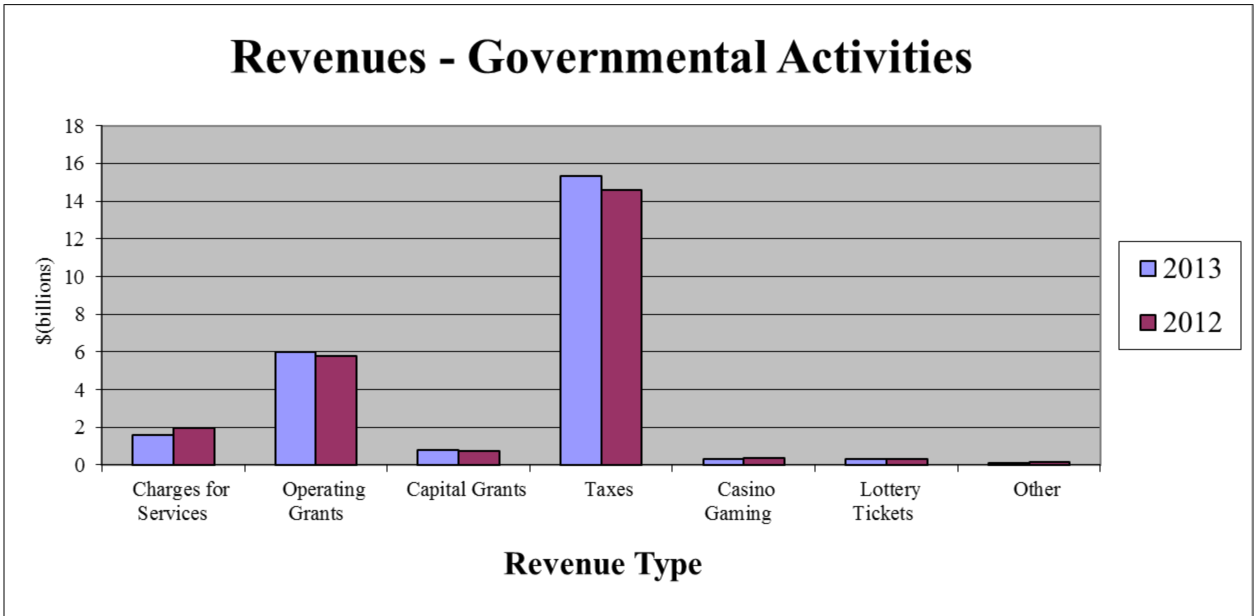
Changes in net position for the years ended June 30, 2013 and 2012 were as follows:

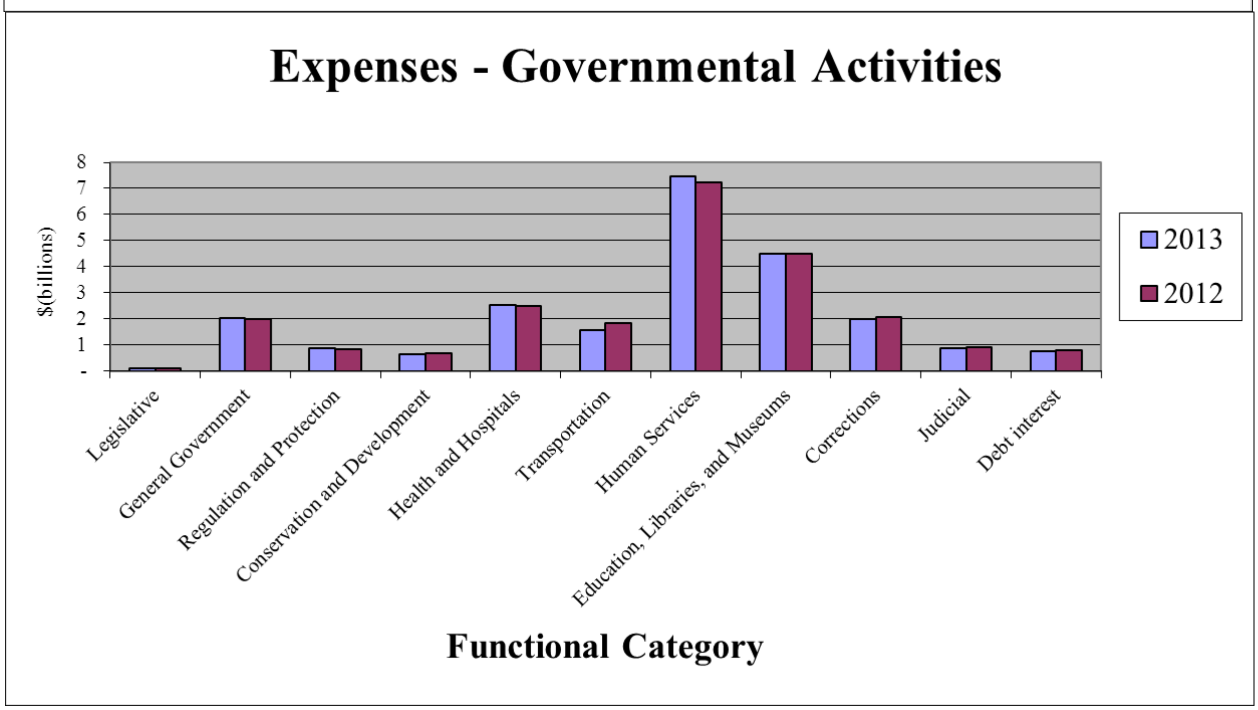
State of Connecticut's Changes in Net Position
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		%change
	2013	2012*	2013	2012*	2013	2012*	13-12
REVENUES							
Program Revenues							
Charges for Services	$ 1,576	$ 1,952	$ 2,548	$ 2,535	$ 4,124	$ 4,487	-8.1%
Operating Grants and Contributions	5,992	5,771	1,173	1,412	7,165	7,183	-0.3%
Capital Grants and Contributions	768	716	59	18	827	734	12.7%
General Revenues							
Taxes	15,356	14,585	-	-	15,356	14,585	5.3%
Casino Gaming Payments	296	345	-	-	296	345	-14.2%
Lottery Tickets	312	310	-	-	312	310	0.6%
Other	128	140	17	18	145	158	-8.2%
Total Revenues	24,428	23,819	3,797	3,983	28,225	27,802	1.5%
EXPENSES							
Legislative	106	114	-	-	106	114	-7.0%
General Government	2,036	1,988	-	-	2,036	1,988	2.4%
Regulation and Protection	868	853	-	-	868	853	1.8%
Conservation and Development	665	693	-	-	665	693	-4.0%
Health and Hospitals	2,540	2,476	-	-	2,540	2,476	2.6%
Transportation	1,573	1,846	-	-	1,573	1,846	-14.8%
Human Services	7,472	7,223	-	-	7,472	7,223	3.4%
Education, Libraries and Museums	4,490	4,496	-	-	4,490	4,496	-0.1%
Corrections	1,977	2,061	-	-	1,977	2,061	-4.1%
Judicial	894	910	-	-	894	910	-1.8%
Interest and Fiscal Charges	780	816	-	-	780	816	-4.4%
University of Connecticut & Health Center	-	-	1,872	1,802	1,872	1,802	3.9%
State Universities	-	-	666	652	666	652	2.1%
Connecticut Community Colleges	-	-	489	477	489	477	2.5%
Bradley International Airport	-	-	67	64	67	64	4.7%
Employment Security	-	-	1,515	1,823	1,515	1,823	-16.9%
Clean Water	-	-	50	53	50	53	-5.7%
Other	-	-	59	59	59	59	0.0%
Total Expenses	23,401	23,476	4,718	4,930	28,119	28,406	-1.0%
Excess (Deficiency) Before Transfers	1,027	343	(921)	(947)	106	(604)	-117.5%
Transfers	(1,088)	(1,228)	1,088	1,228	-	-	0.0%
Increase (Decrease) in Net Position	(61)	(885)	167	281	106	(604)	-117.5%
Net Position (Deficit) - Beginning (as restated)	(15,031)	(14,146)	4,467	4,186	(10,564)	(9,960)	6.1%
Net Position (Deficit) - Ending	$ (15,092)	$ (15,031)	$ 4,634	$ 4,467	$ (10,458)	$ (10,564)	-1.0%

**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 2.6 percent to $24.4 billion, while total expenses decreased 0.3 percent to $23.4 billion. In comparison, last year total revenues increased 6.0 percent, while total expenses increased 7.2 percent. The increase in total revenues of $609 million was due mainly to an increase in taxes of $771 million or 5.3 percent, particularly in income and inheritance taxes. Although, total revenues exceeded total expenses by $1,027 million, this excess was reduced by transfers of $1,088 million, resulting in a decrease in net position of $61 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 4.7 percent to $3.8 billion, while total expenses decreased 4.3 percent to $4.7 billion. In comparison, last year total revenues decreased 3.8 percent, while total expenses decreased 7.3 percent. The decrease in total expenses of $212 million was due mainly to a decrease in Employment Security expenses of $308 million or 16.9 percent. Although, total expenses exceeded total revenues by $921 million, this deficiency was reduced by transfers of $1,088 million, resulting in an increase in net position of $167 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, 2013, the State's governmental funds had fund balances of $1,998 million, an increase of $307 million over the prior year ending fund balances. Of the total governmental fund balances, $2,352 million represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $180 million represents fund balance that is non-spendable; $690 million represents fund balance that is committed or assigned for specific purposes by the Legislature and $1,224 million represents unassigned fund balance deficit.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2013, the General Fund had a fund balance deficit of $589 million. Of this amount, $628 million represents fund balance that is non-spendable or committed for specific purposes by the Legislature, leaving a deficit of $1,217 million in unassigned fund balance. Total fund balance deficit decreased by $324 million during the current fiscal year.

Debt Service Fund

As of June 30, 2013, the Debt Service Fund had a fund balance of $660 million, all of which was restricted. Fund balance decreased by $43 million during the current fiscal year.

Transportation Fund

As of June 30, 2013, the Transportation Fund had a fund balance of $229 million. Of this amount, $31 million was in nonspendable form and $198 million was restricted or committed for specific purposes. Fund balance increased by $20 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2013, the Restricted Grants and Accounts Fund had a fund balance of $359 million, all of which was restricted for specific purposes. Fund balance decreased by $35 million during the fiscal year.

Grant and Loan Programs

As of June 30, 2013, the Grant and Loan Programs Fund had a fund balance of $673 million, all of which was restricted for specific purposes. Fund balance increased by $33 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, 2013, the net positions of the State's Fiduciary funds totaled $26.9 billion, an increase of $2.0 billion when compared to the prior year ending net position.

Budgetary Highlights-General Fund

For fiscal year 2013, the General Fund had an estimated budget surplus of $3 million at the start of the fiscal year. However, due to higher than initially estimated revenues of $223 million, mainly tax revenues, and budgetary spending adjustments resulting in expenditure savings of $138 million, the fund had an estimated budget surplus of $364 million by the end of the fiscal year.

Although actual fund revenues exceeded expenditures by $379 million, this excess was increased by other financing sources of $19 million ($18 million being the net amount of appropriations continued from the previous fiscal year to the next fiscal year), resulting in an actual budget surplus of $398 million.

Actual revenues were higher than originally budgeted by $262 million for the fiscal year. This increase resulted mainly from higher than originally budgeted tax revenue of $144 million, consisting mainly of income and inheritance taxes. Final budgeted appropriations were higher than originally budgeted by $144 million. This increase resulted mainly from higher than originally budgeted appropriations for human services of $87 million, particularly Medicaid 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, 2013 totaled $15.8 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was $1.2 billion, due mainly to an increase in governmental activities' capital assets of $1.0 billion or 9.3 percent.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and infrastructure of $1.2 billion and depreciation expense of $956 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	
	2013	2012	2013	2012	2013	2012
Land	$ 1,666	$ 1,639	$ 70	$ 65	$ 1,736	$ 1,704
Buildings	1,889	1,449	2,734	2,512	4,623	3,961
Improvements Other than Buildings	156	167	244	245	399	412
Equipment	77	66	337	352	414	418
Infrastructure	5,200	5,060	-	-	5,200	5,060
Construction in Progress	3,000	2,585	424	423	3,424	3,008
Total	$ 11,987	$ 10,966	$ 3,809	$ 3,597	$ 15,796	$ 14,563

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 $20.5 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

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

State of Connecticut's Bonded Debt (in millions)
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	$ 14,228	$ 13,965	$ -	$ -	$ 14,228	$ 13,965
Transportation Related Bonds	3,462	3,287	-	-	3,462	3,287
Revenue Bonds	-	-	1,377	1,439	1,377	1,439
Long-Term Notes	573	748	-	-	573	748
Premiums and deferred amounts	816	709	89	46	905	755
Total	$ 19,079	$ 18,709	$ 1,466	$ 1,485	$ 20,545	$ 20,194

The State's total bonded debt increased by $351 million (1.7 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $263 million.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of July 2013, the State had a debt incurring margin of $4.0 billion.

Other Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012*	2013	2012*
Net Pension Obligation	$ 2,533	$ 2,496	$ -	$ -	$ 2,533	$ 2,496
Net OPEB Obligation	6,682	5,756	-	-	6,682	5,756
Compensated Absences	516	542	160	156	676	698
Workers Compensation	588	560	-	-	588	560
Federal Loan Payable	-	-	574	632	574	632
Other	100	113	221	191	321	304
Total	$ 10,419	$ 9,467	$ 955	$ 979	$ 11,374	$ 10,446

* Restated for comparative purposes. See note 23.

The State's other long-term obligations increased by $928 million (8.9 percent) during the fiscal year. This increase was due mainly to an increase in the net OPEB obligation (Governmental activities) of $926 million or 16.1 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

A national recession that officially commenced in December 2007 produced a pattern of job losses in Connecticut that began in the first half of 2008. These job losses persisted until the start of 2010 and claimed 121,200 payroll positions, which is just over 6 percent of Connecticut's labor force. By the close of Fiscal Year 2013, Connecticut had regained half of the jobs lost to recession. This is a slower pace of recovery than the State had experienced in past post-recession periods. The overall growth rate of the national economy has been slowing over the past several decades, and Connecticut's economy has been following that same slower growth trend. From 1950 through the mid-1980s, there were numerous double-digit periods of volatile growth in U.S Gross Domestic Product (GDP). Since that time, there has been a gradual downward slope in the GDP rate of growth with lower variances between the highs and lows. Likewise, Connecticut's personal income and employment growth rates have been moderating over time. In Connecticut, as in many other states, these economic trends have resulted in higher tax rates and the imposition of tighter budget spending controls. Connecticut has kept its tax rates competitive with other states in the region.

The national economy as measured by real GDP grew at a moderate rate of just under 2 percent on an averaged quarterly basis during Fiscal Year 2013. Growth was especially slow during the middle half of Fiscal Year 2013, but improved significantly in the final quarter with growth of 2.5 percent. The national economy has posted growth in excess of 3 percent in the first half of the new fiscal year and the outlook is for continued moderate growth.

At the end of Fiscal Year 2013, Connecticut's personal income was growing at a quarterly annualized rate of better than 5 percent. However, the fiscal year also posted quarters of negative state income growth. Personal income in Connecticut grew at a rate of 0.8 percent (annualized rate of 3.2 percent) between the second and third quarters of 2013. This ranked Connecticut 37th nationally in income growth.

Connecticut added 10,500 jobs in Fiscal Year 2013. Job growth in calendar year 2013 exceeded the pace set in 2012. At this writing, the State has been averaging just below 1,000 job additions per month. The strongest employment sector in the State has been education and health services followed by construction. The weakest job sector has continued to be manufacturing. Job losses have also been recorded in financial activities and government.

Fiscal Year 2014 was initially budgeted with a General Fund surplus of just over $4 million. At this writing, the State is anticipating a General Fund surplus in excess of $500 million. The primary reason for surplus growth is better than expected estimated income tax payments. A strong stock market in 2013 has produced the higher tax receipts.

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 Position

June 30, 2013

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 708,012	$ 606,893	$ 1,314,905	$ 221,398
Deposits with U.S. Treasury	-	217,511	217,511	-
Investments	110,126	56,714	166,840	399,493
Receivables, (Net of Allowances)	2,278,669	727,023	3,005,692	95,015
Due from Primary Government	-	-	-	7,220
Inventories	49,884	14,715	64,599	6,644
Restricted Assets	-	48,451	48,451	1,815,989
Internal Balances	(209,038)	209,038	-	-
Other Current Assets	15,496	36,763	52,259	4,744
Total Current Assets	2,953,149	1,917,108	4,870,257	2,550,503
Noncurrent Assets:				
Cash and Cash Equivalents	-	326,204	326,204	-
Due From Component Units	27,068	-	27,068	-
Investments	-	55,137	55,137	197,625
Receivables, (Net of Allowances)	439,936	846,677	1,286,613	179,664
Restricted Assets	660,113	597,399	1,257,512	4,231,321
Capital Assets, (Net of Accumulated Depreciation)	11,986,810	3,808,981	15,795,791	399,938
Other Noncurrent Assets	82,783	30,100	112,883	21,264
Total Noncurrent Assets	13,196,710	5,664,498	18,861,208	5,029,812
Total Assets	16,149,859	7,581,606	23,731,465	7,580,315
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	17,576	20,454	38,030	202,181
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	734,467	272,668	1,007,135	81,125
Due to Component Units	7,219	-	7,219	-
Due to Other Governments	141,981	8,730	150,711	-
Current Portion of Long-Term Obligations	1,769,576	168,279	1,937,855	357,271
Amount Held for Institutions	-	-	-	507,778
Unearned Revenue	21,933	230,411	252,344	1,385
Medicaid Liability	518,853	-	518,853	-
Liability for Escheated Property	266,524	-	266,524	-
Other Current Liabilities	70,500	35,729	106,229	66,380
Total Current Liabilities	3,531,053	715,817	4,246,870	1,013,939
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	27,728,358	2,252,208	29,980,566	4,785,342
Total Noncurrent Liabilities	27,728,358	2,252,208	29,980,566	4,785,342
Total Liabilities	31,259,411	2,968,025	34,227,436	5,799,281
Net Position				
Net Investment in Capital Assets	5,824,691	3,178,740	9,003,431	242,646
Restricted For:				
Transportation	136,659	-	136,659	-
Debt Service	628,388	18,781	647,169	59,545
Federal Grants and Other Accounts	349,380	-	349,380	-
Capital Projects	286,293	156,489	442,782	-
Grant and Loan Programs	686,250	-	686,250	-
Clean Water and Drinking Water Projects	-	638,501	638,501	-
Bond Indenture Requirements	-	2,112	2,112	985,150
Loans	-	3,263	3,263	-
Permanent Investments or Endowments:				
Expendable	-	-	-	102,723
Nonexpendable	102,586	12,234	114,820	306,230
Other Purposes	93,344	168,150	261,494	43,546
Unrestricted (Deficit)	(23,199,567)	455,765	(22,743,802)	243,375
Total Net Position (Deficit)	$ (15,091,976)	$ 4,634,035	$ (10,457,941)	$ 1,983,215

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

Statement of Activities

For The Fiscal Year Ended June 30, 2013

(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	$ 106,349	$ 2,618	$ -	$ -
General Government	2,036,173	526,137	89,571	-
Regulation and Protection	868,187	606,854	296,699	-
Conservation and Development	665,365	64,468	14,231	-
Health and Hospitals	2,540,349	74,398	185,071	-
Transportation	1,572,755	70,872	-	767,793
Human Services	7,471,625	47,195	4,783,357	-
Education, Libraries, and Museums	4,490,144	42,101	500,960	-
Corrections	1,976,657	9,471	112,878	-
Judicial	893,860	131,442	9,636	-
Interest and Fiscal Charges	779,515	-	-	-
Total Governmental Activities	23,400,979	1,575,556	5,992,403	767,793
Business-Type Activities:				
University of Connecticut & Health Center	1,872,131	1,070,641	221,663	11,675
State Universities	666,417	368,480	58,443	39,939
Connecticut Community Colleges	488,496	105,023	109,438	-
Bradley International Airport	67,353	63,828	-	7,109
Employment Security	1,514,674	852,214	734,518	-
Clean Water	50,194	25,350	39,081	-
Other	58,989	62,852	9,677	-
Total Business-Type Activities	4,718,254	2,548,388	1,172,820	58,723
Total Primary Government	$ 28,119,233	$ 4,123,944	$ 7,165,223	$ 826,516
Component Units				
Connecticut Housing Finance Authority (12-31-12)	$ 209,712	$ 194,644	$ -	$ -
Connecticut Lottery Corporation	1,134,983	1,122,777	-	-
Other	314,487	230,274	16,843	30,905
Total Component Units	$ 1,659,182	$ 1,547,695	$ 16,843	$ 30,905

General Revenues:
- Taxes:
  - Personal Income
  - Corporate Income
  - Sales and Use
  - Other
- Restricted for Transportation Purposes:
  - Motor Fuel
  - Other
- Casino Gaming Payments
- Tobacco Settlement
- Lottery Tickets
- Unrestricted Investment Earnings

Contributions to Endowments

Transfers-Internal Activities

Total General Revenues, Contributions, and Transfers

Change in Net Position

Net Position (Deficit)- Beginning (as restated)

Net Position (Deficit)- Ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (103,731)	$ -	$ (103,731)	$ -
(1,420,465)	-	(1,420,465)	-
35,366	-	35,366	-
(586,666)	-	(586,666)	-
(2,280,880)	-	(2,280,880)	-
(734,090)	-	(734,090)	-
(2,641,073)	-	(2,641,073)	-
(3,947,083)	-	(3,947,083)	-
(1,854,308)	-	(1,854,308)	-
(752,782)	-	(752,782)	-
(779,515)	-	(779,515)	-
(15,065,227)	-	(15,065,227)	-
-	(568,152)	(568,152)	-
-	(199,555)	(199,555)	-
-	(274,035)	(274,035)	-
-	3,584	3,584	-
-	72,058	72,058	-
-	14,237	14,237	-
-	13,540	13,540	-
-	(938,323)	(938,323)	-
(15,065,227)	(938,323)	(16,003,550)	-
-	-	-	(15,068)
-	-	-	(12,206)
-	-	-	(36,465)
-	-	-	(63,739)
7,743,804	-	7,743,804	-
558,287	-	558,287	-
3,953,768	-	3,953,768	-
2,327,754	-	2,327,754	-
693,444	-	693,444	-
79,000	-	79,000	-
296,396	-	296,396	-
123,745	-	123,745	-
312,100	-	312,100	-
3,942	16,742	20,684	46,877
-	-	-	48,414
(1,088,125)	1,088,125	-	-
15,004,115	1,104,867	16,108,982	95,291
(61,112)	166,544	105,432	31,552
(15,030,864)	4,467,491	(10,563,373)	1,951,663
$ (15,091,976)	$ 4,634,035	$ (10,457,941)	$ 1,983,215

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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:
This fund is used 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.

Grant and Loan Programs Fund:
This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

Nonmajor Funds:
Nonmajor governmental funds are presented, by fund type beginning on page 94.

Balance Sheet
Governmental Funds
June 30, 2013
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 171,897	$ 5,570	$ 335,064	$ 184,465	$ 696,996
Investments	2,944	-	-	-	-	107,182	110,126
Securities Lending Collateral	-	-	-	-	-	15,334	15,334
Receivables:							
Taxes, Net of Allowances	1,330,477	-	42,612	-	-	-	1,373,089
Accounts, Net of Allowances	276,577	-	7,735	17,721	13,131	15,465	330,629
Loans, Net of Allowances	3,419	-	-	12,565	310,735	113,217	439,936
From Other Governments	325,392	-	-	236,491	-	7,868	569,751
Interest	-	1,134	47	-	-	-	1,181
Other	-	-	-	-	-	39	39
Due from Other Funds	26,181	-	1,134	306,549	44,765	502,128	880,757
Due from Component Units	27,068	-	-	-	-	-	27,068
Inventories	15,502	-	30,683	-	-	-	46,185
Restricted Assets	-	660,113	-	-	-	-	660,113
Total Assets	$ 2,007,560	$ 661,247	$ 254,108	$ 578,896	$ 703,695	$ 945,698	$ 5,151,204
Liabilities and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 284,406	$ -	$ 22,922	$ 186,452	$ 10,107	$ 61,086	$ 564,973
Due to Other Funds	903,450	1,134	-	2,092	24	180,516	1,087,216
Due to Component Units	-	-	-	190	7,029	-	7,219
Due to Other Governments	124,609	-	-	17,372	-	-	141,981
Unearned Revenue	443,567	-	2,643	13,331	13,065	23,559	496,165
Medicaid Liability	518,853	-	-	-	-	-	518,853
Liability For Escheated Property	266,524	-	-	-	-	-	266,524
Securities Lending Obligation	-	-	-	-	-	15,334	15,334
Other Liabilities	54,773	-	-	392	-	-	55,165
Total Liabilities	2,596,182	1,134	25,565	219,829	30,225	280,495	3,153,430
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	45,990	-	30,683	-	-	-	76,673
Permanent Fund Principal	-	-	-	-	-	102,712	102,712
Restricted For:							
Debt Service	-	660,113	-	-	-	-	660,113
Transportation Programs	-	-	121,360	-	-	-	121,360
Federal Grant and State Programs	-	-	-	359,067	-	-	359,067
Grants and Loans	-	-	-	-	662,870	-	662,870
Other	-	-	-	-	-	548,705	548,705
Committed For:							
Continuing Appropriations	90,950	-	-	-	-	-	90,950
Budget Reserve Fund	270,689	-	-	-	-	-	270,689
Future Budget Years	220,800	-	-	-	-	-	220,800
Budgetary Transfer to General Fund on FY 2014	-	-	76,500	-	-	-	76,500
Assigned To:							
Grants and Loans	-	-	-	-	10,600	-	10,600
Other	-	-	-	-	-	20,316	20,316
Unassigned	(1,217,051)	-	-	-	-	(6,530)	(1,223,581)
Total Fund Balances	(588,622)	660,113	228,543	359,067	673,470	665,203	1,997,774
Total Liabilities and Fund Balances	$ 2,007,560	$ 661,247	$ 254,108	$ 578,896	$ 703,695	$ 945,698	$ 5,151,204

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

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

June 30, 2013
(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$	1,997,774
Net assets reported for governmental activities in the Statement of Net Position 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	3,615,871		
Equipment	2,184,276		
Infrastructure	13,653,034		
Other Capital Assets	5,155,894		
Accumulated Depreciation	(12,662,250)		11,946,825
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 Position.			82,783
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.			474,527
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 Position.			47,269
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	(2,533,254)		
Net OPEB Obligation	(6,682,308)		
Worker's Compensation	(587,652)		
Capital Leases	(38,218)		
Compensated Absences	(513,709)		
Claims and Judgments	(43,522)		(10,398,663)
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 Position. This is the net effect of these balances on the statement (Note 17).			
Bonds and Notes Payable	(18,263,468)		
Unamortized Premiums	(996,394)		
Less: Deferred Loss on Refundings	180,876		
Accrued Interest Payable	(163,505)		(19,242,491)
Net Position of Governmental Activities		$	(15,091,976)

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, 2013
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 14,621,403	$ -	$ 773,600	$ -	$ -	$ -	$ 15,395,003
Licenses, Permits, and Fees	246,479	-	316,887	14,777	-	38,989	617,132
Tobacco Settlement	-	-	-	-	-	123,745	123,745
Federal Grants and Aid	4,404,671	-	12,415	2,246,040	-	97,070	6,760,196
Lottery Tickets	312,100	-	-	-	-	-	312,100
Charges for Services	36,294	-	67,305	-	9	14	103,622
Fines, Forfeits, and Rents	54,275	-	19,340	-	-	937	74,552
Casino Gaming Payments	296,396	-	-	-	-	-	296,396
Investment Earnings (Loss)	(2,100)	(5,372)	540	1,163	3,187	5,624	3,042
Interest on Loans	-	-	-	-	-	58	58
Miscellaneous	165,220	-	6,960	513,011	7,282	112,027	804,500
Total Revenues	20,134,738	(5,372)	1,197,047	2,774,991	10,478	378,464	24,490,346
Expenditures							
Current:							
Legislative	106,783	-	-	2,852	-	-	109,635
General Government	883,553	-	6,354	439,431	598,409	68,289	1,996,036
Regulation and Protection	401,286	-	87,053	201,184	12,158	181,382	883,063
Conservation and Development	191,440	-	-	153,079	217,835	105,949	668,303
Health and Hospitals	2,249,178	-	-	211,403	7,511	4,050	2,472,142
Transportation	-	-	723,137	776,239	8,886	-	1,508,262
Human Services	6,656,541	-	390	538,496	7,384	11,185	7,213,996
Education, Libraries, and Museums	3,691,779	-	-	512,477	16,936	5,127	4,226,319
Corrections	1,930,364	-	-	20,634	4,803	2,488	1,958,289
Judicial	829,453	-	-	18,319	-	45,504	893,276
Capital Projects	-	-	-	-	-	757,001	757,001
Debt Service:							
Principal Retirement	1,201,548	313,735	-	-	-	-	1,515,283
Interest and Fiscal Charges	596,328	153,872	7,157	123,713	2,973	4,200	888,243
Total Expenditures	18,738,253	467,607	824,091	2,997,827	876,895	1,185,175	25,089,848
Excess (Deficiency) of Revenues Over Expenditures	1,396,485	(472,979)	372,956	(222,836)	(866,417)	(806,711)	(599,502)
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	894,852	907,438	1,802,290
Premiums on Bonds Issued	-	32,827	-	-	42,884	141,084	216,795
Transfers In	133,889	430,772	98,916	210,599	4,000	75,022	953,198
Transfers Out	(1,212,011)	(3,863)	(452,272)	(22,567)	(41,911)	(308,699)	(2,041,323)
Refunding Bonds Issued	-	194,890	-	-	-	-	194,890
Payment to Refunded Bond Escrow Agent	-	(224,910)	-	-	-	-	(224,910)
Capital Lease Obligations	3,556	-	-	-	-	-	3,556
Total Other Financing Sources (Uses)	(1,074,566)	429,716	(353,356)	188,032	899,825	814,845	904,496
Net Change in Fund Balances	321,919	(43,263)	19,600	(34,804)	33,408	8,134	304,994
Fund Balances (Deficit) - Beginning	(912,421)	703,376	208,931	393,871	640,062	657,069	1,690,888
Change in Reserve for Inventories	1,880	-	12	-	-	-	1,892
Fund Balances (Deficit) - Ending	$ (588,622)	$ 660,113	$ 228,543	$ 359,067	$ 673,470	$ 665,203	$ 1,997,774

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, 2013

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 304,994
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 Position. Bond proceeds were received this year from:		
Bonds Issued	(1,802,290)	
Refunding Bonds Issued	(194,890)	
Premium on Bonds Issued	(216,795)	(2,213,975)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Long-term debt repayments this year consisted of:		
Principal Retirement	1,515,283	
Payments to Refunded Bond Escrow Agent ($5,367 reported in debt service)	230,277	
Capital Lease Payments	8,097	1,753,657
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		(3,556)
Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts and other reductions were as follows:		
Capital Outlays	1,982,664	
Depreciation Expense	(949,828)	
Retirements	(21,259)	1,011,577
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.		1,892
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	6,600	
Decrease in Interest Accreted on Capital Appreciation Debt	7,780	
Amortization of Bond Premium	119,323	
Amortization of Loss on Debt Refundings	(29,633)	
Decrease in Compensated Absences Liability	26,360	
Increase in Workers Compensation Liability	(28,106)	
Decrease in Claims and Judgments Liability	1,420	
Increase in Net Pension Obligation	(37,065)	
Increase in Net OPEB Obligation	(926,578)	(859,899)
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. Unearned revenues decreased by this amount this year.		(62,351)
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.		7,259
Debt issue costs are recorded as expenditures in the governmental funds. However, these costs are amortized over the life of the bonds in the Statement of Activities. In the current year, these amounts are:		
Debt Issue Costs Payments	8,546	
Amortization of Debt Issue Costs	(9,256)	(710)
Change in Net Position of Governmental Activities		$ (61,112)

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, 2013
(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 14,408,165	$ 14,510,400	$ 14,552,684	$ 42,284
Casino Gaming Payments	336,200	296,400	296,396	(4)
Licenses, Permits, and Fees	258,821	262,100	262,068	(32)
Other	308,198	346,700	343,465	(3,235)
Federal Grants	3,629,044	3,733,900	3,733,910	10
Refunds of Payments	(50,000)	(74,000)	(74,016)	(16)
Operating Transfers In	398,200	408,600	418,552	9,952
Operating Transfers Out	(61,800)	(61,800)	(61,800)	-
Transfer from the Resources of the General Fund	(83,659)	(56,300)	(66,228)	(9,928)
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	19,143,169	19,366,000	19,405,031	39,031
Expenditures				
Budgeted:				
Legislative	76,677	77,357	66,533	10,824
General Government	620,136	624,132	593,367	30,765
Regulation and Protection	256,341	275,847	261,787	14,060
Conservation and Development	140,825	141,732	133,083	8,649
Health and Hospitals	1,837,970	1,855,201	1,801,952	53,249
Transportation	-	-	-	-
Human Services	5,907,886	5,995,496	5,931,567	63,929
Education, Libraries, and Museums	4,399,409	4,404,570	4,328,894	75,676
Corrections	1,450,944	1,479,295	1,408,761	70,534
Judicial	544,995	546,752	534,512	12,240
Non Functional	4,151,574	4,129,697	3,965,211	164,486
Total Expenditures	19,386,757	19,530,079	19,025,667	504,412
Appropriations Lapsed	116,349	396,839	-	(396,839)
Excess (Deficiency) of Revenues Over Expenditures	(127,239)	232,760	379,364	146,604
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	130,351	130,351	130,351	-
Appropriations Continued to Fiscal Year 2014	-	-	(112,402)	(112,402)
Miscellaneous Adjustments	-	724	722	(2)
Total Other Financing Sources (Uses)	130,351	131,075	18,671	(112,404)
Net Change in Fund Balance	$ 3,112	$ 363,835	398,035	$ 34,200
Budgetary Fund Balances - July 1			134,575	
Changes in Reserves			(17,950)	
Budgetary Fund Balances - June 30			$ 514,660	

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

Transportation Fund

Budget Original	Budget Final	Actual	Variance with Final Budget positive (negative)
$ 765,500	$ 768,100	$ 773,575	$ 5,475
-	-		-
371,300	372,500	371,767	(733)
6,000	3,100	4,138	1,038
13,100	12,400	12,416	16
(3,400)	(3,200)	(3,154)	46
102,659	95,245	95,245	-
(6,500)	(6,500)	(6,500)	-
-	-	-	-
(15,000)	(15,000)	(15,000)	-
1,233,659	1,226,645	1,232,487	5,842
-	-	-	-
7,335	7,335	6,272	1,063
67,181	67,181	52,893	14,288
-	-	-	-
-	-	-	-
579,943	582,412	553,792	28,620
210	210	210	-
-	-	-	-
-	-	-	-
-	-	-	-
630,616	628,147	600,877	27,270
1,285,285	1,285,285	1,214,044	71,241
11,000	29,933	-	(29,933)
	-		
(40,626)	(28,707)	18,443	47,150
41,615	41,615	41,615	-
-	-	(41,308)	(41,308)
-	47	47	-
41,615	41,662	354	(41,308)
$ 989	$ 12,955	18,797	$ 5,842
		187,431	
		(307)	
		$ 205,921	

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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.

Connecticut Community Colleges:
This fund is used to account for the operations of the State community colleges system, which consists of twelve regional community colleges.

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.

Employment Security:
This fund is used to account for the collection of 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 projects.

Nonmajor Funds:
Nonmajor proprietary funds are presented, by fund type beginning on page 116.

Statement of Net Position
Proprietary Funds
June 30, 2013
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Bradley International Airport
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 289,584	$ 178,566	$ 79,111	$ 18,270
Deposits with U.S. Treasury	-	-		-
Investments	649	56,065	-	-
Receivables:			-	
Accounts, Net of Allowances	129,650	181,467	10,059	5,820
Loans, Net of Allowances	1,838	3,647	-	-
Interest	-	-	-	-
From Other Governments	-	3,178	-	2,811
Due from Other Funds	81,584	27,510	118,897	-
Inventories	14,715	-	-	-
Restricted Assets	41,030	-	-	7,421
Other Current Assets	32,086	3,578	203	892
Total Current Assets	591,136	454,011	208,270	35,214
Noncurrent Assets:				
Cash and Cash Equivalents	1,438	130,706	-	-
Investments	10,614	28,155	-	-
Receivables:				
Loans, Net of Allowances	10,374	8,873	359	-
Restricted Assets	400	-	-	133,588
Capital Assets, Net of Accumulated Depreciation	1,872,472	958,677	657,917	290,755
Other Noncurrent Assets	2,502	155	-	9,897
Total Noncurrent Assets	1,897,800	1,126,566	658,276	434,240
Total Assets	2,488,936	1,580,577	866,546	469,454
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	-	20,454
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	154,178	46,456	39,757	8,286
Due to Other Funds	10,889	3,610	-	4,674
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	58,732	20,684	3,871	5,955
Unearned Revenue	30,230	194,600	3,563	2,018
Other Current Liabilities	23,269	12,167	293	-
Total Current Liabilities	277,298	277,517	47,484	20,933
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	323,489	317,519	36,861	153,809
Total Noncurrent Liabilities	323,489	317,519	36,861	153,809
Total Liabilities	600,787	595,036	84,345	174,742
Net Position (Deficit)				
Net Investment in Capital Assets	1,557,181	822,230	657,917	149,648
Restricted For:				
Debt Service	7,279	-	-	6,994
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	64,245	-	-	92,244
Nonexpendable Purposes	11,902	312	20	-
Bond Indentures	-	-	-	2,112
Loans	3,263	-	-	-
Other Purposes	22,645	36,416	109,089	-
Unrestricted (Deficit)	221,634	126,583	15,175	64,168
Total Net Position (Deficit)	$ 1,888,149	$ 985,541	$ 782,201	$ 315,166

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

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
$ 2,509	$ 1,822	$ 37,031	$ 606,893	$ 11,016
217,511	-	-	217,511	-
-	-	-	56,714	-
187,885	-	7,821	522,702	173
-	169,071	10,286	184,842	-
-	5,461	277	5,738	-
6,681	312	759	13,741	-
570	-	-	228,561	4,324
-	-	-	14,715	3,699
-	-	-	48,451	-
-	-	4	36,763	162
415,156	176,666	56,178	1,936,631	19,374
-	152,217	41,843	326,204	-
-	16,368	-	55,137	-
-	768,667	58,404	846,677	-
-	388,756	74,655	597,399	-
-	-	29,160	3,808,981	39,985
-	16,124	1,422	30,100	-
-	1,342,132	205,484	5,664,498	39,985
415,156	1,518,798	261,662	7,601,129	59,359
-	-	-	20,454	-
9	11,583	12,399	272,668	1,716
350	-	-	19,523	7,370
8,730	-	-	8,730	-
-	70,603	8,434	168,279	96
-	-	-	230,411	295
-	-	-	35,729	-
9,089	82,186	20,833	735,340	9,477
574,312	739,823	106,395	2,252,208	2,613
574,312	739,823	106,395	2,252,208	2,613
583,401	822,009	127,228	2,987,548	12,090
-	-	(8,236)	3,178,740	39,984
-	-	4,508	18,781	-
-	527,824	110,677	638,501	-
-	-	-	156,489	-
-	-	-	12,234	-
-	-	-	2,112	-
-	-	-	3,263	-
-	-	-	168,150	-
(168,245)	168,965	27,485	455,765	7,285
$ (168,245)	$ 696,789	$ 134,434	$ 4,634,035	$ 47,269

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

For The Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Bradley International Airport
Operating Revenues				
Charges for Sales and Services	$ 908,540	$ 348,042	$ 97,187	$ 47,629
Assessments	-	-	-	-
Federal Grants, Contracts, and Other Aid	179,366	43,540	91,086	-
State Grants, Contracts, and Other Aid	25,898	11,836	15,535	-
Private Gifts and Grants	42,805	3,067	2,817	-
Interest on Loans	-	-	-	-
Other	110,687	17,664	4,853	-
Total Operating Revenues	1,267,296	424,149	211,478	47,629
Operating Expenses				
Salaries, Wages, and Administrative	1,586,193	582,715	420,951	43,604
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	124,078	54,976	27,436	17,671
Other	152,403	20,945	40,109	-
Total Operating Expenses	1,862,674	658,636	488,496	61,275
Operating Income (Loss)	(595,378)	(234,487)	(277,018)	(13,646)
Nonoperating Revenue (Expenses)				
Interest and Investment Income	968	1,138	145	270
Interest and Fiscal Charges	(9,457)	(7,781)	-	(6,078)
Other - Net	25,008	2,774	2,983	16,199
Total Nonoperating Revenues (Expenses)	16,519	(3,869)	3,128	10,391
Income (Loss) Before Capital Contributions, Grants, and Transfers	(578,859)	(238,356)	(273,890)	(3,255)
Capital Contributions	11,675	39,939	-	7,109
Federal Capitalization Grants	-	-	-	-
Transfers In	521,827	294,832	274,389	10,483
Transfers Out	-	-	-	-
Change in Net Position	(45,357)	96,415	499	14,337
Total Net Position (Deficit) - Beginning (as restated)	1,933,506	889,126	781,702	300,829
Total Net Position (Deficit) - Ending	$ 1,888,149	$ 985,541	$ 782,201	$ 315,166

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

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
$ -	$ -	$ 23,010	$ 1,424,408	$ 53,106
848,220	-	37,482	885,702	-
719,898	-	-	1,033,890	-
14,620	-	-	67,889	-
-	-	-	48,689	-
-	17,660	1,535	19,195	-
3,994	-	825	138,023	88
1,586,732	17,660	62,852	3,617,796	53,194
-	858	18,832	2,653,153	39,188
1,514,674	-	-	1,514,674	-
-	-	30,908	30,908	-
-	-	1,215	225,376	6,297
-	10,113	1,770	225,340	-
1,514,674	10,971	52,725	4,649,451	45,485
72,058	6,689	10,127	(1,031,655)	7,709
-	13,096	1,125	16,742	3
-	(39,223)	(5,676)	(68,215)	-
-	7,690	(588)	54,066	(453)
-	(18,437)	(5,139)	2,593	(450)
72,058	(11,748)	4,988	(1,029,062)	7,259
-	-	-	58,723	-
-	39,081	9,677	48,758	-
-	989	-	1,102,520	-
(3,665)	-	(10,730)	(14,395)	-
68,393	28,322	3,935	166,544	7,259
(236,638)	668,467	130,499	4,467,491	40,010
$ (168,245)	$ 696,789	$ 134,434	$ 4,634,035	$ 47,269

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Bradley International Airport
Cash Flows from Operating Activities				
Receipts from Customers	$ 890,645	$ 337,010	$ 95,679	$ 47,207
Payments to Suppliers	(521,251)	(169,812)	(80,784)	(24,378)
Payments to Employees	(1,118,928)	(427,166)	(349,147)	(17,871)
Other Receipts (Payments)	320,644	84,519	74,553	-
Net Cash Provided by (Used in) Operating Activities	(428,890)	(175,449)	(259,699)	4,958
Cash Flows from Noncapital Financing Activities				
Proceeds from Bonds Payable	-	-	-	-
Retirement of Bonds and Annuities Payable	-	-	-	-
Interest on Bonds and Annuities Payable	-	-	-	-
Transfers In	405,340	217,440	226,192	10,483
Transfers Out	-	-	-	-
Other Receipts (Payments)	29,024	5,050	13,095	-
Net Cash Flows from Noncapital Financing Activities	434,364	222,490	239,287	10,483
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	(238,476)	(93,894)	(13,174)	(11,875)
Proceeds from Capital Debt	-	34,060	-	-
Principal Paid on Capital Debt	(61,905)	(16,211)	-	(14,245)
Interest Paid on Capital Debt	(52,254)	(10,300)	-	(6,106)
Transfer In	161,241	75,673	47,473	-
Federal Grant	-	-	-	-
Capital Contributions	-	-	-	5,182
Other Receipts (Payments)	5,875	(293)	(28,187)	31,316
Net Cash Flows from Capital and Related Financing Activities	(185,519)	(10,965)	6,112	4,272
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	40,703	-	-
Purchase of Investment Securities	(21)	(69,993)	-	(7,360)
Interest on Investments	990	340	153	263
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	2,061	-	-	-
Net Cash Flows from Investing Activities	3,030	(28,950)	153	(7,097)
Net Increase (Decrease) in Cash and Cash Equivalents	(177,015)	7,126	(14,147)	12,616
Cash and Cash Equivalents - Beginning of Year	509,467	302,146	93,258	136,855
Cash and Cash Equivalents - End of Year	$ 332,452	$ 309,272	$ 79,111	$ 149,471
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (595,378)	$ (234,487)	$ (277,018)	$ (13,646)
Adjustments not Affecting Cash:				
Depreciation and Amortization	124,078	54,976	27,436	17,671
Other	94,060	35	(10,830)	-
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(16,534)	(7,661)	(3,226)	(422)
(Increase) Decrease in Due from Other Funds	-	-	-	-
(Increase) Decrease in Inventories and Other Assets	(10,056)	(272)	2,488	-
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(25,060)	11,732	1,451	1,355
Increase (Decrease) in Due to Other Funds	-	228	-	-
Total Adjustments	166,488	59,038	17,319	18,604
Net Cash Provided by (Used In) Operating Activities	$ (428,890)	$ (175,449)	$ (259,699)	$ 4,958
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 289,584	$ 178,566		$ 18,270
Cash and Cash Equivalents - Noncurrent	1,438	130,706		-
Cash and Cash Equivalents - Restricted	41,430	-		131,201
	$ 332,452	$ 309,272		$ 149,471

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

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Employment Security	Clean Water	Other	Totals	Internal Service Funds
	$ 855,456	$ 89,165	$ 65,869	$ 2,381,031	$ 51,876
	-	(10,113)	(8,136)	(814,474)	(21,848)
	-	(714)	(11,247)	(1,925,073)	(12,390)
	(849,282)	(124,531)	(35,379)	(529,476)	245
	6,174	(46,193)	11,107	(887,992)	17,883
	-	192,685	1,445	194,130	-
	-	(70,578)	(6,942)	(77,520)	-
	-	(33,057)	(5,381)	(38,438)	-
	-	-	-	859,455	-
	(3,665)	(4,533)	(10,730)	(18,928)	-
	-	(128,961)	(12,566)	(94,358)	(453)
	(3,665)	(44,444)	(34,174)	824,341	(453)
	-	-	(63)	(357,482)	(15,644)
	-	-	-	34,060	-
	-	-	-	(92,361)	-
	-	-	-	(68,660)	-
	-	-	-	284,387	-
	-	57,472	9,228	66,700	-
	-	-	-	5,182	-
	-	-	-	8,711	-
	-	57,472	9,165	(119,463)	(15,644)
	-	-	-	40,703	-
	-	-	-	(77,374)	-
	-	13,242	1,143	16,131	3
	-	21,330	-	21,330	-
	-	(3,121)	11,968	10,908	-
	-	31,451	13,111	11,698	3
	2,509	(1,714)	(791)	(171,416)	1,789
	-	3,536	37,822	1,083,084	9,227
	$ 2,509	$ 1,822	$ 37,031	$ 911,668	$ 11,016
	$ 72,058	$ 6,689	$ 10,127	$ (1,031,655)	$ 7,709
	-	-	1,215	225,376	6,297
	-	-	-	83,265	-
	(12,790)	(52,882)	(937)	(94,452)	(124)
	1,478	-	-	1,478	(1,105)
	-	-	(758)	(8,598)	292
	(57,706)	-	1,460	(66,768)	4,814
	3,134	-	-	3,362	-
	(65,884)	(52,882)	980	143,663	10,174
	$ 6,174	$ (46,193)	$ 11,107	$ (887,992)	$ 17,883

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Fiduciary Fund Financial Statements

Investment Trust Fund
External Investment Pool:
This fund is used 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:
This fund is used to account for securities that are held by the State Treasurer for individuals under escheat laws of the State.

Individual fund descriptions and financial statements begin on the following pages:

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

(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	$ 170,815	$ -	$ -	$ 108,279	$ 279,094
Receivables:					
Accounts, Net of Allowances	26,298	-	-	9,590	35,888
From Other Governments	347	-	-	-	347
From Other Funds	8,689	-	-	4,233	12,922
Interest	467	932	-	8	1,407
Investments (See Note 4)	25,837,449	866,233	-	-	26,703,682
Inventories	-	-	-	13	13
Securities Lending Collateral	2,500,243	-	-	-	2,500,243
Other Assets	-	76	998	370,253	371,327
Total Assets	28,544,308	867,241	998	$ 492,376	29,904,923
Liabilities					
Accounts Payable and Accrued Liabilities	15,448	136	-	$ 60,235	75,819
Securities Lending Obligation	2,500,243	-	-	-	2,500,243
Due to Other Funds	5,803	-	-	6,653	12,456
Funds Held for Others	-	-	-	425,488	425,488
Total Liabilities	2,521,494	136	-	$ 492,376	3,014,006
Net Position					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	25,757,326	-	-		25,757,326
Other Employee Benefits (Note 15)	265,488	-	-		265,488
Individuals, Organizations, and Other Governments	-	867,105	998		868,103
Total Net Position	$ 26,022,814	$ 867,105	$ 998		$ 26,890,917

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

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Fiscal Year Ended June 30, 2013
(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	$ 567,226	$ -	$ -	$ 567,226
State	2,431,310	-	-	2,431,310
Municipalities	116,397	-	-	116,397
Total Contributions	3,114,933	-	-	3,114,933
Investment Income	2,807,525	1,926	-	2,809,451
Less: Investment Expense	(86,710)	(255)	-	(86,965)
Net Investment Income	2,720,815	1,671	-	2,722,486
Escheat Securities Received	-	-	16,346	16,346
Pool's Share Transactions	-	13,073	-	13,073
Other	2,675	-	-	2,675
Total Additions	5,838,423	14,744	16,346	5,869,513
Deductions				
Administrative Expense	3,669	-	-	3,669
Benefit Payments and Refunds	3,855,819	-	-	3,855,819
Escheat Securities Returned or Sold	-	-	16,714	16,714
Distributions to Pool Participants	-	1,671	-	1,671
Other	529	-	(141)	388
Total Deductions	3,860,017	1,671	16,573	3,878,261
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	1,978,406	-	-	1,978,406
Individuals, Organizations, and Other Governments	-	13,073	(227)	12,846
Net Position - Beginning	24,044,408	854,032	1,225	24,899,665
Net Position - Ending	$ 26,022,814	$ 867,105	$ 998	$ 26,890,917

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.

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.

Nonmajor:
The nonmajor component units are presented beginning on page 134.

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Statement of Net Position
Component Units

June 30, 2013

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-12)	Connecticut Lottery Corporation	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 11,164	$ 210,234	$ 221,398
Investments	-	18,449	381,044	399,493
Receivables:				
Accounts, Net of Allowances	-	34,498	29,599	64,097
Loans, Net of Allowances	-	-	26,372	26,372
Other	-	2,809	1,737	4,546
Due From Primary Government	-	-	7,220	7,220
Restricted Assets	1,262,966	-	553,023	1,815,989
Inventories	-	-	6,644	6,644
Other Current Assets	-	2,283	2,461	4,744
Total Current Assets	1,262,966	69,203	1,218,334	2,550,503
Noncurrent Assets:				
Investments	-	128,584	69,041	197,625
Accounts, Net of Allowances	-	-	31,615	31,615
Loans, Net of Allowances	-	-	148,049	148,049
Restricted Assets	4,135,034	-	96,287	4,231,321
Capital Assets, Net of Accumulated Depreciation	3,276	1,685	394,977	399,938
Other Noncurrent Assets	-	5,264	16,000	21,264
Total Noncurrent Assets	4,138,310	135,533	755,969	5,029,812
Total Assets	5,401,276	204,736	1,974,303	7,580,315
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	200,205	-	1,976	202,181
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	26,171	17,036	37,918	81,125
Current Portion of Long-Term Obligations	306,370	19,141	31,760	357,271
Unearned Revenue	-	722	663	1,385
Amount Held for Institutions	-	-	507,778	507,778
Other Liabilities	26,429	34,791	5,160	66,380
Total Current Liabilities	358,970	71,690	583,279	1,013,939
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	4,284,160	129,290	371,892	4,785,342
Total Noncurrent Liabilities	4,284,160	129,290	371,892	4,785,342
Total Liabilities	4,643,130	200,980	955,171	5,799,281
Net Position				
Net Investment in Capital Assets	3,276	1,685	237,685	242,646
Restricted:				
Debt Service	-	-	59,545	59,545
Bond Indentures	985,150	-	-	985,150
Expendable Endowments	-	-	102,723	102,723
Nonexpendable Endowments	-	-	306,230	306,230
Other Purposes	-	5,830	37,716	43,546
Unrestricted (Deficit)	(30,075)	(3,759)	277,209	243,375
Total Net Position	$ 958,351	$ 3,756	$ 1,021,108	$ 1,983,215

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/12)	$ 209,712	$ 194,644	$ -	$ -
Connecticut Lottery Corporation	1,134,983	1,122,777	-	-
Other Component Units	314,487	230,274	16,843	30,905
Total Component Units	$ 1,659,182	$ 1,547,695	$ 16,843	$ 30,905

General Revenues:
Investment Income
Contributions to Endowments
Total General Revenues
and Contributions
Change in Net Position
Net Position - Beginning (as restated)
Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Connecticut Housing Finance Authority (12-31-12)	**Connecticut Lottery Corporation**	**Other Component Units**	**Totals**
$ (15,068)	$ -	$ -	$ (15,068)
-	(12,206)	-	(12,206)
-	-	(36,465)	(36,465)
(15,068)	(12,206)	(36,465)	(63,739)
15,698	8,401	22,778	46,877
-	-	48,414	48,414
15,698	8,401	71,192	95,291
630	(3,805)	34,727	31,552
957,721	7,561	986,381	1,951,663
$ 958,351	$ 3,756	$ 1,021,108	$ 1,983,215

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Notes to the Financial Statements
June 30, 2013

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) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. The State reported as component units the following organizations that are public instrumentalities and political subdivisions of the State (public authorities).

Connecticut Housing Finance Authority (CHFA)
CHFA 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, 2012.

Connecticut Resources Recovery Authority (CRRA)
CRRA 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 (CHESLA)
CHESLA was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its bond funds. In fiscal year 2013, CHESLA became a subsidiary of CHEFA.

Connecticut Health and Educational Facilities Authority (CHEFA)
CHEFA 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.

Capital Region Development Authority (CRDA)
CRDA was established July 1, 2012 to market the major sports, convention, and exhibition venues in the region. CRDA became the successor to the Capital City Economic Development Authority, which was established in 1998.

Connecticut Innovations, Incorporated (CI)
CI 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. In fiscal year 2013, the Connecticut Development Authority, a component unit reported in prior years, was merged into this corporation.

Clean Energy Finance and Investment Authority (CEFIA)
CEFIA 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.

Connecticut Lottery Corporation
The corporation was created in 1996 for the purpose of generating revenues for the State through the operation of a lottery.

CHFA, CRRA, CHESLA, CHEFA, and CRDA are reported as component units because the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's bonded debt that is secured by a special capital reserve fund, or other contractual agreement.

CI and CEFIA are reported as component units because the State appoints a voting majority of the organization's governing board and has the ability to access the resources of the organization.

The Connecticut Lottery Corporation is reported as a component unit because the State appoints a voting majority of the corporation's governing board and receives a significant amount of revenues from the operations of the lottery.

In addition, the State also includes the following non-governmental nonprofit corporation as a component unit.

University of Connecticut Foundation, Incorporated
The Foundation was 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 Foundation is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the Foundation from the Sate's reporting entity.

Component units are reported in separate columns and rows in the government-wide financial statements (discrete presentation) to emphasize that they are legally separate from the primary government. 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.

c. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The Statement of Net Position 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 Position presents the reporting entity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds issued to buy, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the purchase, construction, or improvement of those assets or related debt should be included in this component of net position.
2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
3. Unrestricted – This component of net position is the remaining balance of net position, after the determination of the other two components of net position.

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 constraints 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.

Grant and Loan Programs **–** This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

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.

Connecticut Community Colleges **–** This fund is used to account for the operations of the State community colleges system, which consists of twelve regional community colleges.

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.

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.

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 2013 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 securities not publicly traded held by the Connecticut Innovations, Incorporated, a Component Unit. The fair value of these investments is determined by an independent valuation committee of the Corporation, after giving consideration to pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer’s securities, sales growth, progress toward business goals, and other operating data.

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

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 Outflows of Resources
Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position in a separate section, after total assets.

Unearned 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 position. 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 other noncurrent assets 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 position 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. Derivative Instruments
The State's derivative instruments consist of interest rate swap agreements, all of which have been determined by the State to be effective cash flow hedges. Starting in fiscal year 2013, accumulated decreases in the fair value of some of the swaps are reported as deferred outflows of resources in the Statement of Net Position. These agreements are discussed in more detail in Note No. 19.

h. Deferred Inflows of Resources

Deferred inflows of resources are defined as the acquisition of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position in a separate section, after total liabilities.

i. Interfund Activities

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

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

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

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

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

j. Food Stamps

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

k. External Investment Pool

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

l. Use of Estimates

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

Note 2 Budgetary vs. GAAP Basis of Accounting

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

	General Fund	Transportation Fund
Net change in fund balances (budgetary basis)	$ 398,035	$ 18,797
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	(113,228)	(4,653)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	87,877	9,897
Salaries and Fringe Benefits Payable	(32,816)	(2,720)
Increase (Decrease) in Continuing Appropriations	(17,949)	(307)
Fund Reclassification-Bus Operations	-	(1,414)
Net change in fund balances (GAAP basis)	$ 321,919	$ 19,600

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 position balances at June 30, 2013, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects	
Transportation	$ 718
Enterprise	
Bradley Parking Garage	$ 28,155

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.
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, and asset-backed securities. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net position.

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.

For disclosure purposes, certificates of deposit held by STIF are reported in this note as bank deposits, not as investments.

As of June 30, 2013, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

		Investment Maturities (in years)	
Investment Type	**Amortized Cost**	**Less Than 1**	**1-5**
Federal Agency Securities	$ 2,011,330	$ 1,988,865	$ 22,465
Bank Commercial Paper	325,000	325,000	-
US Gov. Guaranteed or Insured	50,156	50,156	-
Government Money Market Funds	205,737	205,737	-
Repurchase Agreements	100,000	100,000	-
Total Investments	$ 2,692,223	$ 2,669,758	$ 22,465

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, 2013, the weighted average maturity of the STIF was 44 days. Additionally, STIF is allowed by policy to invest in floating-rate securities. However, investment in these securities having maturities greater than two years is 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, 2013, the amount of STIF's investments in variable-rate securities was $995 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, 2013, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

		Quality Ratings			
Investment Type	**Amortized Cost**	**AAA**	**AA**	**A**	**Unrated**
Federal Agency Securities	$ 2,011,329	$ -	$ 2,011,329	$ -	$ -
Bank Commercial Paper	325,000	-	-	325,000	-
U.S. Government Guaranteed & Insured Securities	50,157	-	20,157	-	30,000
Government Money Market Funds	205,737	205,737	-	-	-
Repurchase Agreements	100,000	-	-	100,000	-
Total Investments	$ 2,692,223	$ 205,737	$ 2,031,486	$ 425,000	$ 30,000

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, 2013, 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
Federal Farm Credit Bank	$ 652,415
Federal Home Loan Bank	$ 568,923
Fannie Mae	$ 398,696
Freddie Mac	$ 391,295
U.S. Bank	$ 325,000
Morgan Stanley	$ 205,737

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", or backed by a letter of credit issued by a Federal Home Loan bank. As of June 30, 2013, $1,509,000 of the bank balance of STIF's deposits of $1,780,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,089,110
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	419,890
Total	$ 1,509,000

Short-Term Plus Investment Fund (STIF Plus)

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

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, 2013, STIF Plus had the following investments and maturities (amount in thousands):

Short-Term Plus Investment Fund

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1
Asset Backed Securities	$ 2,841	$ 2,841
Money Market Government Fund	1	1
Total Investments	$ 2,842	$ 2,842

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, 2013, the weighted average maturity of STIF Plus was 43 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, 2013, 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, 2013, STIF Plus's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Plus Investment Fund

Investment Type	Fair Value	Quality Rating AAA	A	CCC	D
Asset Backed Securities	$ 2,841	$ 1,132	$ 867	$ 723	$ 119
Money Market Government Fund	1	-	1	-	-
Total	$ 2,842	$ 1,132	$ 868	$ 723	$ 119

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, 2013, 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
Argent Securities, Inc.	$ 1,132
Granite Master Issuer Plc.	$ 867
Indymac INBD Mortgage Loan Trust	$ 407
Citigroup Mortgage Loan Trust	$ 316

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 position.

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, 2013, 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	$ 102,712	$ 649	$ 25,837,449
Other Investments	7,414	56,065	866,233
Total Investments-Current	$ 110,126	$ 56,714	$ 26,703,682

As of June 30, 2013, 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	$ 1,497,963	$ 1,152,548	$ 24,359	$ 45,982	$ 275,074
Asset Backed Securities	142,566	6,689	111,630	20,580	3,667
Government Securities	2,686,838	182,297	1,165,019	715,711	623,811
Government Agency Securities	577,237	2,829	45,462	17,370	511,576
Mortgage Backed Securities	205,486	-	33,848	10,270	161,368
Corporate Debt	1,942,072	87,411	594,454	1,006,861	253,346
Convertible Debt	41,827	957	12,449	5,812	22,609
Mutual Fund	519,845	-	-	-	519,845
Total Debt Investments	7,613,834	$ 1,432,731	$ 1,987,221	$ 1,822,586	$ 2,371,296
Common Stock	12,871,698				
Preferred Stock	92,692				
Real Estate Investment Trust	287,650				
Mutual Fund	405,729				
Limited Liability Corporation	1,033				
Trusts	946				
Limited Partnerships	4,638,923				
Total Investments	$ 25,912,505				

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, 2013, 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	$ 1,131,891	$ -	$ 75,882	$ 233,974	$ 552,435	$ 114,878	$ 154,722	$ -	$ -
Aa	204,506	-	5,749	81,755	-	14,187	102,815	-	-
A	339,688	-	6,464	143,820	-	9,750	179,654	-	-
Baa	834,480	-	424	460,031	-	870	371,330	1,825	-
Ba	305,406	-	-	45,974	-	-	252,640	6,792	-
B	611,467	-	-	64,025	-	-	542,331	5,111	-
Caa	188,526	-	-	2,004	-	-	186,522	-	-
Ca	7,350	-	-	-	-	-	7,350	-	-
MIG	8,771	-	-	8,771	-	-	-	-	-
Prime 1	209,502	205,000	4,502	-	-	-	-	-	-
Government fixed not rated	1,671,286	-	-	1,646,485	24,801	-	-	-	-
Not Rated	2,100,961	1,292,963	49,546	-	-	65,800	144,709	28,098	519,845
	$ 7,613,834	$ 1,497,963	$ 142,567	$ 2,686,839	$ 577,236	$ 205,485	$ 1,942,073	$ 41,826	$ 519,845

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, 2013, 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	$ 286	$ 286	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	381,317	2,963	-	20,495	-	61,674	-	-	275,040	-	21,145
Brazilian Real	241,752	520	-	73,731	-	7,067	-	-	124,351	36,083	-
Canadian Dollar	64,463	420	-	-	-	-	-	-	64,043	-	-
Chilean Peso	1,992	1,478	-	514	-	-	-	-	-	-	-
China Yuan Renminbi	835	47	-	788	-	-	-	-	-	-	-
Colombian Peso	17,595	-	-	10,500	-	7,095	-	-	-	-	-
Czech Koruna	10,364	-	-	-	-	-	-	-	10,364	-	-
Danish Krone	58,297	131	-	-	-	2,435	-	-	55,731	-	-
Egyptian Pound	6,200	107	-	-	-	-	-	-	6,093	-	-
Euro Currecny	1,671,003	5,115	4	99,502	-	39,754	528	1,121	1,480,090	35,471	9,418
Ghana Cedi	338	-	-	-	-	338	-	-	-	-	-
Hong Hong Dollar	566,451	873	-	-	-	-	-	-	562,963	-	2,615
Hungarian Fornit	29,994	3	-	15,515	-	-	-	-	14,476	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-	-
Indian Rupee	(856)	-	-	-	-	1,807	-	(2,663)	-	-	-
Indonesian Rupiah	116,864	-	-	25,155	-	6,443	-	-	85,266	-	-
Israleli Shekel	11,578	392	-	-	-	-	-	-	11,186	-	-
Japanese Yen	1,170,201	4,349	-	29,020	-	-	-	-	1,127,916	-	8,916
Kenyan Shilling	64	-	-	-	-	-	-	-	64	-	-
Malaysian Ringgit	105,543	237	-	42,435	-	-	-	-	62,871	-	-
Mexican Peso	119,941	112	-	65,637	-	1,641	-	-	47,275	-	5,276
Moroccan Dirham	125	-	-	-	-	-	-	-	125	-	-
New Romanian Leu	2,817	23	-	2,794	-	-	-	-	-	-	-
New Russian Rubel	54,776	805	-	40,343	-	13,628	-	-	-	-	-
New Taiwan Dollar	(15)	6	-	-	-	-	-	(21)	-	-	-
New Zealand Dollar	66,384	361	-	51,330	-	3,293	-	-	11,400	-	-
Nigerian Naira	7,509	256	-	1,683	-	5,458	-	-	112	-	-
Norwegian Krone	52,225	477	-	-	-	-	-	-	51,748	-	-
Peruvian Nouveau Sol	3,727	-	-	3,727	-	-	-	-	-	-	-
Philippine Peso	53,025	77	-	-	-	-	-	-	52,948	-	-
Polish Zloty	101,370	805	-	65,640	-	-	-	-	34,925	-	-
Pound Sterling	1,093,838	4,299	-	280	444	2,583	-	-	1,078,887	-	7,345
Singapore Dollar	102,898	643	-	-	-	-	-	-	97,051	-	5,204
South African Rand	110,181	1,046	-	38,483	-	649	-	(103)	70,106	-	-
South Korean Won	278,939	274	-	-	-	-	-	(49)	275,024	3,690	-
Sri Lanka Rupee	2,910	-	-	-	-	2,910	-	-	-	-	-
Swedish Krona	158,194	39	-	-	-	-	-	-	158,155	-	-
Swiss Franc	386,277	846	-	-	-	-	-	-	385,431	-	-
Thailand Baht	156,361	259	-	25,976	86	-	-	-	130,040	-	-
Turkish Lira	121,534	2	-	40,846	-	141	-	-	80,545	-	-
Ukraine Hryvna	1,063	-	-	-	-	1,063	-	-	-	-	-
Uruguayan Peso	7,742	-	-	7,742	-	-	-	-	-	-	-
Vietnam Dong	2,635	-	-	-	-	2,635	-	-	-	-	-
	$ 7,338,739	$ 27,253	$ 4	$ 662,136	$ 530	$ 160,614	$ 528	$ (1,715)	$ 6,354,226	$ 75,244	$ 59,919

Derivatives

As of June 30, 2013, the CIFS held the following derivative Investments (amounts in thousands):

Derivative Investments	Fair Value
Asset Backed Securities	$ 142,566
Mortgage Backed Securities	65,664
Collateralized Mortgage Obligations	139,780
TBA's	115,909
Interest Only Securities	1,050
Options	14
Adjustable Rate Securities	658,512
Total	$ 1,123,495

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, 2013, the fair value of contracts to buy and contracts to sell was $6,144.6 million and $6,125.9 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, 2013, the CIFS had deposits with a bank balance of $42.3 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, 2013, 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
State Bonds	$ 27,986	$ -	$ 1,596	$ 26,390	$ -
U.S. Government and Agency Securities	315,495	83,144	32,837	197,431	2,083
Guaranteed Investment Contracts	225,526	-	52,823	90,837	81,866
Money Market Funds	8,270	8,270	-	-	-
Total Debt Investments	577,277	$ 91,414	$ 87,256	$ 314,658	$ 83,949
Endowment Pool	10,464				
Limited Partnership	150				
Total Investments	$ 587,891				

Credit Risk

As of June 30, 2013, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Quality Ratings: AA	A	Unrated
State Bonds	$ 27,986	$ 27,986	$ -	$ -
U.S. Government and Agency Securities	246,190	246,190	-	-
Guaranteed Investment Contracts	225,526	38,315	187,211	-
Money Market Funds	8,270	-	-	8,270
Total	$ 507,972	$ 312,491	$ 187,211	$ 8,270

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, 2013, $555,039 of the bank balance of the Primary Government of $559,449 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 31,555
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	523,484
Total	$ 555,039

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-12 and 6-30-13, respectively (amounts in thousands):

Major Component Units

Investment Type	Fair Value	Investment Maturities (in years): Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	$ 1,011	$ -	$ -	$ -	$ 1,011
Fidelity Funds	7,589	7,589	-	-	-
GNMA Program Assets	668,013	-	-	-	668,013
Mortgage Backed Securities	1,342	14	46	126	1,156
Municipal Bonds	14,739	-	-	-	14,739
U.S. Government Agency Securities	958	-	-	-	958
Structured Securities	566	-	-	-	566
Fidelity Tax Exempt Fund	5,484	5,484	-	-	-
Total Debt Investments	699,702	$ 13,087	$ 46	$ 126	$ 686,443
Annuity Contracts	147,032				
Total Investments	$ 846,734				

The CHFA and the CLC own 82.6 percent and 17.4 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. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

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. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

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 state's STIF, and other obligations which are legal investments for savings banks in the state. The 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.

CHFA's investments were rated as of 12-31-12 as follows (amounts in thousands):

Component Units

Investment Type	Fair Value	Quality Ratings CCC	D	Unrated
Collateralized Mortgage Obligations	$ 1,011	$ 1,011	$ -	$ -
Fidelity Tax Exempt Fund	5,484	-	-	5,484
Municipal Bonds	14,739	-	-	14,739
Structured Securities	566	-	566	-
Total	$ 21,800	$ 1,011	$ 566	$ 20,223

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, 2012, 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), and investments in the State's STIF.

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 formal 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 $2,716.3 million and $2,634.3 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed (a) 120 days or (b) the average duration of the loans by more than 45 days. If any of these limits is exceeded for any 3-day period, the Trustee shall take certain actions. At year end, the average duration of the collateral investments was 15.07 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, 2013, current receivables consisted of the following (amounts in thousands):

	Primary Government Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,513,207	$ -	$ -
Accounts	1,100,315	616,383	64,815
Loans-Current Portion	-	184,842	28,693
Other Governments	570,069	13,741	-
Interest	1,181	5,738	4,546
Other (1)	3,846	-	-
Total Receivables	3,188,618	820,704	98,054
Allowance for Uncollectibles	(909,949)	(93,681)	(3,039)
Receivables, Net	$ 2,278,669	$ 727,023	$ 95,015

(1) Includes a reconciling amount of $3,807 million from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2013 (amounts in thousands):

	Governmental Activities General Fund	Transportation Fund	Total
Sales and Use	$ 703,767	$ -	$ 703,767
Income Taxes	355,249	-	355,249
Corporations	33,930	-	33,930
Gasoline and Special Fuel	-	42,855	42,855
Various Other	377,407	-	377,407
Total Taxes Receivable	1,470,353	42,855	1,513,208
Allowance for Uncollectibles	(139,876)	(243)	(140,119)
Taxes Receivable, Net	$ 1,330,477	$ 42,612	$ 1,373,089

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2013, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 31,615
Loans	452,346	849,756	157,888
Total Receivables	452,346	849,756	189,503
Allowance for Uncollectibles	(12,410)	(3,079)	(9,839)
Receivables, Net	$ 439,936	$ 846,677	$ 179,664

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 $768.7 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 9.2 percent. At year end, the noncurrent portion of loans receivable was $102.7 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2013, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Restricted Assets
Governmental Activities:					
Debt Service	$ 660,113	$ -	$ -	$ -	$ 660,113
Total - Governmental Activities	$ 660,113	$ -	$ -	$ -	$ 660,113
Business-Type Activities:					
Bradley International Airport	$ 131,201	$ 7,421	$ -	$ 2,387	$ 141,009
UConn/Health Center	41,430	-	-	-	41,430
Clean Water	139,770	248,986	-	-	388,756
Other Proprietary	52,277	22,378	-	-	74,655
Total - Business-Type Activities	$ 364,678	$ 278,785	$ -	$ 2,387	$ 645,850
Component Units:					
CHFA	$ 521	$ 1,778,099	$ 3,491,877	$ 127,503	$ 5,398,000
Other Component Units	98,568	542,282	-	8,460	649,310
Total - Component Units	$ 99,089	$ 2,320,381	$ 3,491,877	$ 135,963	$ 6,047,310

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2013, 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	$ 136,989	$ 147,417	$ -	$ -	$ 284,406
Transportation	15,270	7,652	-	-	22,922
Restricted Accounts	178,328	8,124	-	-	186,452
Grants and Loans	3,959	89	-	6,059	10,107
Other Governmental	55,650	5,436	-	-	61,086
Internal Service	936	721	-	59	1,716
Reconciling amount from fund financial statements to government-wide financial statements	-	-	163,505	4,273	167,778
Total - Governmental Activities	$ 391,132	$ 169,439	$ 163,505	$ 10,391	$ 734,467
Business-Type Activities:					
UConn/Health Center	$ 67,738	$ 59,067	$ -	$ 27,373	$ 154,178
State Universities	11,182	33,307	1,967	-	46,456
Other Proprietary	16,167	22,299	13,587	19,981	72,034
Total - Business-Type Activities	$ 95,087	$ 114,673	$ 15,554	$ 47,354	$ 272,668
Component Units:					
CHFA	$ -	$ -	$ 18,542	$ 7,629	$ 26,171
Connecticut Lottery Corporation	1,330	2,655	2,809	10,242	17,036
Other Component Units	4,344	-	1,068	32,506	37,918
Total - Component Units	$ 5,674	$ 2,655	$ 22,419	$ 50,377	$ 81,125

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	$ 1,639,097	$ 48,570	$ 21,258	$ 1,666,409
Construction in Progress	2,585,281	1,407,630	993,407	2,999,504
Total Capital Assets not being Depreciated	4,224,378	1,456,200	1,014,665	4,665,913
Other Capital Assets:				
Buildings	3,303,574	530,828	218,375	3,616,027
Improvements Other than Buildings	480,180	13,063	2,735	490,508
Equipment	2,109,441	362,386	159,769	2,312,058
Infrastructure	13,023,800	629,234	-	13,653,034
Total Other Capital Assets at Historical Cost	18,916,995	1,535,511	380,879	20,071,627
Less: Accumulated Depreciation For:				
Buildings	1,854,939	90,398	218,375	1,726,962
Improvements Other than Buildings	313,330	24,324	2,735	334,919
Equipment	2,043,520	351,615	159,769	2,235,366
Infrastructure	7,963,700	489,783	-	8,453,483
Total Accumulated Depreciation	12,175,489	956,120	380,879	12,750,730
Other Capital Assets, Net	6,741,506	579,391	-	7,320,897
Governmental Activities, Capital Assets, Net	$ 10,965,884	$ 2,035,591	$ 1,014,665	$ 11,986,810

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 6,158
General Government	45,162
Regulation and Protection	39,790
Conservation and Development	16,246
Health and Hospitals	15,832
Transportation	709,802
Human Services	2,628
Education, Libraries and Museums	47,360
Corrections	44,091
Judicial	22,763
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	6,288
Total Depreciation Expense	$ 956,120

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 64,709	$ 5,109	$ 150	$ 69,668
Construction in Progress	423,430	205,576	204,838	424,168
Total Capital Assets not being Depreciated	488,139	210,685	204,988	493,836
Capital Assets being Depreciated:				
Buildings	4,163,937	358,169	8,683	4,513,423
Improvements Other Than Buildings	551,434	21,185	1,793	570,826
Equipment	980,593	58,968	34,363	1,005,198
Total Other Capital Assets at Historical Cost	5,695,964	438,322	44,839	6,089,447
Less: Accumulated Depreciation For:				
Buildings	1,651,805	133,820	6,454	1,779,171
Improvements Other Than Buildings	306,938	20,799	495	327,242
Equipment	630,665	69,211	31,987	667,889
Total Accumulated Depreciation	2,589,408	223,830	38,936	2,774,302
Other Capital Assets, Net	3,106,556	214,492	5,903	3,315,145
Business-Type Activities, Capital Assets, Net	$ 3,594,695	$ 425,177	$ 210,891	$ 3,808,981

Component Units

Capital assets of the component units consisted of the following as of June 30, 2013 (amounts in thousands):

Land	$ 29,032
Buildings	346,521
Improvements other than Buildings	3,477
Machinery and Equipment	446,052
Construction in Progress	2,254
Total Capital Assets	827,336
Accumulated Depreciation	427,398
Capital Assets, Net	$ 399,938

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) Tier IIA (contributory) and Tier III (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 and Tier III Plans 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	$ 1,059,652	$ 787,536	$ 16,006
Interest on net pension obligation	244,717	(42,725)	2,689
Adjustment to annual required contribution	(219,938)	54,236	(3,454)
Annual pension cost	1,084,431	799,047	15,241
Contributions made	1,058,113	787,536	16,006
Increase (decrease) in net pension obligation	26,318	11,511	(765)
Net pension obligation (asset) beginning of year	2,966,249	(502,643)	32,584
Net pension obligation (asset) end of year	$ 2,992,567	$ (491,132)	$ 31,819

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	2011	$ 999,261	82.6%	$ 2,913,694
	2012	$ 978,898	94.6%	$ 2,966,249
	2013	$ 1,084,431	97.6%	$ 2,992,567
TRS	2011	$ 576,460	100.7%	$ (498,593)
	2012	$ 753,196	100.5%	$ (502,643)
	2013	$ 799,047	98.6%	$ (491,132)
JRS	2011	$ 16,534	0%	$ 31,983
	2012	$ 15,696	96.2%	$ 32,584
	2013	$ 15,241	105.0%	$ 31,819

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	$ 23,019	$ 13,274	42.3%	$ 3,355	395.7%
TRF	$ 13,735	$ 24,862	$ 11,127	55.2%	$ 3,653	304.7%
JRF	$ 175	$ 320	$ 145	54.7%	$ 30	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	4.00% -20.00%	3.75%-7.0%	4.75%
Includes inflation at	3.75%	3.0%	0.00%
Cost-of-Living Adjustments	2.3%-3.6%	2.0%-3.0%	2.30-4.75%

Defined Contribution Plan

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

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed $35.4 million and $16.9 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 General statues. 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 Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 18	$ 22,996	$ -	$ 279	$ 23,293
Receivables:							
Accounts, Net of Allowances	5,840	11,588	8	8,858	4	-	26,298
From Other Governments	-	347	-	-	-	-	347
From Other Funds	10	2	-	1	-	-	13
Interest	196	255	2	13	1	-	467
Investments	9,179,573	14,453,544	168,327	1,828,132	81,893	1,272	25,712,741
Securities Lending Collateral	887,939	1,390,000	17,116	186,402	8,692	167	2,490,316
Total Assets	10,073,558	15,855,736	185,471	2,046,402	90,590	1,718	28,253,475
Liabilities							
Accounts Payable and Accrued Liabilities	30	-	-	-	-	-	30
Securities Lending Obligation	887,939	1,390,000	17,116	186,402	8,692	167	2,490,316
Due to Other Funds	2,970	2,833	-	-	-	-	5,803
Total Liabilities	890,939	1,392,833	17,116	186,402	8,692	167	2,496,149
Net Position							
Held in Trust For Employee							
Pension Benefits	9,182,619	14,462,903	168,355	1,860,000	81,898	1,551	25,757,326
Total Net Position	$ 9,182,619	$ 14,462,903	$ 168,355	$ 1,860,000	$ 81,898	$ 1,551	$ 25,757,326

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

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 164,000	$ 274,880	$ 1,520	$ 13,163	$ 200	$ 38	$ 453,801
State	1,058,113	787,536	16,006	-	-	-	1,861,655
Municipalities	-	14	-	116,329	-	-	116,343
Total Contributions	1,222,113	1,062,430	17,526	129,492	200	38	2,431,799
Investment Income	1,012,054	1,607,248	15,316	163,267	7,510	55	2,805,450
Less: Investment Expenses	(31,259)	(49,642)	(473)	(5,043)	(232)	(1)	(86,650)
Net Investment Income	980,795	1,557,606	14,843	158,224	7,278	54	2,718,800
Other	-	1,118	-	715	842	-	2,675
Total Additions	2,202,908	2,621,154	32,369	288,431	8,320	92	5,153,274
Deductions							
Administrative Expense	717	-	31	-	-	-	748
Benefit Payments and Refunds	1,487,694	1,640,387	20,902	115,008	4,501	1	3,268,493
Other	519	-	-	-	-	-	519
Total Deductions	1,488,930	1,640,387	20,933	115,008	4,501	1	3,269,760
Changes in Net Position	713,978	980,767	11,436	173,423	3,819	91	1,883,514
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year	8,468,641	13,482,136	156,919	1,686,577	78,079	1,460	23,873,812
End of Year	$ 9,182,619	$ 14,462,903	$ 168,355	$ 1,860,000	$ 81,898	$ 1,551	$ 25,757,326

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, 2013 (date of the latest actuarial valuation), the plan had 67,593 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	$ 1,271,279	$ 180,460
Interest on Net OPEB Obligation	295,680	25,576
Adjustment to Annual Required Contribution	(250,347)	(26,416)
Annual OPEB Cost	1,316,612	179,620
Contributions Made	542,615	27,040
Increase in net OPEB Obligation	773,997	152,580
Net OPEB Obligation - Beginning of Year	5,187,369	568,362
Net OPEB Obligation - End of Year	$ 5,961,366	$ 720,942

In addition, other related information for each plan for the past three fiscal years was as follows (amounts in thousands):

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP				
	2013	$ 1,316,612	41.2%	$ 5,961,366
	2012	$ 1,220,577	44.3%	$ 5,187,369
	2011	$ 1,165,510	46.7%	$ 4,508,054
RTHP				
	2013	$ 179,620	15.1%	$ 720,942
	2012	$ 165,955	29.8%	$ 568,362
	2011	$ 167,368	3.2%	$ 451,893

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2013 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	$143.8	$ 19,676.3	$ 19,532.5	0.7%	$ 3,539.7	551.8%
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	6-30-13	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	24 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	3.75%	3.75%-7.00% (includes 3% inflation rate)
Healthcare Inflation Rate	7.00% graded to 5.00% over 5 years	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 Funds 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 Position (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Assets				
Cash and Cash Equivalents	$ 43,756	$ 103,766	$ -	$ 147,522
Receivables:				
From Other Funds	6,658	2,018	-	8,676
Investments	100,732	-	23,976	124,708
Securities Lending Collateral	6,274	-	3,653	9,927
Total Assets	157,420	105,784	27,629	290,833
Liabilities				
Accounts Payable and Accrued Liabilit	7,338	8,080	-	15,418
Securities Lending Obligation	6,274	-	3,653	9,927
Total Liabilities	13,612	8,080	3,653	25,345
Net Position				
Held in Trust For Other				
Postemployment Benefits	143,808	97,704	23,976	265,488
Total Net Position	$ 143,808	$ 97,704	$ 23,976	$ 265,488

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

	State Employees'	Retired Teachers'	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 27,504	$ 85,450	$ 471	$ 113,425
State	542,615	27,040	-	569,655
Municipalities	-	-	54	54
Total Contributions	570,119	112,490	525	683,134
Investment Income (Loss)	(56)	125	2,006	2,075
Less: Investment Expenses	2	-	(62)	(60)
Net Investment Income	(54)	125	1,944	2,015
Total Additions	570,065	112,615	2,469	685,149
Deductions				
Administrative Expense	-	2,921	-	2,921
Benefit Payments and Refunds	485,969	100,311	1,046	587,326
Other	5	5	-	10
Total Deductions	485,974	103,237	1,046	590,257
Changes in Net Position	84,091	9,378	1,423	94,892
Net Position Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year	59,717	88,326	22,553	170,596
End of Year	$ 143,808	$ 97,704	$ 23,976	$ 265,488

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):

2014	$ 26,993
2015	28,088
2016	28,371
2017	27,439
2018	20,723
Thereafter	97,300
Total	$ 228,914

Contingent revenues for the year ended June 30, 2013, were $112 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2013, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2014	$ 58,431	$ 11,031
2015	44,926	6,563
2016	79,625	4,975
2017	11,465	3,770
2018	3,230	3,375
2019-2023	8,517	9,500
2024-2028	-	6,118
2029-2033	-	3,650
Total minimum lease payments	$ 206,194	48,982
Less: Amount representing interest costs		10,764
Present value of minimum lease payments		$ 38,218

Minimum capital lease payments were discounted using interest rates changing from 3.66 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2013, were $58.4 million.

Lease/Lease Back Transaction

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

Proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earning thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. Although it is remote that the State will be required to make any additional payments under the sublease, the State is and shall remain liable for all of its obligations under the subleases. The aggregate remaining commitment under the subleases totaled approximately $58 million at June 30, 2013.

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, 2013, (amounts in thousands):

Governmental Activities	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
Bonds:					
General Obligation	$ 13,964,576	$ 1,369,790	$ 1,106,138	$ 14,228,228	$ 1,032,033
Transportation	3,287,340	627,390	452,855	3,461,875	290,615
	17,251,916	1,997,180	1,558,993	17,690,103	1,322,648
Plus/(Less) premiums and deferred amounts	708,874	202,915	96,271	815,518	91,780
Total Bonds	17,960,790	2,200,095	1,655,264	18,505,621	1,414,428
Long-Term Notes	747,935	-	174,570	573,365	182,705
Other L/T Liabilities: [1]					
Net Pension Obligation	2,496,190	2,067,874	2,030,810	2,533,254	-
Net OPEB Obligation	5,755,731	1,496,233	569,656	6,682,308	-
Compensated Absences	542,102	10,037	36,426	515,713	47,476
Workers' Compensation	559,546	129,268	101,162	587,652	100,303
Capital Leases	42,759	3,556	8,097	38,218	9,225
Claims and Judgments	44,942	13,943	15,363	43,522	15,439
Liability on Interest Rate Swaps	24,956	-	7,380	17,576	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	9,466,931	3,720,911	2,768,894	10,418,948	172,443
Governmental Activities Long-Term Liabilities	$ 28,175,656	$ 5,921,006	$ 4,598,728	$ 29,497,934	$ 1,769,576

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

Business-Type Activities	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
Revenue Bonds	$ 1,439,345	$ 284,210	$ 346,857	$ 1,376,698	$ 108,757
Plus/(Less) premiums, discounts and deferred amounts	46,362	40,911	(1,531)	88,804	988
Total Revenue Bonds	1,485,707	325,121	345,326	1,465,502	109,745
Compensated Absences	156,082	33,668	29,704	160,046	50,997
Federal Loans Payable	632,026	154,057	211,771	574,312	-
Other	329,086	53,595	162,054	220,627	7,537
Total Other Liabilities	1,117,194	241,320	403,529	954,985	58,534
Business-Type Long-Term Liabilities	$ 2,602,901	$ 566,441	$ 748,855	$ 2,420,487	$ 168,279

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $37.2 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 and could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort. In addition, there are other polluted sites in the state that require remedial action by the State that will result in additional cleanup costs. The State did not recognize a liability for these costs at year end because it could not be reasonably estimated.

As of June 30, 2013, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2013	Amounts due within year
Bonds Payable	$ 4,475,108	$ 283,880
Escrow Deposits	205,807	39,540
Closure of Landfills	49,276	14,214
Due to State	27,069	-
Other	385,353	19,637
Total	$ 5,142,613	$ 357,271

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, 2013 were $573.4 million. The notes mature on various dates through 2016 and bear interest rates from 2.5% to 5.0%. Future amounts needed to pay principal and interest on economic recovery notes outstanding at June 30, 2013, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 182,705	$ 25,723	$ 208,428
2015	191,280	17,147	208,427
2016	199,380	9,043	208,423
Total	$ 573,365	$ 51,913	$ 625,278

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, 2013, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2014-2032	1.50-5.632%	$ 1,970,766	$ 700,140
School Construction	2014-2033	2.00-5.750%	4,812,690	84,346
Municipal & Other Grants & Loans	2014-2032	0.45-6.398%	1,083,784	742,734
Housing Assistance	2014-2031	1.13-5.460%	207,095	150,550
Elimination of Water Pollution	2014-2027	3.10-5.09%	206,431	240,208
General Obligation Refunding	2014-2025	1.00-5.50%	3,485,486	-
Pension Obligation	2014-2032	4.20-6.27%	2,276,578	-
Miscellaneous	2014-2038	3.00-6.00%	111,520	561,246
			14,154,350	$ 2,479,224
Accretion-Various Capital Appreciation Bonds			73,878	
		Total	$ 14,228,228	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2013, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 1,032,033	$ 664,007	$ 1,696,040
2015	1,006,493	610,791	1,617,284
2016	974,244	567,993	1,542,237
2017	929,638	526,311	1,455,949
2018	922,387	487,359	1,409,746
2019-2023	3,978,578	1,957,956	5,936,534
2024-2028	3,138,612	1,194,584	4,333,196
2029-2033	2,161,760	278,337	2,440,097
2034-2038	9,440	1,587	11,027
2039-2043	1,165	35	1,200
Total	$ 14,154,350	$ 6,288,960	$ 20,443,310

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, 2013, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2014-2033	2.00-5.740%	$ 3,461,875	$ 2,744,521
			3,461,875	$ 2,744,521
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 3,461,875	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2013, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 290,615	$ 162,703	$ 453,318
2015	251,275	150,268	401,543
2016	227,705	139,468	367,173
2017	210,070	129,253	339,323
2018	212,925	119,248	332,173
2019-2023	994,585	448,739	1,443,324
2024-2028	833,590	222,341	1,055,931
2029-2033	441,110	42,233	483,343
	$ 3,461,875	$ 1,414,253	$ 4,876,128

Variable-Rate Demand Bonds

As of June 30, 2013, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
General Obligation	$ 10,000	1997	2014
Total	$ 10,000		

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, 2013, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2013-2030	1.5-5.5%	$ 131,465
State Universities	2013-2017	2.0-6.0%	281,893
Clean Water	2013-2031	1.0-5.0%	743,360
Drinking Water	2013-2028	2.0-5.0.%	41,030
Bradley International Airport	2013-2033	[1]	141,555
Bradley Parking Garage	2013-2024	6.5-6.6%	37,395
Total Revenue Bonds			1,376,698
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			15,994
State Universities			5,771
Clean Water			67,066
Bradley International Airport			(2,244)
Other			2,217
Revenue Bonds, net			$ 1,465,502

[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, 2013, 2011 Bradley International Airport Refunding Bonds in the amount of $141.6 million were outstanding.

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, 2013, $37.4 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, 2013, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 108,757	$ 55,487	$ 164,244
2015	108,703	51,237	159,940
2016	112,595	46,490	159,085
2017	96,313	42,279	138,592
2018	90,205	38,431	128,636
2019-2023	407,915	137,733	545,648
2024-2028	296,170	58,494	354,664
2029-2033	145,280	12,476	157,756
2034-2038	10,760	303	11,063
Total	$ 1,376,698	$ 442,930	$ 1,819,628

d. Component Units

Component units' revenue bonds outstanding at June 30, 2013, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2013-2055	0.10-9.36%	$ 4,186,602
CT Higher Education Supplemental Loan Authority	2013-2035	1.70-7.00%	167,660
CT Regional Development Authority	2013-2035	2.50-7.00%	94,805
UConn Foundation	2013-2029	1.90-5.00%	26,030
CT Inovations Inc.	2013-2020	4.75-5.25%	8,705
Total Revenue Bonds			4,483,802
Plus/(Less) premiums, discounts, and deferred amounts:			
CHFA			(9,209)
CHESLA			840
CRDA			(325)
Revenue Bonds, net			$ 4,475,108

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.

Following the merger of the operations of the Connecticut Development Authority, Connecticut Innovations, Incorporated (CII) assumed responsibility for the former authority's Special Obligation Industrial revenue bonds. The bonds were issued to finance such projects as the acquisition of land, the construction of buildings, the purchase and installation of machinery, equipment, and pollution control facilities. These activities are financed under its Self-Sustaining Bond Program which is described in the no-commitment debt section of this note. In addition, CII has $8.7 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, a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2012, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $3,715.8 million, $64.2 million, and $397.4 million respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's general fund, and (3) all monies and securities of the Authority's general and capital reserve funds. The 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 $282.0 million per the resolution and $4.6 million per the indenture at 12/31/12. As of December 31, 2012, the Authority has entered into interest rate swap agreements for $834.4 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.

Capital Reserves

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 Region 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, 2013, were as follows amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 165,327	$ 123,787	$ 289,114
2015	145,602	120,209	265,811
2016	129,000	116,577	245,577
2017	180,330	124,577	304,907
2018	140,306	112,442	252,748
2019-2023	802,094	497,229	1,299,323
2024-2028	861,000	365,751	1,226,751
2029-2033	913,990	228,604	1,142,594
2034-2038	721,525	103,040	824,565
2039-2043	360,610	26,783	387,393
2044-2048	40,031	62,236	102,267
2049-2053	23,987	7,918	31,905
Total	$ 4,483,802	$ 1,889,153	$ 6,372,955

No-commitment debt

Under the Self-Sustaining Bond program, acquired from its combination with the Connecticut Development Authority, Connecticut Innovations, Inc., 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, 2013 were $731.6 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, 2013, were $8,030.2 million, of which $292.1 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, 2013 was $60.6 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 fiscal year the State Issued General Obligation and Special Tax Obligation bonds of $194.9 million at an average coupon interest rate of 3.6 percent to advance refund $210.5 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 5.1 percent. The proceeds of the refunding bonds were used to purchase U.S. Government securities which were deposited into irrevocable trust accounts with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

Although the advance refunding resulted in a $15.5 million accounting loss, the State in effect reduced its aggregate fund level debt service payments by $21.1 million over the next 11 years. The present value of these savings represents an economic gain (difference between the present values of the debt service payments of the old and the new bonds) of $19.9 million. The above loss is being netted against the new debt and amortized over the life of the new or old debt, whichever is shorter.

In prior years, the State placed the proceeds of refunding bonds in irrevocable trust accounts to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2013, the outstanding balance of bonds defeased in prior years was approximately $938.0 million.

Note 19 - Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2013, 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	Deferred outflow of Resources	$ (7,380)	Non-current portion of LT Obligation	$ (17,576)	$ 335,620
Business-type activities					
Cash flow hedges:					
Bradley Airport: Pay-fixed interest rate swap	Deferred outflow of Resources	$ (9,563)	Non-current portion of LT Obligation	$ (20,454)	$ 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, 2013, 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, 2013, 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, 2013, the SIFMA rate was 0.06 percent, whereas 60 percent of LIBOR plus 30bp was 0.417 percent. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2013, 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, 2013, 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
2014	$ -	$ 2,081	$ 9,106	$ 11,187
2015	-	2,081	9,106	11,187
2016	50,620	2,081	8,840	61,541
2017	55,000	1,643	7,592	64,235
2018	45,000	875	6,205	52,080
2019-2023	185,000	1,730	11,253	197,983
	$ 335,620	$ 10,491	$ 52,102	$ 398,213

As of June 30, 2013, Bradley airport has entered into interest rate swap agreements for $141.6 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 position (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 6-30-11	$ 511,413	$ 20,439
Incurred claims	149,921	52
Paid claims	(101,788)	(534)
Balance 6-30-12	559,546	19,957
Incurred claims	129,268	4,133
Paid claims	(101,162)	(4,201)
Balance 6-30-13	$ 587,652	$ 19,889

Note 21 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2013, were as follows (amounts in thousands):

	Balance due to fund(s)												
Balance due from fund(s)	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	State Universities	Connecticut Community Colleges	Employment Security	Internal Services	Fiduciary	Component Units	Total
General	$ -	$ -	$ 302,308	$ 20,953	$ 495,230	$ 45,826	$ 14,593	$ 15,373	$ 570	$ 4,324	$ 4,273	$ -	$ 903,450
Debt Service	-	1,134	-	-	-	-	-	-	-	-	-	-	1,134
Restricted Grants & Accounts	-	-	-	-	2,091	-	-	-	-	-	-	191	2,282
Grant & Loan Programs	-	-	-	-	24	-	-	-	-	-	-	7,029	7,053
Other Governmental	3,879	-	-	20,005	4,433	35,758	12,917	103,524	-	-	-	-	180,516
UConn	10,889	-	-	-	-	-	-	-	-	-	-	-	10,889
State Universities	3,610	-	-	-	-	-	-	-	-	-	-	-	3,610
Employment Security	-	-	-	-	350	-	-	-	-	-	-	-	350
Other Proprietary	433	-	4,241	-	-	-	-	-	-	-	-	-	4,674
Internal Services	7,370	-	-	-	-	-	-	-	-	-	-	-	7,370
Fiduciary	-	-	-	3,807	-	-	-	-	-	-	8,649	-	12,456
Component Units	27,068	-	-	-	-	-	-	-	-	-	-	-	27,068
Total	$ 53,249	$ 1,134	$ 306,549	$ 44,765	$ 502,128	$ 81,584	$ 27,510	$ 118,897	$ 570	$ 4,324	$ 12,922	$ 7,220	$ 1,160,852

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, 2013, consisted of the following (amounts in thousands):

Amount transferred from fund(s)	General	Debt Service	Transportation	Restricted Grants & Accounts	Grants & Loan Programs	Other Governmental	UConn	State Universities	Connecticut Community Colleges	Bradley International Airport	Clean Water	Total
General	$ -	$ -	$ 95,245	$ 106,774	$ -	$ 62,473	$ 501,827	$ 222,071	$ 223,621	$ -	$ -	$ 1,212,011
Debt Service	-	-	3,625	-	-	238	-	-	-	-	-	3,863
Transportation	-	430,772	-	15,000	-	6,500	-	-	-	-	-	452,272
Restricted Grants & Accounts	22,567	-	-	-	-	-	-	-	-	-	-	22,567
Grants & Loan Programs	2,000	-	-	39,911	-	-	-	-	-	-	-	41,911
Other Governmental	109,322	-	46	48,914	4,000	1,899	20,000	72,761	50,768	-	989	308,699
Employment Security	-	-	-	-	-	3,665	-	-	-	-	-	3,665
Other Proprietary	-	-	-	-	-	247	-	-	-	10,483	-	10,730
Total	$ 133,889	$ 430,772	$ 98,916	$ 210,599	$ 4,000	$ 75,022	$ 521,827	$ 294,832	$ 274,389	$ 10,483	$ 989	$ 2,055,718

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 Net Position, Fund Balance Classifications, and Restricted Net Position

Restatement of Net Position

As of June 30, 2013, the beginning net position for the following funds and activities were restated as follows (amounts in thousands):

	Balances 6-30-12 Previously Reported	Fund Reclassifications	Balances 6-30-12 as Restated
Proprietary Funds and Business-Type Activities			
Major Funds:			
Connecticut Lottery Corporation	$ 7,561	$ (7,561)	$ -
Connecticut Community Colleges	-	781,702	781,702
Non-Major Funds:			
Connecticut Community Colleges	781,702	(781,702)	-
Total Non-Major Funds	912,201	(781,702)	130,499
Total Proprietary Funds	$ 4,475,052	(7,561)	$ 4,467,491
Business-Type Activities			
Net Position of Business-Type Activates	$ 4,475,052	(7,561)	$ 4,467,491
Component Units			
Major Component Units:			
Connecticut Lottery Corporation	$ -	$ 7,561	$ 7,561
CT Health and Educational Facilities Authority	13,286	(13,286)	-
Non-Major Component Units:			
CT Health and Educational Facilities Authority	-	13,286	13,286
Connecticut Development Authority	84,776	(84,776)	-
Connecticut Innovations, Incorporated	85,705	84,776	170,481
Total Non-Major Component Units	973,095	13,286	986,381
Total Component Units	$ 1,944,102	7,561	$ 1,951,663

In 2013, the Connecticut Lottery Corporation was reclassified from a proprietary fund (blended presentation) to a discreetly presented component unit because, as required by current reporting guidance, the Corporation's operations do not exclusively, or almost exclusively benefit the State. The state's citizenry is benefited as well.

During the year, according to state legislation the assets and operations of the Connecticut Development Authority were merged into the Connecticut Innovations, Incorporated.

Fund Balance – Restricted and Assigned

As of June 30, 2013 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 288,363	$ -
Environmental Programs	61,811	-
Housing Programs	90,764	-
Employment Security Administration	30,746	-
Banking	26,713	-
Other	50,308	20,316
Total	$ 548,705	$ 20,316

Restricted Net Position

As of June 30, 2013, the government-wide statement of net position reported $3,282 million of restricted net position, of which $217 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 2013, The State implemented the following statements issued by the Governmental Accounting Standards Board ("GASB").

Accounting and Financial Reporting for Service Concession Arrangements (Statement No. 60)- This Statement establishes accounting and reporting guidance for service concession arrangements (SCA), which are a type of public-private or public-public partnership. In a SCA, (1) a government conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The adoption of this Statement had no significant impact on the State's financial statements.

*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No.14 and No. 34 (*Statement No. 61)- This Statement amends Statement No. 14, *The Financial Reporting Entity*, and Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* to better meet user needs and to address reporting issues that have arisen since the issuance of those Statements. Basically, the Statement modifies certain requirements for inclusion of components in the financial reporting entity. The adoption of the Statement resulted in the modification of note disclosures related to the reporting entity of the State (Note 1b).

Codification of Accounting and Financial Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (Statement No. 62)-This Statement incorporates into GASB'S authoritative literature certain accounting and reporting guidance found in the Financial Accounting Standards Board and AICPA pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. The adoption of this Statement had no significant impact on the State's financial statements.

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (Statement No. 63)- This Statement provides guidance on reporting deferred outflows of resources and deferred inflows of resources, which are to be reported in a statement of net position. Amounts to be reported as deferred outflows or inflows of resources should be reported in the statement of net position in a separate category following assets or liabilities. The statement of net position should report the residual amount as net position, rather than net assets. The adoption of this Statement resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position and the term "net assets" is changed to "net position" throughout the State's financial statements.

Technical Corrections-2012 an amendment of GASB Statements No. 10 and No. 62 (Statement No. 66)-This Statement provides clarification on two recently issued statements: No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62 (discussed above). The Statement resolves conflicting guidance created as a result of the issuance of these two statements. The adoption of this Statement had no significant impact on the State's financial statements.

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, 2013, the Departments of Transportation and Public Works had contractual commitments of approximately $3,642 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,949 million.

Clean and drinking water loan programs $583 million.

Various programs and services $3,050 million.

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

Component Units

As of December 31, 2012, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $152 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.

As of June 30, 2013, the State reported an escheat liability of $266.5 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 $231.8 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

In July 2013, the State issued $172.7 million of General Obligation bonds and $51.3 million of general Obligation refunding bonds under its University of Connecticut 2000 program. The original issue bonds will mature in 2033 and the refunding bonds will mature in 2024. Both bond series bear interest rates ranging from 2.0 percent to 5.0 percent.

In August 2013, the State issued $200.0 million General Obligation bonds. The bonds will mature in 2033 and bear interest rates ranging from 2.0 percent to 5.0 percent.

In August 2013, the State issued $115.0 million series D General Obligation bonds. The bonds will mature in 2020 and bear variable interest rates ranging from 9 to 102 basis points above the SIFMA rate.

In August 2013, the State issued $285.0 million series E General Obligation bonds. The bonds will mature in 2033 and bear interest rates ranging from 1.0 percent to 5.0 percent.

In August 2013, the State issued $100.0 million series A Taxable General Obligation bonds. The bonds will mature in 2033 and bear interest rates ranging from 0.28 percent to 3.82 percent.

In October 2013, the State issued $314.3 million of Economic Recovery Refunding - Variable-rate Remarketed Obligation Notes. The notes will mature in 2018 and bear an initial interest rate of 0.5 percent. After the delivery date, the notes will bear interest at the Variable-rate Remarketed Obligation (VRO) rate, which will be determined by the Remarketing Agent on each business day during the VRO Mode period.

In October 2013, the State issued $560.4 million in General Obligation GAAP conversion bonds. The bonds will mature in 2027 and bear interest rates ranging from 1.0 percent to 5.0 percent.

In October 2013, the Connecticut State University System issued $80.3 million Series N Revenue bonds. The bonds, which are special obligations of the State of Connecticut Health and Educational Facilities Authority, mature in 2033 and bear interest rates ranging from 4.1 percent to 5.0 percent.

In November 2013, the State issued $600.0 million in Special Tax Obligation bonds. The bonds will mature in 2033 and bear interest rates ranging from 2.0 percent to 5.0 percent.

Effective July 1, 2011, the State established the Connecticut Airport Authority (the Authority), which became responsible for governance, control and transitioning of jurisdiction of the Bradley International Airport (an Enterprise fund) as well as other state-owned airports from the Department of Transportation to the Authority. On July 1, 2013, the transfer of ownership of the airport was completed.

Effective January 5, 2011, the Governor issued "Executive Order No 1" which initiated the process of implementing Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB), with respect to the preparation of the biennial budget. On July 1, 2013, the State implemented its GAAP conversion plan to use the modified accrual basis of accounting for the State budget.

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						
6/30/2008	$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%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
TRS						
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%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
JRS						
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%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
RTHP						
6/30/2008	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$-	$2,997.8	$2,997.8	0.0%	$3,646.0	82.2%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$-	$3,048.3	$3,048.3	0.0%	$3,652.5	83.5%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.						
SEOPEBP						
6/30/2011	$49.6	$17,954.3	$17,904.7	0.3%	$3,902.2	458.8%
6/30/2012 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2013	$143.8	$19,676.3	$19,532.5	0.7%	$3,539.7	551.8%
*No actuarial valuation was performed.						
June 30,2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was preformed.						

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%
2013	$1,059.7	100.0%	$787.5	100.0%	$16.0	100.0%	$180.4	15.0%	$1,271.3	42.7%

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 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the state's basic financial statements and have issued our report thereon dated February 28, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of certain funds and discretely presented 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 financial statements of the Bradley International Airport Parking Facility, John Dempsey Hospital, Connecticut State University System, Connecticut Community Colleges and the University of Connecticut Foundation and University of Connecticut Law School Foundation were not conducted in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing our audit of the financial statements, we considered the State of Connecticut's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the State of Connecticut's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management in the *State of Connecticut - Comprehensive Annual Financial Report - Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2013*. The state's management responses to findings identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it. In addition, we have reported or will report to management findings in separately issued departmental audit reports covering the fiscal year ended June 30, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, 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.

Robert M Ward

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 28, 2014
State Capitol
Hartford, Connecticut

Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance;
And Report on Schedule of Expenditures of
Federal Awards Required by 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

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Governor Dannel P. Malloy
Members of the General Assembly

Report on Compliance for Each Major Federal Program

We have audited the State of Connecticut's compliance 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, 2013. 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.

The State of Connecticut's basic financial statements include the operations of the Connecticut Housing Finance Authority, the Clean Energy Finance and Investment Authority, Inc., the Connecticut Health Exchange, the Clean Water Fund, and the Drinking Water Fund, which expended $174,728,004 in federal awards, which is not included in the Schedule of Expenditures of Federal Awards, during the year ended June 30, 2013. Our audit, described below, did not include the operations of the Connecticut Housing Finance Authority, the Clean Energy Finance and Investment Authority, the Connecticut Health Exchange, the Clean Water Fund, and the Drinking Water Fund because other auditors were engaged to audit the Connecticut Housing Finance Authority, Clean Energy Finance and Investment Authority, Inc., the Connecticut Health Exchange, the Clean Water Fund, and the Drinking Water Fund in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Connecticut's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Connecticut's compliance

Opinion on Each Major Federal Program

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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-005, 2013-006, 2013-007, 2013-009, 2013-010, 2013-016, 2013-019, 2013-024, 2013-105, 2013-106, 2013-157, 2013-207, 2013-209, 2013-212, 2013-213, 2013-250, 2013-300, 2013-301, 2013-501, 2013-502, 2013-503, and 2013-504. Our opinion on each major federal program is not modified with respect to these matters.

The State of Connecticut's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Connecticut's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the State of Connecticut is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Connecticut's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program 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.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 2013-006, 2013-204, 2013-207, 2013-209, and 2013-213 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 of 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 2013-001, 2013-002, 2013-003, 2013-004, 2013-005, 2013-007, 2013-008, 2013-009, 2013-010, 2013-011, 2013-012, 2013-013, 2013-014, 2013-015, 2013-016, 2013-017, 2013-018, 2013-019, 2013-020, 2013-021, 2013-022, 2013-023, 2013-024, 2013-025, 2013-026, 2013-027, 2013-100, 2013-101, 2013-102, 2013-103, 2013-104, 2013-150, 2013-151, 2013-152, 2013-153, 2013-154, 2013-155, 2013-156, 2013-157, 2013-200, 2013-201, 2013-202, 2013-203, 2013-205, 2013-206, 2013-208, 2013-210, 2013-211, 2013-212, 2013-250, 2013-251, 2013-252, 2013-253, 2013-254, 2013-255, 2013-300, 2013-301, 2013-350, 2013-351, 2013-352, 2013-400, 2013-450, 2013-451, 2013-452, 2013-500, 2013-501, 2013-550, 2013-600, 2013-650, 2013-651, 2013-652, 2013-653, 2013-654, 2013-655, 2013-656, 2013-657, 2013-658, 2013-659, 2013-660, 2013-661, 2013-662, 2013-663, 2013-664, 2013-665, 2013-666, 2013-667, 2013-668, and 2013-669 to be significant deficiencies.

The State of Connecticut's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Connecticut's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the State of Connecticut as of and for the year ended June 30, 2013, and have issued our report thereon dated February 28, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. 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 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 schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the financial statements taken as a whole.

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, 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.

Robert M. Ward

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

March 28, 2014
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, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Department of Agriculture		
SNAP Cluster:		
Supplemental Nutrition Assistance Program (See Note 3 and Note 12)	10.551	697,932,878
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	34,148,082
Total SNAP Cluster		732,080,960
Child Nutrition Cluster:		
School Breakfast Program	10.553	24,026,500
National School Lunch Program (See Note 3)	10.555	95,091,200
Special Milk Program for Children	10.556	261,529
Summer Food Service Program for Children (See Note 3)	10.559	1,513,215
Total Child Nutrition Cluster		120,892,444
Professional Development for AG Service Providers in Applied Poultry Science	10.UM-S810	4,963
Forest Pest Outreach and Survey Project (FPOSP) FY 2012	10.CAES-UC-2012-01	1,401
Forest Pest Outreach and Survey Project (FPOSP) FY 2012	10.CAES-UC-2013-22344-1	30
MBAg: Mastering the Business of Agriculture	10.CNP-UCONN	56,321
Plant and Animal Disease, Pest Control, and Animal Care	10.025	192,058
Federal-State Marketing Improvement Program	10.156	23,620
Inspection Grading and Standardization	10.162	484
Market Protection and Promotion	10.163	48,655
Specialty Crop Block Grant Program - Farm Bill	10.170	281,553
Grants for Agricultural Research, Special Research Grants	10.200	84,123
Higher Education Multicultural Scholars Grant Program	10.220	44,173
Homeland Security Agricultural	10.304	18,930
Beginning Farmer and Rancher Development Program	10.311	81,211
Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)	10.315ARRA	8,110
Crop Insurance	10.450	4,920
Crop Insurance Education in Targeted States	10.458	257,722
Food Safety Cooperative Agreements	10.479	164,421
Cooperative Extension Service	10.500	3,231,195
Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 7)	10.557	30,984,185
Child and Adult Care Food Program	10.558	15,254,556
State Administrative Expenses for Child Nutrition	10.560	1,878,061
Emergency Food Assistance Program (Administrative Costs)	10.568	461,109
WIC Farmers' Market Nutrition Program	10.572	331,480
Team Nutrition Grants	10.574	174,123
Senior Farmers Market Nutrition Program	10.576	88,365
Child Nutrition Discretionary Grants Limited Availability	10.579	387,081
Fresh Fruit and Vegetable Program	10.582	2,526,590
Cooperative Forestry Assistance	10.664	599,221
Forest Legacy Program	10.676	51,397
Forest Stewardship Program	10.678	48,932
Forest Health Protection	10.680	21,743
Soil and Water Conservation	10.902	217,555
Environmental Quality Incentives Program	10.912	69,723
Farm and Ranch Lands Protection Program	10.913	18,431
Wildlife Habitat Incentive Program	10.914	99,890
Total Department of Agriculture		910,689,736
Department of Commerce		
Advancing Coastal and Marine Spatial Planning in the Northeast: Connecticut Share	11.AG121242	98,141
Evaluation of immune functions in free-ranging bottlenose dolphins in support of health assessments 2013	11.EA-133C-13-SE-0608	7,134
Charter of R/V CT by WHOI for ESP Deployment	11.M215400	29,192
Charter of R/V Connecticut for UMaine Mooring Cruise	11.PO #5100072998	41,590
Recommendations for Enhancements to NOAA's Coastal Cover Atlas	11.PO# 002004MD	20,724
Merging Modeling & Mapping: The integration of ecosystem-based models into an existing interactive web-based	11.PSP-1048	5,467
Economic Development -Technical Assistance	11.303	148,604
Anadromous Fish Conservation Act Program	11.405	2,604
Interjurisdictional Fisheries Act of 1986	11.407	11,261
Sea Grant Support	11.417	17,773

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Coastal Zone Management Administration Awards	11.419	1,871,909
National Oceanic and Atmospheric Administration Cooperative Institutes	11.432	589,982
Habitat Conservation	11.463ARRA	69,019
Unallied Science Program	11.472	41,060
Atlantic Coastal Fisheries Cooperative Management Act	11.474	131,662
Fisheries Disaster Relief	11.477	102
Public Safety Interoperable Communications Grant Program	11.555	3,211,938
Broadband Technology Opportunities Program (BTOP)	11.557ARRA	28,482,206
State Broadband Data and Development Grant Program	11.558ARRA	650,838
Total Department of Commerce		35,431,206
Department of Defense		
Sabbatical Leave at Naval Undersea Warfare Center	12.N66604-12-P-3471	88,701
CT 2013 OMK RFA	12.NAFBA1-13-M-0217	15,868
Charter of R/V Connecticut by Ocean Surveys for Coring Project	12.PO #11443	42,194
Charter of R/V Weicker - Thames River Sampling	12.PO #6792-27635	2,275
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	17,562
Basic and Applied Scientific Research	12.300	33,008
Military Construction, National Guard	12.400	363,476
National Guard Military Operations and Maintenance (O&M) Projects	12.401	16,330,969
National Guard ChalleNGe Program	12.404	244,977
Basic Scientific Research	12.431	22,068
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	12.611	13,000
Total Department of Defense		17,174,098
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	4,878,662
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (See Note 1)	14.856	103,452
Total Section 8 Project-Based Cluster		4,982,114
CDBG - State-Administered CDBG Cluster:		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20,603,523
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.255ARRA	194,234
Total CDBG State-Administered Small Cities Program Cluster		20,797,757
Supportive Housing for Persons with Disabilities (See Note 1)	14.181	1,512,417
Multifamily Housing Service Coordinators	14.191	369,118
Emergency Solutions Grant Program	14.231	1,818,624
Supportive Housing Program	14.235	1,647,197
Shelter Plus Care	14.238	9,032,517
Home Investment Partnerships Program	14.239	11,027,494
Housing Opportunities for Persons with AIDS	14.241	263,503
Continuum of Care Program	14.267	1,806,797
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	226,765
Fair Housing Assistance Program-State and Local	14.401	55,970
General Research and Technology Activity	14.506	20,000
Community Challenge Planning Grants and the DOT TIGER II Planning Grants	14.704	473,308
Section 8 Housing Choice Vouchers (See Note 1)	14.871	64,718,891
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	2,972,739
Total Department of Housing and Urban Development		121,725,211
Department of the Interior		
Fish and Wildlife Cluster		
Sport Fish Restoration Program	15.605	3,936,672
Wildlife Restoration and Basic Hunter Education	15.611	2,518,247
Total Fish and Wildlife Cluster		6,454,919
Charter of R/V Connecticut by WHOI for Ambient Noise Study	15.M215704	19,200
Fish and Wildlife Management Assistance	15.608	47,507
Cooperative Endangered Species Conservation Fund	15.615	16,508

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Clean Vessel Act	15.616	1,195,864
Wildlife Conservation and Appreciation	15.617	(88)
Sportfishing and Boating Safety Act	15.622	7,311
Wildlifie Conservation and Restoration	15.625	1,766
Landowner Incentive Program	15.633	49,341
State Wildlife Grants	15.634	356,386
Assistance to State Water Resources Research Institutes	15.805	433
National Spatial Data Infrastructure Cooperative Agreements Program	15.809	6,932
National Geological and Geophysical Data Preservation Program	15.814	7,149
Historic Preservation Fund Grants-In-Aid	15.904	622,209
Outdoor Recreation-Acquisition, Development and Planning	15.916	237,165
National Heritage Area Federal Financial Assistance	15.939	176
Total Department of the Interior		9,022,778
Department of Justice		
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,528,280
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803ARRA	2,329,495
Total JAG Program Cluster		5,857,775
Joint Law Enforcement Operations (JLEO)	16.111	367,686
Program Evaluation Connecticut State Police DOPS Training Program	16.AG120556	7,547
Law Enforcement Assistance Narcotics and Dangerous Drugs State Legislation	16.002	1,717
Sexual Assault Services Formula Program	16.017	469,391
Juvenile Accountability Block Grants	16.523	466,082
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	142,053
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	352,362
Missing Children's Assistance	16.543	330,102
Title V Delinquency Prevention Program	16.548	50,841
State Justice Statistics Program for Statistical Analysis Centers	16.550	69,563
National Criminal History Improvement Program	16.554	418,838
Crime Victim Assistance	16.575	5,716,991
Crime Victim Compensation	16.576	918,623
Edward Byrne Memorial Formula Grant Program	16.579	30,000
Violence Against Women Formula Grants	16.588	1,875,598
Violence Against Women Formula Grants	16.588ARRA	45,596
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	227,894
Residential Substance Abuse Treatment for State Prisoners	16.593	47,787
State Criminal Alien Assistance Program	16.606	1,147,162
Project Safe Neighborhoods	16.609	5,747
Public Safety Partnership and Community Policing Grants	16.710	202,325
Juvenile Mentoring Program	16.726	81,411
Enforcing Underage Drinking Laws Program	16.727	244,968
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	38,550
DNA Backlog Reduction Program	16.741	1,081,976
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	57,946
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	19,992
Capital Case Litigation	16.746	158,559
Support for Adam Walsh Act Implementation Grant Program	16.750	30,103
Edward Byrne Memorial Competitive Grant Program	16.751	2,569
Recovery Act - Internet Crimes against Children Task Force Program	16.800ARRA	125,624
Second Chance Act Prisoner Reentry Initiative	16.812	529,515
NICS Act Record Improvement Program	16.813	2,049,128
John R. Justice Prosecutors and Defenders Incentive Act	16.816	177,489
Total Department of Justice		23,349,510
Department of Labor		
Employment Service Cluster:		
Employment Service/Wagner-Peyser Funded Activities	17.207	8,812,957

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Disabled Veterans' Outreach Program	17.801	1,090,000
Local Veterans' Employment Representative Program	17.804	728,000
Total Employment Service Cluster		10,630,957
WIA Cluster:		
WIA Adult Program	17.258	8,081,170
WIA Youth Activities	17.259	8,573,142
WIA Dislocated Workers	17.260	810,441
WIA Dislocated Workers	17.260ARRA	(6,196)
WIA Dislocated Worker Formula Grants	17.278	13,582,101
Total WIA Cluster		31,040,658
Labor Force Statistics	17.002	1,791,068
Compensation and Working Conditions	17.005	181,769
Unemployment Insurance (See Note 1 and Note 8)	17.225	1,587,825,420
Unemployment Insurance (See Note 1 and Note 8)	17.225ARRA	1,675,376
Senior Community Service Employment Program	17.235	938,463
Trade Adjustment Assistance	17.245	6,059,131
Workforce Investment Act	17.255	148,282
Incentive Grants -WIA Section 503	17.267	119,382
H-1B Job Training Grants	17.268	78,063
Work Opportunity Tax Credit Program (WOTC)	17.271	169,092
Temporary Labor Certification for Foreign Workers	17.273	154,922
Prog. of Competitive Grants for Worker Training & Placement in High Growth & Emerging Industry Sectors	17.275ARRA	1,147,987
Workforce Investment Act (WIA) National Emergency Grants	17.277	255,500
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	1,329,124
Workforce Innovation Fund	17.283	5,044
Occupational Safety and Health-State Program	17.503	623,300
Consultation Agreements	17.504	1,156,195
Mine Health and Safety Grants	17.600	32,494
Total Department of Labor		1,645,362,227
U. S. Department of State		
Academic Exchange Programs - Undergraduate Programs	19.009	467,780
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	502,026
Total U. S. Department of State		969,806
Department of Transportation		
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205ARRA	33,134,957
Highway Planning and Construction	20.205	483,377,884
Recreational Trails Program	20.219	629,586
Total Highway Planning and Construction Cluster		517,142,427
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	77,675,179
Federal Transit - Formula Grants	20.507ARRA	(2,386,696)
Federal Transit - Formula Grants	20.507	83,124,825
Total Federal Transit Cluster		158,413,308
Highway Safety Cluster:		
State and Community Highway Safety	20.600	2,254,462
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,071,173
Occupant Protection Incentive Grants	20.602	175,585
State Traffic Safety Information System Improvement Grants	20.610	291,564
Incentive Grant Program to Prohibit Racial Profiling	20.611	173,366
Incentive Grant Program to Increase Motorcyclist Safety	20.612	32,000
Total Highway Safety Cluster		3,998,150

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Transit Services Programs Cluster:		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1,662,341
Job Access - Reverse Commute	20.516	1,221,744
New Freedom Program	20.521	455,241
Total Transit Services Programs Cluster		3,339,326
Federal Transit Admininstration - CT Project 26-1000	20.CT261000	8,977
Proven Safety Countermeasures Educational Program Curriculum Development	20.DTFH6210P00024	11,893
Airport Improvement Program	20.106	9,158,061
Aviation Research Grants	20.108	55,866
National Motor Carrier Safety	20.218	1,986,900
Performance and Registration Information Systems Management	20.231	16,294
Safety Data Improvement Program	20.234	273,163
Commercial Vehicle Information Systems and Networks	20.237	525,209
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319	15,057,684
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319ARRA	11,813,866
Metropolitan Transportation Planning	20.505	(22,024)
Formula Grants for Rural Areas	20.509ARRA	1,063,618
Formula Grants for Rural Areas	20.509	2,098,874
Public Transportation Research	20.514	(2)
Clean Fuels	20.519	2,318
Alternatives Analysis	20.522	2,460
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523ARRA	3,649,116
Public Transportation Emergency Relief Program	20.527	53,073
Alcohol Open Container Requirements	20.607	8,119,530
Pipeline Safety Program State Base Grant	20.700	493,161
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	68,933
PHMSA Pipeline Safety Program One Call Grant	20.721	48,389
Total Department of Transportation		737,378,570
Department of the Treasury		
Low Income Taxpayer Clinics	21.008	83,896
Office of Personnel Management		
Intergovernmental Personnel Act (IPA) Mobility Program	27.011	7,805
General Service Administration		
Donation of Federal Surplus Personal Property (See Note 3)	39.003	8,525
National Aeronautics and Space Administration		
Charter of R/V Connecticut by Bigelow for NASA GNATS Cruise	43.29005/29207	19,200
Charter of R/V Connecticut in Support of GNATS Survey	43.PO #27243	19,200
Charter of R/V Connecticut for GNATS Cruise	43.PO #28061	23,028
Charter of R/V Connecticut by Bigelow for NASA GNATS Cruise-Additional Hours	43.PO #29207	2,233
Science	43.001	117,509
Total National Aeronautics and Space Administration		181,170
National Endowment for the Arts		
Promotion of the Arts-Grants to Organizations and Individuals	45.024	10,860
Promotion of the Arts-Partnership Agreements	45.025	935,165
Total National Endowment for the Arts		946,025
National Endowment for the Humanities		
Promotion of the Humanities-Teaching and Learning Resources and Curriculum Development	45.162	7,424
Promotion of the Humanities-Professional Development	45.163	139,509
Total National Endowment for the Humanities		146,933

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Institute of Museum and Library Services		
Grants to States	45.310	2,113,748
National Leadership Grants	45.312	100,182
Total Institute of Museum and Library Services		2,213,930
Small Business Administration		
Miscellaneous Programs	59.000	10,527
Avery Point Technology Incubation Center II	59.SBAHQ-08-I-0073	2,391
University of Connecticut Farmington Technology Incubation Center	59.SBAHQ-11-I-0007	(15,981)
Small Business Development Centers	59.037	659,179
State Trade and Export Promotion Pilot Grant Program	59.061	295,492
Entrepreneurial Development Disaster Assistance	59.064	22,146
Total Small Business Administration		973,754
Department Of Veterans Affairs		
FY 13 Providence VA Hospital Internship	64.650-C26097	39,061
Clinical Engineering Internship Program at West Haven VA Hospital	64.PO 689C20013	26,019
FY 13 Boston VA Internship	64.PO# VA523C23572	38,765
FY 13 West Haven VA Internship	64.Pre-Award	66,391
Grants to States for Construction of State Home Facilities	64.005ARRA	29,486
Veterans State Domiciliary Care	64.014	3,857,512
Veterans State Hospital Care	64.016	4,928,697
Burial Expenses Allowance for Veterans	64.101	239,324
All-Volunteer Force Educational Assistance	64.124	176,852
Total Department Of Veterans Affairs		9,402,107
Environmental Protection Agency		
Connecticut Coalition Project 2011	66.AG111055	3,026
State Indoor Radon Grants	66.032	250,763
Ozone Transport Commission	66.033	3,112
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities-Clean Air Act (See Note 3)	66.034	620,949
State Clean Diesel Grant Program	66.040	222,680
State Clean Diesel Grant Program	66.040ARRA	(22)
Congresionally Mandated Projects	66.202	6,164
State Public Water System Supervision	66.432	1,519,852
Long Island Sound Program	66.437	1,018,775
Water Quality Management Planning	66.454	33,943
Nonpoint Source Implementation Grants	66.460	866,690
Regional Wetland Program Development Grants	66.461	178,645
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	57,951
Beach Monitoring and Notification Program Implementation Grants	66.472	275,885
Water Protection Grants to the States	66.474	(9,492)
Performance Partnership Grants	66.605	9,932,688
Surveys, Studies, Investigations and Special Purpose Grants	66.606	26
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	131,197
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	167,238
Pollution Prevention Grants Program	66.708	89,139
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	96,213
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	951,006
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	841,629
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	196,472
State and Tribal Response Program Grants	66.817	942,378
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	339,454
Building Capacity to Implement EPA National Guidelines for School Environmental Health Programs	66.953	10,602
Total Environmental Protection Agency		18,746,963
Nuclear Regulatory Commision		
Radiation Control Training Assistance and Advisory Counseling	77.001	(6,498)

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Department of Energy		
Tagger Microscope Detector w/ detector-mounted electronics & Active Collimator for Hall D Polarized Photon Bea	81.JSA-13-C0285	27,426
National Energy Information Center	81.039	11,747
State Energy Program	81.041	479,671
State Energy Program	81.041ARRA	45,916
Weatherization Assistance for Low-Income Persons	81.042	2,636,413
Weatherization Assistance for Low-Income Persons	81.042ARRA	3,658,689
Office of Science Financial Assistance Program	81.049	5,098
Renewable Energy Research and Development	81.087	3,645
Renewable Energy Research and Development	81.087ARRA	1,219
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122ARRA	555,861
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128ARRA	2,119,788
Total Department of Energy		9,545,473
Department of Education		
Special Education (IDEA) Cluster:		
Special Education - Grants to States	84.027	135,761,180
Special Education - Preschool Grants	84.173	4,644,896
Total Special Education (IDEA)Cluster		140,406,076
TRIO Cluster:		
TRIO-Student Support Services	84.042	679,657
TRIO-Talent Search	84.044	279,403
TRIO-Upward Bound	84.047	525,285
TRIO-McNair Post-Baccalaureate Achievement	84.217	82,287
Total TRIO Cluster		1,566,632.00
Title I, Part A Cluster:		
Title 1 Grants to Local Educational Agencies	84.010	105,734,302
Title I Grants to Local Educational Agencies, Recovery Act	84.389ARRA	(92,435)
Total Title I, Part A Cluster		105,641,867
School Improvement Grants Cluster:		
School Improvement Grants	84.377	5,020,592
School Improvement Grants, Recovery Act	84.388ARRA	7,089,604
Total School Improvement Grants Cluster		12,110,196
Adult Education-Basic Grants to States	84.002	5,370,248
Title 1 State Agency Program for Neglected and Delinquent Children & Youth	84.013	1,565,383
Higher Education-Institutional Aid	84.031	490,373
Career and Technical Education-Basic Grants to States	84.048	9,329,639
Higher Education- Veterans Education Outreach Program	84.064	1,138
Fund for the Improvement of Postsecondary Education	84.116	176,082
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	26,316,640
Rehabilitation Long-Term Training	84.129	448,663
Rehabilitation Services-Client Assistance Program	84.161	40,995
Magnet Schools Assistance	84.165	40,455
Independent Living-State Grants	84.169	523,191
Rehabilitation Services-Independent Living Services for Older Individuals Who are Blind	84.177	303,070
Special Education - Grants for Infants and Families	84.181	5,852,438
Safe and Drug-Free Schools and Communities -National Programs	84.184	241,475
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	340,644
Bilingual Education	84.195	94,092
Education for Homeless Children and Youth	84.196	432,507
Graduate Assistance in Areas of National Need	84.200	42,547
Even Start-State Educational Agencies	84.213	1,667
Fund for the Improvement of Education	84.215	(2,523)
Centers for International Business Education	84.220	206,572
Assistive Technology	84.224	525,824
Program of Protection and Advocacy of Individual Rights	84.240	165,384
Tech-Prep Education	84.243	81,811

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	324,327
Charter Schools	84.282	(157)
Twenty-First Century Community Learning Centers	84.287	7,846,857
Education Research, Development and Dissemination	84.305	22,507
Special Education-State Personnel Development	84.323	1,009,218
Research in Special Education	84.324	20,428
Special Ed. - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	192,658
Special Ed. - Tech Assistance and Dissemination to Improve Services for Children with Disabilities	84.326	354,841
Advanced Placement Program	84.330	308,434
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	15,503
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,928,555
Assistive Technology-State Grants for Protection and Advocacy	84.343	54,765
Rural Education	84.358	126,263
Early Reading First	84.359	112,644
English Language Acquisition State Grants	84.365	6,358,991
Mathematics and Science Partnerships	84.366	943,597
Improving Teacher Quality State Grants	84.367	23,043,119
Grants for State Assessments and Related Activities	84.369	5,906,623
Education Technology State Grants, Recovery Act	84.386ARRA	(21,097)
Statewide Data Systems	84.372	377,910
Academic Competitiveness Grants	84.375	(375)
College Access Challenge Grant Program	84.378	1,201,536
Special Education Grants to States, Recovery Act	84.391ARRA	(99,979)
Special Education - Preschool Grants, Recovery Act	84.392ARRA	(74,222)
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395ARRA	80,399
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396ARRA	81,547
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397ARRA	(1,874)
Education Jobs Fund	84.410	8,387,536
National Writing Project	84.928	21,667
Total Department of Education (See Also Student Financial Assistance Cluster)		370,835,307
National Archives and Records Administration		
National Historical Publications and Records Grants	89.003	13,107
U.S. Election Assistance Commission		
Help America Vote College Program	90.400	4,345
Help America Vote Act Requirements Payments	90.401	1,592,102
Total U. S. Election Assistance Commission		1,596,447
Department of Health and Human Services		
Medicaid Cluster:		
State Medicaid Fraud Control Units	93.775	1,163,336
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	5,622,838
Medical Assistance Program	93.778	3,406,401,034
Medical Assistance Program	93.778ARRA	30,148,251
Total Medicaid Cluster		3,443,335,459
CCDF Cluster:		
Child Care and Development Block Grant	93.575	14,348,110
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	38,961,137
Total CCDF Cluster		53,309,247
Aging Cluster:		
Special Programs for the Aging-Title III, Part B-Grants for Support Services and Senior Centers	93.044	4,759,154
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	8,222,877
Nutrition Services Incentive Program (See Note 3)	93.053	1,415,136
Total Aging Cluster		14,397,167

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Head Start Cluster:		
Head Start	93.600	131,970
ARRA - Head Start	93.708ARRA	240,187
Total Head Start Cluster		372,157
TANF Cluster:		
Temporary Assistance for Needy Families	93.558	240,109,297
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714ARRA	(170)
Total TANF Cluster		240,109,127
Connecticut Healthy Campus Initiative	93.AG110722	51
Reviewer Education in State of the Art Pharmaceutical Manufacturing Technology	93.UC2011-001	570
Implementation of Evidence-Based Practices for Criminal Justice Agencies	93.HHSN271201100708P	122,933
Special Programs for the Aging-Title VII, Chapter 3-Prevention of Elder Abuse, Neglect & Exploitation	93.041	57,709
Special Programs for the Aging-Title III Part D-Disease Prevention and Health Promotion Services	93.043	266,119
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	424,677
Alzheimer's Disease Demonstration Grants to States	93.051	100,816
National Family Caregiver Support, Title III, Part E	93.052	1,885,281
Laboratory Training, Evaluation, and Quality Assurance Programs	93.064	277,886
State Vital Statistics Improvement Program	93.066	8,467
Public Health Emergency Preparedness (See Note 3)	93.069	7,614,377
Environmental Public Health and Emergency Response	93.070	799,254
Lifespan Respite Care Program	93.072	(19,997)
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	(5,630)
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	296,988
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	410,293
Food and Drug Administration Research	93.103	718,027
Maternal and Child Health Federal Consolidated Programs	93.110	463,558
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (See Note 3)	93.116	628,314
Emergency Medical Services for Children	93.127	141,401
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	130,394
Injury Prevention and Control Research and State and Community Based Programs	93.136	408,466
Protection and Advocacy for Individuals with Mental Illness	93.138	514,263
Projects for Assistance in Transition from Homelessness (PATH)	93.150	849,779
Nursing Workforce Diversity	93.178	282,627
Childhood Lead Poisoning Prevention Projects and Surveillance of Blood Levels in Children	93.197	(23,204)
State Capacity Building	93.240	450,008
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5,211,083
Universal Newborn Hearing Screening	93.251	199,821
Occupational Safety and Health Program	93.262	389,501
State Grants for Protection and Advocacy Services	93.267	63,579
Immunization Cooperative Agreements (See Note 3)	93.268	37,505,553
Adult Viral Hepatitis Prevention and Control	93.270	345,104
Alcohol Research Programs	93.273	38,978
Substance Abuse and Mental Health Services-Access to Recovery	93.275	3,567,569
Drug-Free Communities Support Program Grants	93.276	17,463
Drug Abuse and Addiction Research Programs	93.279	42,798
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	7,773,284
State Partnership Grant Program to Improve Minority Health	93.296	41,969
Nurse Education, Practice Quality and Retention Grants	93.359	301,116
ARRA - State Primary Care Offices	93.414ARRA	62,049
Pregnancy Assistance Fund Program	93.500	2,035,261
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	4,327,918
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of LT C	93.506	281,536
PPHF 2012 National Public Health Improvement Innitiative	93.507	260,204
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	254,645
Affordable Care Act (ACA) Public Health Training Centers Program	93.516	84,543
Affordable Care Act – Aging and Disability Resource Center	93.517	464,796
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	31,610
Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Putting Prevention to Wo	93.520	100,660
ACA: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Lab	93.521	1,305,601

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	3,175,310
PPHF 2012: Community Transfromation Grants and National Dissemination and Support for Community Transforr	93.531	567,416
Affordable Care Act - Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536	581,080
Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation	93.538	707,830
PPHF 2012 (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infras	93.539	788,418
The Patient Protection and Affordable Care Act of 2010 authorizes Coordinated Chronic Disease prevention and He	93.544	203,640
Promoting Safe and Stable Families	93.556	2,338,683
Child Support Enforcement (See Note 9)	93.563	44,596,025
Refugee and Entrant Assistance-State Administered Programs	93.566	1,234,442
Low-Income Home Energy Assistance	93.568	75,955,883
Community Services Block Grant	93.569	7,926,049
Refugee and Entrant Assistance-Discretionary Grants	93.576	611,167
State Court Improvement Program	93.586	418,132
Community-Based Child Abuse Prevention Grants	93.590	930,356
Grants to States for Access and Visitation Programs	93.597	88,622
Chafee Education and Training Vouchers Program (ETV)	93.599	529,759
Adoption Incentive Payments	93.603	335,947
Assistance for Torture Victims	93.604	323
Voting Access for Individuals with Disabilities-Grants for Protect and Advocacy Systems	93.618	78,190
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,034,355
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	50,850
Children's Justice Grants to States	93.643	251,253
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,395,791
Adoption Opportunities	93.652	720,429
Foster Care-Title IV-E	93.658	57,860,333
Foster Care-Title IV-E	93.658ARRA	(302)
Adoption Assistance	93.659	36,663,192
Adoption Assistance	93.659ARRA	256
Social Services Block Grant	93.667	42,067,664
Child Abuse and Neglect State Grants	93.669	378,873
Child Abuse and Neglect Discretionary Activities	93.670	700,951
Family Violence Prevention and Services/Battered Women's Shelters Grants to States, Indian Tribes	93.671	1,214,718
Chafee Foster Care Independence Program	93.674	1,983,693
Trans-NIH Recovery Act Research Support	93.701ARRA	280,491
ARRA - State Grants to Promote Health Information Technology	93.719ARRA	760,646
ARRA - Health Information Technology Professionals in Health Care	93.721ARRA	226,950
ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723ARRA	2,004
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Progr	93.734	163,980
State Public Health Approaches for Ensuring Quitline CapacityFunded in part by 2012 Prevention and Public Healt	93.735	82,080
PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely financed t	93.744	83,285
PPHF-2012: Health Care Surveillance/Health Statistics Surveillance Program Announcement: Behavioral Risk Fact	93.745	92,000
Children's Health Insurance Program	93.767	18,278,413
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	776,612
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	627,792
Money Follows the Person Rebalancing Demonstration	93.791	17,959,247
Specially Selected Health Projects	93.888	77,452
National Bioterrorism Hospital Preparedness Program	93.889	2,500,230
Grants to States for Operation of Offices of Rural Health	93.913	179,909
HIV Care Formula Grants (See Note 10)	93.917	14,192,417
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1,116,245
Healthy Start Initiative	93.926	722,425
Special Projects of National Significance	93.928	93,171
Cooperative Agreements to Support School Health Education to Prevent AIDS	93.938	579,645
HIV Prevention Activities-Health Department Based	93.940	4,585,381
Epidemiologic Research Studies of (AIDS) and (HIV) Infection in Selected Population Groups	93.943	55,705
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	938,056
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	103,628
Block Grants for Community Mental Health Services	93.958	4,219,869
Block Grants for Prevention and Treatment of Substance Abuse	93.959	17,381,062

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	938,685
Preventive Health and Health Services Block Grant	93.991	859,765
Maternal and Child Health Services Block Grant to the States	93.994	4,575,448
Total Department of Health and Human Services (See Student Financial Assistance Cluster)		4,210,875,146
Corporation for National and Community Service		
State Commissions	94.003	238,594
AmeriCorps	94.006	2,206,946
Program Development and Innovation Grants	94.007	18,341
Total Corporation for National and Community Service		2,463,881
Social Security Administration		
Social Security-Disability Insurance	96.001	20,591,748
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	272,574
Total Social Security Administration		20,864,322
Department of Homeland Security		
Boating Safety Financial Assistance	97.012	1,805,225
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	233,667
Flood Mitigation Assistance	97.029	22,005
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	107,592,218
Hazard Mitigation Grant	97.039	533,248
National Dam Safety Program	97.041	21,995
Emergency Management Performance Grants	97.042	3,725,046
Cooperating Technical Partners	97.045	120,690
Pre-Disaster Mitigation	97.047	219,884
Emergency Operations Centers	97.052	586,075
Interoperable Emergency Communications	97.055	444,881
Port Security Grant Program	97.056	4,721,895
Competitive Training Grants	97.068	2,376
Homeland Security Grant Program	97.067	16,230,749
National Explosives Detection Canine Team Program	97.072	244,253
Rail and Transit Security Grant Program	97.075	4,231,390
Buffer Zone Protection Plan (BZPP)	97.078	439,926
Driver's License Security Grant Program	97.089	772,075
Repetitive Flood Claims	97.092	310,363
Securing the Cities Program	97.106	143,437
Severe Repetitive Loss Program	97.110	349,984
Advanced Surveillance Program (ASP)	97.118	81,638
Total Department of Homeland Security		142,833,020
Agency For International Development		
EAFM Program Plan for USCTI Support Program	98.AG110248	94,887
Miscellaneous Programs		
Oil Company Overcharge Recoveries	99.136	60,743
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
Department of Education		
Federal Supplemental Educational Opportunity Grants	84.007	2,442,163
Federal Work-Study Program	84.033	3,522,617
Federal Perkins Loan Program-Federal Capital Contributions (See Note 4)	84.038	30,266,041
Federal Pell Grant Program	84.063	140,612,546
Federal Direct Student Loans (See Note 6)	84.268	359,446,467
Teacher Education Assistance for College and Higher Education Grants	84.379	55,640
Total Department of Education		536,345,474
Department of Health and Human Services		
Nurse Faculty Loan Program (See Note 5)	93.264	567,677
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantage (See Note 5)	93.342	245,334

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Nursing Student Loans		93.364	18,882
ARRA - Nurse Faculty Loan Program (See Note 5)		93.408ARRA	205,575
Total Department of Health and Human Services			1,037,468
Total Student Financial Assistance Cluster			537,382,942
TOTAL NON RESEARCH AND DEVELOPMENT GRANTS			**8,830,373,027**
RESEARCH AND DEVELOPMENT CLUSTER:			
Department of Agriculture			
Agricultural Marketing Service			
Federal-State Marketing Improvement Program	RD	10.156	1,558
Specialty Crop Block Grant Program - Farm Bill	RD	10.170	50,318
Total Agricultural Marketing Service			51,876
Agricultural Research Service			
Agricultural Research-Basic and Applied Research	RD	10.001	1,185,529
Animal and Plant Health Inspection Service			
Plant and Animal Disease, Pest Control, and Animal Care	RD	10.025	350,524
Economic Research Service			
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	RD	10.250	2,990
Food Assistance and Nutrition Research Programs (FANRP)	RD	10.253	14,269
Total Economic Research Service			17,259
Food and Nutrition Service			
State Administrative Matching Grants for the Supplemental Nutrition	RD	10.561	761,853
Foreign Agricultural Service			
Technical Assistance for Specialty Crops Program	RD	10.604	143,452
Forest Service			
Cooperative Forestry Assistance	RD	10.664	(9,283)
Urban and Community Forestry Program	RD	10.675	446
Forest Health Protection	RD	10.680	204,821
Total Forest Service			195,984
National Institute of Food and Agriculture			
Grants for Agricultural Research, Special Research Grants	RD	10.200	378,224
Cooperative Forestry Research	RD	10.202	354,200
Payments to Agricultural Experiment Stations Under the Hatch Act	RD	10.203	2,348,232
Grants for Agricultural Research_Competitive Research Grants	RD	10.206	210,277
Animal Health and Disease Research	RD	10.207	31,135
Higher Education Graduate Fellowships Grant Program	RD	10.210	202,056
Sustainable Agriculture Research and Education	RD	10.215	136,012
Biotechnology Risk Assessment Research	RD	10.219	257,278
Integrated Programs	RD	10.303	276,632
Homeland Security-Agricultural	RD	10.304	10,528
Specialty Crop Research Initiative	RD	10.309	198,172
Agriculture and Food Research Initiative	RD	10.310	2,386,216
Cooperative Extension Service	RD	10.500	47,998
Total Institute of Food and Agriculture			6,836,960
Natural Resources Conservation Service			
Soil and Water Conservation	RD	10.902	10,380
Soil Survey	RD	10.903	2,223
Environmental Quality Incentives Program	RD	10.912	62,402
Total Natural Resources Conservation Service			75,005

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Nutrient Management on Organic Vegetable Farms: A Research and Education Program for Sustainable Soil F	RD	10.LNE09-285-UCONN-1	12,267
Total Department of Agriculture			9,630,709
Department of Commerce			
National Institute of Standards and Technology			
Measurement and Engineering Research and Standards	RD	11.609	80,864
National Oceanic and Atmospheric Administration			
Integrated Ocean Observing System (IOOS)	RD	11.012	277,861
Sea Grant Support	RD	11.417	961,159
Fisheries Development and Utilization Research and Development Grants	RD	11.427	16,730
Climate and Atmospheric Research	RD	11.431	285,500
Marine Mammal Data Program	RD	11.439	1,609
Environmental Sciences, Applications, Data, and Education	RD	11.440	36,346
Applied Meteorological Research	RD	11.468	593
Unallied Science Program	RD	11.472	35,138
Coastal Services Center	RD	11.473	135,159
Center for Sponsored Coastal Ocean Research Program	RD	11.478	12,776
Total National Oceanic and Atmospheric Administration			1,762,871
Seafloor Habitat Recovery Monitoring Program (SHRMP) at Stellwagen Bank National Marine Sanctuary 200	RD	11.469/000030030	5,496
Development of Native Kelp Culture System Technologies to Support Sea Vegetable Aquaculture in New Eng	RD	11.AG110895	35,856
Evaluation of Immune Functions in Free-ranging Bottlenose Dolphins in Support of Health Assessments	RD	11.EA133C11SE1049	33,700
To Determine Relative Susceptibility of Hawaiian Monk Seal, Northern Fur Seal, California Sea Lion and Not	RD	11.PO EA-133F-12-SE-2016	5,198
Total Department of Commerce			1,923,985
Department of Defense			
Advanced Research Projects Agency			
Research and Technology Development	RD	12.910	23,305
Department of the Air Force, Materiel Command			
Air Force Defense Research Sciences Program	RD	12.800	1,513,864
Department of the Navy, Office of the Chief of Naval Research			
Basic and Applied Scientific Research	RD	12.300	3,298,172
Department of Defense HIV/AIDS Prevention Program	RD	12.350	433,889
Total Department of the Navy, Office Chief of Naval Research			3,732,061
Naval Medical Logistics Command			
Naval Medical Research and Development	RD	12.340	21,558
U. S. Army Materiel Command			
Basic Scientific Research	RD	12.431	1,619,468
U.S. Army Medical Command			
Military Medical Research and Development	RD	12.420	2,393,220
Office of the Secretary of Defense			
Basic Scientific Research - Combating Weapons of Mass Destruction	RD	12.351	672,827
Basic, Applied, and Advanced Research in Science & Engineering	RD	12.630	53,219
Total Office of the Secretary of Defense			726,046
National Security Agency			
Mathematical Sciences Grants Program	RD	12.901	12,320
Probabilistic Inference Models for Graph Understanding, Analysis and Matching	RD	12.0671-1550	(11,949)
Control of Autonomous Hybrid Projectiles and Relevant Instrumentation	RD	12.10-9-0002	33,974
Advanced Coal-Biomass-to-Liquid (CBTL) Systems Configurations and Efficiency Analysis: Systems Optimi	RD	12.11-K006	872
Advanced Sensor Data Fusion Phase II Enhancement	RD	12.203371	146,999
Assessment Of Reduced Order Modelling Of Flame Extinction In Bluff Body Flames	RD	12.21153 Task # 73	3,945
Oxidation Modeling in Bond Coatings of Single Crystal Turbine Blades	RD	12.21153 Task #100	30,307

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Computational Implementation of Phase Field Theories in Finite Element Codes	RD	12.21153 Task #82	14,380
TEM Characterization of SAM Al	RD	12.21153 Task #85	34,102
Advanced Proto Gun-launched Extended Munitions Utilizing Manned/Unmanned Projectiles Old title (origina	RD	12.343585	22,376
Engineered Nano-Compsite Oxides For High Durability Missile Domes	RD	12.4400234029	(3,328)
Multi-Qubit Enhanced Sensing and Metrology	RD	12.5710003138	24,190
Carbon Exchanges and Source Attributions in the New River Estuary, NC	RD	12.888-13-16-12, 9-312-0213589	1,241
Deposition of Thermographic Thermal Barrier Coatings	RD	12.AG091197	8,204
Optoelectronic Directional Couplers for Optical Switching Fabrics	RD	12.AG100397	23,215
Design and Development of ZnO Nanowire based UV/IR Sensors for Threat Detection & Warning Applicatior	RD	12.AG130084	171,993
Data Fusion and Tracking Algorithms for BMD	RD	12.HQ0147-12-C-6017	104,167
Supporting Technology and Test Methods for Hearing Loss Prevention and Fitness for Duty	RD	12.N66596-09-IPA-0001	29,030
Design and Process Development for Gain Chip	RD	12.N66604-11-P-4252	1,078
360-degree Imaging and Free-Space Optical System Design and Development	RD	12.N66604-12-P-0039	24,000
Tunable Capacitive Micromachined Ultrasonic Receiver (CMUR) Array	RD	12.N66604-12-P-1034	15,509
Design and Process Development for Gain Chip	RD	12.N66604-12-P-1073	20,385
Design and Process Development for Gain Chip	RD	12.N66604-12-P-3280	25,105
Optimization of Design and Process Development for Gain Chip	RD	12.N66604-13-P-1036	2,758
MEMS Magnetic Sensor	RD	12.N66604-13-P-1037	3,057
Fast Speed Three-Channel Photonic Time Delay Unit	RD	12.PO # 870423	141,601
Reactive Spray Deposition Technology for the High Temperature Proton Exchange Membrane	RD	12.PO 11-10475	4,543
Hybrid Power System for Under Water Vehicles	RD	12.PO 11-10475	11,575
Phase II STTR: High Energy Density Nanocomposite Based on Tailored Surface Chemistry	RD	12.PO 216062	110,493
Impact Point Prediction Research for Short & Medium Range Thrusting Projectiles"	RD	12.PO 4440278825	17,173
MOCVD of High Performance Complex Oxide Films for Switchable Film Bulk Acoustic Resonators	RD	12.PO# 41950-021913-08	15,426
Ignition Studies of Premixed Hydrocarbon and Vitiated Gas Mixtures at Atmospheric and Low Pressure	RD	12.SB00710	9,942
Thermodynamic Modeling of a Rotating Detonation Engine	RD	12.SB01210	20,837
Thermodynamic Modeling of a Rotating Detonation Engine	RD	12.SB07810	45,294
Defense Coastal/Estuarine Research Program (DCERP)	RD	12.Subcont# 11-321-0210294	36,935
Support for Testing the Mobile Offshore Platform for Wind Turbine Power Generation	RD	12.Subcont# APS-11-17	5,273
S-PMHT for RF/IR Data Correlation	RD	12.Subcontract No. A-018	33,589
Tracking the Uptake, Translocation, Cycling and Metabolism of Munitions Compounds in Coastal Marine Eco	RD	12.W912HQ-11-C-0051	488,750
Advanced Numerical Simulation of Electromagnetic Wave Propagation With Multi-region, Pseudospectral, Ti	RD	12.W913E5-07-C-0008	21,001
Total Department of Defense			11,729,884
Department of Housing and Urban Development			
Office of Healthy Homes and Lead Hazard Control			
Healthy Homes Production Program	RD	14.913	20,628
Department of the Interior			
Fish and Wildlife Service			
Sport Fish Restoration Program	RD	15.605	14,620
Fish and Wildlife Management Assistance	RD	15.608	19,572
Wildlife Restoration and Basic Hunter Education	RD	15.611	70,990
State Wildlife Grants	RD	15.634	24,905
Total Fish and Wildlife Service			130,087
U.S. Geological Survey			
Assistance to State Water Resources Research Institutes	RD	15.805	111,973
U.S. Geological Survey - Research and Data Collection	RD	15.808	14,178
Total U.S. Geological Survey			126,151
CT Comprehensive Wildlife Conservation Strategy Invertebrate Species of Greatest Conservation Need: Grass	RD	15.DEPA00002070108	14,928
Analysis of the Common Loon for Corexit and Pahs	RD	15.G11PX02148	2,550
Analysis of PAHs and Corexit in Tissues of the Common Loon (Gavia immer)	RD	15.G12PX01777	6,000
Total Department of Interior			279,716
Department of Justice			
Office of Juvenile Justice and Delinquency Prevention			
Juvenile Accountability Block Grants	RD	16.523	170,450
Juvenile Justice and Delinquency Prevention_Allocation to States	RD	16.540	74,656

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Part E - Developing, Testing and Demonstrating Promising New Programs	RD	16.541	8,626
Total Office of Juvenile Justice and Delinquency Prevention			253,732
National Institute of Justice			
National Institute of Justice Research, Evaluation, and Development Project Grants	RD	16.560	19,873
Bureau of Justice Assistance			
Congressionally Recommended Awards	RD	16.753	5,166
Total Department of Justice			278,771
Department of Transportation			
Federal Highway Administration (FHWA)			
Highway Planning and Construction	RD	20.205	1,103,302
Highway Training and Education	RD	20.215	41,438
Total Federal Highway Administration (FHWA)			1,144,740
Federal Railroad Administration (FRA)			
Railroad Research and Development	RD	20.313	109,979
Railroad Development	RD	20.314	1,206
Total Federal Railroad Administration (FRA)			111,185
Research and Innovative Technology Administration			
University Transportation Centers Program	RD	20.701	476,624
Development of the Connecticut Motor Vehicle Crash Data Repository	RD	20.0192-0732-AD	80,908
State Motor Vehicle Crash data Repository Phase III	RD	20.0193-0732-AC	86,627
Towards more Livable Sustainable Cities: The Impact of Parking Policies on the LT Vitality of American Citie	RD	20.5710003211	45,748
Investigation of Road and Roadside Design Elements Associated with Elderly Pedestrian Safety	RD	20.5710003212	46,291
Transportation System Modeling in the Information Era	RD	20.5710003214	21,511
Establishment of the Connecticut Transportation Safety Research Group (CTSRG)	RD	20.DOT07139998PL	354,961
University of Connecticut Graduate Fellowships	RD	20.No. 5710003188	36,142
Evaluating Application of Field Spectroscopy Devices to Fingerprint Commonly	RD	20.SHRP-R-06(B)	111,114
Development of Non-Proprietary Ultra-High Performance Concrete for Use In	RD	20.AG120015 REF 0492102	58,870
Total Department of Transportation			2,574,721
National Aeronautics and Space Administration			
Determining Geophysical Impacts on Scatterometer Wind Stress Accuracy	RD	43.11-039	27,767
Leaping to Land - Physiology and Phylogenetics of Desert Green Algae	RD	43.35640	26,584
Electrochemical H2 Reclamation	RD	43.AG110738	126,438
Technologies for Propellant Conservation	RD	43.AG120213	37,174
Evaluation of the Performance of NASA's SOFC-LTA on Methane as Fuel	RD	43.NNC11VE02P	23,175
Investigation of a Novel Percussive Dynamic Cone Penetrometer for Lunar and Martian Exploration	RD	43.NNX06AC32H	9,833
FLEX Droplet Flame Extinguishment in Microgravity	RD	43.NNX08AD13G	134
Genome-Based Investigations into the Nature of the Common Ancestor of the Thermotogales	RD	43.NNX08AQ10G	38,213
Energetic Atoms in the Martian Atmosphere, Past and Present	RD	43.NNX09AF13G	98,288
Fire, Phenology and Weather: Implications of Climate Change in Mediterranean Ecosystems	RD	43.NNX09AN82H	834
Testing the Suitability of Satellite Precipitation Products for Hydrological Modeling at Multiple Scales Across	RD	43.NNX10AG77G	71,011
Investigation of Satellite QPE and Hydroligic Validation in Complex Terrain Basins	RD	43.NNX10AG91G	115,820
Finite Element Analysis of Percussive Systems for Planetary Exploration-AutoGopher Percussive Mechanisim	RD	43.PO No. 203-21293	4,648
Detecting Changes of Forest Biomass from Fusion of Radar and Lidar: Developing DESDynl Measurement Re	RD	43.Sub #1426327	47,766
Portable Remote Imaging Spectrometer (PRISM) for Ocean Biology Research	RD	43.Subcontract No. 1395906	81,860
Science	RD	43.001	327,766
Aeronautics	RD	43.002	12,690
Exploration	RD	43.003	12,614
Total National Aeronautics and Space Administration			1,062,615
National Endowment for the Humanities			
Promotion of the Humanities-Fellowships and Stipends	RD	45.160	15,389
National Science Foundation			
Engineering Grants	RD	47.041	4,183,748
Mathematical and Physical Sciences	RD	47.049	3,727,532

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Geosciences	RD	47.050	1,725,525
Computer and Information Science and Engineering	RD	47.070	2,327,676
Biological Sciences	RD	47.074	5,278,741
Social, Behavioral, and Economic Sciences	RD	47.075	800,819
Education and Human Resources	RD	47.076	3,181,087
Polar Programs	RD	47.078	242,923
Office of International and Integrative Activities	RD	47.079	8
Office of Cyberinfrastructure	RD	47.080	127,865
Trans-NSF Recovery Act Research Support	RD	47.082	62,636
Trans-NSF Recovery Act Research Support	RD	47.082ARRA	2,567,614
Total National Science Foundation			24,226,174
Small Business Administration			
Avery Point Incubation Center II	RD	59.SBAHQ-09-I-0131	2,314
Small Business Development Centers	RD	59.037	267,203
Total Small Business Administration			269,517
Department of Veterans Affairs			
Gender Differences in Addictive Behaviors among Returning Veterans	RD	64.AG110995	15,167
Study Of Returning Veterans (SERV)	RD	64.VA241-12-C-0020/689D39004	31,697
Total Department of Veterans Affairs			46,864
Environmental Protection Agency			
Office of the Chief Financial Officer			
Environmental Finance Center Grants	RD	66.203	(6,907)
Office of Water			
Long Island Sound Program	RD	66.437	1,186,193
Nonpoint Source Implementation Grants	RD	66.460	64,145
Total Office of Water			1,250,338
Office of Research and Development (ORD)			
Science To Achieve Results (STAR) Research Program	RD	66.509	92,268
Science To Achieve Results (STAR) Fellowship Program	RD	66.514	34,430
P3 Award: National Student Design Competition for Sustainability	RD	66.516	135
Total Office of Research and Development (ORD)			126,833
Office of the Administrator			
Performance Partnership Grants	RD	66.605	80,895
Turning the N-Sink Prototype into a Working GIS Tool	RD	66.824181-000-OP	65,264
Development and Application of a Long Island Sound GIS-Based Eelgrass Habitat Suitability Index Model	RD	66.AG101024	20,921
Electricity Generation in Pilot Scale Microbial Fuel Cells Treating Wastewater	RD	66.AG111218	7,022
The National Fish & Wildlife Foundation L.I.S. Eelgrass Restoration (Ct,Ny) Proj	RD	66.AG101187	41,225
Total Environmental Protection Agency			1,585,591
Nuclear Regulatory Commission			
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	RD	77.008	51,720
Department of Energy			
Studies of Transversity using Frozen-Spin HD Ice Target	RD	81.07A0299200	18,124
Evaluation Of Bio-Based Fuels In Advanced Fuel Cells	RD	81.121977	(23)
Industrial Carbon Capture and Storage (CCS) Application	RD	81.134ARRA	106,866
Long Term Materials and Electrochemical Testing	RD	81.154319	65,111
Mechanistic Evaluation of the Thermo-Chemo and Electro Processes and the Role of Microstructure and Interf	RD	81.158038	58,304
Load Forecasting at the Distribution Level in the Face of Distributed Energy Resources	RD	81.3481-4700194558	31,747
Mesoscale Modeling of Coupled Phenomena in Thin Ferroic Films	RD	81.3F-31881	15,191
Metals Program in Support of Stack Block Durability Testing	RD	81.AG091277	126,460
WiFi-Enabled Plug-In Multi-Outlet Adapter	RD	81.AG131223	8,960
Single Step Manufacturing of Low Catalyst Loading Electrolyzer MEAs	RD	81.EC-013088-1	52,396
Graduate Research Services	RD	81.JSA-07-A0299	78,019

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Graduate Research Services-Alexey Kubarovskiy	RD	81.PO 07-A0299202	20,494
Dish Dtirling High Performance Thermal Storage	RD	81.PO 1291108	48,921
Evaluating Alumina Forming Austenitic Steels for Solid Oxide Fuel Cell Power System Balance of Plant	RD	81.PO 2601309ARRA	13,714
Thermally Integrated Solid State Hydrogen Separator and Compressor Development Support	RD	81.PO 50546-000	45,212
Special Studies and Projects in Energy Education and Training	RD	81.045	72,229
Office of Science Financial Assistance Program	RD	81.049	2,804,177
Renewable Energy Research and Development	RD	81.087	1,083,769
Fossil Energy Research and Development	RD	81.089	438,967
Defense Nuclear Nonproliferation Research	RD	81.113	97,679
Energy Efficiency and Renewable Energy Info. Dissemination Outreach, Training	RD	81.117	379,632
Total Department of Energy			5,565,949
Department of Education			
Office of Postsecondary Education			
Fund for the Improvement of Postsecondary Education	RD	84.116	78,723
Graduate Assistance in Areas of National Need	RD	84.200	687,398
Demonstration Projects to Support Postsecondary Faculty Staff, and Administrations in Educating	RD	84.333	42,858
Total Office of Postsecondary Education			808,979
Office of Elementary and Secondary Education			
Safe and Drug-Free Schools and Communities-National Programs	RD	84.184	3,193
Bilingual Education-Professional Development	RD	84.195	189,652
Javits Gifted and Talented Students Education	RD	84.206	76,385
English Language Acquisition State Grants	RD	84.365	326,059
Total Office of Elementary and Secondary Education			595,289
Institute of Education Sciences			
Education Research, Development and Dissemination	RD	84.305	1,766,638
Research in Special Education	RD	84.324	2,672,502
Total Institute of Education Sciences			4,439,140
Office of Special Education and Rehabilitative Services			
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	RD	84.325	129,198
Total Department of Education			5,972,606
U.S. Election Assistance Commission			
Help America Vote Act Requirements Payments	RD	90.401	331,345
U.S. Election Assistance Commission Research Grants	RD	90.403	116,500
Total U.S.Election Assistance Commission			447,845
Department of Health and Human Services			
Administration for Children and Families			
Affordable Care Act (ACA) Personal Responsibility Education Program	RD	93.092	185,167
Promoting Safe and Stable Families	RD	93.556	288,799
State Court Improvement Program	RD	93.586	11,343
Community-Based Child Abuse Prevention Grants	RD	93.590	97,698
Child Abuse and Neglect Discretionary Activities	RD	93.670	63,532
Total Administration for Children and Families			646,539
Administration for Community Living			
Special Programs for the Aging-Title IV and Title II Discretionary Projects	RD	93.048	(10,352)
Affordable Care Act – Aging and Disability Resource Center	RD	93.517	68,651
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	RD	93.632	598,081
Total Administration for Community Living			656,380
Centers for Disease Control and Prevention			
Chronic Diseases: Research, Control, and Prevention	RD	93.068	2,315
Public Health Emergency Preparedness	RD	93.069	22,091
Injury Prevention, Control Research, State and Community Based	RD	93.136	47,477
Occupational Safety and Health Program	RD	93.262	1,886,744
Centers for Disease Control, Prevention-Investigations and Technical Assist	RD	93.283	113,506

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in t	RD	93.521	37,398
HIV Prevention Activities-Health Department Based	RD	93.940	269,187
Research, Prevention, and Education Programs on Lyme Disease in U. S.	RD	93.942	79,207
Total Centers for Disease Control and Prevention			2,457,925
Centers for Medicare and Medicaid Services			
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	RD	93.768	93,928
Medical Assistance Program	RD	93.778	564,077
Total Centers for Medicare and Medicaid Services			658,005
Food and Drug Administration			
Food and Drug Administration - Research	RD	93.103	360,440
Food Safety and Security Monitoring Project	RD	93.448	405,817
Total Food and Drug Administration			766,257
Health Resources and Services Administration			
Area Health Education Centers Point of Service Maint. & Enhancement Awards	RD	93.107	331,241
Maternal and Child Health Federal Consolidated Programs	RD	93.110	217,743
AIDS Education and Training Centers	RD	93.145	35,433
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	RD	93.153	144,938
Public Health Training Centers Program	RD	93.249	77,339
Poison Center Support and Enhancement Grant Program	RD	93.253	214,922
Nurse Education, Practice Quality and Retention Grants	RD	93.359	51,520
Affordable Care Act (ACA) Primary Care Residency Expansion Program	RD	93.510	155,319
Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative	RD	93.513	4,895
Grants for Primary Care Training and Enhancement	RD	93.884	342,044
HIV Emergency Relief Project Grants	RD	93.914	264,181
HIV Care Formula Grants	RD	93.917	546,613
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	RD	93.918	37,255
Maternal and Child Health Services Block Grant to the States	RD	93.994	271,450
Total Health Resources and Services Administration			2,694,893
National Institutes of Health			
Family Smoking Prevention and Tobacco Control Act Regulatory Research	RD	93.077	558,936
Environmental Health	RD	93.113	886,892
Oral Diseases and Disorders Research	RD	93.121	4,003,736
NIEHS Superfund Hazardous Substances-Basic Research & Education	RD	93.143	63,322
Human Genome Research	RD	93.172	1,437,806
Research Related to Deafness and Communication Disorders	RD	93.173	1,444,233
Research and Training in Complementary and Alternative Medicine	RD	93.213	649,874
National Center on Sleep Disorders Research	RD	93.233	535,079
Mental Health Research Grants	RD	93.242	5,776,843
Alcohol Research Programs	RD	93.273	4,540,466
Drug Abuse and Addiction Research Programs	RD	93.279	8,164,521
Mental Health Research Career/Scientist Development Awards	RD	93.281	305,364
Mental Health National Research Service Awards for Research Traning	RD	93.282	366,067
Discovery and Applied Research for Technological Innovations to Improve Human Health	RD	93.286	441,080
Minority Health and Health Disparities Research	RD	93.307	132,588
Trans-NIH Research Support	RD	93.310	302,512
Research Infrastructure Programs	RD	93.351	395
Nursing Research	RD	93.361	764,740
National Center for Research Resources	RD	93.389	121,070
Cancer Cause and Prevention Research	RD	93.393	1,314,100
Cancer Detection and Diagnosis Research	RD	93.394	791,765
Cancer Treatment Research	RD	93.395	1,195,897
Cancer Biology Research	RD	93.396	1,476,014
Cancer Centers Support Grants	RD	93.397	19,514
Trans-NIH Recovery Act Research Support	RD	93.701ARRA	5,708,334
Cardiovascular Diseases Research	RD	93.837	3,790,684
Lung Diseases Research	RD	93.838	484,700
Arthritis, Musculoskeletal and Skin Diseases Research	RD	93.846	4,025,844
Diabetes, Digestive, and Kidney Diseases Extramural Research	RD	93.847	2,778,526

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	EXPENDITURES
Extramural Research Programs in the Neurosciences and Nureological Disorders	RD	93.853	4,975,430
Allergy, Immunology and Transplantation Research	RD	93.855	7,917,841
Microbiology and Infectious Diseases Research	RD	93.856	135,073
Biomedical Research and Research Training	RD	93.859	7,540,396
Child Health and Human Development Extramural Research	RD	93.865	4,010,752
Aging Research	RD	93.866	1,977,977
Vision Research	RD	93.867	1,614,740
Medical Library Assistance	RD	93.879	271,732
Total National Institutes of Health			80,524,843
Substance Abuse and Mental Health Services Administration			
Substance Abuse and Mental Health Services-Projects of Reg & Nat.	RD	93.243	1,493,712
Substance Abuse and Mental Health Services-Access to Recovery	RD	93.275	96,243
Total Substance Abuse and Mental Health Services Administration			1,589,955
Office of the Secretary			
State Partnership Grant Program to Improve Minority Health	RD	93.296	168,510
Health Information Technology Regional Extension Centers Program	RD	93.718ARRA	(7,843)
ARRA - State Grants to Promote Health Information Technology	RD	93.719ARRA	242,314
National Bioterrorism Hospital Preparedness Program	RD	93.889	87,257
Total Office of the Secretary			490,238
Effectiveness of Treatment for Oral Diseases	RD	93.DE022909	11,573
Biologic and Non-biologic Systematic Agents and Phototherapy for Treatment of Chronic Plaque Psoriasis	RD	93.HHSA 290 2007 10067 I	64,268
Effect Size Metric Choices as Factors in Meta-Analytic Statistical Inferences	RD	93.HHSA 290 2007 10067 I	10,087
The Use of Indirect Statistical Comparisons in EPC Reports	RD	93.HHSA 290 2007 100671 I	69,091
Method of Dissolution for Nanosuspensions/Nanoparticles	RD	93.HHSF223201110077A	86,970
HPTN 069: Pre-Exposure Prophylaxis (PrEP) to Prevent HIV Transmission in At-Risk Men Who Have Sex wi	RD	93.ID 0080.0160/958 FCO958	566
HPTN 069: Pre-Exposure Prophylaxis (PrEP) to Prevent HIV Transmission in At-Risk Men Who Have Sex wi	RD	93.ID 958 0080.0160	26,514
Estimating the Causal Effects of Social Networks on Health Behaviors	RD	93.M12A11287(A28507)	28,474
Understanding Electrostatic Behavior in Granular Materials: Models and Experiments	RD	93.NIPTE-U01-CT-004-2012	1,434
Nhanes Chemosensory Development and Implementation Protocol	RD	93.S8056	88,407
Development of QbD Guidance Elements on Design Space Specifications Across Scale with Stability Conside	RD	93.UC0002	1,556
Scale-Up of Lyophilization Using Dimensionless Prediction	RD	93.UC0003	(5,937)
HPTN 067 Behavioral Aspects of PrEP Counseling for Intermittent Exposure	RD	93.812/0080.0056	32,257
Total Department of Health and Human Services			90,900,295
Social Security Administration			
Economic Outcomes Unexpected Lifecycle Shocks	RD	96.AG101129	72,000
Social Security-Research and Demonstration	RD	96.007	9,740
Total Social Security Administration			81,740
Department of Homeland Security			
Advanced Simulation & Testing of Border-Crossing Clandestine Tunnel Detection	RD	97.Subcontract #91200	26,344
Centers for Homeland Security	RD	97.061	652,377
Homeland Security Advanced Research Projects Agency	RD	97.065	11,298
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related	RD	97.077	67,631
Homeland Security-Related Science, Tech. Engineering and Math (HS STEM) Career Development Program	RD	97.104	192,491
Total Department of Homeland Security			950,141
Agency for International Development			
Characterization of Mycoplasma Gallisepticum Isolates from Pakistan and their Use in Production of Diagnost	RD	98.PGA-P210935	13,513
Cbaer in Senegal: Needs Assessment Unexpected Demand for Profesionals in Ag	RD	98.451066-19213	70,006
USAID Foreign Assistance for Programs Overseas	RD	98.001	221,998
USAID Development Partnerships for University Cooperation and Dev.	RD	98.012	555,954
Total Agency for International Development			861,471
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**158,476,331**
TOTAL FEDERAL ASSISTANCE			**8,988,849,358**

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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)); and the United States Department of Health and Human Service's *State Planning and Establishment Grants for the Affordable Care Act (ACA's) Exchanges* (CFDA #93.525). During the year ended December 31, 2012, the Connecticut Housing Finance Authority expended $66,375,022, $901,753, $404,738, $6,735,173 and $256,018 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, 2013 the State of Connecticut expended $35,821,484 and $3,259,295 in Federal awards under CFDA #66.458 and CFDA #66.458 ARRA respectively, and the State expended $9,058,951 and $617,973 in federal awards under CFDA #66.468 and #66.468 ARRA respectively. Clean Energy Finance and Investment Authority $4,291,250 in federal awards under CFDA #81.041 ARRA, $1,106,720 in federal awards under CFDA #81.128 ARRA and $436,537 in federal awards under CFDA #81.117 during the fiscal year ended June 30, 2013. The Connecticut Health Insurance Exchange expended $45,463,090 in Federal awards under CFDA 93.525 during the fiscal year ended June 30, 2013.

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 the administrative portion of *Unemployment Insurance* (CFDA #17.225). The total expenditures presented for *Supportive Housing for Persons with Disabilities* (CFDA # 14.181), *Section 8 Housing Assistance Payments Program* (CFDA #14.195), *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, 2013. 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. In addition, the grant expenditures for The University of Connecticut Health Center, The University of Connecticut, the Connecticut State Universities and the Connecticut Community Colleges include certain accruals at the grant program level.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

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. Federal award programs include expenditures, pass-throughs to non state agencies (i.e., payments to subrecipients), non-monetary assistance and loan programs. Funds transferred from one state agency to another state agency are not considered federal award expenditures until the funds are expended by the subrecipient state agency.

D. Matching Costs:
Except for the State's share of unemployment insurance, (See Note 8) the nonfederal share portion are not included in the Schedule.

<u>Note 2 – Research Programs at the University of Connecticut and the Connecticut Agricultural Experiment Station</u>

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.

<u>Note 3 – Non-Monetary Assistance amounts are included on this Schedule for the following Federal programs</u>:

Supplemental Nutrition Assistance Program (10.551)	$697,932,878
National School Lunch Program (10.555)	12,815,066
Summer Food Service Program for Children (10.559)	6,595
Donation of Federal Surplus Personal Property (39.003) *	8,524
Relating to Clean Air Act (66.034)	89,563
NutritionServices Incentive Program (93.053)	15,197
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (93.116)	41,905
Immunization Grants (93.268)	33,961,366
Public Health Emergency Preparedness (93.069)	7,412

** The fair market value per GSA Policy is 23.68% of the property's original acquisition value.

<u>Note 4 – Federal Perkins Loan Program</u>

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, 2013 were $26,456,339.20.

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, **2013** were $815,736.56.

Nurse Faculty Loan Program

Total loans outstanding for the fiscal year ended June 30, 2013 were $539,971. These loans were made to faculty at University of Connecticut and at Southern Connecticut State University under the U.S. Department of Health and Human Services' *Nurse Faculty Loan Program* (93.264).

ARRA- Nurse Faculty Loan Program

At the fiscal year ended June 30, 2013, total loans outstanding were $194,104. 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, 2013, totaled $359,446,467.

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 $14,576,313 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 $27,525 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. During the fiscal year ended June 30, 2013, the state funds expended from the Federal Unemployment Trust Fund amounted to $843,733,128.The total expenditures from the federal portion equaled $662,324,159.The $83,329,499 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, 2013, the Department of Social Services expended a total of $44,596,025 (federal share) to accomplish the goals of the *Child Support Enforcement Program* (93.563). However, the State received $14,172,892 through withholding of a portion of various collections received by the state through the process of implementing the Child Support Enforcement Program. The other $30,423,133 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, 2013, the State expended Federal dollars totaling $ 14,192,417 for the *HIV Care Formula Grants* (93.917). In addition, the State also expended $12,175,185 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. Expenditures reported in the SEFA are reduced by the rebates.

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, 2013 a grand total of $135,926,966 was expended. The total amount includes $127,295,967 of non-research grants and $8,630,999 of 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 7.79 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2013.

The amount which was reported under SNAP was provided with non-cash assistance.

Note 13 – Pass - Through Awards

The majority of the State's federal assistance is received directly from federal awarding agencies. However, agencies and institutions of the State receive some federal assistance that is passed through a separate entity

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

prior to the receipt by the State. This schedule details indirect Federal assistance received from those non-state pass through grantors. The amounts included on the pass-through schedule are reported as federal revenue on the State's basic financial statements.

Federal assistance received by the State from non-state pass-through grantors is identified by CFDA Number, Grantor, Grantor ID and Expenditure Amount, and 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 total amounts provided to external subrecipients for major programs are identified by CFDA number and program title and presented on the follow pages.

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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					
10.CNP-UCONN		UOC	Last Green Valley, Inc.	CNP-UCONN	56,321
10.UM-S810		UOC	University of Maine	UM-S810	4,963
10.200		UOC	Northeastern Regional Aquaculture Center	Z540501	84,123
10.304		UOC	Cornell University	67826-9915	18,930
10.311		UOC	Rhode Island Association of Conservation Districts	Agreement No 100	(86)
10.315	ARRA	UOC	University of Minnesota	Subaward# H001344222	8,110
10.500		UOC	Auburn University	10-ACES-374584-CT	1,071
10.500		UOC	Auburn University	13-HHP-379816-UCONN	2,221
10.500		UOC	Kansas State University	S12012.01	38,885
10.500		UOC	Kansas State University	S12082	9,863
10.500		UOC	Kansas State University	S12207	10,796
10.500		UOC	Kansas State University	S13051	11,128
10.500		UOC	Kansas State University	Subaward S12012	18,742
10.500		UOC	University of Delaware	25931	1,954
10.500		UOC	University of Delaware	Subaward 29126	16,469
10.500		UOC	University of Nebraska	26-6365-0001-359	34,445
10.500		UOC	University of Vermont	2010-47001-20819	22,606
10.500		UOC	University of Vermont	PDP Coordinator	135,983
10.500		UOC	University of Vermont	SNE11-01	23,174
10.500		UOC	University of Vermont	SNE12-01	35,567
Total Department of Agriculture					535,265
					-
Department of Commerce					-
11.M215400		UOC	Woods Hole Oceanographic Institution	M215400	29,192
11.PO# 5100072998		UOC	University of Maine	PO# 5100072998	41,590
11.PO# 002004MD		UOC	Photo Science	PO# 002004MD	20,724
11.PSP-1048		UOC	Consolidated Safety Services	PSP-1048	5,467
11.432		UOC	Florida Atlantic University	Subcontract# URH96	126,524
11.432		UOC	Florida Atlantic University	Subcontract# URJ18	463,458
Total Department of Commerce					686,955
Department of Defense					
12.PO# 11443		UOC	Ocean Surveys, Inc	PO# 11443	42,194
12.PO# 6792-27635		UOC	Cardno TEC	PO# 6792-27635	2,275
12.611		CCC	CT Ctr. For Advanced Technology	SO-146-11	13,000
Total Department of Defense					57,469
Department of Housing and Urban Development					
14.900		UOC	CT Children's Medical Center	AG101147	(378)
Department of the Interior					
15.M215704		UOC	Woods Hole Oceanographic Institution	M215704	19,200
15.939		UOC	Last Green Valley, Inc.	CLEAR/UCONN (9/12 - 4/13)	176
Total Departmet of Interior					19,376
Department of Justice					
16.525		UOC	Southern CT State University	41009A-UCONN-1	7,248
16.726		UOC	National 4-H Council	2012-OJJDP-NMPIII-306	19,686
16.726		UOC	National 4-H Council	AG120128	61,725
Total Departmet of Justice					88,659
Department of Labor					
17.255		CCC	Northwest Regional Investment Board	ISY-11-002	1,926
17.255		CCC	Northwest Regional Investment Board	ISY-13-001	146,356
17.259		CCC	Northwest Regional Investment Board	OSY11-0001	1,479
17.259		CCC	Northwest Regional Investment Board	OSY-13-001	274,803
17.259		CCC	Northwest Regional Investment Board	OSY-11-002	2,201
17.259		CCC	The Workplace Inc.	AGR-9-14-10	12,319
17.259		CCC	The Workplace Inc.	WYOU-2012-NCCO/S-001	54,021

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
17.259		CCSU	Capital Workforce Partners, Inc.	None	68,263
17.268		CCC	Northwest Regional Investment Board	H-1B-11-008	3,523
17.268		CCC	The Workplace Inc.	HG-22616-12-60-A-9	11,532
17.268		CCSU	Capital Workforce Partners	HG-22591-12-60-A-9	63,008
17.283		CCC	Workforce Alliance	SGA-DFA-PY-11-05	5,044
Total Department of Labor					644,475
National Aeronautics and Space Administration					
43.29005/29207		UOC	Bigelow Laboratory for Ocean Sciences	29005/29207	19,200
43.PO# 27243		UOC	Bigelow Laboratory for Ocean Sciences	PO# 27243	19,200
43.PO# 28061		UOC	Bigelow Laboratory for Ocean Sciences	PO# 28061	23,028
43.PO# 29207		UOC	Bigelow Laboratory for Ocean Sciences	PO# 29207	2,233
43.001		CCC	University of Hartford	NNX06AC321H	6,000
43.001		CCC	University of Hartford	AGR-1-15-08	30,905
43.001		UOC	Smithsonian Institution/Smithsonian Environmental Research Center	12SUBC-440-0000256377	11,792
43.001		UOC	University of Hartford	P-644	682
43.001		UOC	University of Hartford	P-646	19
43.001		UOC	University of Hartford	P-690	432
43.001		UOC	University of Hartford	P-695	1,400
43.001		CCSU	University of Hartford, Connecticut Space Grant Consortium	None	2,705
43.001		CCSU	University of Hartford, Connecticut Space Grant Consortium	NNX12AG64H	7,964
43.001		SCSU	University of Hartford	NNX06AC31H	23,906
Total National Aeronautics and Space Administration					149,466
National Endowment for the Arts					
45.024		ECSU	ARTS MIDWEST/NEA	FY13-151535	10,860
Institute of Museum and Library Services					
45.312		UOC	Hartford Public Library	AG100794	65,733
45.312		UOC	Harvard University	137263-04	3,594
Total Institute of Museum and Library Services					69,327
Environmental Protection Agency					
66.AG111055		UOC	Integrated Pest Management Institute of North America	AG111055	3,026
66.437		UOC	National Fish and Wildlife Foundation	1401.11.028174	26,917
66.437		UOC	National Fish and Wildlife Foundation	2010-0071-013/23961	9,010
66.437		UOC	National Fish and Wildlife Foundation	Project# 1401.11.028580	30,422
Total Environmental Protection Agency					69,375
Department of Energy					
81.087		CCC	Hudson Valley Community College	AGR 09-20-10	3,645
81.087	ARRA	CCC	Hudson Valley Community College	AGR-9-20-10	1,219
81.122	ARRA	UOC	University of Minnesota	A000211554	15,809
Total Department of Energy					20,673
Department of Education					
84.002		CCC	Education Connection, Foothill Adults & Continuing Ed.	Transitions Grant AE12-5	18,378
84.116		CCC	LaGuardia Community College	#46285L	6,491
84.165		CCSU	Hartford Board of Education	USDOE U165A100064	39,706
84.165		SCSU	Hyde School	U165A100032-12	749
84.215		CCSU	Cromwell Public Schools	USDOE U215X090637	6,675
84.224		SCSU	Handhold Adaptive	ED-IES-11-C-0400	77,874
84.305		CCC	Teachers College columbia University	511126.1	22,507
84.324		SCSU	University of Tennessee	A12-0612-S001	20,428
84.326		UOC	University of North Carolina, Chapel Hill	5-54490	41,822
84.326		UOC	University of Oregon	223561A	313,019
84.367		UOC	National Writing Project Corporation	Agmt 92-CT01-SEED2012	39,974
84.367		CCSU	National Writing Project	06-CT04-SEED2013	40,000
84.388	ARRA	UOC	Bridgeport Public Schools	AG110475	52,740
84.388	ARRA	UOC	Bridgeport Public Schools	AG130845	123,176
84.395	ARRA	UOC	Providence Public Schools, Providence, RI	2101308-22110000053302	37,475
84.395	ARRA	UOC	Providence Public Schools, Providence, RI	2105741-0-PO	42,924
84.396	ARRA	UOC	Ohio State University	6002916/RF01233626	81,547
84.928		CCSU	National Writing Project	06-CT04 (USDOE U928A050001)	12,591

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
84.928		UOC	National Writing Project Corporation	92-CT01	9,076
Total Department of Education					987,152
Department of Health and Human Services					
93.AG110722		UOC	Wheeler Clinic, Inc	AG110722	51
93.UC2011-001		UOC	National Institute of Pharmaceutical Technology and Education	UC2011-001	570
93.110		SCSU	FAVOR, Inc.	None	8,341
93.243		DOC	Yale University	5H79TI019806-05	34,671
93.243		CCC	Wheeler Clinic	LTR-3-14-12	41,315
93.243		CCSU	Clinton Youth & Family Service Bureau	CCSU 11-16	5,957
93.273		DOC	Yale University	5R01AA018944-04	38,978
93.276		CCSU	Clinton Youth & Family Service Bureau	SAMSA# 10-SP15833A	10,789
93.276		CCSU	Town Of Southington	DPHS# 1H79SP015686-01	6,674
93.279		DOC	Yale University	5R01DA030762-03	38,979
93.516		SCSU	Yale University	M12A11261(A08973)	84,543
93.604		UOC	International Institute of Connecticut	AG130098	323
93.701	ARRA	SCSU	Yale University	M10A10804(R10957)	30,854
93.721	ARRA	CCC	Tidewater Community College	AGR-7-7-10	226,950
93.959		CCSU	Wheeler Clinic	None	5,293
Total Department of Health and Human Services					534,288
Corporation for National and Community Service					
94.006		UOC	Jumpstart, Inc	830200	105,905
Department of Homeland Security					
97.075		DOT	New York State Division of Homeland Security & Emergency Services	C157578	(197)
97.075		DOT	New York State Division of Homeland Security & Emergency Services	C157588	3,576,159
97.075		DOT	New York State Division of Homeland Security & Emergency Services	C172578	19,340
97.106		DOT	New York City Police Department (NYCPD)	GR08XX-00017	143,437
Total Homeland Security					3,738,739
United States Agency for International Development					
98.AG110248		UOC	Conservation International Fund	AG110248	94,887
TOTAL NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS					**7,812,493**

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 #**	
Department of Agriculture					
National Institute of Food and Agriculture					
10.200	RD	AES	TEXAS A & M	570512	9,084
10.200	RD	AES	CORNELL UNIVERSITY	62094-9545	1,778
10.200	RD	AES	CORNELL UNIVERSITY	67417-9916	5,972
10.200	RD	AES	CORNELL UNIVERSITY	57871-9219	12,866
10.200	RD	UOC	University of Maine	UM-S844	92
10.206	RD	UOC	University of North Carolina, Wilmington	Subaward No.509450-10-01	35,257
10.215	RD	AES	UNIVERSITY OF VERMONT	LNE09-279	3,446
10.215	RD	AES	PENN STATE UNIVERSITY	4378-CAES-UV-0296	444
10.215	RD	UOC	University of Rhode Island	082410/0002574	1,599
10.215	RD	UOC	University of Vermont	GNE11-020	7,434
10.215	RD	UOC	University of Vermont	LNE09-281	83,875
10.215	RD	UOC	University of Vermont	ONE12-152	4,406
10.303	RD	AES	PENN STATE UNIVERSITY	4530-CAES-USDA-8446	2,200
10.303	RD	UOC	University of Maine	UM-S703	326
10.303	RD	UOC	University of Rhode Island	101408/0001946	101,109
10.303	RD	UOC	University of Rhode Island	121707/0001542	(63)
10.304	RD	AES	CORNELL UNIVERSITY	67826-9931	9,800
10.304	RD	UOC	Cornell University	54039-8584	728
10.309	RD	AES	VIRGINA POLY TECH INSTITUTE	422179-19756	46,754
10.309	RD	AES	CORNELL UNIVERSITY	64094-9752	4,658
10.309	RD	AES	UNIVERSITY OF MASS AMHERST	12-007055-A-00	146,760
10.310	RD	AES	UNIVERSITY OF GEORGIA	RC293-365/4693928	72,295
10.310	RD	UOC	Purdue University	8000047623-AG	56,616
10.310	RD	UOC	University of California, Berkeley	00007712	8,920
10.310	RD	UOC	University of Nevada	UNR-12-02	17,317
10.310	RD	UOC	Yale University	M10M10477 (M00101)	69,360
Total National Institute of Food and Agriculture					703,033
Economic Research Service					
10.250	RD	UOC	South Dakota State University	Subaward 3TB428	2,990
10.253	RD	UOC	Cornell University	62140-9884	14,269
Total Economic Research Service					17,259
Natural Resources Conservation Service					
10.902	RD	UOC	University of Rhode Island	122909/0002399	10,380
Foreign Agricultural Service					
10.604	RD	AES	California Dried Plum Board	PN 12-27	108,229
10.LNE09-285-UCONN-1		UOC	Mount Holyoke College	LNE09-285-UCONN-1	12,267
Total Department of Agriculture					851,168
Department of Commerce					
National Oceanic and Atmospheric Administration					
11.012	RD	UOC	Northeastern Regional Association of Coastal Ocean Observing Systems	A002-001	277,861
11.417	RD	UOC	Marine Biological Laboratory	44035	41,397
11.431	RD	UOC	University Corporation for Atmospheric Research	Subaward# S08-67963	220,375
11.473	RD	UOC	Rutgers - State University of New Jersey	PO# S1566258	99,146
11.473	RD	UOC	Rutgers - State University of New Jersey	S1413015-4175	36,013
11.478	RD	UOC	University of Rhode Island	Sub# 091811/0003087	12,776
Total National Oceanic and Atmospheric Administration					687,568
11.469/000030030	RD	UOC	Skidaway Institution of Oceanography	469/000030030	5,496
11.AG110895	RD	UOC	Ocean Approved, LLC	AG110895	35,856
Total Department of Commerce					728,920

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Defense					
Naval Medical Logistics Command					
12.340	RD	UOC	Science Applications International Corporation	P010127189	21,558
Office of the Secretary of Defense					
12.351	RD	UHC	The Pennsylvania State University	4106UCHCDTRA0004	168,591
12.351	RD	UOC	Rensselaer Polytechnic Institute	A12049	88,265
12.351	RD	UOC	University of Texas at El Paso	26-0900-15-62	30,661
Total Office of the Secretary of Defense					287,517
Department of the Air Force, Materiel Command					
12.800	RD	UOC	Princeton University	00001684	18,375
12.800	RD	UOC	University of Michigan	3001890465	7,463
Total Department of the Air Force, Materiel Command					25,838
Advanced Research Projects Agency					
12.910	RD	UHC	Yale University	C12K11278(K00175)	23,305
Department of the Navy, Office Of the Chief Of Naval Research					
12.300	RD	UOC	University of Texas at Austin	UTA09-000725	114,415
U.S. Army Materiel Command					
12.431	RD	UHC	Triton Systems, Inc.	TSI-2394-11-100393	4,222
12.431	RD	UHC	Triton Systems, Inc.	TSI-2404-12-100873	696
12.431	RD	UHC	Triton Systems, Inc.	TSI-2407-12-101148	36,558
12.431	RD	UOC	University of California at Santa Barbara	KK1016	68,267
Total U. S. Army Materiel Command					109,743
12.203371	RD	UOC	Technology Service Corporation	203371	146,999
12.343585	RD	UOC	University of Hartford	343585	22,376
12.4400234029	RD	UOC	Raytheon Company	4400234029	(3,328)
12.5710003138	RD	UOC	Massachusetts Institute of Technology	5710003138	24,190
12.0671-1550	RD	UOC	Aptima, Inc.	0671-1550	(11,949)
12.10-9-0002	RD	UOC	Connecticut Center for Advanced Technology, Inc.	10-9-0002	33,974
12.11-K006	RD	UOC	Connecticut Center for Advanced Technology, Inc.	11-K006	872
12.21153 Task #73	RD	UOC	United Technologies-Pratt & Whitney	21153 Task # 73	3,945
12.21153 Task #100	RD	UOC	United Technologies-Pratt & Whitney	21153 Task #100	30,307
12.21153 Task #82	RD	UOC	United Technologies-Pratt & Whitney	21153 Task #82	14,380
12.21153 Task #85	RD	UOC	United Technologies-Pratt & Whitney	21153 Task #85	34,102
12.888-13-16-12, 9-312-0213	RD	UOC	RTI International	888-13-16-12, 9-312-0213589	1,241
12.AG091197	RD	UOC	Ohio Aerospace Institute	AG091197	8,204
12.AG100397	RD	UOC	ODIS, Inc	AG100397	23,215
12.AG130084	RD	UOC	Magnolia Optical Technologies, Inc.	AG130084	171,993
12.PO# 870423	RD	UOC	Agiltron Inc.	PO# 870423	141,601
12.PO 11-10475	RD	UOC	Sonalysts, Inc	PO 11-10475	16,118
12.PO 216062	RD	UOC	TPL, Inc.	PO 216062	110,493
12.PO 4440278825	RD	UOC	Ministry of Defense (Israel)	PO 4440278825	17,173
12.PO# 41950-021913-08	RD	UOC	Structured Materials Industries, Inc.	PO# 41950-021913-08	15,426
12.SB00710	RD	UOC	Innovative Scientific Solutions, Inc.	SB00710	9,942
12.SB01210	RD	UOC	Innovative Scientific Solutions, Inc.	SB01210	20,837
12.SB07810	RD	UOC	Innovative Scientific Solutions, Inc.	SB07810	45,294
12.Subcont# 11-321-0210294	RD	UOC	RTI International	Subcont# 11-321-0210294	36,935
12.Subcont# APS-11-17	RD	UOC	Applied Physical Sciences Corporation	Subcont# APS-11-17	5,273
12.Subcontract No. A-018	RD	UOC	Vectraxx, Inc	Subcontract No. A-018	33,589
Total Department of Defense					1,535,578
Department of Housing and Urban Development					
Office of Healthy Homes and Lead Hazard Control					
14.913	RD	UHC	Connecticut Children's Medical Center	12-179292-02	20,628
Department of Justice					
Office of Juvenile Justice and Delinquency Prevention					
16.541	RD	UHC	CONNECTION INC	2008 GPCX0030	8,626

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CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Transportation					
Federal Highway Administration					
20.205	RD	UOC	Massachusetts Institute of Technology	5710003213	63,560
Research and Innovative Technology Administration					
20.701	RD	UOC	Massachusetts Institute of Technology	5710002724	4,143
20.701	RD	UOC	Massachusetts Institute of Technology	5710002960	45,250
20.701	RD	UOC	Massachusetts Institute of Technology	5710002961	336
20.701	RD	UOC	Massachusetts Institute of Technology	5710002971	11,019
Total Research and Innovative Technology Administration					60,748
20.5710003211	RD	UOC	Massachusetts Institute of Technology	5710003211	45,748
20.5710003212	RD	UOC	Massachusetts Institute of Technology	5710003212	46,291
20.5710003214	RD	UOC	Massachusetts Institute of Technology	5710003214	21,511
20.AG120015 REF 0492102	RD	UOC	Professional Service Industries	AG120015 REF 0492102	58,870
20.No. 5710003188	RD	UOC	Massachusetts Institute of Technology	No. 5710003188	36,142
20.SHRP-R-06(B)	RD	UOC	NAS/Transportation Research Board	SHRP-R-06(B)	111,114
Total Department of Transportation					443,984
National Aeronautics and Space Administration					
43.11-039	RD	UOC	University of New Hampshire	11-039	27,767
43.AG110738	RD	UOC	Sustainable Innovations	AG110738	126,438
43.AG120213	RD	UOC	Sustainable Innovations	AG120213	37,174
43.NNX06AC32H	RD	UOC	University of Hartford	NNX06AC32H	9,833
43.PO No. 203-21293	RD	UOC	Honeybee Robotics Spacecraft Mechanisms Corporation	PO No. 203-21293	4,648
43.Subcontract No. 1395906	RD	UOC	California Institute of Technology	Subcontract No. 1395906	81,860
43.35640	RD	UOC	Marine Biological Laboratory	35640	26,584
43.001	RD	UOC	University of Florida	UF12067/00097232	28,119
43.001	RD	UOC	University of Hartford	#303120(P-463)62140	5,031
43.001	RD	UOC	University of Hartford	303116-P534	(9,197)
43.001	RD	UOC	University of Hartford	303116-P538	-
43.001	RD	UOC	University of Hartford	P-631	20,000
43.001	RD	UOC	University of Hartford	P-651	2,046
43.001	RD	UOC	University of Hartford	P-653	2,500
43.001	RD	UOC	University of Hartford	P-657	1,945
43.001	RD	UOC	University of Hartford	PO#0099582	42
43.001	RD	UOC	Woods Hole Oceanographic Institution	A100890	49,940
43.001	RD	UOC	ZONA Technology Inc	ZTUC022011-PIO	1,678
43.002	RD	UOC	University of Illinois	2012-05551-01	12,690
Total National Aeronautics and Space Administration					429,098
National Science Foundation					
47.041	RD	UHC	University of Wisconsin	3ET-1057766/SUBAWARD 271K1	(25)
47.041	RD	UOC	Biorasis, Inc	AG120725	69,162
47.041	RD	UOC	Ciencia, Inc	803210	3,702
47.041	RD	UOC	Polytechnic Institute of New York University	Subaward # 400607	63,235
47.041	RD	UOC	Purdue University	4101-33905	19,484
47.041	RD	UOC	University of Massachusetts Amherst	08-004807 A 00	57,649
47.041	RD	UOC	University of Nevada	UNR-13-02	7,241
47.041	RD	UOC	Yale University	C13D11528 (D01897)	5,299
47.049	RD	SCSU	Yale University	C06D00462	35,195
47.049	RD	SCSU	Yale University	C12D11227(D01804)	396,854
47.049	RD	UOC	Rensselaer Polytechnic Institute	A12111	56,790
47.049	RD	UOC	University of Minnesota	CPS00002006233	11,000
47.049	RD	UOC	University of Pennsylvania	553113	22,056
47.050	RD	UOC	Consortium for Ocean Leadership	P.O. # T319A29	7,454
47.050	RD	UOC	Woods Hole Oceanographic Institution	A100424	102
47.050	RD	UOC	Woods Hole Oceanographic Institution	A100951	7,676
47.070	RD	UOC	Rochester Institute of Technology	31251-02	19,544
47.074	RD	AES	NORTH CAROLINA STATE UNIVERSITY	2006-0820-02	3,061
47.074	RD	UOC	American Museum of Natural History	10-2010	14,276
47.074	RD	UOC	California State University, Fullerton	S-4790-UOC	11,621
47.074	RD	UOC	Smithsonian Institution/Smithsonian Environmental Research Center	12SUBC440-0000250211	8,307
47.074	RD	UOC	University of Colorado at Boulder	Subcontract#1548625	7,252

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CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
47.074		RD	UOC	University of Maryland at College Park	Z479501	2,557
47.074		RD	UOC	University of Puerto Rico	534042	239
47.074		RD	UOC	University of Puerto Rico	AG060505	58,202
47.074		RD	UOC	University of Virginia	GA10618-137687	11,837
47.074		RD	UOC	University of Washington	723691	4,557
47.075		RD	CCSU	University of Massachusetts Amherst	13-007189B00	4,857
47.075		RD	UOC	Duke University	333-1353	15,653
47.075		RD	UOC	University of Chicago	FP050648	1,279
47.075		RD	UOC	University of Illinois	2012-06354-01 (A0388)	29,655
47.076		RD	UOC	University of Massachusetts	06-003554-A-05	106
47.076		RD	UOC	University of Massachusetts	12-006782 B 00	80,046
47.076		RD	UOC	University of Massachusetts Amherst	11 006701 B 00	16,428
47.076		RD	UOC	University of Massachusetts Amherst	13-007380 A 00	154,458
47.076		RD	CCSU	New England Board of Higher Education	NSF AWARD #DUE-0903051	6,937
47.076		RD	CCSU	New England Board of Higher Education	NSF AWARD #DUE-0903051	7,020
47.076		RD	SCSU	SENCER	0717407	3,000
47.076		RD	ECSU	UNIV OF NORTHERN COLORADO/NAT'L SCIENCE FOUNDATION	GKA13-0068	13,736
47.082	ARRA	RD	UOC	Marine Biological Laboratory	Subaward No. 40459	14,079
47.082	ARRA	RD	UOC	University of North Carolina, Wilmington	Subaward 5A0010-10-01	48,227
Total National Science Foundation						1,299,808
Environmental Protection Agency						
Office of Water						
66.437		RD	UOC	National Fish and Wildlife Foundation	1401.12.033050	46,926
66.437		RD	UOC	National Fish and Wildlife Foundation	2010-071-025	1,721
66.437		RD	UOC	New England Interstate Water Pollution Control Com	AG120096	168,711
Total Office of Water						217,358
Office of the Chief Financial Officer						
66.203		RD	UHC	The Cadmus Group Inc	IED096-UCONNHC-1	(6,907)
66.824181-000-OP		RD	UOC	Shaw Environmental & Infrastructure, Inc	824181-000-OP	65,264
66.AG101024		RD	UOC	Cornell University	AG101024	20,921
66.AG101187		RD	UOC	Cornell University	AG101187	41,225
66.AG111218		RD	UOC	Fuss & O'Neill, Inc.	AG111218	7,022
Total Environmental Protection Agency						344,883
Nuclear Regulatory Commission						
77.008		RD	UOC	University of Hartford	P-591 303203	51,720
Department of Energy						
81.121977		RD	UOC	Battelle Memorial Institute	121977	(23)
81.154319		RD	UOC	Battelle Memorial Institute	154319	65,111
81.07A0299200		RD	UOC	Jefferson Science Associates, LLC	07A0299200	18,124
81.3481-4700194558		RD	UOC	Alstom Grid	3481-4700194558	31,747
81.AG091277		RD	UOC	Rolls Royce, Inc	AG091277	126,460
81.EC-013088-1		RD	UOC	Proton OnSite	EC-013088-1	52,396
81.PO 07-A0299202		RD	UOC	Jefferson Science Associates, LLC	PO 07-A0299202	20,494
81.PO 2601309	ARRA	RD	UOC	United Technologies-Research Center	PO 2601309	13,714
81.PO 50546-000		RD	UOC	Fuelcell Energy, Inc	PO 50546-000	45,212
81.045		RD	UOC	Sinmat, Inc.	AG120181	72,229
81.049		RD	UOC	HiFunda	AG120179	48,845
81.049		RD	UOC	HiFunda	AG130541	17,971
81.049		RD	UOC	Marine Biological Laboratory	44977	35,853
81.049		RD	UOC	North Carolina State University	2008-1923-02	13,966
81.049		RD	UOC	Princeton University	00001700	386,644
81.049		RD	UOC	Southwest Sciences, Inc	AG101264	12,655
81.049		RD	UOC	University of South Carolina	10-1721	231,325
81.049		RD	UOC	University of South Carolina	13-2261	1,725
81.087		RD	UOC	South Dakota State University	3TA155/Yulia Kuzovkina-Eischen	16,938
81.087		RD	UOC	University of Hawaii	Z975726	124,879
81.089		RD	UOC	Praxair	AG120509	1,428
81.117		RD	UOC	Clean Energy Finance and Investment Authority (CEFIA)	AG130182	73,824

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CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
81.134	ARRA	RD	UOC	Praxair	PO 60010996	106,866
Total Department of Energy						1,518,383
Department of Education						
Office of Postsecondary Education						
84.116		RD	UOC	Drexel University	213031-3661	78,723
Institute of Education Sciences						
84.305		RD	UOC	Center for Applied Linguistics	IES001-000-10	3,277
84.305		RD	UOC	Michigan State University	61-1708UC	164,418
84.305		RD	UOC	SRI International	51-001267	20,817
84.324		RD	UOC	University of Oregon	223850B	54,082
Total Institute of Education Sciences						242,594
Total Department of Education						321,317
Department of Health and Human Services						
Administration for Children and Families						
93.092		RD	UHC	Village for Families & Children Inc	90AP2669	145,790
93.590		RD	UHC	Friends of Children Trust Fund Inc	052UCH-CTF-01	97,698
Total Administration for Children and Families						243,488
Center for Disease Control and Preventation						
93.136		RD	UHC	University of Rochester	415561-G	47,477
93.262		RD	UHC	Viridian Health Management	200-2011-42034	431,266
93.262		RD	UHC	University of Massachusetts	S51130000017516	(16,447)
93.262		RD	UHC	University of Massachusetts	S51130000021503	233,233
93.262		RD	UHC	University of Massachusetts	S51130000015313	27,712
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000015313	14,043
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000021503	104,648
93.283		RD	UHC	Association of University Centers on Disabilities	Act Early Ambassador	3,563
93.283		RD	UHC	Association of Maternal and Child Health Programs	2011-01-0127-13	1,968
Total Center for Disease Control and Prevention						847,463
Food and Drug Administration						
93.103		RD	UOC	National Institute of Pharmaceutical Technology and Education	NIPTE-U01-CT-002-2012	45,487
93.103		RD	UOC	National Institute of Pharmaceutical Technology and Education	NIPTE-UO1-CT-001-2012	47,618
Total Food and Drug Administration						93,105
National Institutes of Health						
93.077		RD	UOC	Harvard University	114869-5053043	492,086
93.113		RD	UHC	Yale University	M11A10964	1,603
93.113		RD	UOC	Ciencia, Inc	753103-UConn	1,690
93.113		RD	UOC	Dartmouth College	Subaward No. 1076	106,538
93.113		RD	UOC	Pennsylvania State University	UCT ES021762	159,712
93.113		RD	UOC	University of Kansas Medical Center Research Institute	QK850572	53,489
93.121		RD	UHC	New York University	UW529094	27,630
93.121		RD	UHC	Trustees of Columbia University in the City of New York	5-30234	52,991
93.121		RD	UOC	Yale University	A07780 (M10A10821)	28,173
93.121		RD	UOC	Yale University	M11A11041 (A07929)	11,984
93.143		RD	UOC	Dartmouth College	857	63,322
93.172		RD	UHC	Regents University Of CA Berkeley	6823740	69,994
93.172		RD	UHC	Regents University Of CA Berkeley	7038163	241,735
93.173		RD	UOC	Albert Einstein Healthcare Network (AEHN)\Moss Rehabilitation Resear	AG100573	26,113
93.173		RD	UOC	Stanford University	26366270-50588-B	67,950
93.242		RD	UHC	Veritas Health Solutions, LLC	2R44MH085350-02	69,481
93.242		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	54246PRJ:1087883	10,342
93.242		RD	UHC	Northwestern University	510 5264000-60025890 SP0009501	17,857
93.242		RD	UOC	Public Health Foundation Enterprises	2417.002.001 EPIC	26,968
93.242		RD	UOC	University of North Carolina, Chapel Hill	UNC-CH 5-50176	89,398
93.242		RD	UOC	Yale University	M09A10153 (A08780)	2,439
93.242		RD	UOC	Yale University	M11A10864 (A08021)	4,812
93.273		RD	UHC	General Hospital Corporation Institute for Health Policy	MGH 219663	56,328
93.273		RD	UHC	Brown University	PO1 Project	37,463
93.273		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	1009189/58769	126,478

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.273		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	62189	555,894
93.273		RD	UHC	Yale University	M09A10062	39,159
93.273		RD	UHC	Yale University	M09A10136	76,316
93.273		RD	UOC	Brown University	00000484	222,748
93.273		RD	UOC	Miriam Hospital	710-9926	16,160
93.279		RD	UHC	Medical University of South Carolina	MUSC 10-090	50,395
93.279		RD	UHC	Medical University of South Carolina	R01DA19708	(23,412)
93.279		RD	UHC	University of Texas Medical Branch	11-028	53,158
93.279		RD	UHC	Yale University	MOSA00241-16	5,470
93.279		RD	UHC	Yale University	M12A11188	56,871
93.279		RD	UHC	Yale University	M10A10351	318,502
93.279		RD	UOC	George Washington University	12-511R	27,737
93.279		RD	UOC	Northeastern University	542650P0901349	46,651
93.279		RD	UOC	University of Pennsylvania	Subaward 556125	41,475
93.279		RD	UOC	Yale University	A07466 (M08A10247)	12,886
93.286		RD	UHC	Nanoprobes Incorporated	1 R43EB015845-01	8,158
93.286		RD	UOC	Biorasis, Inc	AG091073	5,090
93.286		RD	UOC	SibTech, Inc.	AG101049	3,563
93.307		RD	UHC	Yale University	M11A11032	132,588
93.310		RD	UHC	Mount Sinai Sch Med NYU Hosp Ctr	MSSM 0255-3761-4609	274,081
93.351		RD	UOC	Ciencia, Inc	743101-UConn	395
93.389		RD	UOC	Massachusetts General Hospital	R24RR018934/207916	63,302
93.393		RD	UHC	Rutgers, The State University	UMDNJ R01 CA116399	11,281
93.393		RD	UOC	University of Hawaii	KA0063	90,368
93.393		RD	UOC	University of Massachusetts Amherst	PO# 0001254189	(1,726)
93.394		RD	UHC	Nanoprobes Incorporated	5R44CA124190-03	6,168
93.395		RD	UHC	The Hospital of Central Connecticut	27469-121	2,226
93.395		RD	UHC	Nanoprobes Incorporated	1R44CA130225-02	144,177
93.395		RD	UHC	Nanoprobes Incorporated	1R44CA130225-01A2	932
93.395		RD	UHC	California Institute Of Technology	21B-1088933	127,106
93.395		RD	UHC	University of Arizona	Y560264	93,913
93.396		RD	UHC	Virginia Technical University	431692-19801	91,577
93.397		RD	UHC	The John Hopkins University	200796724	19,514
93.701	ARRA	RD	UHC	Maine Medical Center	0992-001	(1,693)
93.701	ARRA	RD	UHC	Duke University	173530	22,413
93.701	ARRA	RD	UHC	George Mason University Foundation	E20014A1	22,506
93.701	ARRA	RD	UHC	Regents University Of CA Berkeley	6948677	3,038
93.701	ARRA	RD	UOC	University of Rochester	100037-D	7,245
93.837		RD	UHC	Sibtech, Inc	R43HL105167-01	3,166
93.838		RD	UOC	Yale University	M13A11595 (A09147)	82,402
93.846		RD	UHC	Maine Medical Center	0942-003	(1,796)
93.846		RD	UHC	University of Michigan	3002095783	18,730
93.846		RD	UHC	The Jackson Laboratory	5R01AR053853-02	(26)
93.846		RD	UHC	Arizona State University Fnd	09-104	8,215
93.846		RD	UHC	Indiana University	IN4685566UC	8,997
93.846		RD	UHC	University of Southern California	38321800	183,354
93.846		RD	UHC	Yale University	M11A11030	(21,753)
93.846		RD	UOC	Yale University	A06534 (M07A00648)	10,478
93.847		RD	UHC	Mercer University	420623-04	106,030
93.847		RD	UHC	University of Miami	M167558	958
93.847		RD	UOC	Ciencia, Inc	733102-UConn	19,466
93.847		RD	UOC	Ciencia, Inc	733103-1-UConn	9,943
93.847		RD	UOC	Drexel University	232510	4,827
93.847		RD	UOC	Indiana University	IN-4683685-UC	17,396
93.847		RD	UOC	University of Wisconsin	361KS94	27,132
93.853		RD	UHC	Stevens Institute Of Technology	2101249-01	6,161
93.853		RD	UHC	University of Pittsburgh	0015761	181
93.855		RD	UHC	Connecticut Children's Medical Center	12 179194 01 01	27,943
93.855		RD	UHC	Harvard Medical Center	149047.0964	(7,454)
93.855		RD	UHC	Harvard Medical Center	149047.0953	(4,264)
93.855		RD	UHC	Oregon Health & Science University	U01AI095776	111,057
93.855		RD	UHC	University of Massachusetts	6108879/RFS900116	(34,305)
93.855		RD	UOC	Ciencia, Inc	783102-UCONN	24,447
93.855		RD	UOC	Promiliad Biopharma, Inc.	R42 AI0165143-02A1	219,528

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.855		RD	UOC	University of Alabama, Birmingham	000421524-003	57,772
93.855		RD	UOC	Vanderbilt University	VUMC 38189	54,517
93.856		RD	UHC	Harvard Medical Center	149047.5047084.1064	85,146
93.856		RD	UHC	Harvard Medical Center	149047.5047084.1164	33,872
93.859		RD	UHC	Cell and Molecular Tissue Engineering, LLC	1R43GM103116-01	2,537
93.859		RD	UHC	Glycosan Biosystems, Inc	7668890	(12)
93.859		RD	UHC	Presidents and Fellows of Harvard College	148239.2006	(10,618)
93.859		RD	UHC	University of Arizona	72285	54,834
93.859		RD	UHC	University of Massachusetts	6131025/RFS2011218	18,699
93.859		RD	UHC	University of Washington	738392	90,995
93.859		RD	UOC	Ciencia, Inc	723205	14,857
93.859		RD	UOC	Northwestern University	60029188UC	221,443
93.859		RD	UOC	University of Georgia	RR771-024/4786826	110,331
93.859		RD	UOC	University of North Carolina, Chapel Hill	Subaward UNC # 5-32099	56,430
93.859		RD	UOC	Virginia Polytechnic Institute and State University	431745-19213	43,887
93.865		RD	UHC	Yale University	M10A10768	161,282
93.865		RD	UOC	Beth Israel Deaconess Medical Center	5P01HD057853-04	337,324
93.865		RD	UOC	Haskins Laboratories	AG091002	2,528
93.865		RD	UOC	University of Colorado at Boulder	1544069/PO#0000064218	14,464
93.865		RD	UOC	University of Pennsylvania	560147	35,540
93.866		RD	UHC	Hebrew Rehab Ctr Hebrew Seniorlife	10.10.92252	10,168
93.866		RD	UHC	Hebrew Rehab Ctr Hebrew Seniorlife	10.10.92251	(3,544)
93.866		RD	UHC	Trudeau Institute, Inc.	P01AI021600	217,220
93.866		RD	UHC	Arizona State University Fnd	09-196	1,429
93.866		RD	UHC	Rensselaer Polytechnic Inst	A40290	139,586
93.866		RD	UHC	Rensselaer Polytechnic Inst	A12279	94,423
93.866		RD	UHC	University of Maryland at Baltimore	SR00001487	313,125
Total National Institute of Health						7,451,856
Health Resources and Services Administration						
93.110		RD	UHC	New England Genetics Collaborative	12-010	1,172
93.110		RD	UHC	Mount Sinai Sch Med NYU Hosp Ctr	0253-6541-4609	21,892
93.110		RD	UHC	University of Massachusetts	6121288/RFS2011045	(12,312)
93.145		RD	UHC	University of Massachusetts	6136246 ETC-05	(153)
93.145		RD	UHC	University of Massachusetts	6146523 ETC-05	35,586
93.249		RD	UHC	Yale University	M12A11260	77,339
93.513		RD	UHC	Connecticut Children's Medical Center	11-179282-01	4,895
93.914		RD	UHC	Hartford Town & City Clerk	HHS2012-39R	109,655
93.914		RD	UHC	Hartford Town & City Clerk	HHS2012-39Q	138,526
93.914		RD	UHC	Hartford Town & City Clerk	HHS2013-32R	16,000
93.917		RD	UHC	Hartford Town & City Clerk	HHS2013-32Q	70,950
93.918		RD	UHC	Community Health and Wellness Center of Greater Torrington	CHWC	37,255
Total Health Resources and Services Administration						500,805
Substance Abuse and Mental Health Services Administration						
93.243		RD	UHC	Research Triangle Institute	11-312-0210700	244,755
93.243		RD	UHC	Community Mental Health Affiliates Inc	H79SM0599584-01	13,914
93.243		RD	UHC	Community Mental Health Affiliates Inc	H79SM059564-03	35,205
93.243		RD	UHC	Justice Resource Institute	tional Child Traumatic Stress Initiat	42,115
93.243		RD	UHC	Community Mental Health Affiliates Inc	H79SM059564-0251	38,270
93.243		RD	UOC	Community Mental Health Affiliates, Inc.	AG091064	84,948
93.275		RD	CCSU	Yale University	NIH #1R01AA016599-01A2	96,243
Total Substance Abuse and Mental Health Services Administration						555,450
Office of the Secretary						
93.296		RD	UHC	Hartford Town & City Clerk	HHS 2012-44	15,250
93.718	ARRA	RD	UHC	Ehealth Connecticut Inc	90RC005301	(7,843)
Total Office of the Secretary						7,407
93.812/0080.0056		RD	UOC	Family Health International	812/0080.0056	32,257
93.DE022909		RD	UHC	The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas	DE022909	11,573
93.ID 0080.0160/958 FCO95		RD	UOC	Family Health International	ID 0080.0160/958 FCO958	566
93.ID 958 0080.0160		RD	UOC	Family Health International	ID 958 0080.0160	26,514
93.M12A11287(A28507)		RD	UOC	Yale University	M12A11287(A28507)	28,474

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.NIPTE-U01-CT-004-2012	RD	UOC	National Institute of Pharmaceutical Technology and Education	NIPTE-U01-CT-004-2012	1,434
93.S8056	RD	UOC	Westat	S8056	88,407
93.UC0002	RD	UOC	National Institute of Pharmaceutical Technology and Education	UC0002	1,556
93.UC0003	RD	UOC	National Institute of Pharmaceutical Technology and Education	UC0003	(5,937)
Total Department of Health and Human Services					9,884,418
Social Security Amdinistration					
96.007	RD	UOC	Boston College	5001537-9 Sandell	9,740
Department of Homeland Security					
97.Subcontract #91200	RD	UOC	Mitre Corporation	Subcontract #91200	26,344
97.061	RD	UOC	University of North Carolina, Chapel Hill	UNC-CH #5-36441	(10,131)
97.061	RD	UOC	University of Texas at El Paso	26-3001-81-61	17,553
97.065	RD	UOC	Battelle Memorial Institute	Contract 128165	11,298
97.077	RD	UOC	Yale University	C12P11266(P00323)	67,631
Total Department of Homeland Security					112,695
Agency for International Development					
98.451066-19213	RD	UOC	Virginia Polytechnic Institute and State University	451066-19213	70,006
98.PGA-P210935	RD	UOC	University of Veterinary and Animal Sciences	PGA-P210935	13,513
98.001	RD	UOC	Oregon State University	RD011G-E	221,998
98.012	RD	UOC	American Council on Education	HED052-9740-ETH-11-01	510,355
98.012	RD	UOC	University of Georgia	RC710-025/3842128	45,599
Total Agency for International Development					861,471
TOTAL RESEARCH PASS-THROUGH RESEARCH GRANTS					**18,422,437**
TOTAL PASS-THROUGH GRANTS					**26,234,930**

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

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	$ 8,497,102
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	2,950,618
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	4,481,148
84.367	Improving Teacher Quality State Grants	21,479,861
93.268	Immunization Cooperative Agreements	866,583
93.568	Low-Income Home Energy Assistance	75,569,967
93.667	Social Services Block Grant	22,687,760
93.714ARRA	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	(170)
93.778	Medical Assistance Program	238,164,018
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	101,864,701
10.553	School Breakfast Program	23,058,743
10.555	National School Lunch Program	79,623,613
10.556	Special Milk Program for Children	261,529
10.559	Summer Food Service Program for Children	1,460,950
	Child Nutrition Cluster	104,404,835
17.258	WIA Adult Program	7,750,828
17.259	WIA Youth Activities	7,674,098
17.260	WIA Dislocated Workers	801,307
17.278	WIA Dislocated Worker Formula Grants	8,951,277
	WIA Cluster	25,177,509
20.205	Highway Planning and Construction	39,402,273
20.219	Recreational Trails Program	479,554
	Highway Planning and Construction Cluster	39,881,828
84.010	Title 1 Grants to Local Educational Agencies	102,592,754
84.389ARRA	Title I Grants to Local Educational Agencies, Recovery Act	(92,435)
	Title I, Part A Cluster	102,500,319
84.027	Special Education-Grants to States	116,964,998
84.173	Special Education-Preschool Grants	3,928,928
	Special Education Cluster (IDEA)	120,893,927
	Reseach and Development Cluster- Non ARRA	16,908,618
	Stimulus (ARRA) Reseach and Development Cluster	581,538
	Total	**886,910,162**

Major Programs - Non Research	**869,420,006.40**
Other Programs- Non Research	**302,860,197.07**
Major Programs - Research and Development	**17,490,155.13**
Total Funds Provided to Subrecipients	**1,189,770,358.60**

Schedule of Findings and Questioned Costs

STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2013
INDEX OF SCHEDULE OF FINDINGS AND QUESTIONED COSTS

	Status	Page

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, 2013
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*
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*
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants*
20.500 and 20.507	Federal Transit Cluster*
84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 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	Vocational Rehabilitation Cluster*
84.377 and 84.388	School Improvement Grant*
93.069	Public Health Emergency Preparedness (PHEP)
93.720, 93.775, 93.777 and 93.778	Medicaid Cluster*
93.575 and 93.596	Child Care Cluster*
93.268 and 93.712	Immunization Cluster*
93.558 and 93.714	Temporary Assistance for Needy Families Cluster*
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: $26,966,548

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

DEPARTMENT OF SOCIAL SERVICES

2013-001 Eligibility – Social Security Numbers

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

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, 2013. This data included client names and Social Security numbers (SSNs). The payments made on behalf of these clients totaled $6,143,850,111.

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 11,244 clients. The payments made on behalf of these 11,244 clients totaled $45,061,922, of which $22,807,212 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 $84,624, of which $42,357 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 19 of the 25 cases tested. However, eight of the clients were non-qualified aliens who are allowed to receive emergency medical services per Section 3211.10 of the State Medicaid Manual issued by the Centers of Medicare and Medicaid Services. Further review of the case files of the 11 clients in which a SSN was not entered into EMS disclosed that a SSN was included in the hardcopy case file for nine clients. We also noted that for three of the six 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 finding. The department will send an email to appropriate staff to reinforce the need to enter valid SSNs in EMS, including checking that for federal verification. The department will also remind training staff to ensure the importance of obtaining social security numbers is highlighted in the training received by new employees."

2013-002 Special Tests and Provisions – Inpatient Hospitals and Long-Term Care Facility Audits

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

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 (LTCF) 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 field audits on cost reports for inpatient hospitals during the audited period. In addition, only cost reports for inpatient hospitals through the federal fiscal year ended September 30, 2009 had been subjected to a desk audit.

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 five 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. DSS is currently working on revising Section 17-312-105(g) of the Regulations of Connecticut State Agencies to include its current audit procedures. It is anticipated that the revised regulations would be effective in 2015. In addition, DSS is behind on performing desk audits because no reviews were conducted during the fiscal year ended June 30, 2012 and DSS is still working to catch up.

We were informed that there are not enough audit hours available for an outside consultant to conduct field audits of all LTCFs on a biennial basis. 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: "The department agrees with this finding. Concerning hospital audits, the department is in the process of implementing a new inpatient hospital reimbursement methodology utilizing Diagnosis-Related Groups (DRGs). The estimated DRG implementation date is January 1, 2015. The department is also in the process of implementing a new outpatient hospital reimbursement methodology utilizing Ambulatory Payment Classification (APCs). The estimated APC implementation date is spring 2015. As we move to new hospital reimbursement methodologies for inpatient and outpatient hospital services, the department will appropriately modify the field audit language within the Medicaid State Plan and state regulations.

The department contracts with a public accounting firm to perform audits of long term care and boarding home providers. With more than 1,200 long term care and boarding home providers, the department is unable to audit every facility on a biennial basis. Nursing home rates have been computed based on using the 2011 base cost report for four years, eliminating the need to audit cost reports for years not used for rate setting. In addition to all of the 2011 cost reports being audited, if a more current year was used to set a rate, that cost report is scheduled to be audited. The SFY 2015 audit plan will exclude 35 facilities that have not been audited in the last 5 years; however, the audit plan includes 85 facilities that have not been audited since the 2008 cost report year. The department anticipates that the 35 facilities that have not been audited in five years will be included in the SFY 2016 audit plan."

2013-003 Reporting

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

ARRA-Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2008-2009 and 2009-2010, 2010-2011
Federal Award Numbers: 05-0905CTARRA, 05-1005CTARRA, and 05-1105CTARRA

Background: Title 42 Code of Federal Regulations (CFR) 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 Balancing Incentive Payment Program (BIPP) authorizes grants to states to increase access to non-institutional long-term services and supports. BIPP increases the federal matching assistance percentage (FMAP) to eligible states. The Department of Social Services (DSS) was eligible for a two percent enhanced FMAP during the quarters ended March 31, 2013 and June 30, 2013 under BIPP.

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. DSS uses the monthly and quarterly medical expenditures reports generated by MMIS to prepare the quarterly federal claims.

Criteria: Title 42 CFR 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, 2012 and March 31, 2013, and noted the following:

Quarter Ended September 30, 2012:

- The amount reported as Medical Assistance Payments on line 6 Expenditures in this Quarter part of the Form CMS-64 Summary Sheet, was $1,632,596,653, of which $821,442,292 was claimed for federal reimbursement under the Medicaid program. The correct amount was $1,633,484,640, of which $821,815,488 was attributable to Medicaid and $70,797 was attributable to ARRA-Medicaid. This resulted in net expenditures being understated by $887,987, the Medicaid federal share being understated by $373,196, and the ARRA-Medicaid federal share being understated by $70,797.
- The amount reported as Medical Assistance Payments on line 9A Collections: Third Party Liability part of the Form CMS-64 Summary Sheet was $(4,444,780), of which $(2,222,391) was attributable to Medicaid. The correct amount was $(4,613,151), of which $(2,306,577) was attributable to Medicaid. This resulted in net expenditures being overstated by $168,371 and the Medicaid federal share being overstated by $84,186.
- The amount reported as Medical Assistance Payments on line 9B Collections: Probate part of the Form CMS-64 Summary Sheet was $(2,273,345), of which $(1,136,673) was attributable to Medicaid. The correct amount was $(2,342,020), of which $(1,171,011) was attributable to Medicaid. This resulted in net expenditures being overstated by $68,675 and the Medicaid federal share being overstated by $34,338.
- The amount reported as Medical Assistance Payments on line 9D Collections: Other part of the Form CMS-64 Summary Sheet was $(62,195,712), of which $(31,295,733) was attributable to Medicaid. The correct federal share amount attributable to Medicaid was $(31,097,856) and the correct federal share amount attributable to ARRA-Medicaid was $(197,877). This resulted in the Medicaid federal share being understated by $197,877 and the ARRA-Medicaid federal share being overstated by $197,877.
- The amount reported as Medical Assistance Payments on line 10D Adjustments/Decreasing Prior Quarters – Payment Error Rate Measurement (PERM) part of the Form CMS-64 Summary Sheet was $(1,554), of which $(937) was attributable to Medicaid. The correct federal share amount attributable to Medicaid was $(757) and the correct federal share amount attributable to ARRA-Medicaid was $(180). This resulted in the Medicaid federal share being understated by $180 and the ARRA-Medicaid federal share being overstated by $180.

Quarter Ended March 31, 2013:

- The amount reported as Medical Assistance Payments on line 6 Expenditures in this Quarter part of the Form CMS-64 Summary Sheet, was $1,660,866,089, of which $835,794,448 was claimed for federal reimbursement under the Medicaid program and $6,654,757 was claimed for federal reimbursement under BIPP. The correct federal share amount attributable to Medicaid was $835,710,623 and the correct federal share amount attributable to ARRA-Medicaid was $83,825. This resulted in the Medicaid federal share being overstated by $83,825 and the ARRA-Medicaid federal share being understated by $83,825.
- The amount reported as Medical Assistance Payments on line 9D Collections: Other part of the Form CMS-64 Summary Sheet was $(49,233,885), of which $(24,437,303) was attributable to Medicaid, $(154,760) was attributable to ARRA-Medicaid and $(171,816) was attributable to BIPP. The correct federal share amount attributable to Medicaid was $(24,346,263) and the correct federal share amount attributable to ARRA-Medicaid was $(245,800). This resulted in the Medicaid federal share being understated by $91,040 and the ARRA-Medicaid federal share being overstated by $91,040.

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 $650,941. Based on the various federal participation rates, DSS under claimed $459,944 in federal reimbursement under Medicaid and over claimed $134,475 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 this finding in part.

QE September 30, 2012:
Line 6 - This finding consists of two different items. The first pertains to an amount of $887,987 that was subtracted for canceled checks for receiverships. DSS agrees with this part of the finding and will prepare a prior period

adjustment (PPA) for the QE March 31, 2014 CMS-64 claiming $443,993 in federal funds.

The second pertains to Prior Period Positive Adjustments in the amount of $70,797 that was claimed entirely under the Medicaid program. The claim is correct. The 64.9 Base and 64.9 Waiver forms in the Medicaid Budget and Expenditures System (MBES) do not allow for entry of ARRA expenditures; therefore, the federal portion attributable to the above difference was entered as a blended rate and reported in the Other & Prompt Pay Federal Share column. There is no federal share owed back on this item.

Line 9A - DSS agrees with this finding and will prepare a PPA for the QE March 31, 2014 CMS-64 returning $84,186 in federal funds.

Line 9B - DSS agrees with this finding and will prepare a PPA for the QE 3/31/14 CMS-64 returning $34,338 in federal funds.

Line 9D - The claim is correct. Although we still have the option in the MBES to enter the federal share of Collections on the CMS-64 Summary form under the ARRA column, we feel it would be misleading by understating our federal share of ARRA funds since the prior period positive adjustments cannot be entered as ARRA FMAP (please see DSS response to first finding above). There is no federal share owed back on this item.

Line 10D - DSS agrees with this finding. Unfortunately the MBES currently does not allow any information to be reported on Form 64.9OPERM prior than FY 2011. Therefore, we are unable to enter a correction in the MBES for this item. There is no federal share owed back on this item.

QE March 31, 2013:
Line 6 - The claim is correct. The 64.9Base and 64.9 Waiver forms in the MBES do not allow for entry of ARRA expenditures, therefore, the federal portion attributable to the above difference was entered as a blended rate and reported in the Other & Prompt Pay Federal Share column. There is no federal share owed back on this item.

Line 9D - The claim is correct. Although we still have the option in the MBES to enter the federal share of Collections on the CMS-64 Summary form under the ARRA column, we feel it would be misleading by understating our federal share of ARRA funds since the prior period positive adjustments cannot be entered as ARRA FMAP (please see DSS response above). There is no federal share owed back on this item."

Auditors' Concluding Comments: The auditors recognize the limitations of the Medicaid Budget and Expenditure System (MBES) for reporting of ARRA expenditures on certain lines of the Form CMS-64, however, enhanced federal medical assistance percentages authorized under ARRA are being claimed and should be reported as such, otherwise, DSS is misrepresenting the amount of total funds received under ARRA. DSS should consider seeking guidance from the Centers for Medicare and Medicaid Services (CMS) on how to properly report adjustments to ARRA claims.

2013-004 Special Tests and Provisions – Provider Eligibility

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

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, 2013, DSS made payments to 7,924 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:

- One provider in our sample had not been re-enrolled to provide services in over five years. The DSS Provider Enrollment/Re-enrollment Criteria matrix that was effective at the time specified that the provider type should have been re-enrolled every 24 months.

In addition, we noted the following during our review:

- DSS submits claims for federal reimbursement for services provided to clients of both the Departmental of Developmental Services (DDS) and the Department of Mental Health and Addiction Services (DMHSAS). DSS does not revalidate the enrollment of these providers.

- The Medicaid Management Information System (MMIS), which is used to process medical claims for providers of medical care and services furnished to clients under the Medicare program, does not prevent payments from being made to providers who have not properly completed re-enrollment in the Medicaid program.
- DSS did not verify that all 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 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 consider that the requirement to revalidate the enrollment of providers at least every five years applied to the DDS and DMHAS providers. 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 with this finding and will pursue changes necessary to comply with federal regulations pertaining to provider eligibility. The department will explore implementing additional controls to ensure licensure and reenrollment requirements are adhered to."

2013-005 Activities Allowed or Unallowed – Non-qualified Aliens

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

Background: Our audit population of fee-for-service payments disclosed that a Social Security Number (SSN) was not listed for 11,244 clients who were over three years old. The payments made on behalf of these 11,244 clients totaled $45,061,922, of which $22,807,212 was received in federal reimbursement. We selected for review, 25 clients that did not have a SSN listed. The payments made on behalf of these 25 clients totaled $84,624, of which $42,357 was received in federal reimbursement. Of these 25 clients, there were eight clients who were non-qualified aliens. The payments made on behalf of these eight clients totaled $43,939, of which $21,969 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 eight 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 $3,413 that appear to have been paid on behalf of six 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 $1,706.

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

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

Agency Response: "The department agrees with this finding. The Department of Social Services has previously identified this as an issue and has an outstanding work request to update the eligibility system. The work request would ensure that EMS, the current eligibility system, and MMIS have adequate controls in place to prevent the payment of claims outside of the medical emergency.

At the present time, however, our IT resources are devoted to development of IMPACT, the department's replacement eligibility system. As a result, it is likely that system controls to address this finding will be completed with the deployment of IMPACT in 2016."

2013-006 Eligibility – Inadequate Documentation

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

Background: During the fiscal year ended June 30, 2013, the Department of Social Services (DSS) claimed for federal reimbursement payments made to fee for services providers totaling $6,145,169,044. Of this amount, $2,935,169,168 was received in federal reimbursement. Our sample was selected from an audit population totaling $6,094,649,413. 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 initial application from the applicant, an authorized representative, or, if the applicant is a minor or incapacitated, someone acting responsibly for the applicant, that is signed under penalty of perjury.

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 CFR Part 435 Section 406(a) requires that the state must provide Medicaid to otherwise eligible residents of the United States who are citizens. The individual must provide satisfactory evidence of citizenship or national status, as described in Part 435 Section 407 and the state must document the individual's citizenship in the eligibility file.

Condition: We randomly selected 60 benefit payments totaling $78,188. Of this amount, $39,222 was received in federal reimbursement. Our review disclosed the following:

1. In four cases, we were not able to locate a written application submitted by the applicant. One of these applicants was a new client. Without the written application, we were unable to verify whether DSS determined the clients' initial eligibility in a timely manner.
2. In six 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 three cases, satisfactory evidence of citizenship or national status was not included in the clients' case files.

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 $24,496. Of this amount, $12,274 was received in federal reimbursement.
3. Payments were not eligible for Medicaid reimbursement because there was not satisfactory evidence that the clients were citizens or nationals of the United States. As a result, our sample had an error totaling $605. Of this amount, $303 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 indicated that the documentation may have been misfiled.

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

Agency Response: "The department agrees with this finding. The Department of Social Services has undergone a modernization project, ConneCT, which includes a document imaging system. All incoming documents are scanned, indexed and routed to appropriate staff. This process will reduce the chances of documents being misplaced.

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. Recent additions to staffing and overtime have helped reduce the number of outstanding redeterminations.

Finally, the department recognizes the importance of processing IEVS alerts. The department will remind staff to check for IEVS alerts whenever they work on a case in EMS."

2013-007 Allowable Costs/Cost Principles – Medicare Premium Refunds

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

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-InProgram 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, 2013, DSS received $2,614,914 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 $1,928, which disclosed that a portion of nine of the Medicare premium refunds totaling $1,019 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 $510.

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. It appears this Medicare premium payment audit finding is related to more than one department business unit and crosses over to the Financial Management and Analysis and Medical Operations divisions. The department is evaluating cost effective methods for resolving this issue. Resources and Recoveries Division will take the lead to make certain that procedures are implemented to ensure that the federal share of refunds received for Medicare premium overpayments are returned to the federal government."

2013-008 Allowable Costs/Cost Principles – Disproportionate Share Hospital Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

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, 2013, the Department of Social Services (DSS) claimed for federal reimbursement DSH payments to 34 hospitals totaling $338,732,796. Of this amount $169,366,398 was received in federal reimbursement.

Criteria: Section 1923(g)(1)(A) of the Social Security Act provides that a payment adjustment during a fiscal year shall not exceed the costs incurred during the year of furnishing hospital services by the hospital to individuals who either are eligible for medical assistance under the State Plan or have no health insurance for services provided during the year. Section 42 Code of Federal Regulations (CFR) Part 455 Section 304(d)(2) further clarifies that DSH payments made to each qualifying hospital shall comply with the hospital-specific DSH payment limit. For each audited Medicaid State Plan rate year, the DSH payments made in that audited Medicaid State Plan rate year must be measured against the actual uncompensated care cost in that same audited Medicaid State Plan rate year.

The General DSH Audit and Reporting Protocol, which was issued by the Centers for Medicare & Medicaid Services (CMS), provides guidance to states on how to calculate the hospital-specific DSH limits.

Condition: DSS does not have adequate procedures in place to estimate the hospital-specific DSH payment limits using a methodology that emulates the calculation described in the General DSH Audit and Reporting Protocol, prior to making payments to the hospitals.

Effect: Without adequately estimating the hospital-specific DSH payment limits prior to making payments, it increases the risk of paying a hospital in excess of its uncompensated costs. Since federal financial participation is not available for DSH payments in excess of a hospital's uncompensated costs, DSS would have to refund the federal funds received or attempt to recoup the funds from the hospital so that they could be redistributed to eligible hospitals.

Cause: DSS did not have access to the data needed to estimate the hospital-specific DSH payment limits prior to making the payments. DSS is relying on recouping and redistributing DSH funds if payments in excess of the hospital's uncompensated costs were discovered during the audit process.

Recommendation: The Department of Social Services should implement procedures to estimate the hospital-specific disproportion share hospital (DSH) limits in accordance with the methodology described in the Centers for Medicare & Medicaid Services General DSH Audit and Reporting Protocol, prior to making payments to hospitals.

Agency Response: "DSH payments were scaled back substantially for this biennium under proposed State Plan Amendment (SPA) 13-037. They were reduced from $268 million per year in the previous biennium to $100,000 per year in the current biennium. Most general acute care hospitals will not receive any DSH payments. Therefore, DSH estimates in general take on substantially less significance. Currently, for most hospitals, the department is using the DSH limits from the most recent DSH audit. Due to recent Medicaid expansion, we believe these estimates are reasonable and conservative especially given the significant reduction in the DSH program.

Pursuant to approved SPA 11-012 and federal rules, DSH payments for FFY 2011 will be tested against the actual calculated uncompensated care determined through the DSH audit. Any payments in excess of the actual calculated upper limit (including Certified Public Expenditure (CPE) payments) will be reduced and/or reallocated to other hospitals with room under their upper limit. The federal share on any aggregate reduction in total DSH payments including CPE DSH programs will also be returned through the CMS-64 as a prior period adjustment."

2013-009 Allowable Costs/Cost Principles – Fee for Services Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

Background: The Department of Social Services (DSS) made fee-for-service payments totaling $5,041,534,947 during the fiscal year ended June 30, 2013. Of this amount, $2,549,186,219 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 $68,315. Of this amount, $34,446 was received in federal reimbursement. A summary by strata follows:

Strata	Population Amount	Federal Portion of Population	Sample Amount	Federal Portion of Sample
Dental	$154,084,813	$80,295,215	$12,836	$6,495
Home Care Waivers	248,430,715	124,215,358	17,704	8,852
Home Health	252,227,791	126,566,091	18,970	9,485
Medical Durable Goods	67,937,751	34,292,122	3,110	1,555
School Based	49,601,258	25,507,258	4,412	2,381
All Other	4,269,252,619	2,158,310,175	11,283	5,678
Total	$5,041,534,947	$2,549,186,219	$68,315	$34,446

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.

The 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, 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:

Home Care Waivers:
For one provider, the supporting documentation did not agree with the amount billed. This resulted in an over-claim of $264.

Home Health:
Nine providers billed DSS on 51 separate occasions for an hour of nursing care in the home by a registered nurse or a licensed practical nurse although the providers' records indicate that less than an hour of care was provided. In 46 of the occasions, only a half hour of care was provided and in the other 5 occasions, 45 minutes of care was provided. This resulted in an over-claim of $2,238.

Medical Durable Goods:
We were unable to obtain any supporting documentation from one provider to support that services were actually rendered. This resulted in an over-claim of $176.

School Based:
Sixteen LEAs were unable to provide us with sufficient service delivery records to support all the dates of service billed. This resulted in an over-claim of $2,585.

Effect:	Home Care Waivers: Our sample had questioned costs totaling $132. Home Health: Our sample had questioned costs totaling $1,119. Medical Durable Goods: Our sample had questioned costs totaling $88. School Based: Our sample had questioned costs totaling $1,395.
Cause:	Home Care Waivers: It appears that the overpayment was caused by billing errors. Home Health: DSS does not have a procedure code available for providers to bill for in-home nursing care by a registered nurse or a licensed practical nurse for time increments of less than an hour. Medical Durable Goods: Numerous attempts were made to obtain documentation, but the provider never supplied us with any documentation to support the amount billed. 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.
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 finding. For condition 2, the department disagrees with the finding. Procedure codes S9123 and S9124 are based on billings up to an hour and procedure codes T1002 T1003 are for any services provided in excess of an hour. Further, the rate established for procedure codes S9123 and S9124 are based on this premise. Therefore, any services provided that are less than one hour are appropriately billed and paid under procedure codes S9123 and S9124. The department does

not consider the errors noted by the auditors to be overpayments.

For conditions 1 and 4, the department will follow up with the specific errors noted in the audit report to determine whether overpayments have occurred for the exceptions noted pertaining to a provider that has not been audited by the Quality Assurance Unit. For the errors related to a provider that has been audited during the audited period and the department took a financial disallowance, it can be concluded that the extrapolation process has covered the noted exceptions and returned the funds to the federal government.

For condition 4, 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 in-home nursing care 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.

2013-010 Allowable Costs/Cost Principles – Manual Issuance Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

Background: The Department of Social Services (DSS) refers to any payment created outside the automated payment cycle as a manual issuance. A situation in which a manual issuance would be made includes DSS paying for or reimbursing clients for non-Medicaid insurance premiums to maintain a third party resource for Medicaid covered services.

Payments for the Medicaid program that were manually issued through the DSS Eligibility Management System (EMS) or issued through the Medicaid Management Information System (MMIS) as a payout on the provider's remittance advice totaled $36,172,855 during the fiscal year ended June 30, 2013. Of this amount, $18,086,428 was received in federal reimbursement.

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

The OMB Circular A-102 Common Rule requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Good internal control practices include adequate segregation of duties between the initiation and the authorization of a transaction.

Condition: We reviewed a sample of 25 manual issuances totaling $732,913 of which $366,457 was received in federal reimbursement. Our review disclosed the following:

- Three payments, totaling $1,659, were made to reimburse clients for insurance premiums paid for which there was inadequate documentation on hand to support whether the client had actually paid the premiums for which they were reimbursed.
- Nine payments were initiated and authorized by the same individual.

Effect: The errors above resulted in questioned costs totaling $830. Furthermore, a lack of segregation of duties increases the risk that errors or irregularities may go unnoticed.

Cause: DSS did not have adequate documentation on hand to support all payments. Furthermore, some individuals have the ability to both initiate and approve payments in MMIS.

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

Agency Response: "DSS agrees with the finding that the nine payments reviewed were initiated and authorized by the same individual. The transactions that were reviewed in the audit were created by the agency's medical claim processor, HP, using the interChange (iC) Medicaid Management Information System (MMIS). HP is authorized to issue expenditure transactions on behalf of DSS. The department will require that HP institute a two-step process to issue expenditure payments through the iC system. The department has reviewed the two step process with HP. HP is in agreement that one person should be setting up the transaction and another person activating/approving the transaction. Effective immediately, HP will ensure that two different people are involved in the process.

We would add that DSS does maintain a separation of manual issuance duties for transactions initiated at DSS. Manual check payments issued through EMS by DSS staff and expenditure transactions issued through the interChange MMIS by DSS staff require two people; one to request the issuance and one to approve the issuance.

Additionally, the department will review its processes to ensure that supporting documentation is obtained and kept on hand that supports that clients actually paid the premiums for which they were reimbursed."

2013-011 Reporting – Medicaid Fraud Control Unit

State Medicaid Fraud Control Units (MFCU) (CFDA #93.775)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1201CT5050 and 1301CT5050

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 federal 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 fiscal year ended June 30, 2013 for the MFCU and noted the following exceptions:

- The cash disbursements reported on line 10b are understated by $334,594.
- The federal share of expenditures on line 10e are overstated by $899, which resulted in the unobligated balance of federal funds reported on line 10h to be understated by $899.
- The total recipient share required and the recipient share of expenditures on line 10i and 10j are overstated by $300.

Effect: SF-425 reports filed during the audited period do not accurately reflect the cumulative share of the reportable balances. The errors resulted in the MFCU over claiming $899 in federal reimbursement.

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:*
"This was an error on line 10b in the Form 425 e-mailed to HHS. However, in the federal financial report (also a Form 425 submitted electronically in the Financial Management Service, Division of Payment Management program), the cumulative disbursements were correct, resulting in the correct federal cash drawdown for the state for the period ended June 30, 2013.

As you know, the new rate was used for all quarterly reports following receipt of the new rate (which was received almost one year beyond the effective date.). The OIG recently completed a program and financial audit of the MFCU. We expect to receive the results in January or February. I plan to wait for that report and process any changes to the indirect cost rate calculations that are required by the audit at that time."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for administering and claiming 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. There are similar situations (i.e., findings that pertain to DSS administered programs) in which the findings have been listed in the other agencies' section of the report. Therefore this finding should be listed under a section related to the Office of the Chief State's Attorney."

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.

2013-012 Eligibility – Application Processing

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Number: 4CT400400

Background:

Medicaid:
On January 9, 2012, a class action lawsuit was filed against the Department of Social Services (DSS) on behalf of individuals whose applications for Medicaid benefits have not been timely processed and/or who have not been provided Medicaid benefits in the timely manner required by federal law. Factual allegations in the complaint state that DSS data reporting demonstrates that DSS has failed and continues to systematically fail to process Medicaid applications within the timeframes mandated by federal law. As of February 20, 2014, settlement negotiations continue with this lawsuit.

SNAP:
On March 5, 2012, a class action lawsuit was filed against DSS on behalf of individuals seeking needed SNAP (commonly known as food stamps) benefits and to challenge DSS policies and practices of failing or refusing to process applications and provide assistance on a timely basis to eligible applicants. The lawsuit alleges that DSS data reporting demonstrates that DSS has engaged in a continuing and persistent pattern of severe noncompliance with federal law requiring the processing of SNAP applications on a timely basis. On December 4, 2012, the court granted the plaintiffs' motion for preliminary injunction to enjoin DSS from failing or refusing to timely process all applications for SNAP and to provide SNAP on a timely basis to all eligible individuals. As of February 20, 2014, DSS remains under this injunction.

Criteria:

Medicaid:
Title 42 Code of Federal Regulations (CFR) Part 435 Section 911 provides that DSS, as the agency responsible for processing applications, determining eligibility, and furnishing Medicaid, must establish time standards for determining eligibility and must inform the applicant of what the standards are. The standards may not exceed 90 days for applicants who apply for Medicaid on the basis of disability and 45 days for all other applicants.

Section 1505.35 of the DSS Uniform Policy Manual establishes the maximum time standards for processing Medicaid applications as 45 calendar days for applicants applying on the basis of age or blindness and 90 calendar days for applicants applying on the basis of disability.

SNAP:
Title 7 CFR Part 274 Section 2 provides that each state agency is responsible for timely and accurate issuance of benefits to certified eligible households. All newly certified households, except those that are given expedited service, shall be given an opportunity to participate no later than 30 calendar days following the date the application was filed. For households entitled to expedited service,

the state agency shall make benefits available to the household not later than the seventh calendar day following the date of application.

Condition: Class action lawsuits filed against DSS indicate the continuous failure of DSS to process applications, determine eligibility and issue benefits in a timely manner, as demonstrated by DSS data reporting.

Furthermore, our review of DSS data reporting of the timeliness of application processing during the month of June 2013 disclosed that delays continue to exist in the processing of Medicaid and SNAP applications, as follows:

Medicaid:

Component	Number of Applications Received	Applications Not Processed Timely	
		Number	Percentage
Husky	22,496	2,810	12%
Long Term Care	1,291	725	56%
State Supplement	1,020	108	11%
Total:	24,807	3,643	15%

SNAP:

Component	Number of Applications Received	Applications Not Processed Timely	
		Number	Percentage
SNAP Expedited	10,118	4,310	43%
SNAP Regular	6,467	1,447	23%
Total:	16,585	5,757	35%

Effect: Eligibility determinations are not always performed in a manner so that benefits can be made timely and in the best interest of eligible applicants in need of assistance.

Cause: Delays in the processing of applications have been attributed to increases in DSS eligibility worker caseloads, as a result of both, the increase in assistance program applications and the decrease in staffing levels needed to process applications and ensure timely provision of benefits.

Recommendation: The Department of Social Services should implement procedures to ensure timely application processing and eligibility determinations in accordance with applicable federal regulations and standards established by the department.

Agency Response: “The department agrees with this finding.

Medicaid:
Improving Medicaid application timeliness is an ongoing priority for the department. In July 2013, we implemented ConneCT, our modernization of client service delivery project, to improve our work processes. ConneCT supports document imaging, indexing and routing of work items to staff,

automated access to client account information, an integrated voice response system and online application submissions. While application timeliness declined as anticipated with the initial deployment of new operational processes under ConneCT, timeliness performance has rebounded quickly and shown continuous improvement since deployment. Timeliness is over 84 percent in October 2013 across all categories of Medicaid except for long term care (LTC), without any consideration of delays due to applicant or third party fault.

Regarding LTC application processing, the department changed its work processes in October 2013, consolidating activity that was previously performed in our regional offices into four processing hubs. Consolidating the workforce allows for more uniform application of operational processes and improved distribution of workloads. As part of our consolidation effort we are also convening regular workgroups with LTC supervisors to focus on LTC best practices and operational uniformity. We expect this will also help improve our timeliness rate. Additionally, due to the significant amount of paper verifications and difficulties reviewing verifications electronically, LTC applications were removed from the electronic document processes created with ConneCT. LTC applications are instead now sent to the assigned LTC application processing hub where it is assigned to a specific worker specializing in LTC eligibility. We expect this process change will improve the timeliness of LTC applications. Finally, in accordance with federal regulatory standards, we recently implemented new policies for determining when applications are delayed beyond 45/90 days due to applicant and third party delays. By tracking this data we will be able to provide a more accurate picture of the level of delay that is properly attributable to the agency.

<u>SNAP:</u>
Improving SNAP timeliness is an agency priority that has been reinforced by requirements of the preliminary injunction in the Briggs v. Bremby lawsuit. The department has made marked improvement since June 2013, notwithstanding the difficulty of making such improvements in the entirely new operational processing environment established with the deployment of ConneCT. As of December 2013, DSS is processing approximately 83 percent of regular applications and 80 percent of expedited applications timely, a significant improvement in a short period of time.

DSS is continuing to focus on improving SNAP processing timeliness through initiatives including, but not limited to: (1) the establishment of a new expedited SNAP application work pool in ConneCT to allow workers to more quickly identify and process applications subject to the very short expedited timeframe; (2) the statewide release of online applications which the department anticipates will also allow for quicker identification and processing of expedited SNAP applications; and (3) new policies such as the postponed interview and interview on-demand waivers obtained from FNS that allow the department more flexibility in completing interviews required for eligibility determinations."

2013-013 Special Tests and Provisions – EBT Card Security

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Number: 4CT400400

Background: The objective of SNAP is to help low-income households buy the food they need for good health. The Department of Social Service (DSS) is responsible for administering SNAP in accordance with the provisions of Title 7 Code of Federal Regulations (CFR) Part 247 Section 5.

Caseworkers at DSS district offices process SNAP applications and make eligibility determinations based on household size and income. Caseworkers enter client information into the DSS Eligibility Management System (EMS) and also have access to make any changes to client information in the system. DSS issues benefits to eligible households through electronic benefit transfer (EBT) cards, which can either be mailed to clients or picked up from the DSS central office or respective district office by clients with proof of identification. SNAP EBT cards can be used to purchase food at authorized retail stores.

Condition: During the course of our audit, we learned of at least five separate instances of DSS employees who allegedly inappropriately obtained EBT cards to access federal SNAP and other state program benefits for personal gain. The total amount of the fraudulent activity that had occurred cannot be determined since cases are under investigation.

Effect: DSS has lessened its assurance over EBT card security.

Cause: The lack of adequate controls and poor segregation of duties allows caseworkers the ability to make unauthorized changes to client information, award inappropriate program benefits in EMS, and obtain custody of the EBT cards that contain the benefits.

Recommendation: The Department of Social Services should ensure adequate security and control procedures over electronic benefit transfer cards.

Agency Response: “The department agrees with this finding. In October 2013, the department reviewed, reissued and tightened the procedures for securing EBT cards in all of the DSS regional offices. This included a separation of duties in each office for receipt of the EBT card, and the disposition of the EBT card when picked up by a client or destroyed. It also includes additional narrative entries when an EBT card is received in the regional office, whether it is picked up by the client, or destroyed.

Additionally, Central Office Quality Assurance will continue to review monthly reports of benefit issuances of cash and SNAP for potential employee fraud/impropriety with an emphasis on cases where the DSS regional office is the address of record.

The department would like to point out that not all five instances occurred during this audited period. In fact, three instances occurred prior to the audited period."

2013-014 Reporting – TANF ACF-196

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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 (QE) September 30, 2012, and March 31, 2013. Our review disclosed the following errors related to the amounts reported as Federal TANF Expenditures (Column A):

- The amount reported on Line 6j – Administration for the QE September 30, 2012, was $13,217,154, but should have been $13,288,586, for an understatement of $71,432.
- The amount reported on Line 6m – Other Non-Assistance for the QE September 30, 2012, was $113,558,616, but should have been $113,479,629, for an overstatement of $78,987.
- The amount reported on Line 6h- Prevention of Out-of-Wedlock Pregnancies for the QE March 31, 2013, was $33,772,991, but should have been $34,305,305, for an understatement of $532,314.

During the performance of other audit testing, the following additional errors related to the amounts reported as Federal TANF Expenditures (Column A) were noted on the TANF ACF-196 Financial Reports submitted for the QE December 31, 2012 and the QE June 30, 2013:

- The amount reported on Line 6h - Prevention of Out-of-Wedlock Pregnancies for the QE December 31, 2012, was $21,902,753, but should have been $20,263,162, for an overstatement of $1,639,591.
- The amount reported on Line 6h – Prevention of Out-of-Wedlock Pregnancies for the QE June 30, 2013, was $60,364,893, but should have been $60,967,223, for an understatement of $602,330.
- The amount reported on Line 6j – Administration for the QE June 30, 2013

was $8,995,605, but should have been $8,994,870, for an overstatement of $735.

- The amount reported on Line 6l – Non-Assistance Authorized Under Prior Law for the QE June 30, 2013 was $10,917,192, but should have been $10,911,893, for an overstatement of $5,299.
- The amount reported on Line 6m – Other Non-Assistance for the QE June 30, 2013 was $79,808,083, but should have been $79,957,918, for an understatement of $149,835.

Effect: DSS overstated the amounts reported on lines 6h, 6j, 6l, and 6m by a total of $368,701.

Cause: The misstatements 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. We have instituted some system changes that automatically link report files to the original supporting documentation that will help prevent future data input errors. We will refile the FFY 2013 report to correct these errors when the TANF report for QE March 31, 2014 is filed."

2013-015 Eligibility

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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. If the client is determined to meet work exemption requirements, the Department of Social Services (DSS) caseworker would enter a specific code in the DSS Eligibility Management System (EMS) to indicate exempt status.

Title 45 Code of Federal Regulations Part 205 Section 6 provides that the state agency will maintain records necessary for the proper and efficient operation of the plan, including records regarding applications and the determination of eligibility.

Condition: We randomly selected 40 benefit payments totaling $16,798 made on behalf of TANF recipients from 190,828 payments totaling $77,214,979. Of this $77,214,979, $7,829,429 (or 10.1 percent) was claimed as direct federal expenditures, and $69,385,550 (or 89.9 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 the following:

1. In two cases, the adult recipients' work participation statuses in EMS were incorrectly coded as exempt from work requirements.
2. In one case, the client case file was missing.

Effect:

1. Clients were erroneously not required to participate in work activities in accordance with program requirements. Also, the months that they were inappropriately exempt from work requirements were not counted towards the time limitations for receiving TANF assistance.
2. A benefit payment of $63 was made to a client who may not have been eligible for services.

Cause:

1. Clerical error and lack of follow-up procedures resulted in the work participation statuses being miscoded.
2. DSS staff informed us that the file could not be located.

Recommendation: The Department of Social Services should ensure compliance with the Temporary Assistance for Needy Families requirements related to client and case eligibility.

Agency Response: "The department agrees with this finding. We will notify TFA staff via e-mail and alert our training staff to insure ongoing training curricula is revised to address the deficiencies found in the audit review."

2013-016 Allowable Costs/Cost Principles – Department of Children and Families Claims

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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: Prior audits have revealed inaccuracies in the reporting system used to determine the DSS claim of DCF case management and foster care maintenance payments under the TANF program. Case management expenditures were claimed based on summary reports that were not supported by detailed reports of clients eligible under the TANF program. Foster care maintenance payments were claimed on behalf of some children who we found were not determined eligible by DCF under TANF. In these cases, the eligibility determinations were correctly reflected in the DCF eligibility system but were still included in the report of payments claimed for reimbursement under TANF. In addition, we had been unable to reconcile the difference between the monthly maintenance payment and amount claimed for a child who had entered their fifth month of foster care.

Although DCF has developed a new eligibility and reporting system, it has not yet been implemented and expenditures are still being claimed under the TANF program based on information from the old system.

Effect: DSS claimed case management and foster care maintenance payments based on TANF eligibility data that historically has not been adequately supported.

Total in-home, out-of-home and administrative case management expenditures claimed under the TANF program in the state fiscal year ended June 30, 2013, totaled $59,820,482. Total foster care maintenance payments, including prior fiscal year adjustments, claimed under the TANF program in the state fiscal year ended June 30, 2013, totaled $1,917,197.

Cause: The logic of the reporting system used to claim case management and foster care maintenance payments appears to be inadequately designed.

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: "The department disagrees with this finding.

Based on SFY 2012 audit findings, DSS changed its procedures to recognize the shortfalls in the current Maximus reporting system. For the Case Management claim, the total costs claimable to TANF were reduced from 10 percent to 20 percent. For the Foster Care (Residential Care Months 5-12), 10 percent was taken off the claimable amount.

<u>Case Management:</u>
For QE December 31, 2012, DSS reduced the TANF claimable amount from 10 percent to 20 percent or $25.2 million to $22.4 million, a difference of $2.8 million. We therefore conclude that the state has more than adequately adjusted for the discrepancies in the Maximus reports.

Foster Care Maintenance:
For QE December 31, 2012, DSS reduced the claimable amount for Foster Care Maintenance by 10 percent or $44,543.

DCF Systems:
DSS is waiting for DCF to complete the programming of a new computer system that will address the deficiencies noted in this audit finding. DCF is anticipating going on-line with the system July 1, 2014. DCF will be conducting a test of the system with QE June 30, 2014 data. Dual reports will be run to verify reporting. Until the new system is in place, DSS will continue to discount the claimable TANF amount by 20 percent to offset potential claiming problems in Case Management and 10 percent for Foster Care Maintenance. We feel that these discounts will adequately address the reporting deficiencies."

2013-017 Subrecipient Monitoring – Judicial Branch

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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 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: Title 45 CFR Part 92 Section 26 provides that TANF program grantees and sub-grantees 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 sub-grantees: (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.

Condition: Our review of Judicial's procedures related to monitoring consisted of testing a sample of nine subrecipients of the TANF program. Our testing disclosed the following:

- Award Information:
  Nine subrecipients were not provided with all the required federal award information.
- Monitoring Activities:
  As noted in prior audits, 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.

Effect: There is reduced assurance that federal funds are used for allowable activities.

Cause: Inadequate procedures are in place related to the monitoring of Judical's subrecipients of TANF program funds.

Recommendation: The Department of Social Services and the Judicial Branch should establish policies and procedures to ensure the proper monitoring of Temporary Assistance for Needy Families program subrecipients.

Agency Response: *Response provided by the Judicial Branch:*
"As a pass thru entity, the Judicial Branch will continue to collaborate with the agency administering the TANF funds to obtain compliance with the federal regulations including the following two corrective actions for the above conditions:

Monitoring Activities:
Pursuant to the current Memorandum of Agreement (MOA) between the Judicial Branch Court Support Services Division (CSSD) and the Department of Social Services (DSS), the CSSD is not required to monitor the sub-recipients. Although the current MOA does not require the Judicial Branch to verify the TANF eligibility ratios, the CSSD sends client level data to DSS for cross-check/verification on a periodic basis during the state FY.

Award Information:
The current MOA also does not require inclusion of a CFDA number in the contracts, or notification that the payments made to the TANF-identified providers may be claimed under TANF. As required by federal regulations, the Judicial Branch will add award identification information provided by the Branch's Legal Services Unit including the CFDA title and number via contract Agreements/Amendments for the TANF funding in the future contracts."

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 may 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."

2013-018 Allowable Costs/Cost Principles – Department of Correction

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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.

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 the following expenditures incurred by DOC under TANF for the fiscal year ended June 30, 2013:

Component	Amount
Education and Training	$ 1,430,994
Addiction Services	2,887,344
Residential Services	16,556,613
Total:	$20,874,951

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 support for the DOC TANF eligibility ratios for the quarters ended September 30, 2012 and March 31, 2013, disclosed understatements in the ratios for the Addiction Services Program resulting in deficient claims totaling $18,395.
2. A review of 26 payments to vendors providing residential services claimed under the TANF program during the state fiscal year ended June 30, 2013, disclosed three instances in which payments were misstated resulting in deficient claims totaling $89,965.
3. A review of 25 payroll transactions claimed under the TANF program for the state fiscal year ended June 30, 2013, noted that 24 supporting time sheets 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 understated eligibility ratios resulted in understated costs totaling $18,395.
2. TANF claiming of expenditures that were misstated resulted in understated costs totaling $89,965.
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 understated 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. Understated claims for payments made to vendors were due to the failure to properly adjust quarterly payments following amendments to program budgets, as well as, undetected data entry and other human errors.
3. Unsigned time sheets 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:*
"Condition #1:
We have reviewed the Auditors finding on eligibility ratios for the Addiction Services program and agree. The error is due to incorrect reporting of information forwarded from Addiction Services used for the calculation for the TANF submission. In both quarters noted, the Addiction Services reports included inmates that should not have been included in that quarter's time period.

Budget staff met with the Counselor Supervisor who compiles and forwards the Addiction Services program reports for the TANF quarterly submission. He stated that he will review the reports more thoroughly to ensure that inmates reported fall within the reporting period. In addition, when the reports are received by the Budget Unit, a secondary review will be completed to ensure that all inmates listed meet the criteria for that quarter's TANF submission.

Revised TANF reports for the quarters noted in the findings will be forwarded to DSS with corrected numbers.

Condition #2:
The agency agrees with auditors findings concerning payments.

Adjustments to instructions for contract staff and supervisors were revised to reinforce that TANF payments need to be reviewed each quarter to ensure that reporting is based on the contractual terms for the quarter, not what was paid during the quarter. In addition, the backup excel spreadsheet will be forwarded to budget staff each quarter for a secondary review of excel formulas for accuracy of reported information.

Condition #3:
Beginning with the Pay Period Ended February 6, 2014, Education and Addiction Services staff will be receiving individual "Bi-Weekly Time Sheets" which requires the signatures of the employee and the employee's supervisor."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for administering and claiming all TANF expenditures for the State of Connecticut, this finding is directed towards the Department of Correction and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. There are similar situations (i.e., findings that pertain to DSS administered programs) in which the findings have been listed in the other agencies' section of the report. Therefore this finding should be listed under a section related to the Department of Correction. However, based upon the DOC concurrence with this finding, DSS will correct the DOC claimed amount when the QE March 31, 2014 reports are filed."

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.

2013-019 Allowable Costs/Cost Principles – Department of Mental Health and Addiction Services

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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 Mental Health and Addiction Services (DMHAS), costs incurred for the Compulsive Gamblers and Young Adult Services programs were determined to be eligible for federal TANF reimbursement.

DMHAS, in accordance with the TANF State Plan, provides reports of expenditures determined to be claimable under TANF to DSS, which are used by DSS to prepare the TANF claim. DSS claimed the following expenditures incurred by DMHAS for the fiscal year ended June 30, 2013:

Program	Amount
Young Adult Services	$21,407,496
Compulsive Gamblers	119,683
Total:	$21,527,179

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, not be included as a cost or used to meet cost sharing or matching requirements of any other federal award, and adequately documented. Also, charges to federal awards for salaries and wages must be documented and supported by personal activity reports or equivalent documentation that is signed by the employee and approved by a responsible official(s) of the governmental unit.

Condition: A review of 25 payroll transactions totaling $107,016 that were claimed under the Young Adult Services (YAS) program disclosed the following exceptions:

1. Eight employees that were included as non-medical costs for TANF reimbursement were also included in the calculation of the Medicare inpatient rate for fiscal year 2011-2012. The Medicare inpatient rate for fiscal year 2011-2012 was also used as the interim Medicaid inpatient rate for fiscal year 2012-2013. As a result, these employees' salaries were claimed under both the TANF and Medicaid federal programs.
2. One employee worked 31.25 overtime hours on a non-YAS program that was subsequently coded to the YAS program, and thereby, inappropriately claimed under the TANF program.
3. One timesheet in our sample was not signed by the employee and approved by a supervisor.

Effect: There is a lack of assurance that only allowable costs are being charged to federal awards, and in addition:

1. Payroll costs totaling $33,710 were included as a cost of both the TANF and Medicaid programs.
2. TANF claiming included $1,828 in questioned costs for overtime hours incorrectly coded to the YAS program.
3. Payroll costs totaling $4,990 that were charged to the TANF program may not have reflected the time actually worked.

Cause:

1. DMHAS was not aware of the expenditure coding being included in the inpatient rate calculation.
2. Historically, overtime worked at the various DMHAS locations was approved by the supervisors at the respective locations. However, due to recent changes to DMHAS procedures, the recording and verification of overtime hours worked at the various locations has become the responsibility of a single DMHAS supervisor without a secondary reviewer. The coding is not being adequately reviewed by management.
3. The unsigned and unapproved timesheet appears to be an isolated incident that occurred when the employee transferred between DMHAS locations.

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

Agency Response: *Response provided by the Department of Mental Health and Addiction Services:*
"Condition #1: DMHAS will adjust the process for future claims to exclude expenditures for departments that provide inpatient services. In addition, DMHAS will coordinate with the Office of the State Comptroller on an annual basis to review chartfields included in the statewide Medicare/Medicaid inpatient rate calculation and ensure there is no overlap between the DMHAS TANF claim and the expenses used to calculate those inpatient rates.

Condition #2: The department will review overtime costs for non-medical YAS staff and, if anomalies are found, forward it to the YAS program manager(s) to research and provide direction. If overtime costs are found to be miscoded to

YAS, they will be excluded from the claim.

Condition #3: This condition has been corrected since time and approval, for this employee, has been converted to the Core-CT self-serve system. As a result unsigned timesheets will not be an issue going forward."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for administering and claiming all TANF expenditures for the State of Connecticut, this finding is directed towards DMHAS and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. There are similar situations (i.e., findings that pertain to DSS administered programs) in which the findings have been listed in the other agencies' section of the report. Therefore this finding should be listed under a section related to the DMHAS. However, will DSS correct the DMHAS claimed amount when the QE March 31, 2014 reports are filed."

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 DMHAS, DSS is directly accountable for the proper use of the federal TANF funds provided.

2013-020 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: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
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 November 14, 2013, 10,216 alerts for the Medicaid, TANF and SNAP programs that were generated during the quarter ended December 31, 2012, have not been investigated, resolved or removed, as appropriate. The dates that these alerts were due to be resolved ranged from October 31, 2012 to February 11, 2013. Each alert is assigned a specific due date generated by the system. It should be noted that the report dated November 14, 2013, that was provided to us only includes those alerts that were originally generated during the quarter ended December 31, 2012, 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 January 10, 2013, the total number of alerts generated during the quarter ended December 31, 2012, was at least 20,543.

Our review of 15 alerts generated during the quarter ended December 31, 2012, that had been resolved as of November 14, 2013, disclosed four 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 could likely result in the alert being regenerated. Each of the reviewed cases was closed by DSS within two months of the alert display date and no assistance was provided to clients 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 with this finding and recognizes the importance of processing IEVS alerts. We will remind staff to check for IEVS alerts whenever they work on a case in EMS by email. This will also be a topic of discussion at the next Operations Mangers meeting. Additionally, DSS Program and Field Operation staff will review the finding in greater detail to determine if additional process improvements can be made."

2013-021 Subrecipient Monitoring

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTSOSR and G1301CTSOSR

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTLIEA and G1301CTLIEA

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 26, which applies to the TANF program, and 45 CFR 96.31, which applies to the SSBG and LIEAP programs, 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 various financial, programmatic and statistical, and monitoring reports to DSS 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 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 prior to award.

Condition: Our review of DSS procedures related to monitoring consisted of testing a total sample of 33 subrecipients including 25 subrecipients of SSBG funding, five subrecipients of TANF funding, and four subrecipients of LIHEAP funding, with one of these subrecipients having received both SSBG and TANF funding. Our testing disclosed the following:

- Award Information:
  Eleven 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 impart 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 20 subrecipients.
- Audit Requirements:
  For three subrecipients expending more than $500,000 in federal awards, the reports issued by the independent auditor did not list the federal programs and expenditures of awards made by DSS.
- DUNS Numbers:
  11 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 and to ensure that all required subrecipient reports, audit reports and DUNS numbers are properly on file.

Recommendation: The Department of Social Services should implement procedures to comply with Office of Management and Budget (OMB) Circular A-133, Subpart D – Section 400 (d) concerning its responsibilities as a pass-through entity and to ensure that subrecipients are properly monitored.

Agency Response: “The department agrees with this finding. Going forward the department will ensure that contracts will include the required federal award information. Templates will be revised to incorporate the required information.

The department will make efforts to ensure that required financial status, programmatic and statistical or monitoring reports required by the contracts are submitted in a timely manner for all subrecipients.

The department will ensure that all new applicable contracts include DUNS numbers. It should be noted, for contracts previously cited for the lack of a number, the information is included elsewhere in the contract file since the contract had been executed prior to the finding being reported."

2013-022 Earmarking – Temporary Assistance for Needy Families Transfers

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTSOSR and G1301CTSOSR

Background: The Department of Social Services (DSS) is designated as the principal state agency for the allocation and administration of the 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 SSBG. During the fiscal year ended June 30, 2013, DSS 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 (SDE) 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) provide that the state shall use all of the amount transferred into 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 agree with this finding.

The State Department of Education (SDE) transferred these contracts to the Office of Early Childhood (OEC) effective July 1, 2013. As the SDE is the Administrative Purposes Only agency for the OEC, we will ensure the following corrective action is implemented.

Specifically, OEC will issue a notification to all contractors annually in July that states the requirements to meet the poverty guidelines as published by the U.S. Department of Health and Human Services, and promulgated by the Connecticut Department of Social Services (DSS). SDE will cooperate with the DSS in ensuring that this communication occurs.

The OEC Program Manager will perform analyses/reviews to ensure that the Social Services Block Grant funds are used for programs and services for children or their families whose income is less than 200 percent of the official poverty guideline."

Response provided by the Department of Children and Families:
"We agree with this finding. The Department of Children and Families will work with the Department of Social Services to provide the documentation of compliance in meeting the program requirements of serving children and families within the income guidelines."

Response provided by the Department of Social Services:
"The department agrees with this finding. 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. 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 yearend report for submission to the federal government.

The new electronic statistical Quarterly Reporting Tool is in the final phase of testing. The procurement is on schedule to be done this year and for new contractors to be in place by October 1st. The new reporting tool will include verification of households served with SSBG/TANF and meet the requirement of the 200 percent FPL limit."

2013-023 Cash Management – Subrecipient Cash Balances

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTSOSR and G1301CTSOSR

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

Condition: The Department of Social Services (DSS) provides a majority of its SSBG funding to subrecipients. Our review disclosed that DSS normally advances SSBG funds to subrecipients on a quarterly basis. As a result, those subrecipients could have cash on hand on various occasions throughout the year that exceed their average weekly disbursements. Our review of 25 subrecipient financial reports disclosed that 16 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."

2013-024 Allowable Costs/Cost Principles – Board of Regents for Higher Education

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 Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTCCDF and G1301CTCCDF

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

Title 45 CFR Part 98 Section 13 provides that DSS must submit a CCDF plan. In accordance with the plan, the Board of Regents (BOR) for Higher Education administers the Connecticut Charts-A-Course (CCAC) program under a memorandum of agreement (MOA) with DSS. The goal of the CCAC program is to improve outcomes for children participating in early care and educational settings by promoting and assisting in the development of a well-trained and skilled workforce. Professional development opportunities include activities that lead to the acquisition of credentials, career development, and program improvement of any activity that improves skills and training. DSS claimed costs incurred by BOR for administering CCAC totaling $2,533,717 for the state fiscal year ended June 30, 2013.

Criteria: In order for the expenditures claimed by BOR to meet the requirements of CCDF, the costs must be allowable as defined under Title 42 United States Code Section 9858c(c)(3)(B).

Condition: During the fiscal year ended June 30, 2013, BOR prepared an annual financial report as documentation to the expenditures of $2,533,717. Documentation to these expenditures obtained from BOR staff did not adequately document these expenditures, so we attempted to reproduce financial records in Banner, the accounting system for the BOR. The total expenditures of the reports we produced were $2,383,695, a variance of $150,022 from the $2,533,717 amount.

Effect: BOR expenditures were overstated by $150,022.

Cause: BOR procedures for the preparation of its annual financial report were not sufficient to prevent the claiming of unallowable costs.

Recommendation: The Board of Regents of Higher Education should establish procedures to ensure that expenditures claimed on its annual financial report sent to the Department of Social Services contain only allowable costs.

Agency Response: *Response provided by the Board of Regents*:
"Corrective action is not required. As of July 1, 2013, administration of this

program was transferred from the Board of Regents for Higher Education to the Office of Early Childhood."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for administering and claiming all CCDF expenditures for the State of Connecticut, this finding is directed towards the Board and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. There are similar situations (i.e., findings that pertain to DSS administered programs) in which the findings have been listed in the other agencies' section of the report. Therefore this finding should be listed under a section related to the Board. However, DSS will correct the BOR claimed amount when the QE March 31, 2014 reports are filed."

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 BOR, DSS is directly accountable for the proper use of the federal CCDF funds provided.

2013-025 Cash Management – Subrecipient Cash Balances

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTLIEA and G1301CTLIEA

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 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 this program were made in a timely manner.

DSS procedures for advancing payments to subrecipients include transferring funds 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.

We tested 25 advances for program services made to 12 of the subrecipients and 25 advances for administrative costs and LIHEAP Assurance 16 case management costs made to 11 subrecipients. Our review disclosed that three of the 25 advances for program services and all 25 advances for administrative costs and LIHEAP Assurance 16 case management costs caused the LIHEAP subrecipients to have cash in excess of their needs on hand.

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: "The department is making an effort in how payments are made to the contractors. Program services payments are now being made on a bi-weekly instead of weekly basis. The department is still committed in ensuring that payments to vendors are made in a timely manner. The department thinks that the process described above for the release of payments provides the best way to ensure that the LIHEAP contractors pay for fuel deliveries in a timely manner. This ensures that vendors have the funds to obtain fuel to make further deliveries to eligible LIHEAP households. Due to retirement, there is currently two staff coordinating the processing of reports and payments to contractors that allows for adequate controls and separation of duties."

2013-026 Allowable Costs/Cost Principles – Cost Allocation Plan

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTSOSR and G1301CTSOSR

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 Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTCCDF and G1301CTCCDF

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Federal Awarding Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Number: 4CT400400

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTLIEA and G1301CTLIEA

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 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: We reviewed 60 non-payroll expenditure transactions totaling $1,929,623, which were selected from a population of transactions totaling $103,211,222 that were allocated to federal and state programs through the DSS CAP during the fiscal year ended June 30, 2013. Our testing of these transactions disclosed the following:

- One expenditure for $42,612 was improperly allocated to DSS federal and state programs. The expenditure was for disability determinations for the Medicaid and state-funded medical programs but was allocated to all medical programs including the Children's Health Insurance Program and Money Follows the Person.
- Eight expenditures totaling $67,327 for administrative overhead costs (utilities and office lease, for example) accumulated by some of the DSS district 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 district offices and the administrative overhead costs related to these district offices are not being allocated to DORS in accordance with the relative benefits received.

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

Cause: The errors were 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: "The department agrees with the finding related to disability determination services for medical programs. The DSS will review the item by March 31, 2014, to determine the appropriate changes necessary to best allocates costs to benefiting programs.

In regard to the DORS finding, the Department of Social Services is currently working with our Cost Allocation Contractor to review and assess any appropriate corrections/adjustments necessary for the Department of Rehabilitative Services (DORS). The review process has not yet been completed for SFY 2013. We anticipate doing so in the coming months and would be able to make any appropriate corrections/adjustments at that time."

2013-027 Allowable Costs/Cost Principles – Payroll Charges

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1205CT5MAP and 1305CT5MAP

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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 Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTCCDF and G1301CTCCDF

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Federal Awarding Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Number: 4CT400400

Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: G1201CTLIEA and G1301CTLIEA

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 adequately documented. Also, charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

Sound business practices dictate that timesheets be signed by the employee to confirm the hours worked.

Condition: Our review of 40 payroll transactions at the Department of Social Services (DSS) disclosed the following:

- Five timesheets in our sample were not on file.
- One timesheet was not signed by the employee.

Effect: Payroll costs that were charged to federal awards may not have reflected the time actually worked by the employees and may not have been approved by a responsible official in accordance with OMB Circular A-87. This lessens the assurance that only allowable costs are being charged to federal awards.

Cause: For the first exception, the five timesheets may have been misplaced. For the second exception, the employee was not available to sign the timesheet when it was prepared and DSS did not have the employee sign it subsequently.

Recommendation: The Department of Social Services should verify that all timesheets are on hand and are signed by the employee and a responsible official to ensure that only allowable costs are charged to federal awards.

Agency Response: "The Department agrees with this finding. The five missing timesheets were from regional office locations. The payroll department, as custodian for time & labor, will inform regional office timekeepers of the findings and review their method for checking that all timesheets have been received and filed correctly.

The timesheet that was not signed was also from a regional office location. We will send a message to regional office timekeepers to follow up on missing signatures before filing timesheets."

DEPARTMENT OF TRANSPORTATION

2013-100 Reporting - American Recovery and Reinvestment Act (ARRA) Reporting

Federal Transit Cluster (CFDA 20.500 and 20.507)
Federal Award Agency: United States Department of Transportation (Federal Transit Administration (FTA))
Federal Award Numbers: Various
Award Year: State Fiscal Year Ended June 30, 2013

Federal Highway Planning and Construction (CFDA 20.205)
Federal Award Agency: United States Department of Transportation (Federal Highway Administration (FHWA))
Federal Award Numbers: Various
Award Year: State Fiscal Year Ended June 30, 2013

High-Speed Rail Corridors and Intercity Passenger Rail Service–Capital Assistance Grants (CFDA 20.319)
Federal Award Agency: United States Department of Transportation (Federal Railroad Administration (FRA))
Federal Award Numbers: FR-HSR-0083-11-01-00, FR-HSR-0029-11-01-00
Award Year: State Fiscal Year Ended June 30, 2013

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

Condition: The Department of Transportation (DOT) received ARRA funding from the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA) and the Federal Railroad Administration (FRA). DOT received 161 awards: 152 FHWA, six FTA, two FRA and one sub-recipient (Department of Energy and Environmental Protection).

The conditions noted in our prior audit still existed in reports on www.Recovery.gov as of June 30, 2013. DOT's reporting to the federal government for 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 the number and amount of vendor transactions was incorrect or not reported. As we found last audit, DOT enters into agreements with sub-recipient municipalities, but does not report the amount given to the municipalities. Instead, it reports the amount the municipalities pay their vendors.

During our prior audit, FHWA was working with DOT to properly report their award in RADS (Resource Act Data System). The RADS allows DOT to enter all groups working on a project in the award table. The RADS file is downloaded into a folder and the information is then uploaded into FederalReporting.gov. The report from FederalReporting.gov is eventually uploaded into www.Recovery.gov. Errors, however, still exist in reporting vendor payments.

RADS is not used to report FTA grant activity. Instead, the information entered directly into FederalReporting.gov is uploaded into www.Recovery.gov. 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. Our review of FTA webinars on FTA's website shows that it is possible to enter the vendor information into FederalReporting.gov.

We reviewed ten reports on www.Recovery.gov: five FHWA, three FTA and two FRA. We found the following:

- Three of five FHWA reports contained errors in reporting vendor payments. For example, one report included an amount awarded of $2,430,911, however, vendor transactions totaled $4,661,709 on this report. It appears that the total includes payments to a municipality and the municipality's subsequent payment to a vendor.
- Two of three FTA reports did not reflect payments to vendors. For example, one report reflected an amount awarded of $43,791,192. DOT reported $42,031,628 in expenditures and no vendor payments. Our review of Core-CT disclosed 264 vendor payments to 19 vendors totaling $39,527,774.
- Both FRA reports did not accurately reflect payments to vendors. For example, one report disclosed $3,065,899 in expenditures and $8,457,226 in payments to vendors. Core-CT indicated that payments to vendors were overstated by $5,215,821. This total represents a combination of the actual expenditures and the federal share of the expenditures. The federal share is already considered in the total expenditure, thus was counted twice. We determined that the federal share percentage for this grant was approximately 67 percent.

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, the user may not receive information denoting which vendors receive the funds, the actual dollar amount received, or if the funds were awarded to a municipality.

Cause: During our prior audit, DOT and FHWA were working on a solution to comply with our audit finding. However, our current audit testing disclosed similar errors. We were unable to determine the cause during our current audit.

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

DOT incorrectly calculated total expenditures to vendors for one FRA report.

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 such a manner that amounts reported on recovery.gov for sub-awards and vendors reflect the amounts and number of payments that are in Core-CT so a user of www.Recovery.gov can see how the funds were expended.

Agency Response: "CFDA 20.205 – We agree with this finding in part
CFDA 20.500 and 20.507 – We do not agree with this finding
CFDA 20.319 – We agree with this finding

CFDA 20.205 FHWA
To address the Auditors of Public Accounts previous finding in this area, the department did make reporting changes that would reflect the concerns of the initial finding. 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.

Reporting adjustments included, but were not limited to, reporting payments for work completed by state forces, payments for work completed by the prime, payments made to municipalities and the amount paid to the prime by the municipality with this being identified as a sub-award and sub-payment. Payments made by the prime to their respective subcontractors would not be identified individually as CTDOT does not make any direct payment to such entities.

Since implementing the noted changes in reporting and adhering to Recovery Act Data System (RADS) Version 3.1 Guidance issued September 24, 2012, we experienced having full acceptance of our submitted information by FHWA into the RADS System as well as FederalReporting.gov.

As a result of the corrective action taken, in a letter from the USDOT FHWA Connecticut Division Administrator dated September 25, 2013, FHWA's management decision stated the following:

> "At a Division meeting regarding the Single Audit, FHWA – Engineering agreed to independently verify that the data in RADS supported CTDOT's statements that the department's corrective action in the submittal of data…was completed as of the September 30, 2012 submittal." Based on FHWA review of the data in RADS, it appears CTDOT's statement is true. Upon review of the Sub-awards tab in RADS, a list of usual CT contractors is populated in the Vendor column. The original audit finding was that CTDOT listed the LPA itself, such as the Town of Manchester as the sub-award, and not the prime contractor. CTDOT's response is found to be accurate and the audit finding is resolved.

A review of the three disclosed errors in the reporting vendor payments will be performed to identify specifically how these errors occurred. Corrections will then be made. Additionally, reports on www.Recovery.gov will be reviewed to ensure that department records match the information reported. Any additional variances will be looked into and any errors, if any, will be corrected.

<u>CFDA 20.500 and 20.507 – FTA</u>
The condition as stated above was communicated by CTDOT to the Auditors of Public Accounts that "FTA found no exceptions with the department'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."

The statement does not take into full account the review processes available to FTA to assess the compliance of ConnDOT's ARRA reporting requirements as a grant recipient. As grantor agency, FTA has access to ConnDOT reports that are filed on the FederalReporting.gov (FRG) website. Also, FTA monitors grantee compliance with award terms and conditions by means of the TEAM website. The FRG report page consists of three main tabs for input of information as applicable to the grant: Prime Recipient, Sub Recipient and Vendors. When a report is filed, FTA reviews the FRG data and posts a comment for the response and/or update action of the grant recipient if the information is determined to be incomplete, unclear, overly general or erroneous. In addition, to keep abreast of ARRA grantee reporting compliance, FTA retains a contract with ARRA report validation review specialists, reviews the separately reported ARRA QPR [Quarterly Progress Report] and FRS [Financial Status Report] report filed by CTDOT in TEAM and participates in regular Capital Progress meetings staffed by FTA senior management and their outside Project Management Oversight (PMO) consulting firms. On the basis of the level oversight accorded to the

ARRA grant awards, FTA has not found deficiencies in CTDOT's FTA ARRA grant reports. In fact, FTA has provided an e-mail that supports our reporting.

The FRG website does not provide for an FTA, ARRA grant recipient to elect to revise information in a previously submitted report. As required in the ARRA guidance, the process for changing information in FRG must be initiated by FTA. Moreover, 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. The specific action that FTA would be required to take would be by means of a report template that they would have to file to OMB on a federal-access only website.

CTDOT has not been informed of the need for such action by FTA in connection with our reporting. The aforementioned procedures describe CTDOT's ability to take independent action in this area.

CFDA 20.319 – FRA
Upon review of the back-up documentation provided, it was determined that the total amount reported in FederalReporting.gov represented a combination of the actual expenditure and the federal share of the expenditure. The federal share amount was counted twice.

ConnDOT will correct the amounts reported in FederalReporting.gov to conform to the SF-425's used to report in the FFR's (Federal Financial Report)."

Auditors' Concluding Comments:

The website www.Recovery.gov was created so taxpayers could track how and where ARRA funds were spent. FederalReporting.gov works in conjunction with www.Recovery.gov in that reporting in FederalReporting.gov is uploaded into www.Recovery.gov. The goal of Section 1512 of the Recovery Act is to provide transparency into the use of the funds. Recipient reports are required to include, among other items, details on sub-awards and other payments such as vendor payments. The data elements on www.Recovery.gov should be in agreement with Core-CT.

FTA's website contains a webinar entitled "Implementing the Requirements for Section 1512 of the American Recovery Reinvestment Act" and "1512 Reporting tips" that describe the requirements for ARRA recipients to report vendor information. We found no indication on FTA's website or in the American Recovery and Reinvestment Act that prime recipients should not report vendor payments. As mentioned by ConnDOT, the FRG report page has a specific tab for vendors. We do not know why the vendor information present in Core-CT was not entered into this tab. We reiterate that FTA, its validation review specialists, and outside Project Management Oversight consulting firm do not have access to Core-CT.

2013-101 Schedule of Expenditures of Federal Awards

Federal Transit Cluster (CFDA 20.500 and 20.507)
Federal Award Agency: United States Department of Transportation (Federal Transit Administration (FTA))
Award Year: State Fiscal Year Ended June 30, 2013
State Project Number: DOT01710305CN

Background: The CTfastrak project, formerly known as the New Britain-Hartford Busway, is funded by several federal grants through CFDA 20.500 and 20.507.

Criteria: The State Comptroller has designated, as indicated in the State Accounting Manual, the special identification number 22100 for federal grant activity for CFDA 20.500. The special identification number 22102 is assigned for federal grant activity for CFDA 20.507. Federal grants should be charged to the applicable state special identification number (SID) assigned to a particular CFDA number.

The Schedule of Expenditures of Federal Awards (SEFA) should reflect amounts expended for federal programs based on the special identification numbers assigned to that program.

Condition: The federal funding for this project comes from multiple grants authorized under two different CFDA numbers. The grants are entered into the Core-CT federal billing module and are billed on a first-in first-out basis. The project-activity combination codes that reflect the project activities that are approved for this project are attached to and activated in the active grant. The project-activity combination codes for these expenditures are CT0000, representing payments to contractors, and RF0000, representing payments for the railway workforce. In this case, the active grant (the first-in grant) was associated with CFDA 20.500, special identification number 22100. Only one project-activity combination code for each activity can be active at a time. The active project-activity combination codes for CT0000 and RF0000 that were active at the time of these expenditures and related federal billing were associated with CFDA 20.500 even though the grant that was billed was authorized under CFDA 20.507. When the limit for these project-activity codes is reached, the codes will be de-activated and new project-activity coding will be activated. The new project-activity combination codes will reflect the special identification coding associated with the then-active grant.

We found 12 expenditures for the CTfastrak project that were funded through CFDA 20.507 and billed to the same federal program, but were coded to the special identification number assigned to CFDA 20.500. The total amount miscoded was $24,856,276.

Effect: As a result, expenditures for the respective CFDA numbers had to be adjusted on the SEFA. We decreased the amount reported for CFDA 20.500 by $24,856,276 and increased the amount reported for CFDA 20.507 by the same amount. Although amounts billed to FTA are applied to the correct federal CFDA number, the state's accounting records for expenditures do not reflect the amount billed.

Cause: Staff that prepared the SEFA relied on coding that was entered by other staff members and did not realize that expenditures were overstated in one special identification number and understated in the other special identification number.

Recommendation: The Department of Transportation should modify its accounting procedures to allow the accurate recording of federal expenditures, using the correct special identification number that is associated with the related CFDA number. Appropriate adjustments should also be made to correct coding errors.

Agency Response: "We agree with this finding. Despite the fact that the department adheres to General Ledger controls when encumbering and expending funds and the Core-CT Federal Billing module controls when billing expenditures against federal grants, the net effect of adhering to these controls when a project is funded by more than one federal source of funding is the condition identified in this finding.

The department will be making an adjustment to the Core-CT project coding structure which will create unique activity coding that designate the different FTA federal sources of funding. This will ensure that funding being encumbered and spent against an FTA SID/CFDA number will be billed against that same FTA SID/CFDA number and will be subsequently reported correctly on the SEFA report.

Additionally, the department will be adjusting all currently active FTA projects to the new coding structure and making any necessary adjustments to the associated project expenditures and encumbrances."

2013-102 Davis-Bacon Act

Federal Highway Planning and Construction (CFDA 20.205)
Federal Award Agency: United States Department of Transportation (Federal Highway Administration (FHWA))
Award Year: State Fiscal Year Ended June 30, 2013
State Project: DOT00760216CN

Federal Transit Cluster (CFDA 20.500 and 20.507)
Federal Award Agency: United States Department of Transportation (Federal Transit Administration (FTA))
Award Year: State Fiscal Year Ended June 30, 2013
State Project: DOT03010072CN

Criteria: Title 29 Code of Federal Regulations (CFR) Part 5.5 requires contractors or subcontractors to submit a copy of the payroll and a statement of compliance (certified payrolls) for each week contract work is performed. It also states that the prime contractor is responsible for the submission of copies of payrolls by all subcontractors.

DOT's Construction Manual – Chapter 12, Section 1202D Processing Complaints or Violations, has procedures in place upon discovery of a violation concerning wages or certified payrolls. If the contractor's response to the district office does not satisfactorily resolve the issue, the assistant district engineer notifies the Connecticut Department of Labor's Wage and Hour Division of the alleged complaint by completion of a Prevailing Wage Referral form.

Condition: We tested ten projects for compliance with the Davis-Bacon Act. Our review found that for two of the projects, subcontractor payrolls were not received. We found:

- The subcontractor left the project site due to an internal dispute and failed to provide certified payrolls for the tested period of August 12, 2012. This subcontractor also worked on other DOT projects at this time. The project number is DOT00760216CN and is a FHWA project. It appears that DOT was aware of this noncompliance based on a memorandum dated April 12, 2013, with the subject "Response to Final Review." This memo indicates that the certified payrolls for this subcontractor had still not been received.
- The subcontractor was removed from the contract site due to weak performance and failed to provide certified payrolls for the tested period of June 4, 2013. The project number is DOT03010072CN and is a FTA project.

It appears that the prime contractor failed to notify the DOT district office of subcontractor noncompliance with certified payroll in a timely manner.

We found no evidence that the assistant district engineer notified the Department of Labor of the subcontractor's violation for project DOT00760216CN. The other subcontractor eventually went out of business.

Effect: DOT's prime contractors for these projects were not in compliance with the requirements of the Davis-Bacon Act.

Cause: We were unable to determine why DOT was not notified in a timely fashion of this noncompliance. There does not appear to be any penalty to the subcontractors for failing to provide certified payrolls to the prime contractors.

Recommendation: The Department of Transportation should revise its procedures for timely notification of noncompliance by subcontractors and provide additional training as needed. The department should also follow its procedures in its Construction Manual for notifying the Connecticut Department of Labor for noncompliance with the submission of certified payrolls.

Agency Response: "We do not agree with these findings and offer the following information for each of the two affected projects separately for clarification of administrative procedures.

For project DOT00760216CN (FHWA):
The subcontractor in question worked one 8-hr. shift in a delivery capacity. This is considered to be non-prevailing wage by USDOT. The Construction Manual requires referral to the Connecticut Department of Labor when there appears to be a violation in regards to prevailing wages and the District did not believe that one had occurred.

The department is currently reviewing the Construction Manual to see if language could be enhanced to address the specifications governing submission of certified payrolls, which was rewritten in Form 816: article 1.05.12, in July 2012. These specifications were changed to better reflect prevailing wage laws. The contractual requirement for all employees to appear on a certified payroll has been changed so only employees performing prevailing wage work need to appear on a payroll.

The department's Office of Construction does not believe a violation occurred.

For project DOT03010072CN:
There were discussions between the department's District Office and the Prime Contractor regarding the required subcontractor certified payrolls. The subcontractor was non-responsive. The Prime Contractor removed the subcontractor due to poor performance. The subcontractor failed to provide the required certified payroll documents and subsequently went out of business.

The Office of Construction will review this issue with District 4 staff and remind them to follow up discussions with written notification to the Prime Contractor."

Auditors' Concluding Comments: During our audit of certified payrolls, at no point did department employees involved with compliance with the Davis-Bacon Act inform us that the subcontractor did not have to submit certified payrolls. In fact, various communications obtained from the department acknowledge that the subcontractor did not submit certified payrolls and at no time did the department state in these communications that the certified payrolls did not have to be submitted. An e-mail dated March 20, 2013 from the prime contractor to the subcontractor informs the subcontractor that required payroll documents need to be submitted to them. The prime contractor has been doing business with the department for some time and it would appear that if certified payrolls were not required, then the prime contractor would not have requested them. The prime contractor also e-mailed the department that it had attempted to obtain the certified payrolls but did not receive them and would attempt to again obtain these certified payrolls. A DOT Memorandum dated April 12, 2013, addressing (DOT) Headquarters' Final Review of the project which includes an exception for the subcontractor not submitting certified payroll as required by the prime contractor notes that the issue had been addressed but not corrected. During our review, we found no direction from the department that the prime contractor did not need to obtain the certified payrolls.

Our test included the week that contained the date August 12, 2012 (Sunday). Certified payrolls start on Sunday. The department's site manager indicates that the subcontractor was on site that day and August 13, 2012. The subcontractor indicated in correspondence to the prime contractor that he would be leaving the job "after completion of hauling services on August 13, 2012." One of the reasons cited by the subcontractor was "profit loss as a result of working 9-10 hour night shifts with the maximum load of 2-3 per night." The subcontractor's statements do not support delivery services. FHWA guidance indicates that drivers are covered under the Davis-Bacon Act unless the driver is at the site only for a few minutes at a time to pick up or drop off materials or supplies.

2013-103 Environmental Compliance

Federal Transit Cluster (CFDA 20.500 and 20.507)
Federal Award Agency: United States Department of Transportation (Federal Transit Administration (FTA))
Award Year: State Fiscal Year Ended June 30, 2013
State Project: DOT01710305CN

Criteria: Title 23 Code of Federal Regulations (CFR) Section 139(c)(4) requires that the grant recipient comply with all design and mitigation commitments made in any environmental documents prepared for the project.

The Final Environmental Impact Statement for the CTfastrak project, formerly the New Britain-Hartford Busway, specifies that asbestos abatement will be performed as necessary in accordance with all applicable federal, state, and local regulations as described in Section 4.10 "Mitigation of Impacts on Hazardous/Contaminated Risk Sites."

Condition: The company hired by DOT to oversee asbestos abatement project compliance was not informed by the contractor performing the work that the abatement had begun. The asbestos abatement contractor removed asbestos containing materials from a building slated to be moved from the area of the project and placed the asbestos containing materials along with other demolition debris in a single dumpster. The company that was hired to oversee the project arrived on the project site and had the asbestos abatement contractor segregate all the materials from the dumpster into two separate dumpsters. After this was completed, it was determined that not all previously identified asbestos materials were there.

Effect: Hazardous materials were not removed according to applicable state and federal regulations as described in section 4.10 of Final Environmental Impact Statement.

Cause: The contractor hired by DOT to oversee the asbestos abatement process was not informed by the asbestos abatement contractor that work was beginning.

Recommendation: The Department of Transportation should ensure that contractors and subcontractors hired to perform abatement activities comply with all mitigation commitments made in environmental documents prepared for the project.

Agency Response: "We agree with this finding in part. To clarify the Auditors' finding: Asbestos abatement activities were initiated by the Contractor without the Contractor providing the contractually required notification to the department or to the department's environmental consultant. Upon notification that asbestos removal had commenced, the department's retained environmental consultant was dispatched to the site, at which time they identified asbestos materials comingled in a dumpster with other construction debris. The environmental consultant directed the contractor to segregate the materials for proper disposal and provided a thorough inspection of the dumpster and surrounding area to ensure all asbestos materials present were properly removed for disposal. However, it was noted that not all of the asbestos contained material (ACM) previously identified within the building during the design phase was present at the site at the time of the consultant's arrival on site.

Hazardous materials were not removed according to applicable state and federal regulations as described in section 4.10 of the Final Environmental Impact Statement.

The Consultant hired by the department to oversee and inspect the asbestos removal work was not informed by the asbestos abatement contractor that work was beginning.

The department's Office of Construction will remind all District Construction Offices of the contractual requirement that the department's environmental consultant must be on site during abatement activities to ensure that the contractor complies with all the contractually specified mitigation commitments made in environmental documents prepared for a project."

2013-104 Reporting - Federal Funding Accountability and Transparency Act Reporting

Highway Planning and Construction (CFDA 20.205)
Federal Award Agency: United States Department of Transportation (Federal Highway Administration (FHWA))
Award Year: State Fiscal Year Ended June 30, 2013
Federal Project Numbers: Various
State Project: Various

Federal Transit Cluster (CFDA 20.500 and CFDA 20.507)
Federal Award Agency: United States Department of Transportation (Federal Transit Administration (FTA))
Award Year: State Fiscal Year Ended June 30, 2013
Federal Project Numbers: Various

High-Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants (CFDA 20.319)
Federal Award Agency: United States Department of Transportation (Federal Railroad Administration (FRA))
Award Year: State Fiscal Year Ended June 30, 2013
Federal Project Numbers: Various

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

The amount of the subaward is defined as the "net dollar amount of federal funds awarded to the subawardee including modifications."

The subaward obligation/action date is defined as the "date the subaward agreement was signed."

Subawards for federal awards should be readily identifiable in the state's accounting records.

Condition: Our prior audit found that the subaward obligation/action date was incorrect in all of the USASpending.gov reports. DOT used the federal-aid agreement date instead of the date the subaward agreement was signed for all FHWA subawards. This condition was also found during the current audit period. DOT implemented new procedures effective October 1, 2013. We will review these procedures in our next audit.

During this audit, we reviewed three reports from USASpending.gov We found:

- DOT reported a sub-grant of $40,000 that should not have been reported since there is no local share. The federal award identification number is 09PEDS159LU2010.
- DOT reported a sub-grant of $2,514,464 with the sub-grant obligation/action date of March 19, 2013 for federal award identification number 09000R638L40030. We found this to be incorrect. DOT files contained a sub-grant of $2,418,000 and the sub-grant obligation/action date should be June 6, 2012.

- DOT reported a sub-grant of $60,000 with a sub-grant obligation/action date of March 27, 2013 for federal award identification number 09H074004HY1010. We found that while the federal aid agreement authorized $60,000 on March 27, 2013, a sub-grant agreement was not entered into until August 30, 2013, and the maximum amount reimbursable to the municipality under this contract was $118,400.

DOT has not reported any subawards for the Federal Transit Cluster and High-Speed Rail program.

The department does not have a means of readily obtaining subaward data from Core-CT, the state's accounting system, for FHWA awards. When we attempted to obtain a sample based on expenditures, we found that DOT does not code to the expenditure account 55050 - (pass thru grant non-state) specified in the State Accounting Manual. As a result, we had to rely on the department to provide us with all subawards made that should be reported to comply with the Transparency Act.

Effect: Reviewers of USASpending.gov are not provided with accurate or complete information.

Cause: It appears that DOT was not aware it was using the incorrect date for the date of the subaward obligation/action date last audit. DOT did not have a mechanism in place to ensure that the correct amounts of subawards are reported.

The reporting of a $40,000 subaward was an error.

FTA and FRA awards were not reported because DOT is trying to determine the DUNS numbers for the sub-grantees.

Recommendation: The Department of Transportation should ensure that correct information is reported in the Federal Funding Accountability and Transparency Subaward Reporting System and subsequently into USASpending.gov in order to comply with the Federal Funding Accountability and Transparency Act. The department should report all subawards for all federal reports.

Agency Response: "We agree with this finding [for all three programs].

<u>CFDA 20.205</u>
Based on the original finding in the 2012 Statewide Single Audit (SWSA), the department implemented new procedures for sub-award reporting effective October 1, 2013. The document entitled "Transparency Sub-Award Reporting Procedures for FHWA Sub-Awards" outlines the procedures that have been followed for reporting sub-awards that were awarded since October 1, 2013. This document was provided to the state auditor on September 19, 2013.

Three reports were reviewed as part of the SWSA for (SFY) state fiscal year 2013, confirming that the same condition that was found in the SFY 2012 audit, pertaining to incorrect sub-award information, still existed. Under the department's new procedures, a sub-award would not have been reported for federal award identification number 09PEDS159LU2010, and the amounts and sub-award dates reported for 0900R638L40030 and 09H074004HY1010 would agree with those determined by the state auditor.

While the department does not have a means of readily obtaining sub-award data from Core-CT for FHWA awards, the procedures currently being followed allows the department to identify sub-awards when they occur and report them in the Federal Funding Accountability and Transparency Sub-award Reporting System within the required 30 days after the month in which they occurred.

CFDA 20.500 and 20.507 and CFDA 20.319
The department has developed a methodology to satisfy the FFATA reporting requirements for the collection and presentation of the required data in the Federal Subaward Reporting System (FSRS). To that end, as a "first step", a Core-CT query was developed that captures each subaward tied to a specific project number valued at $25,000 or greater under each FTA and FRA grant awarded since October 2010. Although the query information fulfills part of the FSRS reporting requirement, additional required information including DUNS numbers and the specific date for each subaward is not available in Core-CT. To address this, the department is attempting to determine the DUNS numbers for every individual subaward tied to a federal grant, as the FSRS will not allow reports to be filed without this information. The department is also currently obtaining the subaward dates, as available by subaward type, from the records of three sources within the department: Agreements Section, Contracts and Purchasing. The department has obtained a significant portion of the DUNS and subaward dates information needed for this report and anticipate that all such items will be obtained by March 31, 2014. The department is currently proceeding to use the available DUNS and subaward date information to fulfill the FSRS online report filing requirements. The work in progress entails the necessary retroactive "back-filling" of reports for each month dating to the FFATA inception in October 2010. The anticipated date for completion of the FSRS reporting of all subawards for all federal grants awarded since October 2010 is by June 30, 2014."

2013-105 Reporting - Federal Financial Reporting

High-Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants (CFDA 20.319)
Federal Award Agency: United States Department of Transportation (Federal Railroad Administration (FRA))
Award Year: State Fiscal Year Ended June 30, 2013
Federal Award Numbers: RFHSR-0125-12-01-00, FR-HSR-0083, FR-HSR-0029

Criteria: The Federal Financial Report SF-425 is required to be submitted quarterly to FRA. Instructions obtained from FRA's website state that for cash disbursements "enter the cumulative amount of federal fund disbursements as of the reporting period end date. Disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to subrecipients and contractors." For federal share of expenditures on the cash basis, "expenditures are the sum of cash disbursements for direct charges for property and services; the amount of indirect expense charged; and the amount of cash advance payments and payments made to subrecipients."

Condition: We reviewed the quarter ended June 30, 2013, for the three grants awarded to DOT. Our review disclosed that DOT did not report the correct amount of cash disbursements or for the federal share of expenditures amounts.

Grant award RF-HSR-0125-12-01-00: There were no cash disbursements reported and the federal share of expenditures reported was $11,407. Cash disbursements according to Core-CT were $15,057,684.

Grant award FR-HSR-0083: Cash disbursements reported were $1,275,255 (the same amount as cash receipts) and the federal share of expenditures reported was $3,314,594. Cash disbursements according to Core-CT were $4,765,080.

Grant award FR-HSR-0029: Cash disbursements reported were $3,065,899 (the same amount as cash receipts) and the federal share of expenditures reported was $5,230,377. Cash disbursements according to Core-CT were $7,075,324.

Effect: Cash disbursements and the federal share of expenditure amounts reported were incorrect.

Cause: We were informed by DOT staff that they used the same method of reporting that was used when preparing the SF-425 report to FTA. FTA requires that DOT report billed amounts (BLDs) on the SF-425 report instead of the cumulative amount of expenditures on the state's accounting system. DOT informed us that it did not receive instructions from FRA on how to report expenditures on this form. We obtained the instructions we used for testing from FRA's website.

Recommendation: The Department of Transportation should prepare the SF-425 report in accordance with instructions on the Federal Rail Administration's website.

Agency Response: "We do not agree with this finding. The FRA definition cited in the finding is as follows: "enter the cumulative amount of federal fund disbursements as of the reporting period end date. Disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to sub recipients and contractors." In the department's federal billing system, the definition of a federally funded disbursement is interpreted as an expenditure that has been coded to a federal SID, that has been successfully analyzed by the Core-CT Billing Module, and designated as a Core-CT billable transaction (BIL analysis type), and also has been billed and accepted by the federal agency and marked as a billed transaction (BLD) in our system. In the specific case referred to in this finding the department have been expending against the FRA SID, those transactions have been, priced and designated as billable transactions (BILs), but since FRA has suspended their reimbursements due to grant budget issues, they were unable to become billed transactions (BLDs). The result being that until FRA approves a billing and it is then subsequently designated as a BLD, the transaction is not a federally funded transaction. Therefore, when the department prepared the Federal Financial Reports (FFR) cited in this finding, it correctly used the BLD transactions as a basis for identifying the federal share of expenditures."

Auditors' Concluding Comments: The department reported $26,871,550 as expenditures on the Schedule of Expenditures of Federal Awards after making net adjustments of $26,538 to the Core-CT disbursements. It appears that for the Schedule of Expenditures of Federal Awards, the department is considering amounts coded to federal special identification numbers as federally funded transactions; however, for the SF-425, it appears that these expenditures are not considered federal until funding is received from FRA.

2013-106 Procurement and Suspension and Debarment

Federal Transit Cluster (CFDA 20.500 and 20.507)
Federal Award Agency: United States Department of Transportation (Federal Transit Administration (FTA))
Award Year: State Fiscal Year Ended June 30, 2013
Federal Award Numbers: CT-90-0510 and CT90-0391
State Project: DOT04300022RS and DOT04000023EQ

Criteria: Title 49 Code of Federal Regulations (CFR) Section 661.12 requires bidders to submit certification that it will comply with Buy America rolling stock requirements. Section 661.13 makes the grant recipient, the Connecticut Department of Transportation, responsible to require the completed Buy America certification.

Title 49 CFR Section 663.21 requires a grant recipient purchasing revenue service rolling stock to ensure that a pre-award audit is completed before entering into a formal agreement for the purchase of such rolling stock.

Title 2 CFR Section 180.300 requires verification that a party is not excluded or disqualified before entering into a transaction with that party. Section 180.310 prohibits renewing or extending transactions with excluded parties when a federal agency excludes the party during the term of an existing transaction.

Condition: We tested nine projects for compliance with federal procurement and suspension and debarment requirements. We found that, through project DOT04300022RS, the DOT purchased 20 paratransit vehicles in December 2012 through an operating vendor, North-East Transportation Company, without requiring the vendor to submit a Buy America certificate. In addition, the DOT could not provide documentation of the pre-award audit (certification).

We also found that DOT did not verify that the operating vendor for project DOT04000023EQ was not suspended, debarred, or otherwise excluded from being awarded a contract funded with federal assistance, prior to extending the contract on September 30, 2011.

Effect: DOT was not in compliance with federal Buy America requirements, nor with the requirements concerning suspension and debarment. The cost of the buses purchased without proper certification is $1,474,130. The federal share is $1,179,304.

Cause: Authorization for the purchase of the paratransit vehicles was achieved through an addendum to the existing operating agreement. As the purchase of rolling stock typically is not part of an operating agreement, the documentation requirements for such purchase were overlooked. Regarding verification that a vendor is not suspended or debarred prior to awarding a contract, it is the department's policy, for operating agreements, to check for suspension and debarment when federal funding is approved, but not before agreement execution.

Recommendation: The Department of Transportation should revise its procedures to allow for verification that operating vendors are not suspended or debarred prior to awarding such contracts. The department should comply with Buy America requirements contained in title 49 CFR.

Agency Response: "Procurement – We agree with this finding.
Suspension and Debarment – We agree with this finding in part.

Procurement
The department will ensure that the oversight of future purchases will include the verification that a vendor is not suspended or debarred prior to approving a contractor/subrecipient to proceed with a purchase. Further, the department will ensure that our contractors/subrecipients verify that any vendor they intend to utilize is not suspended or debarred prior to awarding a contract. In addition, the department will ensure that the oversight of these purchases will include Buy America requirements, pre-award and post-delivery reviews/certifications and that they are in compliance with title 49 CFR.

Oversight will commence immediately and written procedures will be developed to implement the oversight needed.

Suspension and Debarment
For Agreements between the department and the North-East Transportation Company, Inc., the department's Office of Transit and Ridesharing (OT&RS), files the printout from the System for Award Management (SAM) website at the time a Transit Operating Document (TOD) is executed by the department. Included in these printouts, is one dated August 22, 2012, and one dated January 3, 2013, which are contemporaneous to the execution of Agreement 6.14-02(12) and TODs commencing on December 13, 2012.

For all future operating Agreements, including Agreements with First Transit, Inc., the OT&RS has added now the search of the SAM website at the time of their execution to verify contractors are not suspended or debarred. The printouts from the SAM website are kept on file at OT&RS for all contracts and/or TODs containing operating projects subsidized with federal funds. This extra step has been included in the contracting process checklist."

Auditors' Concluding Comments: We did not cite the department for suspension and debarment for its agreement with the North-East Transportation Company, Inc. during this audit. We accepted the documents provided that were mentioned above as compliant with the federal requirement for suspension and debarment.

DEPARTMENT OF LABOR

2013-150 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 # 17.278)
Federal Award Agency: United States Department of Labor
Award Years: Program Year 2011-2012, Federal Fiscal Year 2012-2013
Federal Award Numbers: AA-22926-12-55-A-9

Criteria: Title 2 Code of Federal Regulations Part 170 imposes 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: Prior audits of WIA subaward reporting have disclosed internal control deficiencies for the last two years. Our review for the fiscal year ended June 30, 2013, disclosed the following:

- For four subawards totaling $13,211,293, the department did not report subaward data for the WIA Adult and Dislocated Workers programs.
- For one subaward totaling $3,293,104, the department reported subaward data for the WIA Adult and Dislocated Workers programs eight months late. We also noted that for two subawards totaling $2,415,484, the department reported subaward data for the WIA Youth Activities program 25 days late.
- For all required subawards, in reporting the subaward obligation/action date, the agency erroneously reported the subaward period start date instead of the date that the subaward was signed.

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

Cause: There was a lack of management oversight.

Recommendation: The Department of Labor should strengthen internal controls to ensure compliance with the Federal Funding Accountability and Transparency Act.

Agency Response: "We agree with this finding. Reporting procedures have been developed and as of this date, DOL has requested technical assistance in regard to how grant awards and sub-awards should be reported on the Federal Funding Accountability and Transparency Act website. Moving forward, funding awards will be reported timely, by the end of the month following the month the award was made. Upon guidance from U.S. DOL, DOL will report PY13 [program year] allocations correctly. Upon guidance from U.S. DOL, DOL will make the corrections cited in the state audit report for PY12 reporting. "

2013-151 Reporting – ETA-9130

Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)
WIA Youth Activities (CFDA # 17.259)
WIA Dislocated Workers (CFDA # 17.278)
Federal Award Agency: United States Department of Labor
Award Years: Program Years 2010, 2011, and 2012,
Federal Fiscal Years 2011, 2012, and 2013
Federal Award Numbers: AA-20185-10-55-A-9, AA-21386-11-55-A-9, and AA-22926-12-55-A-9

Criteria: Title 20 Code of Federal Regulations (CFR) Section 667.300 requires that recipients report financial data in accordance with instructions issued by the U.S. Department of Labor (U.S. DOL). A state or other direct grant recipient may impose different forms or formats, shorter due dates, and more frequent reporting on subrecipients. The U.S. DOL requires recipients to report total cumulative accrued expenditures and total cumulative administrative expenditures charged to statewide activities on form ETA-9130.

Title 29 CFR Section 97.20 provides that the financial management systems of grantees and subgrantees must meet financial reporting and accounting standards as follows: (1) accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant; (2) grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures and income.

Condition: Our review of the ETA-9130 financial reports for the quarter ended June 30, 2013, revealed that the Department of Labor understated statewide activity expenditures by $572,643.

Financial reports from the five Workforce Investment Boards are submitted quarterly to the department for use in preparation of the ETA-9130. The reports are in a format similar to the ETA-9130, and as such, only present highly-condensed financial data. A consolidated compliance monitoring review conducted in March 2013 by the U.S. DOL Employment and Training Administration disclosed that this limited format does not meet the federal standards for financial management and reporting.

Effect: Inaccurate financial data was reported on Form ETA-9130. Incorrect reporting could impact future grant award and budgeting decisions.

Cause: Errors were made during the preparation of the ETA-9130 report causing expenditures to be understated. The department does not have adequate procedures in place to ensure accuracy of financial reporting data.

Recommendation: The Department of Labor should strengthen internal controls to ensure compliance with U.S. DOL financial reporting instructions, including obtaining more detailed financial information from the Workforce Investment Boards.

Agency Response: "We agree with this finding. The understated expenditures of $572,643 will be corrected in the ETA-9130 financial reports for the quarter ended December 30, 2013. Agency procedures for ETA-9130 financial reporting have been updated and completed. The procedures are in compliance with U.S. DOL instructions. As a follow up to TEGL [Training and Employment Guidance Letter] 13-12 dated February 8, 2013 concerning ETA-9130 reporting, the agency is once again reviewing its reporting procedures in order to assure continued compliance."

2013-152 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: United States Department of Labor
Award Years: Program Years 2010-2011 and 2011-2012, Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: AA-21386-11-55-A-9 and AA-22926-12-55-A-9

Criteria: Title 31 Code of Federal Regulations Section 205.33 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). Prior audits of WIA cash management have disclosed internal control deficiencies for the last two years. Our review of the WIBs' quarterly financial reports and payment request forms for the fiscal year ended June 30, 2013, revealed that the Department of Labor provided 23 cash advances to three WIBs in excess of immediate cash needs, totaling $2,903,615. We noted that the majority of funds advanced had not been disbursed by the WIBs from over two weeks to eight weeks 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 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 did not have adequate procedures in place to ensure compliance with federal cash management requirements.

Recommendation: The Department of Labor should strengthen internal controls 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 issued AP [administrative policy] 13-10 "WIA Cash-on-Hand Policy" on 11/6/13 to address this and other issues. The AP requires that WIBs manage cash-on-hand, make requests for cash and document cash balances to zero prior to requesting additional cash, among other requirements. In addition the department will develop and implement a new "cash on hand" policy requiring WIB's to provide evidence that they have zero cash on hand prior to requesting additional funds."

2013-153 Activities Allowed or 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: United States Department of Labor
Award Years: Federal Fiscal Year 2012-2013, Federal Fiscal Year 2008
Federal Award Numbers: AA-22926-12-55-A-9, MI-17523-08-60-A-9

Background: The Department of Labor enters into contracts with Workforce Investment Boards (WIBs) for the award of WIA funds. The department also entered into contracts with employers to provide an incumbent worker training program under Connecticut's Early Warning System Demonstration Program. 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 or the contractor, the Commissioner of the Department of Labor, the Business Management Unit of the Department of Labor, and the Attorney General.

Criteria:	Title 20 CFR Section 667.200 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. Costs charged to federal awards must be adequately documented in order to be considered allowable. Sound business practice dictates that contracts be properly completed and fully executed prior to the start of services.
Condition:	Our review disclosed that the five contracts with the Workforce Investment Boards for program year 2012 were signed one to two months after the contract service period began. We also noted that six Early Warning System contracts were signed approximately one to eleven months after the contract service period began.
Effect:	Without an executed contract in place, the department could make payments for expenditures that may be for activities that are not allowable.
Cause:	The department did not process contracts with the Workforce Investment Boards and Early Warning System grantees promptly.
Recommendation:	The Department of Labor should strengthen internal controls by ensuring that contracts are properly completed and fully executed prior to the contract period start date.
Agency Response:	"We agree with this finding. WIA Administration uses a contract review protocol (shared with JFES [Jobs First Employment Services]) developed to streamline contract review and execution. WIA Administration also issued AP [administrative policy] 13-10 "*WIA Cash-on-Hand Policy*" on 11/6/13 which used together with the contract review protocol should avoid a recurrence of this finding. Pursuant to AP 13-10, effective with PY14 [program year] WIBs will have WIA Youth contracts in the spring of 2014 contingent upon the U.S. DOL ETA's [Employment and Training Administration's] issuance of funding guidance and allocated funding – well in advance of the 7/1/14 start date of WIA Formula Fund contracts. CTDOL WIA will thereafter amend the Youth contracts to add Adult and Dislocated Worker allocated funding contingent upon U.S. DOL ETA's issuance of subsequent, corresponding funding guidance. AP 13-10 also strongly recommends that WIBs draft their budgets for 5 quarters, so as to allow for Year 2, 1st quarter funding to be "carried over" from Year 1 into Year 2 to avoid any funding shortfalls as each new funding year begins."

2013-154 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: United States Department of Labor
Award Years: Program Years 2010-2011 and 2011-2012, Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: AA-21386-11-55-A-9 and AA-22926-12-55-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.

Title 20 Code of Federal Regulations (CFR) Section 667.410 requires the state to conduct regular oversight and monitoring of its subrecipients. The state monitoring system must: (1) provide for annual on-site monitoring reviews of local areas' compliance with U.S. Department of Labor uniform administrative requirements; (2) ensure that established policies to achieve program quality and outcomes meet the objectives of the Workforce Investment Act and WIA regulations; (3) enable the governor to determine whether subrecipients and contractors have demonstrated substantial compliance with WIA requirements; (4) enable the governor to determine whether a local plan will be disapproved for failure to make acceptable progress in addressing deficiencies; and (5) enable the governor to ensure compliance with the WIA nondiscrimination and equal opportunity requirements.

Condition: The Department of Labor provides WIA funds to five subrecipients. The department conducts subrecipient monitoring of administrative requirements 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, 2013, disclosed that one of the compliance monitoring tools used by the department had not been updated in many years.

A consolidated compliance monitoring review conducted in March 2013 by the U.S. DOL Employment and Training Administration disclosed that the department does not have an adequate monitoring system for programmatic on-site reviews and the department does not have a monitoring tool for programmatic monitoring that includes all the essential elements required by federal regulations.

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 and contain all federal compliance requirements. Although the department had taken steps to update its administrative requirements monitoring tools, not all updated tools were used by the department in performing its monitoring activities.

Recommendation: The Department of Labor should develop procedures to ensure that monitoring tools used for subrecipient monitoring are current and contain all federal requirements.

Agency Response: "We agree with this finding. Revised compliance monitoring tools were developed in February 2013. However these monitoring tools were not ready for use prior to the time the compliance monitor began monitoring the five WIBs for program year 2012-2013. Starting this year, at the time the compliance monitoring schedule is made, the monitor will use the link http://www.whitehouse.gov/omb/circulars_default to check for updates to OMB Circulars, and will make any necessary revisions to the tools, prior to conducting the subrecipient monitoring."

2013-155 Performance Reporting – Trade Activity Participant Report

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: United States Department of Labor
Award Years: Federal Fiscal Year 2012-2013
Federal Award Number: UI-23883-13-55-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 Number 6-09 Change Number 1 and Change Number 2 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 shall be used to describe the characteristics, activities, and outcomes of TAA participants.

The TAA Handbook, Section III, Part C – One Stop Services and Activities, tracks quarterly and cumulative accrued TAA training expenditures, as well as Trade Readjustment Allowance (TRA) data including benefit durations and costs paid on a quarterly and cumulative basis. Part D – Performance Outcomes

Information, 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, 2013, the department reported information regarding 1,599 TAA participants in the Trade Activity Participant Report. Our review revealed the following:

- The total training expenditures data element was understated by $874,905. We also noted that the reported current quarter training expenditures exceeded the total training expenditures by $194,398.
- For 1,572 TAA participants, the department reported TRA data elements as blank, which denoted that the individuals were not TAA participants. The department should have reported TRA data elements with a zero, which would have denoted that the data elements were not applicable to the participant.

We traced wage data reported on the TAPR for ten participants to supporting documentation. Our review disclosed that the department reported that one participant was not employed in the second quarter after exit and had no wages when the department's database included wages totaling $40,800.

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

Cause: The department incorrectly formatted TRA data. The department has not established a process to accurately extract, calculate, and report current and total TAA training expenditure data. The department's wage data extraction process does not capture participant state wage data when the employer files quarterly wage data more than one quarter late.

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 CT Department of Labor's Performance and Accountability Unit will revise the coding for the data elements identified in this audit finding manually to accurately report these elements with a zero to denote that the data elements were not applicable to the participant in the next report submission for the quarter ending December 31, 2013.

The Performance and Accountability Unit in collaboration with Business Management has revised the process to calculate and report current quarter and total TAA training expenditure data to comply with U.S. DOL guidelines, and has resubmitted the TAPR for the period ending September 30, 2013 to correct these two data elements. This unit is currently documenting the new process to ensure consistent and accurate extracts, calculations, and reports for upcoming quarters. This documentation will be completed by February 28, 2014.

The Research Unit is now capturing state wage data in their quarterly extracts by increasing their look back period from two quarters to three quarters to reduce the probability of missing a late reporter.

As an internal control, the WIA Unit, which includes TAA program-funded staff and functions, is responsible for review and approval of TAA program reports, including the TAPR, prior to submission to U.S. DOL."

2013-156 Reporting – ETA 227 Overpayment Detection and Recovery Activities

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: United States Department of Labor
Award Year: Federal Fiscal Year 2012-2013
Federal Award Number: UI-23883-13-55-A-9

Criteria: The Unemployment Insurance (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 item-by-item instructions state that for Section A, Overpayments Established, total nonfraud overpayments (line 103) includes all overpayments classified as nonfraud (lines 104 through 108) and Section C, Recovery/Reconciliation, waived overpayments (line 308) includes overpayments reported in Section A that were waived under state law. The instructions also state that for Section E, Aging of Benefit Overpayment Accounts, 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. 11-09 requires that states report Federal Additional Compensation (FAC) overpayments (established and recovered) in the comments section of the ETA 227 report.

Condition: Prior audits of the ETA 227 Overpayment Detection and Recovery Activity reports have disclosed internal control deficiencies for at least ten consecutive years. Our review of the ETA 227 Overpayment Detection and Recovery Activity reports for the quarter ended March 31, 2013 revealed the following:

- The amounts reported in Section C Recovery/Reconciliation for Additions (line 310) and Subtractions (line 311) were unsupported for regular UI, Extended Benefits (EB), Emergency Unemployment Compensation (EUC) and Temporary Emergency Unemployment Compensation (TEUC) totaling $673,198.
- EB Receivables Removed at the End of Period (line 312) was understated by $44,690.
- TEUC non-fraud UI Outstanding at the End of Period (line 313) was overstated by $672.

- FAC overpayments established were overstated by $13,088 and FAC overpayments collected were understated by $17,363.
- The amounts reported for nonfraud overpayments established (lines 103 through 108) and nonfraud waived overpayments (line 308) did not include all nonfraud overpayments established and waived by the department, as we were informed that most waived overpayments are not recorded in the department's unemployment insurance overpayment system.

Effect: When reports are not properly prepared, the state's integrity efforts cannot be effectively assessed.

Cause: We were informed that the department adjusted lines 310 and 311 by unsupported amounts so that lines 313 and 507 would match. EB line 312, TEUC line 313, and FAC were incorrectly reported due to programming errors to the department's summary reports that are used to complete the ETA 227 report. We were informed that the department did not record or report all waived overpayments due to the department's interpretation of the term overpayment.

Recommendation: The Department of Labor should strengthen internal controls to ensure that figures reported on the ETA 227 are accurate, complete and supported.

Agency Response: "We agree with this finding. The department agrees that lines 310 and 311 have been adjusted so that lines 313 and 507 match allowing us to submit the ETA 227 report. These adjustments are necessary in order to balance the reporting elements, as there is a line item dependency for acceptance into the federal reporting system. The reason for the adjustments is due to prior data errors/configurations, data design, and a lack of consistent controls. To remedy years/decades of poor data design, a complete re-write of the overpayment system ETA-227 was necessary, spanning several months to complete. During this re-write, the data errors were discovered and an attempt to correct going forward. This concept, along with adjusting section C was discussed on several occasions with U.S. DOL. Going forward, the ETA-227 report will continue to improve and each element would be supported through the new audit reporting and procedures.

We agree that EB line 312 was incorrectly reported on the ETA 227 report. Section C was not initially programmed to capture EB recovery amounts. This error was detected by the agency's IT Department. This error is part of the reason for the adjustments referenced in the prior paragraph. This system error has been corrected and the EB recovery efforts have been accounted for since the third quarter 2012.

We agree that line 313 on the TEUC report was incorrectly reported as the result of a programming error. The error was reported to the IT Department, making a change to the program so that the information on line 313 is now accurate.

We agree that FAC overpayments were incorrectly reported as the result of a mislabeling the recovery information as "set up" cases. This was reported to and corrected by the IT Department. Benefit Payment Control (BPC) corrected the FAC data on the ETA 227 report and submitted the change to U.S. DOL."

2013-157 Eligibility

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

Criteria: Title 20 Code of Federal Regulations (CFR) Section 604.3 provides 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.

Title 20 CFR Section 602.10 provides that state unemployment compensation laws include certain provisions. 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.

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.

Section 2141 of the Middle Class Tax Relief and Job Creation Act of 2012 (Public Law No. 112-96) establishes improved work search requirements for the long-term unemployed under the EUC program. Training and Guidance Letter No. 20-11 requires states to notify EUC claimants by the third week in their EUC claim series that they must meet the new EUC work search requirements and requires states to schedule the EUC claimant by the sixth week in their EUC claim series for eligibility assessment and reemployment services. Section 2122 of the Middle Class Tax Relief and Job Creation Act of 2012 extends the EUC program through January 2, 2013 and Section 501 of the American Taxpayer Relief Act of 2012 extends the EUC program through January 1, 2014.

Condition: We reviewed a sample of 60 unemployment compensation benefit payments totaling $19,420 for compliance with federal eligibility requirements. Our sample was comprised of 31 regular benefit payments totaling $10,266 and 29 emergency unemployment compensation benefit payments totaling $9,154. Our sample was randomly selected from an audit universe of 4,703,105 unemployment checks totaling $1,506,057,287 paid during the state fiscal year ended June 30, 2013, of which $843,733,128 was for regular benefit payments, $645,439,424 was for emergency unemployment compensation benefit payments, and $16,884,735 was for other federal benefit payments.

Prior audits for the last three years have disclosed internal control deficiencies over eligibility. Our review for the fiscal year ended June 30, 2013, disclosed that for a total of eight transactions, totaling $2,398, 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 two claimants, we were unable to verify the claimant's weekly attestations to the eligibility requirements that included being able and available for work, not refusing an offer of suitable work, and reporting 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 five claimants that collected benefits under the EUC program, there was no evidence that an initial EUC application was prepared and submitted.
- For one claimant that collected EUC benefits, there was no evidence that an initial unemployment application was prepared and submitted.
- For two claimants that collected benefits under the EUC program, the department did not notify the claimants of the new EUC work search requirements or schedule the claimants for eligibility assessment and reemployment services. We also noted the same condition for an additional claimant in the sample who received EUC during the audited period, but was not in the EUC period of filing for the sampled transaction.

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.

Since the EUC program was scheduled to end on January 2, 2013, the department stopped notifying EUC claimants of the new EUC work search requirements six weeks prior to the program expiration date; however, when the EUC program was extended through January 1, 2014, the department did not notify or schedule the EUC claimants from that six week timeframe.

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. As of September 2013, the agency implemented a new policy eliminating the need to manually complete form UC-1100 (Weekly Continued Claim). The new policy requires agency staff taking a weekly continued claim over the telephone from a claimant to document the answers to all questions on the claimant's computer message screen. The agency will also store and receive EUC applications in a more orderly fashion in addition to transferring all boxes of stored EUC applications to a secure storage location on the third floor of the agency's central office. We will implement procedures to verify record retention accuracy."

DEPARTMENT OF PUBLIC HEALTH

2013-200 Cash Management - Monitoring of Subrecipient Cash Balances

Immunization Cooperative Agreements (CFDA #93.268)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 5H23IP122525-10 and 1H23IP000720-01

Criteria: Title 31 Code of Federal Regulations (CFR) Section 205.33 provides for programs not covered in the Treasury Agreement and 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 as apply to advances to the grantees.

Title 45 CFR Section 92.21 (c) provides that sub-grantees shall be paid in advance, provided they demonstrate the ability to minimize the time elapsing 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 Title 45 CFR 92.21 (c), an awarding agency shall advance cash to a grantee to cover its estimated disbursement needs for an initial period with subsequent payments made to reimburse actual cash disbursements.

Condition: Our cash management testing for the Immunization Cooperative Agreements Program found that all five of the randomly selected expenditures made to the sub-recipients were not timed to meet the sub-recipient’s actual immediate funding requirements to carry out the program but instead made in accordance with their contracts.

Effect: The Department of Public Health’s use of scheduled contract payments to sub-recipients does not ensure that the time elapsed between the drawdown of federal funds and their subsequent disbursement by the town is minimized. As a result, the drawdown of funds by DPH from the federal government may be more than actual immediate funding requirements needed to carry out the program or project.

Cause: The Department of Public Health made payments to Immunization Program subrecipients based upon their contract schedule rather than based upon the sub-recipients’ actual immediate funding requirements to carry out the program.

Recommendation: The Department of Public Health should establish policies and procedures, in accordance with federal requirements, that minimizes the time elapsing between the drawdown of federal funds, the transfer of the Immunization Program funds, and their subsequent disbursement by sub-recipients.

Agency Response: "DPH agrees with this finding but also acknowledges that corrective action has been taken to implement a new cash management system for the Immunization sub-recipient contracts effective January 1, 2014. DPH established the same new cash management protocols that it has instituted with other federal programs (HIV and WIC). (See the description of the cash management process in DPH's response to the WIC cash management finding.) This same method has been established for the Immunization Program sub-recipients."

2013-201 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 2012- 2013
Federal Award Number: 2013IW100344

Criteria: The Treasury-State Agreement requires that the funds shall be distributed to the subrecipients in compliance with the Title 31 Code of Federal Regulations (CFR) 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 of Public Health is required to reconcile the estimated and actual expenditures to determine the difference between the estimated drawdowns and the actual expenditures.

Condition: Our current review of cash management for the WIC Program noted the following conditions:

- For four of ten sample payments to subrecipients, the department issued payment based on scheduled contract amounts, rather than the actual cash needs.
- For five of ten sample payments to subrecipients, the department evaluated the cash need for subrecipients based on submitted expenditure reports as well as subrecipient prepared expenditure projections. The department then issued payments based on the projected expenditure amount, not on the projected cash need resulting from the difference between prior cash payments and reported expenditures.

Effect: The process utilized by the Department of Public Health resulted in cash payments to subrecipients that did not match payments with cash need.

Subrecipients were provided with insufficient cash to meet increased expenses in a given month or provided with cash in excess of projected need.

Cause: The Department of Public Health is in the process of making the necessary changes to its system (creating program spreadsheets, changing contract language, working with subrecipients, training staff, etc.) in order to comply with the requirements of cash management.

Recommendation: The Department of Public Health should establish policies and procedures, in accordance with federal requirements, that minimizes the time elapsing between the drawdown of federal funds, the transfer of the WIC Program funds, and their subsequent disbursement by subrecipients.

Agency Response: "The Department of Public Health agrees with this finding however, corrections to the cash management process have been made to the WIC sub-recipient contracts effective, October 2013. Presently, DPH is ensuring that the new cash management payment system is being applied according to its intended procedures.

The following corrections were made:

1. The Department of Public Health no longer issues payments to sub-recipients based on scheduled contract amounts or projected amounts. WIC contract payment language was changed so that scheduled payments are no longer part of the contractual agreement with sub-recipients.
2. Sub-recipients are provided a one-month cash advance upon contract execution and later when DPH receives the first monthly expenditure reports, the sub-recipients receive a payment that is reconciled to actual payments. This payment method follows throughout the contract period so that sub-recipients are paid sufficient funds based on actual expenses.
3. Sub-recipients are paid sufficient cash to meet increased expenses because they are paid a cash advance upon contract execution and thereafter, on actuals. Using electronic budget reports decreases delay of payments."

2013-202 Cash Management - Monitoring of Subrecipient Cash Balances

Public Health Emergency Preparedness (PHEP) (CFDA #93.069)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Number(s): 2U90TP116996 and 1U90TP000514

Criteria: Title 31 Code of Federal Regulations (CFR) Section 205.33 provides for programs not covered in the Treasury Agreement and 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.

OMB Circular A-102 Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Tribal Governments requires that: Grantees monitor cash drawdowns by their sub-grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees (Title 45 CFR Section 92.20 (b) (7)).

Sub-grantees shall be paid in advance, provided they demonstrate the ability to minimize the time elapsing between the transfer of funds and their subsequent disbursement (Title 45 CFR Section 92.21 (c)).

If a grantee cannot meet the criteria for advance payments under Title 45 CFR Section 92.21 (c), and the federal agency has determined that reimbursement is not feasible because the grantee lacks sufficient working capital, the awarding agency may provide cash on a working capital advance basis. Under this procedure, the awarding agency shall advance cash to the grantee to cover its estimated disbursement needs for an initial period generally geared to the grantee's disbursing cycle. Thereafter, the awarding agency shall reimburse the grantee for its actual cash disbursements. The working capital advance method of payment shall not be used by grantees or sub-grantees if the reason for using such method is the unwillingness or inability of the grantee to provide timely advances to the sub-grantee to meet the sub-grantee's actual cash disbursements (Title 45 CFR Section 92.21 (e)).

Condition: Our expenditure testing for the Public Health Emergency Preparedness Program found that 24 public health districts received 31 scheduled contract payments. While the payments to the public health districts were made in accordance with their contracts, such payments were not timed to the subrecipients' actual immediate funding requirements.

Effect: The Department of Public Health's use of scheduled contract payments to subrecipients does not assure that the time elapsed between the transfer of funds and their subsequent disbursement by the town is minimized. As a result, scheduled payments can be less or more than the town's actual immediate funding requirements to carry out the program or project.

Cause: The Department of Public Health is in the process of but has not completed its efforts to implement cash management procedures for this federal program to minimize the time elapsing between the transfer of program funds and their subsequent disbursement by subrecipients.

Recommendation: The Department of Public Health should establish policies and procedures that minimize the time elapsing between the transfer of Public Health Emergency Preparedness Program funds and their subsequent disbursement by subrecipients in compliance with federal requirements.

Agency Response: "DPH agrees with this finding and acknowledges that corrective action is being taken to establish a new cash management system for sub-recipients for Health Emergency Preparedness Program funds. Expected completion date is June 30, 2014. See the department's response to the WIC cash management finding for an overview of the procedures for implementing the new cash management system. The same DPH cash management payment process is being implemented with the Public Health Emergency Preparedness Program as has been established with the federal HIV, WIC, and Immunization Programs."

2013-203 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 2012- 2013
Federal Award Number: 2013IW100344

Public Health Emergency Preparedness (PHEP) (CFDA #93.069)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Number(s): 2U90TP116996 and 1U90TP000514

Immunization Cooperative Agreements (CFDA #93.268)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Number(s): 5H23IP122525-10 and 1H23IP000720-01

Criteria: OMB Circular A-133 specifies that subrecipients expending $500,000 or more in federal awards during the subrecipient's fiscal year shall have an audit conducted in accordance with OMB A-133 within 9 months of the end of the subrecipient's audit period. Grantor agencies should issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition: We reviewed the Department of Public Health's monitoring of its subrecipients. We examined a sample of 12 audit reports for fiscal year 2012, which the department was due to review in fiscal year 2013. The audit reports included 12 subrecipients that expended Women, Infants and Children (WIC) Program funds, six subrecipients that expended Public Health Emergency Preparedness (PHEP) Program funds and seven subrecipients that expended Immunization Program funds. Our testing resulted in the following conditions.

Two audits were received after the maximum allowable time period of 9 months and one had not been received at all. One subrecipient had expended funding for WIC, PHEP and Immunization. One subrecipient had expended funding for WIC only.

Of the ten audits actually received, two audits did not have a completed review as of September 26, 2013. One subrecipient had expended WIC, PHEP and

Immunization funds. One subrecipient had expended WIC funding.

The department did not respond to five of the subrecipient audits with a management letter within six months. Four subrecipients had expended funding for WIC, PHEP and Immunization. One subrecipient had expended funding for WIC and Immunization.

One subrecipient audit reflecting expenditures for the WIC and Immunization programs, had unresolved variances outstanding for both the 2011 and 2012 fiscal years.

Effect: The Department of Public Health has reduced assurance that all federal funds granted to subrecipients were properly expended and all audit findings were corrected in a timely fashion.

Cause: The Department of Public Health has not established procedures sufficient to ensure that the department and subrecipients adhere to applicable OMB A-133 audit requirements

Recommendation: The Department of Public Health should ensure that subrecipients submit A-133 audits in a timely manner and respond to the department's management decisions on all audit findings. Where appropriate, sanctions should be considered for those subrecipients who demonstrate a continued inability or unwillingness to have the required audits or take corrective action.

Agency Response: "The Department of Public Health agrees with this finding and acknowledges that steps are being taken to institute corrective action. First, a question is being added to the Administrative Review form used at the on-site review evaluation to determine if the audit was or was not performed. A record will be made on the form indicating if this task was completed. Second, the WIC office will develop a monitoring system to track all sub-recipients submittals of the A-133 audit report. Third, if an A133 audit was not submitted, the WIC office will remind each sub-recipient about their past due status and explain the consequences of not submitting the audit report in a timely manner. If the sub-recipient continues to fail to comply with the requirement, the WIC office will take corrective action that may include non-payment or fines. The above process will be coordinated by the WIC office and the process will include the Audit Review unit as part of the new process. New procedures will be developed and implementation is expected by July 1, 2014."

2013-204 Subrecipient Monitoring – Management Evaluation Reviews

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 2012- 2013
Federal Award Number: 2013IW100344

Criteria: Title 7 Code of Federal Regulations (CFR) Section 246.19(b) provides that state agencies must establish an ongoing management evaluation system which includes at least 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 two years, including on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater.

Condition: We reviewed the Department of Public Health's fiscal and programmatic monitoring of its WIC Program subrecipients. As part of that review we examined a sample of 12 subrecipient management evaluations reviews. Our testing revealed the following conditions.

<u>Management Evaluations:</u>

- For three local WIC agencies, the required administrative portion of the review had not been completed. While the site visits were performed, the exit conferences had not been held and the corrective action plans had not been submitted to the three local WIC agencies for response.
- Seven of twelve active WIC agencies did not have the financial management systems portion of the review performed during the same period as the administrative and nutrition components of the review.

<u>Fiscal Monitoring:</u>

- The reviews of the fringe benefit calculations were inconsistent among different local WIC agencies, varying in extent, nature and timing of the procedures used by the department. The reviews verified the mechanics of the fringe benefit costs but did not examine the justification for those costs nor the reasonableness of the fringe benefit rates as an allowed cost. Broad differences in fringe benefit rates for different personnel were not identified as an area of concern for management to review.

Effect: The Department of Public Health is not in compliance with the management evaluation requirement for the WIC Program. Without contemporaneous reviews of all required areas, the department may be evaluating local WIC agency performance without all relevant data.

Cause: The Department of Public Health's various units did not coordinate schedules and efforts to adequately ensure complete compliance with the management evaluation review. Also, the department had not clearly defined the objectives of the review and left front line staff to determine what constitutes reasonable outcomes.

Recommendation: The Department of Public Health should identify and remedy the breakdown of communication and coordination of units responsible for the management evaluation review. The department should also establish clear objectives and reasonable outcomes for these reviews. The department's procedures should be reviewed, and, if necessary, revised to support the objectives and outcomes defined by management.

Agency Response: "DPH agrees with this finding, however, the employee who was assigned to perform the reviews was involved in a serious personnel issue that prevented the reviews to be completed.

Effective July 1, 2014, all WIC sub-recipient contracts will be reviewed for fringe rate reasonableness based a review of detailed fringe budget line item information submitted to the DPH WIC office by sub-recipients. If the fringe rate is determined unreasonable, the WIC office will not approve the rate. Sub-recipients will be asked to revise their fringe rates by deleting unallowable costs or add allowable costs that may not have been included in the original budget, if applicable."

2013-205 Subrecipient Monitoring – WIC System Data Integrity and Validation

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 2012- 2013
Federal Award Number: 2013IW100344

Background: As part of our standard testing of the WIC Program, we reviewed a sample of redeemed WIC checks to determine whether the food items purchased were allowable and whether the participant was eligible based upon data maintained by the Department of Public Health. That testing resulted in one instance in which a WIC check was redeemed without the residency data in the participant record. It was later determined that this was not an exception. However, this suggested that it was possible the system may allow the redemption of WIC participant checks without the required participant data that demonstrates eligibility. While participant eligibility may be properly established and WIC checks validly issued, the data in the system may not support those determinations.

As a result, we expanded the scope of testing to review system data for other instances of check issuances that were not supported by system data.

Criteria: The CT WIC State Plan identifies the procedures to be followed by local WIC agencies, criteria to be met by participants, and the documentation in the Statewide Information System (SWIS) required for an individual to be certified and receive program benefits.

To be certified for participation in WIC, individuals must meet categorical, residential, and income requirements. The local WIC agency is responsible for documenting this information in SWIS. The Connecticut WIC State Plan outlines for local WIC agencies what documentation is required to meet certification requirements.

To be income eligible, an applicant's household unit shall be at or below 185 percent of federal poverty guidelines. Applicants may be automatically income eligible for WIC benefits if they are current recipients of the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, or HUSKY A/Medicaid. Individuals who cannot provide acceptable evidence of income may self-declare income and will be certified for a maximum of 30 days.

To be residentially eligible, individuals must live in the State of Connecticut. Applicants that cannot provide acceptable documentation may self-declare residency and will be certified for a maximum of 30 days. If all other eligibility criteria are met, the applicant is issued one month of checks.

It is the role of the Department of Public Health to maintain the quality of information in SWIS in terms of accuracy, integrity, standardization and completeness according to the standards establish in the state plan.

Condition: We obtained data for 94,000 participants who redeemed a WIC check during the fiscal year under review. Based on the established eligibility criteria, we analyzed participant data to identify SWIS records that did not support WIC eligibility. We identified the following participant SWIS records that did not adequately support participant eligibility:

Income Eligibility:

- We identified 278 participant records in the SWIS whose participant data used "proof of income" codes that were unused by the department and did not support the participant's income eligibility at the time WIC checks were issued by the local WIC agency.
- We also identified 1,860 participant records with missing Medicaid numbers for participants recorded as adjunctively eligible at the time WIC checks were issued by the local WIC agency. In additional testing, we drew a sample of 22 from the 1,860 participant records and noted 15 of the 22 participants were either ineligible for Medicaid at the time of WIC certification, or were not found in the Medicaid Automated Eligibility Verification System (AEVS).
- We also identified 698 participant records in the SWIS with self-declared income that were issued WIC checks more than 30 days after the initial self-declared income certification performed at the time WIC checks were issued by the local WIC agency.

Residential Eligibility:

- We identified 109 participant records in the SWIS with residency status codes that were unused by the department at the time WIC checks were issued by the local WIC agency.
- We also identified 1,115 participant records in the SWIS with an "unknown" or self-declared residency status code that were issued WIC checks more than 30 days after the initial self-declared income certification performed at the time WIC checks were issued by the local WIC agency.

Effect: In the identified participant records in SWIS, the data to support eligibility for participation in WIC, as defined in the state plan, is not complete. There is reduced assurance that the program participants are eligible to receive funds.

In addition, Department of Public Health's resources may not be used with optimal efficiency, as resources will be required to follow-up with local WIC agencies when necessary fields in SWIS to support eligibility for participants are incomplete or erroneous.

Cause: The statewide information system does not contain all the data necessary to ensure participant eligibility because system edits are not in place to detect missing or incorrect data on a contemporaneous basis. There is a paper component to the system that is not captured electronically and requires on-site visits by the department to verify the presence of necessary documentation.

Recommendation: The Department of Public Health should establish a systematic review process to ensure that the data contained in the Statewide Information System accurately and adequately supports participant eligibility as defined in the state plan.

Any identified participant records in the Statewide Information System that do not appear to support participant eligibility should be referred to the originating local WIC agency for follow-up and resolution. The department should incorporate a review of the referred records as a part of the ongoing local WIC agency subrecipient monitoring.

In addition, the Statewide Information System should be evaluated to determine if data input controls could be improved to detect and prevent the data discrepancies described in this recommendation.

Agency Response: "The Department of Public Health agrees with this finding.

Proof of Income and Residential Status Codes unused by the Department

The State WIC Agency has historically allowed the local agencies to utilize these codes for locally specified purposes. Based on the auditors' recommendations for improved program integrity we will revise the selections identified by the State Agency to include selections that meet all of the local agency needs, provide clearer definitions and instructions for use of the allowable codes within the State Plan, and conduct additional training of local agency staff.

Missing Medicaid Numbers, Self Declared Income and Residency
In order to improve integrity of the SWIS record independent of the paper record, additional SWIS coding will be incorporated to ensure data capture in SWIS occurs within the timeframes specified by the Connecticut WIC State Plan and Federal Regulation or a "hard stop" of food instrument issuance until the data capture is resolved. Clearer instructions will be provided for the capture of Medicaid, self-declared income and residency data in the State Plan and additional training of local agency staff will be conducted. Exceptions to this practice will be applied to circumstances currently allowed by State Plan Policy 200-07.

Recoding of the legacy Statewide Information System will be undertaken with fiscal responsibility in mind, as transition to a new MIS, which is already underway, is slated for rollout in 2016. The auditors' recommendations for MIS functions supportive of efficient and effective application of program integrity safeguards will be incorporated into design and implementation of the new MIS."

2013-206 Reporting – Federal Funding Accountability and Transparency Act

Public Health Emergency Preparedness (CFDA #93.069)
Federal Award Agency: United States Department of Health and Human Services
Award Year: Federal Fiscal Year 2012- 2013
Federal Award Number: 1U90TP000514

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The FFATA legislation 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 Sub-award Reporting System (FSRS) is the reporting tool federal prime awardees (prime contractors and prime grants recipients) use to capture and report sub-award and executive compensation data regarding their first-tier sub-awards to meet the FFATA reporting requirements. Prime contract awardees will report against sub-contracts awarded and prime grant awardees will report against sub-grants awarded. 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 Budgets guidance issued August 27, 2010. The prime awardee is required to file a FFATA subaward 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 of Public Health was registered in the FFATA Sub-award Reporting System. However, there was no input of award data for the Public Health Emergency Preparedness grant at sub-award levels.

Effect: The Department of Public Health, as a prime grant recipient, was not in compliance with the reporting requirements of the Federal Funding Accountability and Transparency Act.

Cause: The Department of Public Health's process requires certain individuals to be given information about grants in order for the information to be input into FSRS. This information had not been properly distributed for all grant awards.

Recommendation: The Department of Public Health should take the necessary steps to ensure that it complies with the reporting requirements of the Federal Funding Accountability and Transparency Act.

Agency Response: "The Department agrees with this finding, however, effective July 1, 2013, necessary corrections have been made. There were difficulties accessing the FFATA system, however, access problems have been resolved. All required grant information including the Health Preparedness and Emergency Grant data, is now being posted to the FFATA system. DPH is in compliance with the Federal Funding Accountability and Transparency Act requirements."

2013-207 Special Test - WIC Enforcement Actions

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 2012- 2013
Federal Award Number: 2013IW100344

Background: As a requirement of the WIC state plan, the Department of Public Health must perform compliance buys. Compliance buys are purchase transactions that take place at WIC approved stores in an attempt to identify instances of noncompliance. Activities such as overcharging, post-dating checks, or providing non-WIC approved food items are documented during the compliance buy. A compliance investigation typically consists of more than one compliance buy in order to establish a trend of vendor behavior.

Criteria: Title 7 Code of Federal Regulations (CFR) Section 246.12(k)(2) states, "When the State agency determines the vendor has committed a vendor violation that affects the payment to the vendor, the State agency must delay payment or establish a claim. Such vendor violations may be detected through compliance investigations."

Title 7 CFR Section 246.12(l)(1) identifies mandatory vendor sanctions that are required by the program. Title 7 CFR Section 246.12(l)(2) further states "The State agency may impose sanctions for vendor violations... as long as such vendor violations and sanctions are included in the State agency's sanction schedule."

Appendix F of the WIC vendor agreement contains a schedule of program disqualifications, fines, civil money penalties, and the terms of payment for the fines and civil money penalties. WIC vendors are required to make timely payment of fines and civil money penalties within fifteen days of the notice of the sanction or within the terms of an installment plan, including interest, or the WIC Program will disqualify the vendor.

Condition: The department performed 194 compliance buys between August 2012 and June 2013. We reviewed a sample of 10 vendors from the Department of Public Health's list of high risk vendors, whose compliance buys resulted in a violation. Our review identified the following conditions:

- After reviewing vendor files, it was disclosed that the department had not taken any enforcement action against the 10 sampled vendors. Sanction letters for nine of the 10 sampled vendors were drafted but had not been reviewed and disseminated. The sanction letters, when sent, will result in the disqualification of the nine aforementioned vendors and assess fines totaling $14,625.
- We determined the vendor for whom the department has not drafted a sanction letter will not be disqualified, but we estimate the vendor will be assessed a $2,625 fine.

We also reviewed the fines recorded in the Department of Public Health's Vendor Management Database and the repayment of the established fines. Our analysis of the 91 records identified 40 exceptions identified as follows:

- In five of 91 records, we found errors in the data collected in the system. Errors in the data included the date sanction letters were received by the vendor and an accurate date a fine was paid.
- In 20 out of 91 records, we found fines were paid more than 15 days after receipt of the letter. No action had been taken to disqualify the vendors.
- In 15 of 91 records, we found assessed fines that remained uncollected beyond the maximum allowed 15 days. No action had been taken to disqualify these vendors

Effect: According to the Department of Public Health, compliance investigations of WIC vendors were held open for periods longer than necessary to establish a trend of vendor behavior. However, without timely enforcement action by the WIC unit, the likelihood of correcting the ongoing behavior of violating vendors is reduced.

Cause: The Department of Public Health had not allocated the necessary resources to ensure that the timely enforcement actions against WIC vendors that are in violation of federal regulations and the WIC vendor agreement.

Recommendation: When compliance investigations disclose vendor violations, the Department of Public Health should take timely and appropriate enforcement actions against WIC vendors in accordance with federal regulations and Appendix F of the WIC vendor agreement.

Agency Response: "The Department of Public Health agrees with this finding. The Program will research referring unpaid fines to the Attorney General's Office for collection, as well as to the DPH business office and the Department of Administrative Services.

The department's practice of no longer issuing warning letters upon the first occurrence of violations will expedite the process of closing investigations and disqualifying abusive vendors. Ordering compliance buys more frequently but in smaller increments, will aid in the review and signing of more timely disqualification letters.

Redistributing tasks in the Vendor Management Unit will allow for more timely sanctions when vendors violate Program rules. Violations are found upon onsite monitoring visits and result in warning and fine letters also that must be drafted, reviewed, signed and mailed. During the month of January 2014, CT WIC will begin to issue in-store warnings and fines, which will have an indirect but positive effect on sanction letters that result from compliance investigations. By issuing the majority of warning and fine letters in the field, in-house staff will have sufficient time to address compliance investigation sanction letters in a timelier manner.

The Program notes that several vendor disqualifications (not specifically in the auditor's sample) will be converted to a civil money penalty (CMP). A CMP in lieu of disqualification is necessary due to creating inadequate access for participants to an authorized WIC vendor, if the vendor is disqualified from the Program."

2013-208 Special Test - Cost Neutrality Assessments

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 2012- 2013
Federal Award Number: 2013IW100344

Background: Above-50-percent vendors are vendors in which more than fifty percent of the vendor's gross receipts are from WIC purchases.

Criteria: OMB Circular A-133 Part 4 states "A State agency that chooses to authorize any above-50-percent vendor must: Obtain Food and Nutrition Services (FNS) certification of its vendor cost containment system at least every three years thereafter if the State continues to authorize above-50-percent vendors."

The Department of Public Health currently has agreements with six vendors identified as above-50-percent vendors.

Condition: The Department of Public Health was unable to present evidence of a certification from Food and Nutrition Services (FNS) that had been obtained within the last three years. The only available certification was dated September 2006, when FNS initially certified the department's cost containment system.

On November 27, 2013, the Department of Public Health submitted to the New England Regional Office of the Food and Nutrition Services a cost containment recertification package for review and approval. The Food and Nutrition Services acknowledged receipt of the package and indicated that they would review the document within thirty days. This condition remains in effect pending the completion of their review and approval of the cost containment recertification package.

Effect: The Department of Public Health has authorized above-50-percent vendors, but has not obtained certification of its cost containment system from FNS.

Cause: Due to the turnover of key staff within the WIC Program and the lack of other compensating controls such as a compliance requirement tracking system, this federal compliance requirement for the WIC Program was not performed.

Recommendation: The Department of Public Health should establish internal controls sufficient to ensure that their vendor cost containment system is submitted to the Food and Nutrition Services (FNS) for recertification at least every three years if the state continues to authorize above-50-percent vendors.

Agency Response: "The Department of Public Health partially agrees with this finding. Recertification was attempted in FFY11. On October 13, 2010, CT WIC was asked by NERO to submit information in order to recertify the cost containment system. The information was submitted on December 1, 2010. Because of the A50 data system issues that CT was having, the data included was not as accurate as it could have been. As a result the CT cost containment system was not recertified at that time. Since then and as a result of the corrective actions taken to have the A50 claim forgiven, CT WIC had taken steps to ensure the accuracy of all data used in the A50 cost containment system.

CT WIC is working closely with NERO and actively pursuing this certification. On January 30, 2013, the Cost Neutrality documents for the 4th quarter of FFY 12 and on August 15, 2013 the Functional Format Section IX.F on "Food Delivery/Food Instrument (FI)/Cash-Value Voucher (CVV) Accountability and

Control" as part of our FY 14 State Plan was submitted to NERO. These were the documents required to obtain certification of our cost containment system. FNS reviewed the documents sent together on November 27, 2013 as recertification package and in response to their comments, the Program is making modifications to the Functional Format document. The revised document will be resubmitted by January 31, 2014 with the Cost Neutrality documents for the 4th quarter of FFY 13 as a complete request to certify Connecticut's cost containment system."

2013-209 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 Health and Human Services
Award Year: Federal Fiscal Years 2011-2012 and 2012- 2013
Federal Award Number: G1201CTCCDF and G1301CTCCDF

Background: The Department of Public Health is responsible for the administration of the 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 Office of Licensure, Regulation, and Compliance 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 of Public Health's Community Based Regulation, Child Day Care Unit and entered into a manual logging system. That unit performs the necessary background check follow-up with the child care providers.

Criteria: According to Title 45 Code of Federal Regulations (CFR) 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 of Public Health'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 Office of Licensure, Regulation, and Compliance identified legal matters requiring follow-up. The following conditions are repeated from our prior audit report in modified form based upon current test results.

- Our review of the department's licensing files that document site visits to child care facilities found that the files do not contain evidence that the department verified all new child care employees had the required background checks. Furthermore, we were informed that provider employees selected for review may not be checked against the database of completed background checks for confirmation that the required checks had been completed.
- We reviewed a sample of 21 new program staff or household members whose background checks by the department's Office of Licensure, Regulation, and Compliance identified certain legal matters that required follow-up by the department:
  - On average, it took approximately 100 days for 21 of the 21 background checks to move from the department's Office of Licensure, Regulation, and Compliance to the department's Community Based Regulation, Child Day Care Unit with a range of 60 to 245 days.

    This time lag may include the impact of indeterminate delays caused by the processing of background checks at the Department of Public Safety and the Department of Children and Families.

    There is uncertainty related to the delays caused in the processing of background checks system-wide, as the department currently does not have the capacity to accurately identify all individuals with one or more background check referrals that are delayed and require action.

  - On average, it took approximately 56 days from the date the department's Community Based Regulation, Child Day Care Unit received the referral from the Office of Licensure, Regulation, and Compliance, to the date when that unit sent out its standard letter of inquiry with a range of 0 to 295 days for 18 of the 21 background checks.

    In the remaining three instances, the referral from the department's Office of Licensure, Regulation, and Compliance was not supported by dated evidence of follow-up by department's Community Based Regulation, Child Day Care Unit.

- It should be noted that the combined 156 day average does not include the additional time needed to reach resolution on the identified legal matters.

- Our review noted that some background checks identified new program staff with pending legal charges. We noted that 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 background checks. As a result, children in licensed child care facilities are at an increased risk of coming into contact with unsuitable individuals.

Cause: The department relies on a highly manual process that does not provide management with real time feedback of background check activity. The department's Office of Licensure, Regulation, and Compliance communicates background check "hits" to the Department's Community Based Regulation, Child Day Care Unit by paper memoranda. The department's Community Based Regulation, Child Day 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 those entities that may choose to ignore 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 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 that all provider responses should be evaluated and approved by management.

If the department determines that it is unable to substantially address the repeated audit conditions noted above due to factors out of its control (staffing shortages, other agency backlogs, etc.), it is recommended that the department consider alternatives such as a statewide certification process whereby prospective day care employees undergo the required background checks prior to employment.

Agency Response: "DPH agrees with the findings, and continues to review all options to improve the process. Factors lying outside the Department's control have significantly impacted the agency's ability to identify an immediate solution. Such factors include restricted access to Live Scan machines throughout the state and an integrated and automated process for analyzing and disseminating criminal history check results, the anticipated transfer of the child day care licensing program to the new Office of Early Childhood (OEC), and limited DESPP resources. Legislation which would call for a preliminary review of an employee's criminal history prior to employment is an option being considered to address the identified concerns. Current legislation does not permit disqualifying employment based solely on arrests and/or pending criminal charges. Additional resources would be required to track pending criminal charges through final resolution. The department will continue to collaborate with affected agencies, such as the OEC and DESPP, to address the concerns identified in the report. Representatives from DPH, OEC, DESPP, OPM and others have been and will continue to meet to resolve this issue. Resulting outcomes will need to be considered against available state appropriations."

Auditor's Concluding Comment: The department's response to the recommendation addresses the larger issues identified in the condition section of the finding. However, it is necessary to emphasize the section of the condition not addressed in the department's response. The average 56 day delay from when the Community Based Regulation, Child Day Care unit first receives notification of a background check hit, to when the Community Based Regulation, Child Day Care Unit first responds to the notification is within the scope and means of the department to immediately address. Improvements to procedures internal to the Community Based Regulation, Child Day Care Unit could result in immediate improvements for the department.

2013-210 Activities Allowed or Unallowed and Subrecipient Monitoring – Delayed Department Response to Reported Deficiencies at a Local WIC Agency

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 2012- 2013
Federal Award Number: 2013IW100344

Background: The Department of Public Health funds 12 local agency WIC Programs through contracts to operate 24 full-time offices and 52 part-time satellite sites covering Connecticut's 169 towns. These agencies include eight local health department's/districts, two hospital based programs, and two Community Action Agency programs.

Criteria: Funds allocated for nutrition services and administration (NSA) must be used for the costs incurred by the state or local agency to provide participants with nutrition education, breast-feeding promotion and support, and referrals to other social and medical service providers; and to conduct participant certification, caseload management, food benefit delivery, vendor management, voter registration, and program management (42 USC 1786(h)(1)(C)(ii); Title 7 Code of Federal Regulations (CFR) Sections 246.14(c) and (d)).

State agencies must establish an ongoing management evaluation system which includes at least 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 CFR Section 246.19(b)).

Condition: The Department of Public Health's response to known deficiencies at a local WIC agency reported in a prior fiscal year has been untimely and incomplete. The local WIC agency had approximately $250,150 in non-food reported expenditures for the period ended June 30, 2011.

The circumstances of this matter are as follows:
In August 2011, the department was notified that the director of a local WIC agency had been removed due to "some possible financial improprieties." The department took immediate action and conducted an extended financial review for the period October 2010 to June 2011. That review found "numerous discrepancies and errors" and the records were found to be incomplete and in many cases supporting documentation was not available. As a result, the financial review was "truncated." The local WIC agency submitted a corrective action plan in March 2012. In May 2013, the department requested a copy of a forensic audit that was completed in November 2011 at the request of an attorney engaged by the local WIC agency. In April 2013, the department began planning for its 2013 WIC review of the local WIC agency. That review was started in June 2013. Between August 2011 and June 2013, there were numerous meetings by department personnel (program, fiscal, legal, etc.) concerning this matter.

As a result of the above, the following conditions are presented:

- The conditions cited in the department's August 2011 financial review have not been resolved to date.
- There was a long delay in the department's return for a follow-up financial

audit despite the deficiencies known to have existed at the local WIC agency.

- There was a long delay in the department's obtaining the forensic audit and acting upon its contents.
- On September 18, 2013, as a result of the department's final audit review, the department requested a refund in the amount of $57,038.79. As of the date of this report, the department has not received the refund.

Effect: Subrecipient monitoring controls did not allow for the timely collection of unallowable costs. Expenditures totaling $57,038.79, made in fiscal year 2011, were not determined to be unallowable until fiscal year 2014. The unallowable costs of $57,038.79 have not been collected from the subrecipient and have not been returned to the United States Department of Agriculture.

Cause: While there was coordination among personnel from various units within the Department of Public Health, no one unit participating in the follow-up activities took responsibility to ensure the final resolution of the matter.

Recommendation: The Department of Public Health should improve WIC Program subrecipient monitoring controls to ensure that identified deficiencies at local WIC agencies are identified and resolved in a timely manner.

Agency Response: "The Department of Public Health does not agree with this finding because the auditor's notations seem to imply that no follow up or oversight of this issue is being performed by the department. The situation is very much the opposite. The Department has been working steadily to resolve the issues and is hopeful of a resolution soon.

The Department of Public Health has undergone many personnel administration changes in the past few years. New administration staff responsible for audit findings became aware of the finding in the latter part of 2013 and took immediate steps to resolve the issue.

In 2013, a final financial audit of the sub-recipient's records was prepared by a department auditor to determine the debt amount. The sub-recipient was given notice of the details of the audit, the amount of the debt and their right to refute the findings. Because the sub-recipient recently found and sent to DPH documents that were not available during the original audit, DPH performed an audit review of these additional records. The review resulted in a slight decrease of the original debt amount.

As of this writing, DPH is discussing the results of the audits with the USDA and is expected to finalize the debt issue soon."

Auditor's Concluding Comment: The auditor acknowledges and commends the more recent efforts by the department's current administrative staff to resolve this long outstanding matter.

Those renewed efforts began around May 2013 and according to the department's response should result in the resolution of the matter by July 2014. The auditor notes that if the department is successful in resolving the matter by July 2014, it will mark a nearly three year span from August 2011 when it was first notified that the director of the local WIC agency was suspended from her duties due to possible financial improprieties.

However, the department's response does not address its untimely and incomplete follow-up activity between November 2011 and May 2013. That period was marked by significant gaps in the department's active and direct follow-up activity. As noted above, while the department's initial onsite financial review was immediate, nearly two years would pass before another follow-up onsite visit was performed by the department. Further, a forensic audit completed in November 2011 was not requested by the department until May 2013, nearly eighteen months after it was available.

The department's subrecipient monitoring controls did not ensure the timely collection of unallowable costs. A significant factor that was reported in a previous Statewide Single Audit report and in a current departmental report is that the department does not have a dedicated and ongoing risk assessment and mitigation function nor does it have formal monitoring procedures in place. Such a function would serve to lessen the impact from turnover of key personnel.

2013-211 Eligibility – Local Agency User ID Controls

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 2012- 2013
Federal Award Number: 2013IW100344

Background In Connecticut, local WIC agencies certify that program participants meet federal eligibility requirements. Certified WIC participants are issued food instruments (FIs) to purchase nutritionist prescribed food packages. The FIs are issued, tracked and authenticated using the State WIC Information System (SWIS). Employees of local WIC agencies authorize certified WIC participants to receive FIs by signing off on the nutrition assessment and income verification in SWIS. Local agency employees sign off in SWIS using a user ID and password unique to each employee. The SWIS safeguards do not allow the same user ID to sign-off on both the nutrition assessment and income verification for any participant.

Criteria: Each state program is responsible for ensuring that only certified WIC participants are issued food instruments. Local agency user ID controls are vital to ensure the nutrition assessment and income verification sign offs are completed by two different authorized employees.

Under Section 107 *Management Information System (MIS)*, of the Connecticut WIC State Plan, the computer security and maintenance policy for passwords and user IDs states: "Users should memorize passwords and not post them, nor share them or re-use them. Program Coordinators must remove user IDs of employees who are terminated for any reason."

Condition: We examined the design, implementation and operational effectiveness of internal controls related to WIC participant certifications. Based upon that examination, our preliminary evaluation of internal controls was extended to include an analysis of SWIS user ID data for a six month period. Our extended review of internal controls over user IDs found the following exceptions to the WIC state plan policy for passwords and user IDs:

- One local WIC agency employee had two unique user IDs.
- There were approximately 182 user IDs from 12 local WIC agencies that were not used to access the SWIS system during the six-month test period.
- Four local WIC agency employees did not have their own user IDs to access SWIS during the six-month period we examined. The department has yet to determine if the duties of these employees required them to access the SWIS system and how that access was achieved in the absence of an assigned user ID.

Effect: Local agency user ID safeguards are not sufficient to ensure that nutrition assessment and income verification sign-offs are completed by two different people. As a result, it is not certain that only certified WIC participants are issued food instruments.

Cause: The Department of Public Health did not monitor the local WIC agencies and evaluate the effective operation of the Password/User ID policy as written in the WIC state plan.

Recommendation: The Department of Public Health should establish the necessary monitoring controls at the state level to ensure that local WIC agencies are adhering to the WIC state plan computer security and maintenance policy for passwords and user IDs.

In addition, when state level monitoring controls detect violations in the user ID policy at the local WIC agencies, the department should conduct sample testing of affected certification sign-offs. The testing should be designed to detect if the nutrition assessment and income verification sign- offs were completed by two different authorized employees.

Agency Response: "The Department of Public Health agrees with this finding, however, it acknowledges that steps have been taken to resolve the issues presented. New procedures have been developed as follows:

- Local agencies are required to update and check staff user ID numbers monthly.

- The WIC Office generates a monthly list of all local agencies user IDs and compares this list monthly to the current staff listing to ensure that all staff who have separated from Programs have been removed from the data base and there are no duplication of user IDs.
- The WIC Office reminds WIC Coordinators at statewide coordinator meetings of their duty to check user IDs and make changes when necessary."

2013-212 Activities Allowed or Allowed Costs – Department Review of Local Agency Expenditure Reports

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 2012- 2013
Federal Award Number: 2013IW100344

Background The U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) allocates federally appropriated funds to WIC state agencies as grants which are divided into two parts: a component for food costs and a component for Nutrition Services and Administration (NSA) costs.

Funds allocated for NSA must be used for the costs incurred by the state or local agency to provide participants with nutrition education, breast-feeding promotion and support, and referrals to other social and medical service providers; and to conduct participant certification, caseload management, food benefit delivery, vendor management, voter registration, and program management.

Criteria: According to the Office of Management and Budget (OMB) Circular Number A-133, "A pass-through entity is responsible for…Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

OMB Circular A-87 defines costs as reasonable if "…in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost." Circular A-87 further states, "when determining reasonableness of a given cost, consideration shall be given to: The restraints or requirements imposed by such factors as: sound business practices; arms-length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award." Also consideration is given to "whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government."

"A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." Direct employee costs consist of "Compensation of employees for the time devoted and identified specifically to the performance of those awards."

Furthermore, the cost of fringe benefits for direct employees "…shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities."

Regulations adopted in accordance with Section 19a-59c of the General Statutes further define and limit which expenditures are accepted as activities allowed and allowed costs, as well as the format for reporting expenditures. Expenditure reports are classified under four main areas: General Administrative, Client Services, Nutrition Education and Breastfeeding. Specifically allowed direct costs are listed and all indirect costs to local WIC agencies are prohibited. Also, the Regulations define what components make up fringe benefits (employees' contributions or expenses for social security, life and health insurance plans, unemployment compensation insurance coverage, workmen's compensation insurance, and pension plan) and "Other Costs." Only the General Administration and Client Services categories allow for "Other Costs" which may include outreach, payroll maintenance, personnel, administrative, fiscal and program records, audit expenses, legal services and assessments.

Condition: During the period under review, we verified that the Department of Public Health received and reviewed the monthly expenditure reports from 19 local WIC agencies and sub-offices. The department performed those reviews as part of the approval process for payments to the local agencies. Our review of those same expenditure reports identified a number of questionable cost items that were not pursued by the department for further explanation or possible disallowance.

- Fringe benefit rates charged to the WIC Program by local WIC agencies and paid by the department ranged from approximately 15.27 percent to 53.35 percent. Of those, three local WIC agencies had fringe benefit rates that exceeded 50 percent.
- Our review of a sample of monthly expenditure reports for the 19 local WIC agencies and their sub-offices found eleven instances in which the fringe benefit rate included an incomplete listing of the line items making up the rate. Four of the monthly expenditure reports reviewed had fringe benefit rates that included line items for tuition reimbursement and sick and vacation accruals. Such items are not included as allowed costs in the regulations for fringe benefits. Three of the four monthly reports that had sick and vacation accruals included within the fringe benefit rate also included direct costs for sick and vacation costs.
- Seven out of 19 local WIC agencies and sub-offices had one expenditure

report or more that improperly allocated other costs (payroll, audit, legal services, insurance, or administrative costs) to the programmatic areas of Client Services, Nutrition Education and Breastfeeding. Three of 19 local WIC agencies and sub-offices had one expenditure report or more with no information on what was included in the allocation of other costs.

- Our review noted four management level and support type positions that were split-funded (35 percent to 75 percent) with the WIC Program and four management level and support type positions that were charged 100 percent to the WIC Program. However, the department does not obtain, review and approve local WIC agency supporting cost allocation documentation for management level and support type personnel prior to or during the contract period. Therefore, it is not possible to determine whether these personnel charges were properly and accurately assigned to the WIC Program.

Effect: The budget approval and expenditure report review process appears to allow local WIC agencies to claim and be reimbursed for fringe benefit costs that are not allowed according to OMB Circulars A-87 and A-133 and state regulations. The improper allocation of other costs resulted in the overstatement of WIC expenditures for the programmatic areas (Client Services, Nutrition Education and Breastfeeding) and the understatement of general administrative costs. In the absence of cost allocation documentation, it is not possible to determine whether certain management level and support type positions are properly allocable to the WIC Program.

Cause: The Department of Public Health has not established guidance for setting reasonable fringe benefit rates for the local WIC agencies. Furthermore, the department's review procedures for monthly WIC expenditure reports are not sufficient to prevent, detect, and correct unallowable costs that are included in fringe benefit rates or the "Other" expenditures. The department does not have a process to verify that personnel costs are assignable to the WIC Program.

Recommendation: The Department of Public Health should establish guidelines in accordance with state and federal regulations for setting fringe benefit rates for local WIC agencies. In addition, the department should establish review procedures that examine the fringe benefit line items for compliance with those guidelines. Furthermore, the department should improve its review procedures over "Other Costs" to ensure that they are properly allocated and presented in the monthly expenditures reports and that the items making up those "Other Costs" are allowable. Lastly, the department should obtain, review, and approve documentation supporting personnel cost allocations to the WIC Program prior to the commencement of the contract.

Agency Response: "The Department of Public Health agrees with this finding. The Department of Public Health responded to the issue of fringe benefit rates in #5 above. In addition, the department is establishing a new procedure that includes a DPH Fiscal Review of sub-recipient budget documents prior to making WIC Program awards. DPH will require that budget documents submitted to DPH for consideration of WIC Program funds include a detailed line item budget for "Fringe." No WIC Program award will be issued without a careful review of the sub-recipient line item budget documents by DPH Program and Fiscal."

2013-213 Matching, Level of Effort, Earmarking – Calculation of Maintenance of Effort

Public Health Emergency Preparedness (CFDA #93.069)
Federal Award Agency: United States Department of Health and Human Services
Award Year: Federal Fiscal Year 2012-2013
Federal Award Number: 1U90TP000514

Background: The Department of Public Health's calculation for maintenance of effort is based on the Department of Public Health employees' attendance at the meetings of four committees: Public Health Preparedness Advisory Committee (PHPAC), Public Health Preparedness Senior Staff (PHPSS), Public Health Preparedness Management Committee (PHPMC), and Public Health Preparedness Steering Committee (PHPSC). The calculation includes the employees' payroll and fringe benefits, based on each employee's annual meeting hours, and indirect costs of personnel for meeting preparation and travel.

Criteria: The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Cooperative Agreements mandate certain matching and level of effort requirements.

Per the agreement, regarding the matching requirement, "…the awardee agrees that, with respect to the amount of the cooperative agreements awarded by ASPR [Office of the Assistant Secretary for Preparedness and Response] and CDC [Center for Disease Control], the state will make available nonfederal contributions in the amount of 10 percent ($1 for each $10 of federal funds provided in the cooperative agreement) of the award."

Furthermore, the OMB Circular A-133 states matching contributions, "May be in the form of allowable costs incurred or in-kind contributions." The Catalog of Federal Domestic Assistance describes allowable costs for the PHEP program as, "…demonstrating measurable and sustainable progress toward achieving the 15 public health preparedness capabilities and other activities that promote safer and more resilient communities."

According to the agreement, regarding the maintenance of effort requirement, the allowable sources for calculating maintenance of effort are as follows:

- "Appropriations specifically designed to support healthcare or public health emergency preparedness as expended by the entity receiving the award; and
- "Funds not specifically appropriated for healthcare or public health emergency preparedness activities but which support healthcare or public health emergency preparedness activities, such as personnel assigned to

healthcare or public health emergency preparedness responsibilities or supplies or equipment purchased for healthcare or public health emergency preparedness from general funds or other lines within the operating budget of the entity receiving the award."

As such, any cost for the matching requirement should be included in the maintenance of effort calculation.

Condition: Our review of the Department of Public Health's matching calculation, totaling, $750,997.52 and maintenance of effort calculation, totaling $317,341.94 for the PHEP program revealed the following condition:

- The maintenance of effort calculation did not include the current year match of $750,997.52 or the match amount calculated for any prior year.

Our review of 190 instances in which employees used in the maintenance of effort calculation, who were scheduled to attend meetings, revealed the following:

- 81 instances in which individuals did not attend a meeting when the meeting occurred but were included in the calculation.
- 90 instances in which individuals did not attend a meeting because the meeting did not occur but were included in the calculation.
- One instance in which an individual was included in the calculation for meetings that occurred prior to the individual being hired.
- The number of hours used for PHPSS meetings was incorrect. The department calculated the hours at three hours, but it should have been two. This resulted in five hours of overcharge across three individuals.

When corrected to reflect only the actual hours of employee attendance at committee meetings, the maintenance of effort calculation was determined to be overstated by approximately $58,515. Further, our review disclosed that the maintenance of effort calculation which was solely based upon employee attendance at committee meetings, did not include all appropriations specifically designed to support healthcare or public health emergency preparedness as expended by the entity receiving the award.

Cause: The Department of Public Health was unaware the calculated match amount should be included in the maintenance of effort calculation for PHEP.

Meeting attendance and occurrence records were not checked to determine whether individuals attended the meetings or if the meetings occurred. Therefore the calculation was based on estimated expenditures and not the actual record of expenditures.

The Department of Public Health was unaware the additional expenditures should be included in the maintenance of effort calculation.

Effect: The failure to include the calculated match amount results in an understated maintenance of effort calculation.

Without reviewing the attendance and meeting records prior to performing the maintenance of effort calculation, the calculation may include expenditures that were not actually incurred.

The Department of Public Health's maintenance of effort calculation is based solely on the aforementioned committee meetings. As such, the calculation excludes other agency expenditures supporting healthcare or public health emergency preparedness activities.

Recommendation: The Department of Public Health should calculate maintenance of effort according to the established The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Cooperative Agreements. The calculation should be based on actual expenditures and include all amounts used for matching and any other amounts that support public health emergency preparedness.

The department should recalculate the current year and prior year's maintenance of effort so that compliance for the requirement can be determined.

Agency Response: "The Department of Public Health agrees with this finding and acknowledges that steps are being taken to address the issues. PHEP performed a review of grant directives as to what items are allowable for the match requirement. The review resulted in identifying some changes. Also, the DPH Fiscal Office and the Health Preparedness and Emergency Grant Coordinator are meeting to identify PHEP matching components for inclusion to the maintenance of funding. PHEP and Fiscal will also formulate a process for recording the information correctly to the Federal Granting Agency."

DEPARTMENT OF CHILDREN AND FAMILIES

2013-250 Eligibility and Activities Allowed or Unallowed -Inadequate Documentation and Improper Payments

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1202CT1407 and 1302CT1407

ARRA – Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: United States 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 the following 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 (CFR) Section 1356.30 further states that the state must provide documentation that criminal records checks have been conducted with respect to prospective adoptive parents and that the state may not claim federal financial participation (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, a crime involving violence, or if the prospective foster family has been convicted within the last five years of a felony involving physical assault, battery, or a drug-related offense.

Title 42 USC Section 673(c)(1)(B)(B), as amended or added by Public Law 110-351 Section 402, 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.

Section 473 of the Social Security Act specifies that child is eligible for Title IV-E adoption assistance payments if the child is eligible for Supplemental Security Income or meets other specific requirements, including former Aid to Families with Dependent Children (AFDC) requirements. The Fostering Connection to Success and Increasing Adoption Act of 2008 (Section 402 of Public Law 110-351) delinked adoption assistance from AFDC eligibility, with new eligibility criteria phased in from fiscal year 2010 to fiscal year 2018. Beginning in fiscal year 2010, and decreasing two years of age every fiscal year thereafter, an applicable child was at least 16 years of age at the time of the adoption assistance agreement, or was any age if the child had been in foster care under the responsibility of the state for at least 60 consecutive months or was the sibling of an applicable child and was placed with the sibling.

Title 45 CFR Section 1356.40 states that adoption assistance payments are available on behalf of eligible children if the state enters into an adoption assistance agreement with the prospective adoptive parent(s) prior to the finalization of the adoption, and the agreement must be signed by all parties.

Condition: We reviewed a sample of 60 adoption assistance subsidy payments, totaling \$52,925 (\$26,463 federal share), for compliance with federal activities allowed or unallowed and/or eligibility compliance requirements. Our sample was randomly selected from an audit universe of \$48,752,186 (\$24,376,350 federal share) for the fiscal year ended June 30, 2013. We could not determine the number of transactions in our audit universe.

Our review disclosed that for six of the 60 transactions, totaling \$5,616 (\$2,808 federal share), one or more of the federal activities allowed and unallowed and/or eligibility criteria was not met. For five of the six transactions, criminal history, including fingerprint-based, checks and/or abuse and neglect checks on prospective adoptive parents were not performed, not adequately documented or were not performed prior to the child’s adoption. For the remaining transaction, there was inadequate documentation contained in the file to support that the child fully met the special needs criteria specifically relating to his or her emotional ties with the prospective adoptive parents. Payments outside of our sample which were made on behalf of the six children and claimed for federal reimbursement during the fiscal year ended June 30, 2013, totaled \$61,967 (\$30,983 federal share).

In addition, our follow-up to the prior audit finding disclosed that improper payments made on behalf of six children continued to be claimed for federal reimbursement. In five instances, for the period prior to October 1, 2006, no evidence of any background checks or FBI fingerprint-based checks (on or after October 1, 2006) was found for the prospective adoptive parents for the applicable timeframe. In the other instance, the child was inappropriately determined eligible, as there was a lack of support to the special needs criteria specifically relating to his or her emotional ties to the prospective adoptive parent. Payments made on behalf of these six children in the fiscal years ended June 30, 2012 and 2013, totaled $141,581 ($70,790 federal share). We also followed up on our exceptions from our review covering the fiscal year ended June 30, 2011 and found five instances in which payments continued to be claimed even though no evidence of any background checks (prior to October 1, 2006) or FBI fingerprint-based checks (on or after October 1, 2006) was found for the prospective adoptive parents for the applicable timeframe. We were unable to readily quantify the payments and associated federal share.

Further, the federal Office of Inspector General (OIG) performed a review of the department's Adoption Assistance Program. According to the report released in November 2013, the OIG's audit covered $49,481,645 (federal share) that the department claimed for reimbursement of adoption assistance payments made on behalf of 4,566 children during the 2009 and 2010 fiscal years. A sample of 291 adoptee payment records, totaling $4,062,782 (federal share), that were claimed for federal reimbursement was evaluated for compliance with certain Title IV-E adoption assistance requirements specifically income eligibility and criminal record check requirements. In summary, the OIG audit found that the department claimed unallowable adoption assistance payments, totaling $1,277,914 (federal share), related to 110 sampled payment records, due to non-compliance with one or more federal requirements as follows:

- For 69 sampled records, adequate documentation of financial eligibility was not provided by the department;
- For 50 sampled records, documentation was not found for any required background checks of the prospective foster or adoptive families; and
- For 16 sampled records, the department did not provide adequate documentation of the adoption assistance agreements.

In addition, the OIG found for 185 of the 291 sampled records that the department provided inadequate documentation that required background checks had been performed resulting in an estimated 2,862 children whose safety may have been at risk.

The OIG estimated unallowable payments claimed without adequate documentation to be $17,499,083 (federal share) and recommended that the funds be returned to the federal government and that claiming for the 110 children be discontinued. Additionally, the OIG recommended that the department should strengthen and implement controls to ensure full compliance with financial and other eligibility requirements including background check requirements. The department informed the OIG that it would resolve all outstanding issues with the federal Administration of Children and Families (ACF).

Effect: The department's adoption assistance claims included $4,217 ($2,108 federal share) in improper payments made on behalf of ineligible children due to non-compliance with certain federal eligibility and/or activities allowed or unallowed requirements. Payments outside of our sample made on behalf of these ineligible children totaled $46,275 ($23,137 federal share). We also question one payment of $1,399 ($699 federal share) in our sample in which the federal eligibility requirement was inadequately supported. Payments made outside of our sample on behalf of the child totaled $15,692 ($7,846 federal share).

Payments made on behalf of the children determined to be ineligible during the prior audit totaled $141,581 ($70,790 federal share) for the fiscal years ended June 30, 2012 and 2013.

The OIG identified unallowable adoption assistance payments totaling $1,277,914 with estimated unallowable payments totaling $17,499,083.

Cause: It could not be determined if the department misplaced the prospective adoptive parents' criminal history and abuse and neglect check information or if the procedures were not performed or 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.

Due to an oversight, the department did not change the eligibility status of the children found to be ineligible during the prior audits, and the payments on their behalf continued to be federally claimed.

Recommendation: The Department of Children and Families should comply with federal requirements to ensure that payments claimed for federal reimbursement under the Title IV-E Adoption Assistance Program are adequately documented and that payments federally claimed on behalf of children determined to be ineligible are adjusted accordingly.

The Department of Children and Families should take appropriate corrective action to address the recommendations of the federal Office of Inspector General.

Agency Response: "The department agrees with the finding. (Special Needs)
The department feels that this is not a systemic problem, but rather an isolated error that occurred nearly 20 years ago. The department believes that proper documentation of special needs decisions are now being made and reviewed. We cannot remedy errors that occurred during this timeframe but believe that future audits will continue to show the absence of these errors. Adjustments to

correct this one time error will be made and included in the March 2014 claim.

The department agrees with the finding. (2013)
The department agrees with the state auditor's decision on the 5 sample cases (#'s 12, 40, 48, 53 and 60). The department believes that proper procedures and quality assurance checks are in place and all necessary criminal and background checks are now being performed. These current procedures include the practice of scanning all required background/fingerprint checks into LINK and the distribution of weekly lists that go to the regions when any missing documents are discovered during the IV-E eligibility determination. The department would like it noted that these procedures have been in place for over 2 years and that all exceptions in this current audit involved adoptions that were finalized anywhere from 1997 to 2010. We cannot remedy errors that occurred during this timeframe but believe that future audits will continue to show the absence of errors from September, 2011 forward, when appropriate procedures were in place. Adjustments to correct these errors will be made and included in the March 2014 claim.

The department agrees with this finding. (OIG report)
The department believes that we have taken appropriate action to address the OIG report. We have responded to OIG's report with the following language – 'We have reviewed the audit recommendations and understand the issues that have been identified. We will resolve all outstanding issues with the Administration for Children and Families."

Prior audit findings
2012 - The department agrees with the findings.
The department agrees with the Auditors of Public Accounts' decision on the five sample cases (#'s 11, 16, 17, 35 and 44). The department believes that proper procedures and quality assurance checks are in place and all necessary criminal and background checks are now being performed. These current procedures include the practice of scanning all required background/fingerprint checks into LINK and the distribution of weekly lists that go to the regions when any missing documents are discovered during the IV-E eligibility determination. The department would like it noted that these procedures have been in place for over two years and that all exceptions in this current audit involved adoptions that were finalized anywhere from 2000 to 2009. We cannot remedy errors that occurred during this timeframe but believe that future audits will continue to show the absence of errors from 9/2011 on - when appropriate procedures were in place. Adjustments to correct these errors will be made and included in the March 2014 claim.

2011 - We agree with this finding in part.
The department agrees with the state auditor's decision on four of these five sample cases (#'s 2, 18, 52 and 54). The department believes that proper procedures and quality assurance checks are in place and all necessary criminal and background checks are now being performed. These current procedures

include the practice of scanning all required background/fingerprint checks into LINK and the distribution of weekly lists that go to the regions when any missing documents are discovered during the IV-E eligibility determination. The department would like it noted that these procedures have been in place for over two years and that all exceptions in this current audit involved adoptions that were finalized anywhere from 1997 to 2010. We cannot remedy errors that occurred during this timeframe but believe that future audits will continue to show the absence of errors from September 2011 on - when appropriate procedures were in place. Adjustments to correct these errors will be made and included in the March 2014 claim.

The following is our argument for the remaining case.
For the remaining sample case (number 26), the department argues that DCF performed all background checks that were required at that time, with the desired positive reports. In a Connecticut DCF Title IV-E audit conducted by the Administration of Children and Families (ACF) in June of 2012, ACF used the date of October 1, 2008 as the benchmark for when FBI fingerprint-based checks were needed for foster care licensing (ACYF-CB-PI-10-02). ACF took no exception to cases without FBI fingerprints prior to this date of October 1, 2008. ACF did not require that families that held valid licenses prior to this date be caught up with the added elements - 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 department understands that state auditors have recently had a conversation with ACF, where the date of October 1, 2006 was given as the benchmark for when FBI fingerprint-based checks were required. Given the inconsistent rulings received from ACF, by the state auditors and DCF, DCF would like to wait for an official ruling from ACF before we accept state auditors' decision with this sample case.

Sample #26 - the auditor states that there were no FBI fingerprint checks for this provider. The department argues that the relevant licensing period for this provider, as well as the effective adoption finalization date, was prior to October 1, 2008 and that this provider had all necessary background checks required at the time. Therefore, no exception should be noted.

Auditors' Concluding Comments:

It is clear that the effective date of Public Law 109-248, the "Adam Walsh Child Protection and Safety Act of 2006," is October 1, 2006. That date is also cited in the OIG report. ACF may have granted universal after-the-fact leniency because some states may have applied for a two-year waiver. DCF did not apply for a waiver. In fact, it was the policy of DCF to perform the FBI fingerprint checks prior to enactment of the law.

In addition, the eligibility status for all cases noted should be changed, and adjustments to DCF's federal claims should be made for all previous payments related to the cases cited.

2013-251 Activities Allowed/Unallowed and Allowable Costs/Cost Principles – Inaccurate Coding

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1202CT1401 and 1302CT1401

ARRA - Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2010-2011 and 2011-2012
Federal Award Numbers: 1102CT1404 and 1202CT1404

Background: 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 then integrated with the payment file to determine transactions that are reimbursable under the title IV-E programs. Pre-determined service codes are set up in the payment system and are linked to either of the programs, including whether the services are allowable under each program. Payments coded to an allowable service made on behalf of an eligible child are claimed for federal reimbursement.

Criteria: In accordance with 45 CFR §1356.60, federal financial participation (FFP) is available for allowable costs in expenditures for foster care maintenance payments as defined by section 475(4) of the Social Security Act.

Condition: We reviewed a sample of 60 foster care maintenance payments totaling $153,062.30 of which $130,458.57 represented reimbursed costs which were federally reimbursed at 50 percent or $65,229.29, for compliance with federal activities allowed/unallowed and allowable costs/cost principles and eligibility requirements. Our sample was randomly selected from an audit universe of $53,254,345 ($26,626,872 FFP) for the fiscal year ended June 30, 2013. We did not determine the number of transactions in the audit universe.

Our review disclosed that for one transaction of $298, the payment was incorrectly coded to a foster care eligible service code resulting in federal reimbursement. Adoption assistance eligibility was determined in 2011 on the child in our sample transaction, at which time the child was assigned eligibility code 100. In September 2012, the child entered a DCF institution, but was not recommitted to the department, and the adoption assistance eligibility code 100 remained. Since the child was still in adopted status, there was no necessity for a determination of foster care eligibility. On October 4, 2012, clothes were purchased for the child by the DCF institution, but due to the identical eligibility codes for the Adoption Assistance and Foster Care programs, the payment was incorrectly coded to an allowable foster care service code which resulted in the payment being claimed under the Foster Care Program. In February 2013, the adoption was disrupted, requiring the child to be recommitted to state care and eligibility for the Foster Care Program was then determined.

Effect: Due to an incorrect service code being selected at time of payment, reimbursement of $149 was obtained for a service for a non-eligible child.

Cause: The payment claimed on behalf of the ineligible child resulted from a payment coding error.

Recommendation: The Department of Children and Families should improve internal controls over payment processing to ensure that expenditures are coded to the appropriate service code for the correct program for which the client is eligible.

Agency Response: "We agree with this finding. The agency will make a manual adjustment of $149 FFP to the March 2014 IV-E claim to reduce IV-E reimbursement."

Auditors' Concluding Comments: A similar finding was reported in our audit of fiscal year ending June 30, 2012. At that time, the department responded that this was not a systemic problem but a one-time error and that staff would be retrained. It appears that such retraining was insufficient to prevent a reoccurrence. Therefore, in addition to making a manual adjustment, the department should take further steps to ensure that all staff responsible for coding are aware of these issues.

2013-252 Procurement and Suspension and Debarment – Internal Controls

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1202CT1401 and 1302CT1401

ARRA - Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: United States 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: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Numbers: 1202CT1407 and 1302CT1407

ARRA – Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: United States 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 (CFR) 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 and/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.

<u>Purchasing Unit</u>
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/vendors are suspended or debarred in ensuing years.

<u>Fiscal Unit – New Provider</u>
This unit enters providers into LINK, the department's provider payment system. Prior to entering a new provider, 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.

<u>Fiscal Unit – Year End Matching</u>
Following the end of each fiscal year, another employee in this unit compares providers paid by the department 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. Verification of payments made to vendors in LINK is performed after the payments have been disbursed to the providers; therefore, the possibility exists that payments have been made to suspended or debarred providers.

Effect: The department has less assurance that payments are not being made to entities suspended or debarred from federal programs.

Cause: The department has not implemented internal controls to ensure that it periodically determines 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/vendors suspended or debarred from federal programs.

Agency Response: "We agree with this finding. The department will create a regular schedule and process to check vendors paid in both the LINK and Core-CT payment systems against the database of entities that have been suspended or debarred from federal programs."

2013-253 Allowable Costs – Inadequately Supported TANF Eligibility Rates

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Year 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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 for the percentage of clients eligible under TANF.

Criteria: Data collection and reporting systems should be adequately designed to collect all relevant information needed for reporting purposes. Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, requires that, to be allowable under federal awards, costs must be adequately documented.

Condition: We were informed in our prior audit that episode start and end dates were not the actual client service dates. In most cases, the episode start and end dates represented the client's intake and discharge date from the service/program and did not represent when services were actually provided. As a result, expenditures for certain services claimed under TANF were based on inaccurate eligibility rates, as clients who may not have received services during the quarter may have been included in the rates. The PSDCRS system was not capturing the information needed to accurately calculate the eligibility rates. A system update was completed in March 2013 to capture the eligibility determination date and prompt users to perform eligibility re-determination every 24 months. However, the system was not further enhanced to capture actual client service dates. As a result, testing was not performed and the finding is repeated.

Effect: DSS claimed $28,585,793.70 in DCF expenditures which may have been based on inaccurate TANF eligibility rates.

Cause: The PSDCRS system does not capture the information necessary to accurately calculate the TANF eligibility rate. The Department of Children and Families failed to perform all essential enhancements to the system.

Recommendation: The Department of Children and Families should further enhance the PSDCRS system to capture the information necessary to calculate the eligibility rates based on actual TANF clients served.

Agency Response: "We agree with this finding. The department will make changes to the PSDCRS system to allow providers the ability to note if there were any episodes of service within the quarter. Additionally, the department recognizes errors were made in data entry and additional provider training is necessary."

2013-254 Subrecipient Monitoring – Identification of Federal Award Information

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Year 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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 are 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 providers the amount of their expenditures that were claimed under TANF, the providers may not meet 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: "We agree with this finding. The department is putting in place procedures to notify providers the portion of their expenditures that were claimed by DSS under the TANF program."

2013-255 Subrecipient Monitoring – Submission of Audit Reports

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Year 2011-2012 and 2012-2013
Federal Award Numbers: G1202CTTANF and G1302CTTANF

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 the provider in the quarter. DSS uses this information to claim federal reimbursement under TANF. The amounts claimed under the TANF program are 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 ensuring that subrecipients expending $500,000 or more in federal awards during the subrecipient's fiscal year have required audits completed and submitted within nine months of the end of the audit period, have a management decision of audit findings issued within six months after the receipt of the audit report, and ensure that appropriate corrective action is applied.

Condition: We selected eight audit reports for six providers and found that the department was unable to provide the audit reports for two providers. DCF contacted the providers and the reports were received in December 2013. We were unable to determine whether the reports had been previously submitted to DCF. There were no findings reported in either audit that would affect the Department of Children and Families. However, the department was unable to perform desk reviews and make that determination in a timely manner.

Effect: Appropriate corrective action to findings noted in the audit reports may not have been taken by management. Providers may continue to receive funds despite noncompliance with federal subrecipient reporting requirements.

Cause: Internal control procedures have not been adequately implemented to monitor and ensure that required audit reports have been received and reviewed.

Recommendation: The Department of Children and Families should implement written procedures for the receipt and review of required audit reports.

Agency Response: "We agree with this finding. The department is putting in place a process to insure that audits are received by the required deadline along with a process for following up on audits that have not been received within the required time period."

DEPARTMENT OF EDUCATION

2013-300 Subrecipient Monitoring – Review of Subrecipient Schedules of Expenditures of Federal Awards

ARRA - Special Education Preschool Grants (CFDA #84.392)
Federal Awarding Agency: United States Department of Education
Award Years: Federal Fiscal Years 2009-2014
Federal Award Number: H392A090024

Criteria: Both the draft and finalized (effective August 1, 2013) versions of the State Department of Education's (SDE) audit discrepancy resolution procedures demonstrate good business practices. These procedures are designed to determine whether subgrantees spent federal assistance in accordance with applicable laws and regulations by requiring SDE to follow up on variances identified between SDE records and their subrecipient audited schedules of expenditures of federal awards (SEFA).

Condition: We sampled and tested SDE review of ten subrecipient SEFAs for the fiscal year ended June 30, 2012. For five of these subrecipient reports, SDE identified programs for which the SEFA did not support the expenditures claimed by the subrecipients. SDE failed to investigate any of these discrepancies. Most notably, the audited SEFA for one subrecipient did not list any expenditure for one program (CFDA #84.392); while SDE paid the subrecipient $90,106 for the program.

We were told by SDE that they did not follow up on any identified discrepancies between their records and their subrecipients' audited SEFAs during the fiscal year ended June 30, 2013.

Effect: By not following up on the discrepancies, SDE has failed to determine whether there are unspent balances to be recovered. Funding provided through SDE may not have been appropriately expended or accounted for and not promptly discovered

Cause: SDE did identify variances between the amounts paid to a subrecipient and the amount reported on the SEFA. However, we were informed that because the audit discrepancy procedures were not finalized until August 1, 2013, the necessary investigation of these differences was not completed.

Recommendation: The State Department of Education should determine whether subgrantees spent federal assistance in accordance with applicable laws and regulations by following up on identified expenditure variances.

Agency Response: "We agree with this finding.

SDE will implement the procedures that address the recommendations cited above and will move forward to resolve differences between the audit (SEFA) and grantees' expenditure reports. We also anticipate applying these procedures in the review of prior year funds."

2013-301 SSBG Subrecipient Monitoring

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
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 $15,697,930 in SSBG TANF funds to the State Department of Education (SDE) for child day care services in the fiscal year ended June 30, 2013. 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.
- 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. SSBG Family Income Requirement:
   SDE contracts provided the incorrect SSBG program family income eligibility guidelines to its subrecipients.
2. Audit Requirements:
   One out of 12 federal single audit reports submitted from subrecipients expending more than $500,000 in federal awards did not include the SSBG program and its CFDA number in the audit reports issued by the independent auditor.
3. DUNS Numbers:
   Three out of 18 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 grant contracts did not properly inform recipients of the SSBG requirements. In addition, SDE incorrectly treated these subgrantees as vendors rather than subrecipients. Therefore, SDE did 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.

The State Department of Education (SDE) transferred these contracts to the Office of Early Childhood (OEC) effective July 1, 2013. As the SDE is the Administrative Purposes Only agency for the OEC, we will ensure the following corrective action is implemented.

Prior to July 1, 2014, the issuance of new contracts or amendment to existing contracts will include new contract language to address the following issues:
1. SSBG Family Income Requirements
2. Audit Requirements
3. Monitoring Requirements
4. DUNS Numbers

The OEC program staff will disseminate this information to all of the Child Day Care (CDC) contractors/ subrecipients. They will also work with the contractors/ subrecipients to ensure that they are in compliance with the SSBG requirements.

While SDE continues each year to obtain and review audits in accordance with the Single Audit Act of 1996 and the revised Office of Management and Budget (OMB) Circular A-133, it cannot entirely prevent a contract/grant from being omitted in the audited Schedules of Expenditures of Federal Awards (SEFA). However, the SDE will take the necessary steps to maintain compliance with OMB standards as recommended by the Auditors of Public Accounts."

DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION

2013-350 Allowable Costs/Cost Principles – Equipment Usage

Disaster Grants – Public Assistance (Presidentially Declared Disasters)
(CFDA #97.036)
Federal Awarding Agency: United States Department of Homeland Security
Award Years: Federal Award Years 2012-2013
Federal Award Number: DR 4046-CT

Background: Following a presidential declaration of a major disaster, the Federal Emergency Management Agency (FEMA) awards grants to assist state and local governments and certain private nonprofit entities with the response to and recovery from disasters. The grants program provides assistance for debris removal, emergency protective measures, and restoration of infrastructure. The Public Assistance program is based on a partnership among FEMA, state, and local officials. FEMA is responsible for administering the program, approving grants, and providing technical assistance to the state and applicants. The state acts as the grantee for the program.

Criteria: FEMA has published the FEMA Public Assistance Guide in order to disseminate information related to its implementation and administration of this program.

The guide states, "Equipment that is used for less than half of the normally scheduled working day is reimbursable only for the hours used."

Condition: In our review of reimbursements to three subrecipients, we noted instances in which equipment usage records were not supported by labor records. The federal portion of unallowable costs in these reimbursements totaled $515.

Effect: Reimbursements to these three subrecipients exceeded eligible amounts.

Cause: The labor records for the operators of the equipment at these three subrecipients did not support the charges per the associated equipment usage records.

Recommendation: The Department of Emergency Services and Public Protection should ensure reimbursements to subrecipients for equipment usage are made in accordance with accepted federal guidelines.

Agency Response: "We agree with this finding in part.

FEMA, not the state, develops the cost documentation in direct cooperation with the sub-grantee (applicant). The state will stress the need for FEMA to follow federal guidance on documentation of equipment usage costs and document the cost appropriately in each project worksheet. In cases where local pricing is used, the state will request that FEMA document the source of that cost. When CT Department of Emergency Services and Public Protection staff identify any error or questionable cost the state will request that FEMA explain the reason for its determination that a cost is eligible in the project worksheet and where necessary revise the project worksheet to correct any error made."

2013-351 Allowable Costs/Cost Principles – Inadequate Documentation of Expenditures

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)
Federal Awarding Agency: United States Department of Homeland Security
Award Years: Federal Award Years 2012-2013
Federal Award Number: DR 4023-CT; DR 4046-CT

Criteria: Title 44 Code of Federal Regulations (CFR) Section 13.20(b)(2) requires that grantees maintain records which adequately identify expenditures.

Condition:

- We reviewed the documentation for one subrecipient. The Contract Work Summary Record for debris removal totaled $4,718,661, while the related documentation for the debris removal totaled $4,618,425. After we discussed this with agency officials, they were able to obtain a correct version of the documentation which supported the subrecipient's expenditures for debris removal.
- We reviewed the documentation for another subrecipient. The project worksheet included a charge for equipment of $4,000. There was no documentation in the agency's records that supported this charge at the time of our review.

Effect: The documentation in the agency's records did not adequately support the subrecipients' expenditures.

Cause: In the first instance, an incorrect version of the supporting documentation was included in the agency's records. In the second instance, there was no supporting documentation in the agency's records at the time of our review.

Recommendation: The Department of Emergency Services and Public Protection should maintain adequate documentation to support the expenditures of all program subrecipients.

Agency Response: "We agree with this finding in part.

FEMA, not the state, develops the cost documentation in direct cooperation with the sub-grantee (applicant). The state will stress the need for FEMA to follow federal guidance on documentation of all costs and document the cost clearly and appropriately in each project worksheet. In cases where local pricing is used, the state will request that FEMA document the source of that cost. When CT Department of Emergency Services and Public Protection staff identify any error or questionable cost the state will request that FEMA explain the reason for its determination that a cost is eligible in the project worksheet and where necessary revise the project worksheet to correct any error made."

2013-352 Reporting – Subaward Reporting Under the Transparency Act

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)
Federal Awarding Agency: United States Department of Homeland Security
Award Years: Federal Award Years 2012-2013
Federal Award Number: DR 1904-CT; DR 1958-CT; DR 4023-CT; DR 4046-CT; DR 4087-CT; DR 4106-CT

Criteria: Under The Federal Funding Accountability and Transparency Act of 2006 (FFATA) or Transparency Act – P.L. 109-182, as amended by section 6202(a) of P.L. 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 top five executives of the entity receiving the subaward (if certain criteria are met); as well as the total compensation and names of the top five executives of the prime award recipient (if certain criteria are met).

Condition: The Department of Emergency Services and Public Protection was not performing the required reporting for the Disaster Grants.

Effect: The agency was not in compliance with the reporting requirement as it relates to the Disaster Grants – Public Assistance CFDA #97.036. The intended dissemination of subaward data was not possible without this reporting.

Cause: The agency was unaware of the requirement as it relates to the Disaster Grants – Public Assistance CFDA # 97.036.

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 relating to the Disaster Grants – Public Assistance CFDA # 97.036.

Agency Response: "We agree with this finding.

CT Department of Emergency Services and Public Protection has submitted a corrective action plan to address this issue, identified staff to carry out FSRS reporting as required and established an account on the FSRS reporting website. Entries have already begun and will continue until such time as the corrective action plan has been fully implemented."

DEPARTMENT OF REHABILITATION SERVICES

2013-400 Eligibility

Rehabilitation Services–Vocational Rehabilitation Grants to States (CFDA # 84.126)
Federal Awarding Agency: United States Department of Education
Award Years: Federal Award Years 2011-2012 and 2012-2013
Federal Award Numbers: H126A120007 and H126A130007

Criteria: Title 34 Code of Federal Regulations (CFR) Section 361.41(b) specifies the State Vocational Rehabilitation Agency must determine eligibility for program services within a reasonable period of time, not to exceed 60 days, of the 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 determination requirements and found four cases in which determinations were made after the 60 day window had expired and no evidence of extensions were on file. The department's case management system indicated 25 pending eligibility determinations at the time of our review had exceeded 60 days without having an extension on file.

Effect: The department is not in compliance with the program-specific eligibility requirements, which can result in potential clients having to wait an unreasonable period of time after submittal of their application.

Cause: The department appeared to not be effectively monitoring for compliance with the 60-day eligibility determination requirement.

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 in part – We agree that four of the 40 cases reviewed to determine compliance with eligibility requirements had eligibility determinations which were made after the 60 day window had expired with no extension letter on file. We agree in part that the department's case management system indicated 25 active cases pending eligibility determination at the time of review exceeded 60 days without having an extension on file – A review of the 25 individual cases shows that due to anomalies in the agency's case management system, there were actually only 18 cases pending eligibility determination that exceeded 60 days without having an extension letter. Of the remaining seven, the explanation follows:

- One case is a duplicate case; the resolution for managing duplicate cases provided to us by the case management system vendor was to password protect one of the duplicate cases so that additional data would not be entered into that case, while the other case is used to move forward with the consumer. This password protected duplicate case has not yet been removed from the system, pending an additional resolution by the vendor.

- A case-by-case review of the 25 cases demonstrates that in six cases there is a waiver letter in the case record that was sent prior to the expiration of the 60 day time frame required for determining eligibility.

The agency provided a statewide training to all counseling staff on eligibility and order of selection in the fall of 2012. This is after the time frames for the four specific cases reviewed; however, it is prior to the 18 cases found to be out of compliance at the time of this review (as noted above). Given that the agency made 3,276 eligibility determinations for FFY 2013, this is a small number of cases found to be out of compliance, particularly in light of the continued issue the agency has with anomalies in the case management system that make it difficult to always have accurate up to the minute data. The agency is proceeding with a major procurement process to obtain a new case management system that will include dashboard metrics for accurate and real-time identification of cases in jeopardy of exceeding the 60 day eligibility cutoff date. Dash board metrics will also be made available to supervisory and management staff so that this issue can be managed more thoroughly and immediately. For the balance of FFY 2014 the agency will have supervisors run a monthly report of active cases pending eligibility determination for each vocational rehabilitation counselor. For each case that is out of compliance with eligibility determination and waiver letters, the supervisor will provide instruction and guidance regarding correction of this issue to the counselor. For every instance where the counselor exceeds the 60 day time frame without sending the appropriate waiver letter to the consumer prior to the expiration of the 60 day time frame it will be noted in supervisory notes for performance evaluation."

DEPARTMENT OF ADMINISTRATIVE SERVICES

2013-450 Allowable Costs/Cost Principles – No Verification Methodology for Employees Charged to the Revolving Fund

Statewide Cost Allocation Plan (SWCAP)
Federal Award Agency: United States Department of Health and Human Services
Awards Years: Federal Fiscal Years 2011-2012 and 2012-2013

Background: The Department of Administrative Services (DAS) operates an internal service fund called the General Services Revolving Fund (GSRF). The GSRF is used to account for the revenues and expenditures related to fleet operations, central printing, electronic publishing and other centrally provided services furnished and billed to other state agencies and listed in Section II of the approved Statewide Cost Allocation Plan (SWCAP) for the fiscal year ended June 30, 2013.

Criteria: The Office of Management and Budget (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 80 filled positions of which only 71 positions were included in the cost allocation plan submitted to the federal government by DAS. DAS did 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 correlated to their actual efforts.

Effect: Personnel costs related to nine positions were not allocated to the GSRF for purposes of cost recovery. Other employee costs may have been 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 an 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 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 take the necessary steps to implement a system to verify and document that all employees charged to the General Services Revolving Fund are considered for inclusion in the cost allocation plan and are properly documented as working on fund-related activities as required by OMB Circular A-87.

Agency Response: "The Department of Administrative Services (DAS) agrees with this finding in part. DAS has a Core-CT time code to document hours worked by employees on General Services Revolving Fund (GSRF) programs. We are exploring another option that would be more cost effective with our limited resources."

2013-451 Allowable Costs/Cost Principles - Billing Rates Development and Adjustment Methods

Statewide Cost Allocation Plan (SWCAP)
Federal Award Agency: United States Department of Health and Human Services
Awards Years: Federal Fiscal Years 2011-2012 and 2012-2013

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 the OPM to integrate proposed changes to budgetary factors into the package it sends to all state agencies, which places submission to the OPM at July 1st, or one fiscal year in advance of the implementation date.

The Office of Management and Budget (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 2011, DAS developed rates, but did not submit the rates to OPM. DAS was waiting for OPM to approve funding changes to move positions out of the GSRF before submitting the new rates. 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/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 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: "Department of Administrative Services (DAS) agrees with this finding. DAS has formalized rate development procedures and policies. DAS also has established procedures to analyze the financial condition of the General Services Revolving Fund (GSRF) regularly and to perform the necessary reconciliation of revenues to actual costs to determine if adjustments are required."

2013-452 Allowable Costs/Cost Principles – Reliability of Financial Information as Presented

Statewide Cost Allocation Plan (SWCAP)
Federal Award Agency: United States Department of Health and Human Services
Awards Years: Federal Fiscal Years 2011-2012 and 2012-2013

Background: There have historically been areas of contention in the recognition of various accounts and the presentation of financial data between the Department of Administrative Services (DAS) and the Office of the State Comptroller (OSC), which have led to previously reported areas 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 Statewide Cost Allocation Plan (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: The Office of Management and Budget (OMB) Circular A-87, Appendix C, Section E (3)(b)(1) requires the inclusion of financial statements for proprietary funds within the 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 2011. Through a cursory review of the fiscal year 2013 financial statements for the GSRF, we determined that the statement of cash flows had been included.
	When the fiscal year 2011 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 2011, DAS presented a positive fund position of approximately \$7.0 million while the OSC presented a deficit fund position of approximately \$61.3 million; the disparity was in excess of \$68.3 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 2011 was accurate or 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, the use of such a system could introduce the opportunity for additional error through incomplete or inaccurate data transfer from the Core-CT financial 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 financial system to increase efficiency in the reporting process and to eliminate the likelihood of errors in the data transmission process.
	DAS has worked with the Office of the State Comptroller (OSC) toward resolving the disparities in reported financial position of the GSRF, but the resolution does not impact SWCAP 2013.
Agency Response:	"The Department of Administrative Services (DAS) agrees with this finding in part. All financial reporting has been current and GASB compliant since 2012. DAS still used Quick Books."

UNIVERSITY OF CONNECTICUT

2013-500 Allowable Costs/Cost Principles – Time and Effort

Federal Award Agency: Various
Award Year: State Fiscal Year Ended June 30, 2013
Research and Development Programs: Various

Criteria: In accordance with the Office of Management and Budget (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 service costs. Accordingly, the accuracy and integrity of the time and effort reporting system is crucial.

Condition: Under the university's current time and effort reporting system, researcher time and effort reports are prefilled 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. Accordingly, the charges recorded for a biannual period do not completely correspond with these employees' actual personal service 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 prefilled 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.

Effect: These inconsistencies make it difficult to readily correlate the percentages reflected on the time and effort reports with the work actually performed.

Cause: The university pays nine month employees on a 12 month basis as a convenience for the employees. The implications of this practice with respect to the time and effort system do not appear to have been given adequate consideration.

Recommendation: The University of Connecticut should charge restricted accounts for the full cost of personal services when those costs are incurred.

Agency Response: "The university agrees with this finding."

2013-501 Allowable Costs/Cost Principles – National Institutes of Health Salary Cap

Federal Award Agency: United States Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2013
Research and Development Programs:
Environmental Health (CFDA # 93.113)
Account #5224710 – "Electrocatalytic Studies of Toxic Pollutant Activation" – 5R01ES003154-29 issued by the National Institute of Environmental Health Sciences, project period March 1, 1983 through November 30, 2013
Discovery and Applied Research for Technological Innovations to Improve Human Health (CFDA # 93.286)
Account #5613660 – "Protein Biosensor Arrays Based on Nanomaterials" – 9R01EB014586-06A1 issued by the National Institute of Biomedical Imaging and Bioengineering, project period September 15, 2011 through August 31, 2015
Lung Diseases Research (CFDA # 93.838)
Account #5258160 – Subaward M11A11069 (A08211) from Yale University under "Counter-Irritation by Menthol: Molecular Targets and Role in Airway Disease" – 5R01HL105635-02 issued by the National Heart, Lung and Blood Institute, project period January 1, 2011 through December 31, 2014
Child Health and Human Development Extramural Research (CFDA # 93.865)
Account #5614730 – "Estimating the Causal Effects of Social Networks on Health Behaviors" – 1R21HD066230-01A1 issued by the Eunice Kennedy Shriver National Institute of Child Health and Human Development, project period September 27, 2011 through August 31, 2013

Criteria: The legislatively mandated National Institutes of Health salary cap, which is set through appropriation legislation, limits the direct salary that a researcher may receive under a National Institutes of Health award. The cap is tied to the federal Executive Schedule of Pay.

The cap does not limit researcher salaries. It limits the amount that can be charged to National Institutes of Health awards. In instances in which researcher pay rates exceed the cap, awards cannot be charged more than would be allowable if the researcher pay rates were at the cap.

The salary cap was set at $179,700 annually for a full-time employee for awards issued during the period from December 23, 2011 through January 11, 2014. Higher levels were permissible for awards issued prior to and following this period. As the salary cap limits pay rates, the annual amount must be reduced proportionately for percentage of employment, the fraction of a year the time period represents and the percentage of effort devoted to the award during the time period for which the salary allocation is calculated.

Condition: We identified 28 instances in which the cap was potentially applicable. Each instance included all compensation charged to one or more National Institutes of Health awards for one semester for one individual whose pay rate exceeded $179,700. We tested ten of these instances and found that the researchers had been charged at rates that exceeded the applicable salary cap in three of the ten. Excess amounts charged (salary only, not including associated fringe benefits and facilities and administrative costs) totaled $6,476, $4,118, $1,986 and $340 for awards 5R01ES003154-29, 9R01EB014586-06A1, M11A11069 (A08211) and 1R21HD066230-01A1, respectively.

Effect: Unallowable costs were charged to National Institutes of Health awards.

Cause: The university has not established a standard process for addressing this compliance requirement. As a result, though the annual salary caps were appropriately reduced for the fractions of a year represented by the periods during which the work was performed, the necessity to further reduce the caps for the percentages of effort devoted to the awards in question during those periods was not recognized in all cases.

Recommendation: The University of Connecticut should identify all instances in which individuals whose rate of pay exceeds the salary cap are charged in whole or part to National Institutes of Health awards. Amounts in excess of the cap should be charged to specific accounts clearly designated for that purpose.

Agency Response: “The university agrees with this finding.”

2013-502 Cash Management

Federal Award Agency: United States Department of Defense
Award Year: State Fiscal Year Ended June 30, 2013
Research and Development Programs:
Military Medical Research and Development (CFDA #12.420)
Account #5253310 – “Tracking the Health of Soldiers with Advanced Implantable Nano-Sensors” – W81XWH-09-1-0711 issued by the U.S. Army Medical Research Acquisition Act, project period September 15, 2009 through April 14, 2013
Account #5615520 – “Optimizing and Validating a Brief Assessment for Identifying Children of Service Members at Risk for Psychological Health Problems Following Parent” – W81XWH-12-2-0036 issued by the U.S. Army Medical Research Acquisition Activity, project period June 15, 2012 through June 14, 2015

Criteria: In accordance with the Office of Management and Budget (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 carrying 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 $364,862 was maintained for award W81XWH-09-1-0711; the average amount expended each day was $1,043. An average daily cash balance of $110,319 was maintained for award W81XWH-12-2-0036; the average amount expended each day was $73.73.

Effect: Excess cash balances were maintained.

Cause: With respect to awards W81XWH-09-1-0711 and W81XWH-12-2-0036, 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 engendered by the grantor agencies; they bear the responsibility for taking appropriate remedial action.

Agency Response: "Not applicable."

2013-503 Allowable Costs/Cost Principles – Unallowable Costs

ARRA - Trans-NIH Recovery Act Research Support (CFDA # 93.701) Non Major Program
Federal Award Agency: United States Department of Health and Human Services, National Institutes of Health, National Institute of Mental Health
Award Year: State Fiscal Year Ended June 30, 2013
Federal Award Number: 1RC4MH091939-01
Account #5256160 – "Connecticut Correctional Health Services Research Partnership" – 1RC4MH091939-01 issued by the National Institute of Mental Health, project period August 1, 2010 through July 31, 2013

Criteria: In accordance with the Office of Management and Budget (OMB) Circular A-21, costs charged to a federal award must be for work actually performed for the benefit of the award. The university's key control with respect to claims for reimbursement submitted by subrecipients in connection with subawards issued by the university is the evaluation of the claims by the principal investigators for the awards. The principal investigators are ultimately responsible for the awards and are in the best position to determine if work has actually been performed.

Condition: We noted that the principal investigator for award 1RC4MH091939-014 disallowed $53,393 in claims for reimbursement submitted by the University of Connecticut Health Center as subawardee of the university. The principal investigator rejected the claims in the belief that the work was not done.

It appears to us that the principal investigator was then pressured by colleagues to approve the claims. This interfered with the principal investigator's ability to freely exercise judgment in this matter. The claims were subsequently paid.

Effect: Unallowable costs were charged to the award.

Cause: There was a breakdown in internal control.

Recommendation: The University of Connecticut should reimburse the award for the unallowable costs charged. The principal investigator's ability to freely exercise judgment with respect to the approval of claims for reimbursement submitted by subrecipients should not be abridged.

Agency Response: "The university cannot agree at this time because we believe this finding is premature. A thorough evaluation of this matter has not been performed.

The university will conduct an independent investigation of the facts and circumstances surrounding this finding. The university will take appropriate action based on the outcome of this investigation. If it is determined that there are unallowable costs charged to this award, the university will reimburse the award for the full amount of questioned costs."

2013-504 Allowable Costs/Cost Principles – Applicable Credits

Federal Award Agency: Various
Award Year: State Fiscal Year Ended June 30, 2013
Research and Development Programs: Various

Criteria: In accordance with the Office of Management and Budget (OMB) Circular A-21, to be allowable under federal awards, costs must be net of all applicable credits, e.g., volume or cash discounts, insurance recoveries, refunds, rebates, trade-ins, adjustments for checks not cashed, and scrap sales.

Condition: The university participates in the state's purchasing card program. The state receives rebates on credit card purchases made under this program, but does not credit them to the cost centers that the purchases were charged to.

During the 2013 fiscal year, charges to accounts maintained by the university for federal research and development programs aggregated $2,500,776. The state's rebate rate under the purchasing card program was 1.32 percent for the 2012 calendar year. Using 1.32 percent as a reasonable estimate of the rebate rate for the 2013 fiscal year, $33,010 in applicable credits should have been allocated to federal research and development programs administered by the university.

Effect: Unallowable costs in the amount of $33,010 were charged to federal research and development programs administered by the university

Cause: Amounts rebated were retained in central state accounts; they were not made available to the university for allocation to the cost centers that the purchases were charged to.

Recommendation: The State Comptroller should transfer purchasing card program rebates allocable to the university's federal accounts to the university so that they can be appropriately credited to the accounts.

Agency Response: *Office of Policy and Management and Office of the State Comptroller*

"We do not agree with this finding. All costs incurred to administer the P-Card Program are paid from the General Fund. These administrative costs include but are not limited to field compliance audits by the Office of the State Comptroller staff, training of agency staff, enhancement of P-Card functionality and transparency through Core-CT applications, responding to Freedom of Information requests, negotiating contract provisions with the bank, maintaining the program with the bank and reviewing best credit purchasing practices in other states. The purchasing card program rebates are deposited as General Fund revenue rather than as specific refunds of expenditures back to the spending source. The rebates are deposited to the General Fund to recover the purchasing card program's administrative costs.

In accordance with Section 4-29b of the State Statues, Use of indirect cost recoveries, state agencies that receive indirect cost recoveries from federal grants or other sources are directed to credit those recoveries to the General Fund, unless such deposits are waived by the Secretary of OPM. The statute also notes "for the purposes of this section 'state agency' does not include any constituent unit of state system of higher education or any state institution of higher education."

The General Fund costs of administering the P-Card program are included in the SWCAP and are part of the allocation distributed to agencies through the plan. However, the higher education units do not reimburse the General Fund for SWCAP-related costs through their indirect cost recoveries.

While not expressly addressed under CGS 4-29b, the University's current practice of crediting the General Fund for P-card rebates is consistent with the approach applied to most other state agencies and the approach utilized for indirect cost and SWCAP recoveries.

It is the position of the Office of Policy and Management that "rebates" for credit card purchases represent administrative cost recoveries rather than offsets of or credits to the funding source for such purchases. State agencies, including the University of Connecticut, participating in the purchasing card program enjoy substantial benefits of that program. However, there are substantial General Fund costs incurred in establishing and maintaining that program. Purchasing card program rebates are deposited as General Fund revenue rather than as refunds of expenditures credited to the funding source of the expenditure, and help the General Fund to recover the purchasing card program's administrative costs. The treatment of these rebates by the University is consistent with the policy and practice employed by other state agencies."

Auditors' Concluding Comments:

Though retaining the rebates in the General Fund is permitted by state statute, the allowability of charges to federal research and development programs is defined in the Code of Federal Regulations. Rebates on credit card purchases can be readily allocated to specific expenditures. They should be credited against the cost centers of the sponsored projects that incurred the initial charges, to appropriately reduce the direct costs of goods and services charged to their actual prices, net of applicable credits.

Additionally, SWCAP related costs are not charged to university federal research and development programs, as the university's own administrative costs exceed the 26 percent cap on administrative costs. Applying the rebates to reduce central state administrative costs does not reduce the amount of facilities and administrative costs recovered from the programs that incurred the initial charges.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

2013-550 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, 2013
Research and Development Programs

Criteria: The Office of Management and Budget (OMB) Circulars A-21 and A-110 require that a physical inventory of equipment be taken at least once every two years and reconciled to the equipment records.

Condition: During our testing of the University of Connecticut Health Center (Health Center) equipment inventory, we concluded that equipment records lacked evidence of timely reconciliation to the most recent physical inventory.

Effect: The Health Center 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 an untimely updating of equipment inventory records.

Recommendation: The University of Connecticut Health Center should reconcile 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. The physical inventories themselves were completed in a timely fashion and the Health Center's equipment records were updated in December of 2013 to reflect the results of the most recent physical inventory. However, our data reconciliation process was delayed by the implementation of our new accounting system. Each Health Center department will work with Material & Logistics Management to ensure that their equipment data is reconciled by June 30, 2014."

SOUTHERN CONNECTICUT STATE UNIVERSITY

2013-600 Allowable Costs/Cost Principles – Time and Effort Reporting

Federal Award Agency: Various
Award Year: State Fiscal Year Ended June 30, 2013
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, 2012, we noted that Southern Connecticut State University implemented a new time and effort reporting system for student workers whose payroll costs were charged to federal programs. The system, however, was inadequate as the documentation format did not provide identification of the grant that the student worked on. Therefore, the system lacked after-the-fact certification that student labor charges were correctly assigned to particular grants.

During our prior audit, the university informed us that it would revise student timesheets to include the specific grant name(s) on each timesheet submitted for grant-related work. Our follow-up testing disclosed that the university had not fully implemented this revised time and effort reporting system. The university informed us that the revised time and effort reporting system for students was implemented during the Fall 2013 semester, which was after our audit period.

The following presents the university's student labor charges to federal programs during the fiscal year ended June 30, 2013, some of 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	$12,435
47.082	Trans-NSF Recovery Act Research Support	4,952
Nonresearch and Development Programs:		
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	2,969
84.215	Fund for the Improvement of Education	240
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	23,000
93.516	Affordable Care Act Public Health Training Centers Program	30,000
	Total	$73,596

Our follow-up audit testing of a sample of ten student payroll charges to federal programs during the fiscal year ended June 30, 2013, disclosed six exceptions as follows:

- In three instances, totaling $1,197, the university did not prepare an adequate time and effort report for student worker wages charged to the Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA #84.334). The reports completed did not identify the program worked on.
- The university informed us that one student payroll transaction charged to the Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA #84.334) was an overpayment. The university paid a student $153 for 12.75 hours worked but should have paid $135 for 11.25 hours worked, an $18 overpayment.
- Two transactions totaling $240 were incorrectly charged to the Fund for the Improvement of Education (CFDA #84.215) program. The university informed us that the two transactions, one totaling $165 and the other totaling $75, were erroneously charged to this program. These charges represented the entire amount of the student labor payroll costs charged to this program.

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 such charges are accurate and allowable.

Unallowable costs totaling $240 were charged to the Fund for the Improvement of Education (CFDA #84.215) program. The Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA #84.334) program was overcharged $18 due to an overpayment to a student worker.

Cause: It is unknown why the university did not fully implement our prior audit recommendation during the fiscal year ended June 30, 2013.

The university described the unallowable costs charged to the Fund for the Improvement of Education (CFDA #84.215) program as inadvertent. The university attributed the $18 overpayment to a student participating in the Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA #84.334) to a data entry error in the Payroll Department.

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. Furthermore, the university should reimburse the federal programs identified above for all incorrect charges noted.

Agency Response: "The university agrees with this finding. Additional changes were made during the Fall 2013 semester to the student worker timesheet to include the specific grant name to each timesheet submitted if related to grant activity. The university will reimburse the federal programs identified for all of the incorrect charges noted during the audit during the 2014 fiscal year."

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, 2013:

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

2013-650 Cash Management

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Pell Grant Program (CFDA # 84.063)
Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Criteria: Title 34 Code of Federal Regulations (CFR) Section 668.166(b) states that an institution may maintain an amount of excess cash for up to seven days 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 the University of Connecticut (UConn), we noted the following exceptions:

- Due to Federal Supplemental Educational Opportunity Grant adjustments made during June 2013 and July 2013, excess cash of between $4,110 and $7,610 was on hand for 30 days from June 24, 2013 through July 24, 2013, for Award #P007A120802.
- Due to a federal Pell Grant (Pell) program adjustment made on April 26, 2013, excess cash of $694, was on hand for ten days from April 26, 2013 through May 6, 2013, for Award #P063P101228.
- Due to a federal Direct Student Loans (Direct Loan) program adjustment made on October 4, 2012, excess cash of $58 was on hand 15 days from October 4, 2012 through October 19, 2012, for Award #P268K111228.

During our review of cash management at the Central Connecticut State University (CSU), we noted the following exceptions:

- Due to a Pell program drawdown made on September 10, 2012, excess cash of between $5,093,837 and $493,135 was on hand for four days from September 10, 2012 through September 14, 2012, for Award #P063P120064.
- Due to a Pell award drawdown and adjustment made on September 18, 2012 and September 19, 2012, excess cash of between $36,919 and $151,750 was on hand for six days from September 18, 2012 through September 24, 2012, for Award #P063P120064.
- Due to a Direct Loan program drawdown made on September 10, 2012, excess cash of between $20,488,553 and $20,453,258 was on hand four days from September 10, 2012 through September 14, 2012, for Award #P268K130064.
- Due to a Direct Loan program drawdown made on September 18, 2012, excess cash of between $1,885,819 and $1,033,754 was on hand for 11 days from September 18, 2012 through September 29, 2012, for Award #P268K130064.

Effect: These institutions were not in compliance with federal regulations governing cash management.

Cause: These institutions did not follow established cash management procedures.

Recommendation: The University of Connecticut and 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: *UConn:* "We agree with this finding."

Central CSU: "We agree with this finding."

2013-651 Cash Management – Level of Expenditures

Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Background: The Level of Expenditure (LOE) is the total amount of Federal Perkins Loan funds a school is allowed to use to make loans to students and to pay administrative and collection costs in a given year.

Criteria: The Department of Education's Electronic Announcement "2012-2013 Final Funding Authorizations for the Campus-Based Programs, posted date: March 29, 2012" lists the Perkins Loan fund LOE for each institution. The LOE presented on a school's Statement of Account and Perkins Loan final funding worksheet represents the maximum amount the school is authorized to expend from its Perkins Loan fund.

Condition: Eastern Connecticut State University's LOE for the Perkins Loan fund for the 2012-2013 award year was $276,019. The university expended $312,519 in the Perkins Loan fund for the 2012-2013 award year.

Effect: The university expended $36,500 over the approved LOE.

Cause: The university did not follow established procedures.

Recommendation: Eastern Connecticut State University should establish internal controls to ensure that the federal Perkins Loans Level of Expenditures is not exceeded.

Agency Response: "We agree with this finding, though we had plenty of cash on hand to cover this over expenditure. In fact, we received a letter from the Department of Education a short time later that instructed us to spend or return our excessive cash on hand and/or request an increased Level of Expenditure."

Auditors' Concluding Comment: Internal controls should be in place to ensure that the federal Perkins Loans LOE is not exceeded. If the university would like to exceed the LOE, permission should be granted in advance by the federal government.

2013-652 Student Eligibility – Cost of Attendance

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Background: Qualification for subsidized loans is based on financial need, which is defined as the student's cost of attendance (COA) less expected family contribution (EFC) and other resources. Qualification for an unsubsidized loan is not based on financial need.

Criteria: The term cost of attendance refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board.

The student's COA must exceed the ERC to be eligible for need-based aid such as grants, scholarships and subsidized loans. The EFC is based on information collected from the Free Application for Federal Student Aid. The total amount of the subsidized loan combined with other need-based aid cannot exceed the student's financial need.

Adequate controls over the financial aid awarding process require that data be entered correctly to the institution's information system.

Condition: From a sample of 36 students selected for eligibility testing at the University of Connecticut (UConn), we noted three instances in which there were inaccuracies used to determine student need, as follows:

- In one instance, a student with need was awarded and disbursed an unsubsidized federal Direct Student Loans (Direct Loan) of $5,500, when she should have been awarded a subsidized Direct Loan of

$3,500 and an unsubsidized Direct Loan of $2,000. Upon our discovery, the university adjusted the student's Direct Loan amounts to the annual limits for subsidized and unsubsidized loans.

- In two instances, the COA was overstated. In one of these instances, a student's transportation portion of the COA was overstated and the student was over-awarded $550 in an unsubsidized Direct Loan. Upon our discovery, the university reduced the student's unsubsidized Direct Loan. In the other instance, a student's fees portion of the COA was overstated by $118. The overstatement had no effect on the student's awards.

From a sample of 19 students selected for student eligibility testing at Central Connecticut State University (CSU), we noted two instances in which the COA budget was not accurate. In these instances, the tuition and fees component of the students' COA budgets did not reflect actual amounts charged. In both these instances, the errors had no effect on the students' awards.

From a sample of nine students selected for student eligibility testing at Eastern CSU, we noted one instance in which the COA was overstated. In this instance, a student's tuition portion of the COA was overstated by $2,668. In this instance, the overstatement had no effect on the student's awards.

Effect: *UConn:* A student was awarded an unsubsidized Direct Loan when a portion of the loan should have been subsidized. The university corrected this error upon notification from the auditors.

The COA budgets were overstated. In one of these instances, a student was over-awarded $550. The university corrected the over-award upon notification from the auditors.

Central CSU: The COA budgets were not accurate.

Eastern CSU: The COA budgets were overstated.

Cause: The causes of the above conditions were:
UConn:

- System error.
- Professional judgment - amount for transportation costs was not calculated in accordance with university policy. In the other instance, the Financial Aid Office used the off-campus fee rates in developing a particular budget. However, it was determined that these students were billed at the Storrs campus fee rates regardless of which campus they attended.

Central CSU: The university included undergraduate tuition and fees in the graduate students' COA budgets.

Eastern CSU: The university's policy was to apply three-quarter-time COA budgets for all part-time students when a student's award was packaged at the beginning of the term. It was the university's practice to manually review and adjust for a student's actual enrollment status, as necessary, at the end of the add/drop period. This student's COA budget was not adjusted.

Recommendation: The University of Connecticut should ensure that the packaging process evaluates students for subsidized loan eligibility. The University of Connecticut and Central Connecticut State University should establish controls to ensure that components of the cost of attendance budgets are in accordance with or consistent with policy. Eastern Connecticut State University should establish internal controls to ensure that each student's cost of attendance and financial need is based upon the student's expected or actual enrollment.

Agency Response: *UConn:* "We agree with this finding."

Central CSU: "We agree with this finding."

Eastern CSU: "We agree with this finding."

2013-653 Student Eligibility–Federal Supplemental Educational Opportunity Grant

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Background: We compared the list of all students that received a Federal Supplemental Educational Opportunity Grant (FSEOG) to those students who also received a federal Pell Grant (Pell). This was done as a result of a recommendation that we made at two community colleges for the fiscal year ended June 30, 2012. We had identified an aggregate of five students that were ineligible to receive FSEOG, as these students did not receive Pell 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 Expected Family Contribution (EFC) who will also receive Pell in that year.

Condition: *UConn and Eastern CSU:* We noted certain students who demonstrated Pell Grant eligibility, with the lowest EFC, were not awarded FSEOG funds as these students' Institutional Student Information Report were processed later than eligible students with a higher EFC.

Central CSU: We noted that 11 out of 985 students received FSEOG awards that were not eligible because they did not also receive Pell award in the same award year.

Eastern CSU: We noted that three out of 338 students received FSEOG awards that were not eligible because they did not also receive a Pell award in the same award year.

Capital CC: We noted that six out of 229 students received FSEOG awards that were not eligible because they did not also receive a Pell award in the same award year.

Gateway CC: We noted that 32 out of 337 students received FSEOG awards that were not eligible because they did not also receive a Pell award in the same award year.

Middlesex CC: We noted one out of 64 students received an FSEOG award that s/he was not eligible for.

Naugatuck Valley CC: We noted that seven out of 167 students received FSEOG awards that were not eligible because they did not also receive a Pell award in the same award year.

Three Rivers CC: We noted that one out of 300 students received FSEOG awards that were not eligible because they did not also receive a Pell award in the same award year.

Tunxis CC: We noted that one out of 827 students received an FSEOG award that the student was not eligible for.

Effect: *Central CSU:* These students' total FSEOG awards were $5,779. Upon our discovery, the university rescinded the ineligible FSEOG awards to all 11 students.

Eastern CSU: These students' total FSEOG awards were $1,200. Upon our discovery, the university rescinded the ineligible FSEOG awards to all three students.

Capital CC: These students' total FSEOG awards were $1,625. Upon our discovery, the college rescinded the ineligible FSEOG awards to all six students.

Gateway CC: These students' total FSEOG awards were $9,900. Upon our discovery, the college rescinded the ineligible FSEOG awards to all 32 students.

Middlesex CC: The student's total FSEOG award was $500. Upon our discovery, the college rescinded the ineligible FSEOG award.

Naugatuck Valley CC: These students' total FSEOG awards were $4,140. Upon our discovery, the college rescinded the ineligible FSEOG awards to all seven students.

Three Rivers CC: The student's total FSEOG award was $250. Upon our discovery, the college rescinded the ineligible FSEOG award.

Cause: These institutions' policies for awarding FSEOG were not in compliance with federal regulations.

UConn: The university's policy is to award the FSEOG on a first-come, first-serve basis to those students with an EFC between 0 and 999.

Central CSU, Eastern CSU, Capital CC, Gateway CC, Middlesex CC, Naugatuck Valley CC, Three Rivers CC and Tunxis CC: The institution's automated system allowed FSEOG to be disbursed to students who were not disbursed a federal Pell Grant.

Eastern CSU: The university's policy was to award the FSEOG on a first-come, first-serve basis to those students who were also Pell eligible without any distinction to the student's EFC.

Recommendation: The University of Connecticut, state universities, and community colleges should award and disburse Federal Supplemental Educational Opportunity Grants in accordance with the requirements stipulated in Title 34 CFR Section 676.10.

Agency Response: *UConn:* "We agree with this finding."

Central CSU: "We agree with this finding."

Eastern CSU: "We agree with this finding."

Capital CC: "We agree with this finding."

Gateway CC: "We agree with the finding."

Middlesex CC: "We agree with this finding."

Naugatuck Valley CC: "We agree with this finding."

Three Rivers CC: "We agree with this finding."

Tunxis CC: "We agree with this finding in part. The student in question was eligible for a Pell grant at the time we awarded the FSEOG to him. After the FSEOG award was made, we received a new federal student aid record for him, requiring us to verify his 2011 income data. The verification process disclosed 2011 income that he had not initially reported. Once we corrected that data through the Free Application for Federal Student Aid system, the student became ineligible for Pell. In this situation our processing system does not automatically review other funds already awarded. The student fell out of the first priority group for FSEOG funds, but did not actually become ineligible, since students not eligible for Pell can receive FSEOG if funding permits."

Auditors' Concluding Comment: *Tunxis CC:* Students with the lowest EFCs who will also receive Pell grants for the award year have primary consideration for an FSEOG. If, after giving FSEOG awards to all its Pell recipients, a school has FSEOG funds remaining, it can award those funds to eligible students with the lowest EFCs who will not receive Pell grants. The college had other students who had received a Pell award that did not also receive FSEOG.

2013-654 Student Eligibility – Pell Grant

Federal Pell Grant Program (CFDA # 84.063)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Criteria: On an annual basis, the United States Department of Education (DOE) provides institutions *Payment and Disbursement Schedules* for determining federal Pell Grant (Pell) awards based on the maximum Pell amount established by Congress. The payment schedule is used to determine the annual award for a full academic year for a given enrollment status.

Title 34 Code of Federal Regulations Section 668.164(b)(1) requires an institution to disburse funds once during each payment period.

Central Connecticut State University (CSU) treats the summer session as a trailer to the 2012-2013 award year. The last day of the summer session was August 23, 2013.

Southern CSU's 2013 summer registration calendar lists the payment period as May 20, 2013 to August 18, 2013.

Norwalk Community College (CC) treats the summer session as a trailer to the 2012-2013 award year.

Condition: *Central CSU:* From a sample of five students who were selected for Return of Title IV Funds testing, we noted an instance in which a student who was eligible to receive Pell in the amount of $1,204 for the summer session did not receive the award. Upon our discovery, the university processed the $1,204 of institutional aid.

Eastern CSU: In one instance, a student who was eligible to receive Pell for the audited period did not receive the award. Upon our discovery, the university processed the $1,700 Pell award.

Southern CSU: From a sample of 22, 11 students received Pell funds. Our testing disclosed the following specific conditions:

- In one instance, a student did not receive the full annual Pell awarded that they were entitled to. The student was under-awarded $1,388. Upon our discovery, the university processed institutional aid to this student.
- In one instance, the Pell funds were not disbursed during the payment period. The student enrolled in the summer 2013 payment period did not receive a Pell award of $600 until September 19, 2013.

Norwalk CC: We selected seven Title IV recipients for eligibility testing. From this sample of seven, one student did not receive the remaining eligible Pell funds from the annual scheduled award. The student was eligible for $694 of additional Pell funds for attending six credits in the summer session. Upon our discovery, the college processed the student the additional $694 of Pell funds.

Effect: These institutions were not in compliance with federal regulations related to awarding and disbursing Pell funds.

Cause: *Central CSU and Southern CSU:* Established procedures were not followed.

Eastern CSU: The university's information system did not disburse the Pell award to the eligible student.

Norwalk CC: The college's policy was to award remaining eligible Pell funds to students that requested summer aid. We were informed that this student did not request summer aid.

Recommendation: The state universities and Norwalk Community College should implement procedures to ensure compliance with the federal regulations relating to awarding and disbursing federal Pell Grants.

Agency Response: *Central CSU:* "We agree with this finding.

The Pell payment date was scheduled for the last enrollment period of the summer term. Payment of the Pell award was delayed when the student withdrew from summer coursework and the Return of Title IV Funds calculation was not performed until after the summer term. It was later discovered that the student's Pell origination and disbursement records were not sent to the Common Origination and Disbursement (COD) System during the summer term. When the return of Title IV calculation was completed, the deadline for submitting 2012/2013 Pell payment records had passed, prohibiting the payment of Pell funds to the student."

Eastern CSU: "We agree with this finding."

Southern CSU: "We agree with this finding."

Norwalk CC: "We agree with this finding."

2013-655 Eligibility – ARRA-Nurse Faculty Loan Program

ARRA - Nurse Faculty Loan Program (CFDA #93.408)
Federal Award Agency: United States Department of Health and Human Services
Award Year: 2012-2013

Background: On December 28, 2012, the University of Connecticut received a final determination from the Health Resources and Services Administration regarding $3,095 unallowable costs cited in the Statewide Single Audit Report for fiscal year ended June 30, 2010. The university was informed that the funds in question may be used to make an additional loan to an eligible recipient.

Criteria: In accordance with the terms and conditions set forth in the Notice of Grant Award, if American Recovery and Reinvestment Act (ARRA) funds were made available to the Nurse Faculty Loan Program (NFLP) in the past, no one student may receive both ARRA-NFLP funds and regular NFLP appropriated funds in the same project period.

Condition: Upon follow-up of the university's Summary Status of Prior Audit Recommendations received on December 30, 2013, we noted that on June 17, 2013, the university disbursed the $3,095 ARRA-NFLP funds in question by exchanging $3,095 of a total of $27,956 in NFLP loan funds that a borrower received during the 2010-2011 fiscal year. This violated the terms and conditions of the Notice of Award for the NFLP, which states that, "If the ARRA funds were made available to your NFLP program in the past, no one student may receive both ARRA-NFLP funds and regular NFLP appropriated funds in the same project period." The Notice of Award states that, "All expenditures must comply with program terms." Questioned costs total $3,095.

Effect: A loan adjustment was made to a student in violation of the terms and conditions of the program.

Cause: Program administrators did not follow the guidance provided in the Notice of Grant Award.

Recommendation: The University of Connecticut should contact the Health Resources and Services Administration for resolution of this matter.

Agency Response: "We agree with this finding."

2013-656 Matching

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Criteria: Title 34 Code of Federal Regulations Section 676.21(a) states that the federal share of the Federal Supplemental Educational Opportunity Grant (FSEOG) awards made by an institution may not exceed 75 percent of the amount of FSEOG awards made by that institution.

The 2012-2013 Federal Student Aid Handbook states that when the school establishes an FSEOG account for federal program funds, the matching funds must be deposited at the same time the federal funds are deposited.

Condition: At the time of our review, the University of Connecticut's federal share of the FSEOG award exceeded 75 percent of the amount of the FSEOG awards made by the institution. Upon our discovery, the university matched 25 percent of the FSEOG awards.

Furthermore, the nonfederal share of the FSEOG awards was not deposited at the same time the federal funds were deposited. The first drawdown of federal funds was on October 26, 2012. The university's match of the funds was posted to the FSEOG account on May 24, 2013.

Effect: The university was not in compliance with federal regulations related to matching of FSEOG funds.

Cause: The university erroneously processed an adjustment, which caused the institution to exceed 75 percent of the federal share of the FSEOG awards.

Established federal policies and procedures were not adhered to.

Recommendation: The University of Connecticut should comply with federal regulations of the Federal Supplemental Educational Opportunity Grant program relating to the matching requirements.

Agency Response: "We agree with this finding."

2013-657 Reporting – Fiscal Operations Report and Application to Participate (FISAP)

Federal Supplemental Educational Opportunity Grants (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 Award Agency: United States Department of Education
Award Year: 2012-2013

Background: Three Rivers Community College (CC) is in the process of closing the Federal Perkins Loan Program (FPL). As part of the closing process, the college is required to have the program audited and all numbers validated. As of December

15, 2013, the closing process has not yet been completed; therefore, many of the individual conditions noted in the recommendation we made for the fiscal year ended June 30, 2012 are being repeated.

Criteria: The instructions for completing the FISAP are contained in the *Instructions Booklet for Fiscal Operations Report for 2012–2013 and Application to Participate for 2014–2015 (FISAP*).

Condition: We reviewed the FISAP at the University of Connecticut and noted the following:

- The total number of independent graduate/professional students with an "automatic" zero estimated family contribution and total independent graduate/professional students were reported as 151 and 3,454, respectively. The supporting documentation for these amounts was 51 and 3,354, respectively. Upon our discovery, the university submitted a FISAP correction.
- The total cumulative amount of FPL funds loan principal adjustments – other, number of borrowers was reported as 245. The supporting documentation for this amount was 345. Upon our discovery, the university submitted a FISAP correction.
- The total cumulative amount of FPL borrowers in default more than two years but not more than five years as of June 30, 2013 was reported as 329,897. The supporting documentation for this amount was 329,891. Upon our discovery, the university submitted a FISAP correction.
- The total institutional expenditures for the Job Location Development (JLD) Program were reported as $55,873. Based upon the supporting documentation, $48,583 of expenditures was reported in the federal share of the JLD Program. Consequently, the total expenditures reported for the JLD Program is overstated. Upon our discovery, the university submitted a FISAP correction.

We reviewed the FISAP at Eastern Connecticut State University (CSU) and noted the following:

- The total cumulative amount of FPL funds advanced to students–number of borrowers was reported as 6,139. The supporting documentation from the university's FPL service provider reports a total of 5,333.
- The total cumulative amount of FPL funds principal collected–number of borrowers was reported as 5,660. The supporting documentation from the university's FPL service provider reports a total of 4,463.
- The total cumulative amount of FPL funds cancelled for teaching/military service on loans made prior to July, 1, 1972–number of borrowers was reported as 200. The supporting documentation from the university's FPL service provider reports a total of 25.
- The total cumulative amount of FPL funds cancelled for all other authorized pre-K or K-12 teaching service–number of borrowers was reported as 177. The supporting documentation from the university's FPL service provider reports a total of 79.

- The total cumulative amount of FPL funds cancelled for death/disability–number of borrowers was reported as 39. The supporting documentation from the university's FPL service provider reports a total of 25.
- The total cumulative amount of FPL funds cancelled for bankruptcy–number of borrowers was reported as 19. The supporting documentation from the university's FPL service provider reports a total of 12.
- The total cumulative amount of FPL funds whose loans are fully retired-number of borrowers was reported as 4,939. The supporting documentation from the university's FPL service provider reports a total of 4,133.
- The total cumulative principal amount outstanding of FPL borrowers on schedule in repayment status as of June 30, 2013 was reported as 38,261. The supporting documentation for this amount was 382,861. Upon our discovery, the university submitted a FISAP correction.

We reviewed the FISAP at Southern CSU and noted that the university reported the total number of students enrolled as undergraduate and graduate/professional for the 2012-2013 award year as 9,223 and 3,114, respectively. The supporting documentation from the university's enrollment records for these fields was 10,070 and 3,721, respectively. Upon our discovery, the university submitted a FISAP correction.

We reviewed the FISAP at Western CSU and noted the following:

- The total cumulative amount of FPL funds advanced to students was reported as $10,035,626. The supporting documentation for this amount was $10,035,501. Upon our discovery, the university submitted a FISAP correction.
- The total FPL principal and interest repaid by borrowers from all sources during the 2012-2013 award year was reported as $289,630. The supporting documentation for this amount was $289,830. Upon our discovery, the university submitted a FISAP correction.
- The total cumulative amount of FPL funds borrowers not in repayment status was reported as $908,384. The supporting documentation for this amount was $908,394. Upon our discovery, the university submitted a FISAP correction.

We reviewed the FISAP at Three Rivers CC and noted the following:

- The total cumulative amount of FPL funds advanced to students–number of borrowers was reported as 902. The supporting documentation from the college's FPL service provider reports a total of 912.
- The total cumulative amount of FPL funds advanced to students was reported as $802,214. The college's accounting system indicates $796,364, whereas the college's service provider indicates $795,264.
- The total cumulative amount of FPL principal assigned to and accepted by the United States was reported as $131,037, which agrees with the college's service provider records. The college's accounting system presents $102,948 reported as loans assigned. Assignments due to total and permanent disability of $1,000 were not reported. We were provided with

documentation indicating that principal amounts outstanding totaling $27,089 were accepted for assignment by the United States Department of Education. This amount, which was not reported within the accounting system, was included on the FISAP.

- The total cumulative amount of Institutional Capital Contribution deposited to the fund was reported as 0. The supporting documentation from the college's accounting records for this amount was $49,133. Upon our discovery, the college submitted a FISAP correction.
- The total cumulative amount of FPL interest income on loans was reported as $154,545. The college's accounting system has $133,561 reported. Per the college's Finance Director, there has been an incremental difference of $567 between the college's accounting system and the FISAP for years. Additionally, we were provided with documentation that loans with interest due totaling $20,423 were accepted for assignment during the audited fiscal year by the United States Department of Education. This amount, which was not reported within the accounting system, was included on the FISAP.
- The total cumulative amount of FPL other income was reported as $113,025. The college's accounting system presents a total of $117,032; whereas the college's service provider presents a total of $35,845. There appears to be a difference that has been carried forward for many years between the college's accounting system and the FISAP.
- The administrative cost allowance was reported as 0. The supporting documentation for this amount presents a total of $7,422. Upon our discovery, the college submitted a FISAP correction.
- The collection costs were reported as 0. The supporting documentation for this amount presents a total of $8,944. Upon our discovery, the college submitted a FISAP correction, with a reported amount of $9,830 (same amount as from previous year – a credit to the collection costs in the amount of $886 was not deducted).
- 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 college's accounting system presents a total of $3,174; whereas the FPL service provider presents a total of $13,549.
- The total cumulative amount of FPL loan principal and interest assigned to and accepted by the United States was reported as $179,097, which is in agreement with the FPL service provider. The college's accounting system presents a total of $130,426, which does not include $1,159 of assignments due to total and permanent disability, and $47,512 that was accepted for assignment by the United States Department of Education during our audited period.
- The total principal and interest repaid by borrowers from all sources during the 2012-2013 award year was reported as 0. The change in the cumulative loan principal collected reported from the previous year was $17. The supporting documentation for this amount was $78. Upon our discovery, the college submitted a FISAP correction.
- The total principal repaid by borrowers from all sources during the 2012-2013 award year for loans in default was reported as 0. The change in the

cumulative loan principal collected reported from the previous year was $17. Supporting documentation for this amount was $188. The difference of $122 is recorded as other liabilities-pending receipt on the college's accounting records. Upon our discovery, the college submitted a FISAP correction.

- The number of borrowers in default more than 5 years, as of June 30, 2013, was reported as 62. The supporting documentation from the college's FPL service provider reports a total of 60.

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.

Eastern CSU: The university has been making manual adjustments to the figures provided by the FPL service provider for many years; however, there is a lack of supporting documentation for such manual adjustments. In one instance, it appears that incorrect information was inadvertently entered.

Southern CSU: The university did not take into consideration the number of students who were enrolled for the summer and/or winter sessions but not enrolled for the fall and/or spring semesters.

Western CSU: The above conditions appear to be clerical data entry errors.

Three Rivers CC: The Federal Perkins Loan account information was not reconciled with the FPL service provider reports. Unreconciled differences have been carried forward. Several of the above conditions appear to be clerical data entry errors.

Recommendation: The University of Connecticut, state universities 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 States Department of Education. Eastern Connecticut State University and Three Rivers Community College should make necessary corrections to the FISAP data submitted for 2012-2013. Eastern Connecticut State University should reconcile its internal records with those records maintained by the university's third party Federal Perkins Loan service provider. Three Rivers Community College should continue to 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 this finding."

Eastern CSU: "We agree with this finding."

Southern CSU: "We agree with this finding."

Western CSU: "We agree with this finding."

Three Rivers CC: "We agree with this finding."

2013-658 Reporting – Pell Grant Disbursement Transmissions to the Common Origination and Disbursement System

Federal Pell Grant Program (CFDA # 84.063)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Background: When disbursing federal Pell Grant (Pell) funds, entities must report certain disbursement records through the Common Origination and Disbursement (COD) System.

Criteria: The 2012-2013 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 14 students who were selected for disbursement testing at Eastern Connecticut State University (CSU), we noted that Pell disbursement transmissions to COD for one student were submitted late. The transaction was submitted 48 days late.

From a sample of five students who were selected for Return of Title IV Funds testing at Western CSU, we noted one instance in which the Pell disbursement transmission to the COD system for a student was submitted late. The university processed the Pell disbursement to the student's account on June 14, 2013, and the COD system was notified of the Pell payment on November 15, 2013. The transaction was submitted 125 days late.

From a sample of five students who were selected for Return of Title IV Funds testing at Gateway Community College, we noted one instance in which the Pell disbursement transmission to the COD system for a student was submitted late. The college processed the Pell adjustment to the student's account on January 9, 2013, and the COD system was notified of the Pell adjustment on February 20, 2013. The transaction was submitted 13 days late.

Effect: These institutions were not in compliance with federal requirements related to the timely submission and/or resolution of Pell payment data.

Cause: Established control procedures were not followed.

Recommendation: Eastern Connecticut State University, Western Connecticut State University, and Gateway Community College should comply with the federal regulations related to the timely submission and/or resolution of federal Pell Grant payment data.

Agency Response: *Eastern CSU:* "We agree with this finding."

Western CSU: "We agree with this finding."

Gateway CC: "We agree with this finding."

2013-659 Special Tests: Verification

Federal Supplemental Educational Opportunity Grants (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)
Teacher Education Assistance for College and Higher Education Grants (CFDA #84.379)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

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, food stamps (Supplemental Nutrition Assistance Program), child support paid, adjusted gross income, U.S. income taxes paid, education credits, Individual Retirement Account (IRA) deductions, tax exempt interest, and certain types of untaxed income and benefits. The financial aid office verifies student and parental income and household data by comparing financial data found on tax- related documents to data found on the Institutional Student Information Report (ISIR). Furthermore, 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 15 students selected for verification testing at the University of Connecticut, we noted one instance in which the amount of the student's earned income per the Internal Revenue Service (IRS) Form W-2 did not agree with the reported amount on the ISIR. The university has subsequently processed the correction for this student.

From a sample of ten students selected for verification testing at Eastern Connecticut State University (CSU), we noted exceptions with two students. In both instances, the amount of other untaxed income per the supporting documentation on file did not agree with the reported amount on the ISIR.

From a sample of ten students selected for verification testing at Southern CSU, we noted one instance in which the number of persons in the household size reported on the verification worksheet did not agree with the reported amount on the ISIR.

From a sample of ten students selected for verification testing at Western CSU, we noted exceptions with three students. Our testing disclosed the following specific conditions:

- In one instance, the parent's adjusted gross income and income tax paid amounts reported on the income tax returns did not agree with the amounts on the ISIR.
- In one instance, the student's wages reported on the verification worksheet did not agree with the ISIR.
- In one instance, the parent's tax-deferred pension amounts reported on the 2012-2013 Non-filers Statement Income Certification and Summary did not agree with the ISIR.

From a sample of ten students selected for verification testing at Housatonic Community College (CC), we noted one instance in which the amount of earned income per the verification worksheet did not agree with the reported amount on the ISIR. The college has subsequently processed the correction for this student.

From a sample of ten students selected for verification testing at Norwalk CC, we noted exceptions with three students. Our testing disclosed the following specific conditions:

- In two instances, the student’s amount for the education credit on their income tax return did not agree with the reported amount on the ISIR.
- In one instance, the student’s amount of IRA or Keogh deduction on the tax return did not agree with the reported amount on the ISIR.
- In one instance, the parent’s amount of adjusted gross income on the tax return did not agree with the reported amount on the ISIR.
- In one instance, the ISIR indicated that the student received food stamp benefits, while the student’s verification worksheet indicates that no such benefits were received.
- In one instance, the ISIR indicated that the parent of the student received a tax-deferred pension, while there was no support for this amount in the verification file.

Effect: These institutions were not in compliance with verification requirements.

UConn: The student’s Expected Family Contribution (EFC) amount and award was not affected.

Eastern CSU: In one instance, the student's EFC amount and award was affected. The underpayment of the federal Pell award was $900. Upon our discovery, the university processed the student an additional Pell award.

Western CSU: In one instance, the student's EFC amount and award was affected. The over-payment of federal Pell awards to the student was $100. Upon our discovery, the university processed an adjustment to the Pell program.

Housatonic CC: In the instance identified, the student's EFC amount and award was not affected.

Norwalk CC: In the three instances identified, the students' EFC amount and awards were affected. The aggregate under-payment of these students' federal Pell Grant awards was $375. Upon our discovery, the college processed the additional awards to these students.

Cause: *UConn:* It appears that the university did not resolve conflicting information before verification was completed.

Eastern CSU: The university's internally developed *2012/2013 Student or Parent Budget and Resource Form* was not reviewed consistently.

Southern CSU: The university's policy for verification excludes siblings who are 24 or older from being included in the household size on the ISIR when they are not claimed as a dependent for tax purposes.

Western CSU, Housatonic CC and Norwalk CC: Established verification procedures were not followed.

Recommendation: The University of Connecticut, state universities, and community colleges should review their procedures to ensure compliance with the federal regulations pertaining to verification. Eastern Connecticut State University should implement additional controls to ensure compliance with the federal regulations pertaining to verification. Southern Connecticut State University should review its verification policies to ensure that such policies regarding the determination of household size do not contradict federal regulations. Housatonic Community College should consider implementing a required supervisory or peer review of completed verifications to help ensure the accuracy of those verifications.

Agency Response: *UConn:* "We agree with this finding."

Eastern CSU: "We agree with this finding."

Southern CSU: "We agree with this finding in part. The university has documentation which shows that the parent did not support the 24 year old."

Western CSU: "We agree with this finding."

Housatonic CC: "We agree with this finding."

Norwalk CC: "We agree with this finding."

Auditors' Concluding Comment: *Southern CSU:* The verification worksheet, which was signed by the student and the parent, reported that the student's sibling was part of the household. By the parent signing the verification worksheet, the parent is attesting that they provided more than half of the sibling's support. There was no other acceptable supporting documentation on file to indicate that the parent did not support the sibling. Conflicting information does not include such things as a household size that differs from the number of exemptions on a tax return. Dependency under IRS rules differs from the Department of Education's definition for purposes of verification.

2013-660 Special Tests: Disbursements

Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Criteria: Per Title 34 Code of Federal Regulations Section 668.165(a)(2), if an institution credits a student's account at the institution with Federal Direct Student Loans (Direct Loan) funds, the institution must notify the student, of (i) The anticipated date and amount of disbursement; (ii) The student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and (iii) The procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

Condition: From a sample of ten students who were selected for disbursement testing at Southern Connecticut State University, we noted one instance in which a student received a Direct Loan for the fall 2012 semester, where the student was not notified of the disbursement in a timely manner. The notification process provides information required in the federal regulations.

Effect: The university was not in compliance with federal disbursement requirements related to Direct Loan funds.

Cause: The university's loan notification program is date-specific. During the fall 2012 semester, loans were set to disburse on or after September 17, 2012. The student's loan was disbursed on September 5, 2012.

Recommendation: Southern Connecticut State University should comply with the federal requirements related to disbursing Federal Direct Student Loans.

Agency Response: "We agree with this finding."

2013-661 Special Tests: Entrance Interviews

Nurse Faculty Loan Program (CFDA #93.264)
Federal Award Agency: United States Department of Health and Human Services
Award Year: 2012-2013

Criteria: Per the United States Department of Health and Human Services – Health Resources and Services Administration, Nurse Faculty Loan Program (NFLP) Guidance, the school must document an entrance interview for each academic year during in which the student receives the NFLP loan. Entrance interview documentation must include personal borrower information which will assist in skip-tracing should this be necessary during the collection process.

Condition: From a sample of nine students who received a NFLP loan at University of Connecticut (UConn), we noted one instance where entrance interview documentation was not on file for a loan received during the audited period.

We also noted that the university is not requiring NFLP borrowers to complete a NFLP loan application form as part of the entrance interview process. The university procedure has the borrower complete an internal NFLP Confidential Data Form. However, this internal form does not require the borrower to provide all necessary personal information, i.e., current address and driver's license number and state, to assist in skip-tracing should this be necessary during the collection process.

Effect: The university was not in compliance with federal regulations related to awarding and disbursing NFLP loan funds.

The required entrance interview documentation was not on file.

Cause: The university did not follow established policies and procedures. Furthermore, the internal form being used by the university for documenting personal borrower information does not include all the required information.

Recommendation: The University of Connecticut should comply with federal regulations relating to the disbursement of Nurse Faculty Loan Program funds. The university should consider requiring the borrower to complete a Nurse Faculty Loan Program (NFLP) loan application, during the entrance interview for each academic year the student receives a NFLP loan.

Agency Response: "We agree with this finding."

2013-662 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)
Teacher Education Assistance for College and Higher Education Grant (CFDA #84.379)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

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 five students who were selected for Return of Title IV Funds testing at Central Connecticut State University (CSU), we noted the following:

- In two instances, the Return of Title IV Funds calculations were incorrect. As a result of the incorrect calculations, the university under-returned $194 to the federal Direct Student Loans (Direct Loan) program. Upon our discovery, the university returned the funds to the Direct Loan program.
- In four instances, the university did not complete a Return of Title IV Funds calculation in a timely manner, which prohibited the return of funds and a post-withdrawal disbursement within the timeliness requirements of the federal regulations. The delays ranged between 62 and 274 days late. In the instances of the post-withdrawal disbursements, the university did not disburse Title IV aid, except in one instance the university did make a post-withdrawal disbursement using institutional aid.

From a sample of ten students who were selected for Return of Title IV Funds testing at Eastern CSU, we noted the following:

- In one instance, the Return of Title IV Funds calculation was incorrect. The incorrect calculation did not affect the amount of Title IV funds that the student earned.
- In one instance, 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. The university was aware of the unofficial withdrawal on May 17, 2013 and the Return of Title IV Funds calculation was performed on June 27, 2013. The university retuned $3,023 to the Direct Loan program on July 12, 2013.

From a sample of 11 students who were selected for Return of Title IV Funds testing at Southern CSU, we noted the following:

- In two instances, the Return of Title IV Funds calculations were incorrect. As a result of the incorrect calculations, the university under-returned $258 to the Direct Loan program. Upon our discovery, the university returned the funds to the Direct Loan program.

- In one instance, the university did not complete a Return of Title IV Funds calculation in a timely manner, which prohibited the return of $1,998 to the Direct Loan program within the timeliness requirements of the federal regulations. The delay was two days late.

From a sample of five students who were selected for Return of Title IV Funds testing at Western CSU, we noted an instance in which the university did not make a post-withdrawal disbursement within the timeliness requirements of the federal regulations. The post-withdrawal disbursement of $446 in federal Pell Grant funds was posted to the student's account 144 days after the university determined that the student withdrew. The delay was 99 days.

From a sample of five students who were selected for Return of Title IV Funds testing at Gateway Community College (CC), we noted the following:
- In five instances, the Return of Title IV Funds calculation was incorrect. As a result of the incorrect calculations, the college under-returned $320 to the Pell Program. Upon our discovery, the college returned the funds to the Pell Program.
- In three instances, the college 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 two instances, the college used the incorrect withdrawal date in performing the return of funds calculation. In one of these instances, an official withdrawal form was not signed and dated by the college, indicating the date the institution was notified of the student's intent to withdrawal.
- In one instance, the college made an ineligible post-withdrawal disbursement of $200 in a Federal Supplemental Educational Opportunity Grant (FSEOG). Upon our discovery, the college reversed the ineligible FSEOG award.

From a sample of ten students who were selected for Return of Title IV Funds testing at Norwalk CC, we noted the following:
- In one instance, the Return of Title IV Funds calculation was incorrect. As a result, the college processed a post-withdrawal disbursement to a student for $242 of federal Pell Grant funds, when the correct amount should have been $694. Upon our discovery, the college processed the additional $452 of federal Pell Grant funds.
- In five instances, the college did not send notification of Title IV grant overpayments in a timely manner. In these instances, the delays ranged from six to 45 days.
- In three instances, the college did not complete a Return of Title IV Funds calculation in a timely manner, which prohibited the return of funds and a post-withdrawal disbursement within the timeliness requirements of the federal regulations. In these instances, the delays ranged from three to 29 days.

We also noted that Norwalk CC's consumer information regarding the Return of Title IV Funds posted on the college website was not consistent with federal regulations. The college's policy stated "Withdrawal during the first two weeks of any semester will result in cancellation of all financial aid." The federal regulations states that a student begins earning Title IV funds on his or her first date of attendance.

From a sample of five students who were selected for Return of Title IV Funds testing at Three Rivers CC, we noted two instances where the college did not complete a Return of Title IV Funds calculation in a timely manner. In these instances, the students' Return of Title IV Funds calculations were performed nine and 18 days late.

Effect: These institutions were not in compliance with the federal regulations governing the Return of Title IV Funds.

Cause: *Central CSU:*

- The university included adjusted institutional charges instead of the actual charges at the time the student withdrew. In addition, in one instance the university used the incorrect number of calendar days in the Return of Title IV Funds calculation.
- We were informed that the delays in performing the return of funds calculations were the result of a staff shortage due to the retirement of the person who primarily handled this function.

Eastern CSU and Southern CSU: The university's Return of Title IV Funds calculation methodology was not consistent with the federal regulations. The university included the incorrect amount of institutional charges in the Return of Title IV Funds calculation.

Western CSU: Established procedures were not followed.

Gateway CC: The college's Return of Title IV Funds calculation methodology was not consistent with the federal regulations, as follows:

- In two of the five instances noted, the college used the incorrect amount of institutional charges in their return calculations. In both of these instances, the students withdrew in the fall 2012 semester. In three of the five instances noted, the Return of Title IV Funds calculation was performed using the incorrect number of days in the enrollment period. In all three instances, the students withdrew in the spring 2013 semester.
- The spring 2013 dates within the Return of Title IV Fund system module was incorrect. The college's attempts to correct the problem resulted in the delay in performing the return calculations for students in the spring semester.

Norwalk CC: The college's Return of Title IV Funds calculation methodology was not consistent with the federal regulations. The Return of Title IV Funds calculation was performed using the incorrect number of days in the enrollment period.

Three Rivers CC: The frequency in which the college reviewed the withdrawal reports did not allow for the calculation and return of funds to be completed within the federal timeliness requirements.

Recommendation: The state universities and community colleges should review their procedures to ensure compliance with the federal regulations contained in Title 34 CFR Section 668.22 governing the treatment of Title IV funds when a student withdraws. Additionally, Norwalk Community College should update consumer information made available to prospective and enrolled students to include all of the federal requirements.

Agency Response: *Central CSU:* "We agree with this finding.

As a result of a retirement, which resulted in an increased workload for the remaining team, there were inadvertent errors whereby the university failed to include all multiple adjustments in the institutional charges and computed the incorrect number of days."

Eastern CSU: "We agree with this finding."

Southern CSU: "We agree with this finding."

Western CSU: "We agree with this finding."

Gateway CC: "We agree with this finding."

Norwalk CC: "We agree with this finding."

Three Rivers CC: "We agree with this finding."

2013-663 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)
Teacher Education Assistance for College and Higher Education Grant (CFDA #84.379)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Background: We requested a list of all Title IV recipients from the University of Connecticut (UCONN) that failed to earn a passing grade in atleast one course for the fall 2012 semester. This was done as a result of a recommendation that was made for fiscal year ended June 30, 2012, where we noted that the university did not have a procedure for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal in accordance with Dear Colleague Letter (DCL) GEN-04-03.

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 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: UConn did not review all Title IV recipients that failed to earn a passing grade in at least one course for the fall 2012 semester to determine whether they began attendance during a period completed the period or should be treated as a withdrawal in accordance with DCL GEN-04-03. Upon our discovery in August 2013, the university identified and processed nine Return of Title IV Funds calculations.

Central Connecticut State University (CSU) 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.

Central CSU 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 developed procedures to comply with DCL GEN-04-03 in the spring 2013. At the time of our inquiry in August 2013, the university did not apply those procedures to the students who did not earn a passing grade in at least one course for the fall 2012 semester.

Central CSU did not have a procedure to identify students that unofficially withdrew during the audit period. The university did not have a policy or procedure for conducting Return of Title IV Fund calculations during the summer payment period.

Recommendation: The University of Connecticut should continue to follow its established procedures for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal in a timely manner. Central Connecticut State University 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. Also, Central Connecticut State University should develop procedures for conducting Return of Title IV Fund calculations during the summer payment period.

Agency Response: *UConn:* "We agree with this finding."

Central CSU: "We agree with the finding.

Unofficial Withdrawals
The Financial Aid Office did implement a reporting mechanism in June 2012, to identify students that did not earn a grade during the fall and or spring semesters, however there was a breakdown in the process of how and whom would forward the information from the Financial Aid Office to the Registrar's Office for review, and when and how the review information would be returned to the Financial Aid Office.
Summer Return of Title IV Funds Requirement
The new federal requirement for Return of Title IV Funds became effective for enrollment periods after July 1, 2011.

The Financial Aid Office did not have a process in place to collect unofficial withdrawals for the summer sessions."

2013-664 Special Tests: Enrollment Reporting

Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Criteria: Per Title 34 Code of Federal Regulations 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 14 student borrowers who received Federal Direct Student Loans (Direct Loan) program funds that separated from the University of

Connecticut (UConn), we noted that four of the five borrowers who were deceased were reported as withdrawn.

From a sample of ten student borrowers who received Direct Loan program funds that separated from Central Connecticut State University (CSU), we noted one borrower's enrollment status, as reported to the National Student Loan Data System (NSLDS), was not accurate. The student's enrollment status was reported as withdrawn when the student should have been reported as graduated. Upon our discovery, the university processed the adjustment to this student's enrollment status.

From a sample of ten student borrowers who received Direct Loan program funds that separated or dropped to less-than-half-time from Gateway Community College (CC), we noted that two borrowers' enrollment status, as reported to the NSLDS, were not accurate. Upon our discovery, the college processed adjustments to these students' enrollment statuses.

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 one borrower's enrollment status, as reported to the NSLDS, was not accurate. The student's enrollment status was reported as less-than-half-time when the student had actually withdrawn.

Effect: *UConn:* Enrollment information for student borrowers having a deceased status was not provided to the loan community in a timely and/or accurate manner.

Central CSU, Gateway CC and Three Rivers CC: Enrollment information was not provided to the NSLDS for certain students in an accurate manner.

Cause: *UConn:* During our audited period, the university had not completed implementing changes for reporting students with a deceased status.

Central CSU: It was the university's policy, for students that completed a teacher certification program, to have their enrollment status reported as withdrawn and not graduated to the NSLDS.

Gateway CC and Three Rivers CC: Established procedures for reporting enrollment changes were not followed.

Recommendation: The University of Connecticut should finalize implementation procedures to ensure that enrollment status changes of deceased students are accurately submitted in a timely manner to the National Student Loan Data System in accordance with federal regulations. Central Connecticut State University, Gateway Community College and Three Rivers Community College should implement procedures to ensure that enrollment status changes are accurately submitted to the National Student Loan Data System in accordance with federal regulations.

Agency Response: *UConn* "We agree with this finding."

Central CSU: "We agree with this finding."

Gateway CC: "We agree with this finding."

Three Rivers CC: "We agree with this finding."

2013-665 Special Tests: Student Loan Repayments

Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

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 shortly 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 five borrowers at Central Connecticut State University (CSU) who entered repayment during the audited period, we noted one instance in which the borrower's conversion to repayment was untimely. The separation date was reported incorrectly to the service provider, which resulted in a four month delay to the repayment process.

From a sample of ten borrowers at Eastern CSU who entered into repayment during the audited period, we noted one instance in which the university was aware that the student was graduating and it did not conduct exit counseling before the borrower graduated. The change in the borrower's enrollment status was reported to the university's service provider 26 days after the graduation date. The borrower was not provided the exit counseling package and repayment schedule in a timely manner.

Effect: These institutions were not in compliance with federal due diligence requirements.

Cause: *Central CSU:* Established reporting procedures were not followed.

Eastern CSU: It appears that the Perkins Loan office did not become aware of this borrower's change in enrollment status in a timely manner.

Recommendation: Central Connecticut State University and Eastern Connecticut State University 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: *Central CSU:* "We agree with the finding. The university has received clarification from the federal Department of Education and will immediately begin using the last date of attendance as the separation date."

Eastern CSU: "We agree with this finding."

2013-666 Special Tests: Student Loan Repayments- Deferment

Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Criteria: Per Title 34 Code of Federal Regulation (CFR) Section 674.33 (d)(2) states, "upon receipt of a request and supporting documentation, the institution shall grant the borrower forbearance of principal and, unless otherwise indicated by the borrower, interest renewable at intervals of up to 12 months for periods that collectively do not exceed three years."

Title 34 CFR Section 674.34 (e) states, "the borrower need not repay principal, and interest does not accrue, for periods of up to one year at a time that, collectively, do not exceed 3 years, during which the borrower is suffering an economic hardship, if the borrower provides documentation satisfactory to the institution showing that the borrower is within any of the categories described in paragraphs (e)(1) through (e)(5) of this section."

Southern Connecticut State University (CSU) requires borrowers who apply for economic and forbearance deferments to complete the university's Financial Arrangement Form. This form requests that the borrower provide written documentation supporting reported income and supporting documentation for all educational loans not owed to the university. In addition, the form requires the borrowers to provide their monthly payment amounts for those loans that are currently in deferment, a list of companies with whom the borrower has interviewed with, registration documentation related to an employment agency, and documentation of ineligibility to receive unemployment benefits.

Condition: From a sample of ten students at Southern CSU with a Perkins Loan in deferment or cancellation during the audited period, we noted one instance in which a student applied for and was granted both an economic and forbearance deferment without submitting the required documentation according to the university's Financial Arrangement Form.

Effect: The university was not in compliance with federal requirements.

Cause: Established federal deferment procedures were not followed.

Recommendation: Southern Connecticut State University should ensure that policies and procedures regarding Perkins Loan deferments are supported and in compliance with federal regulations.

Agency Response: "We agree with this finding."

2013-667 Special Tests: Student Loan Repayments - Default

Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Criteria: Title 34 Code of Federal Regulations (CFR) Section 674.42(c) requires an institution to ensure that the borrower was contacted three times (at 90,150 and 240 days into the grace period) for loans with a nine month grace period.

Condition: From a sample of five students at Eastern Connecticut State University whose loans went into default during the audited period, we noted one instance in which 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: Eastern 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: "We agree with this finding."

2013-668 Special Tests: Borrower Data Transmission and Reconciliation

Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

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: Title 34 Code of Federal Regulations Section 685.102(b) requires schools to perform the following functions as described in the *Direct Loan School Guide*: create a loan origination record, transmit the record to the servicer, receive funds electronically, disburse funds, create a disbursement record, transmit the disbursement record to the servicer, and reconcile on a monthly basis.

Condition: Central Connecticut State University did not maintain sufficient evidence to identify the reason and resolution for positive/negative balances of ending cash on its monthly Direct Loan reconciliation performed between COD and the institution's internal records. Furthermore, the reconciliation on file did not document who performed the reconciliation and when it was performed.

Norwalk Community College did not maintain sufficient evidence to support that a monthly Direct Loan reconciliation was performed between COD and the institution's internal records in a timely manner.

Effect: These institutions were not in full compliance with the federal regulations governing the Direct Loan program.

Cause: *Central CSU:* The university did not maintain an audit trail documenting the Direct Loan reconciliation procedures performed.

Norwalk CC: The reconciliation format utilized by the college did not include the preparer's dated signature certifying when the reconciliation was performed.

Recommendation: Central Connecticut State University and Norwalk Community College should strengthen internal controls over the Direct Loan reconciliation process and ensure that the monthly reconciliations performed are sufficiently documented. Furthermore, the reconciliations should contain the preparers' dated signature indicating who performed the reconciliations and when they were performed.

Agency Response: *Central CSU:* "We agree with the finding. The previous format was an electronic file matching the Common Origination and Disbursement System disbursements by student and month of disbursement to an electronic file of the financial aid Direct Loan disbursements by student and month."

Norwalk CC: "We agree with this finding."

2013-669 Administrative Capability

Federal Supplemental Educational Opportunity Grants (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)
Federal Award Agency: United States Department of Education
Award Year: 2012-2013

Criteria: Title 34 Code of Federal Regulations Section 668.16(b)(4), considers that an institution has administrative capability if the institution has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance and the preparation and submission of reports to the Secretary.

Condition: During the audited period, Eastern Connecticut State University did not have written policies and procedures documenting operations of the financial aid office, including the delivery of Title IV program assistance. The university provided us with written policies and procedures on November 1, 2013. The policies and procedures were not reviewed for sufficiency.

Effect: The university was not in compliance with federal requirements related to administrative capability.

Cause: It appears that written procedures were not available during the audited period and were developed as a result of inquiry made by the auditors.

Recommendation: Eastern Connecticut State University should develop an internal control mechanism that ensures that a capable individual responsible for administering the student financial assistance programs continues to maintain and update written procedures when changes occur to processes or regulations governing the approval, disbursement, and delivery of Title IV, HEA programs.

Agency Response: "We agree with this finding."