State of Connecticut Single Audit Report

For the Fiscal Year Ended June 30, 2014

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

STATE OF CONNECTICUT

Single Audit Report

For the Year Ended June 30, 2014

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STATE OF CONNECTICUT

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

JOHN C. GERAGOSIAN

ROBERT M. WARD

March 30, 2015

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, 2014.

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 $8,905,000,000 in federal financial assistance during the fiscal year ended June 30, 2014. 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, 2014.

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
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JOHN C. GERAGOSIAN

ROBERT M. WARD

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, 2014, 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 nine 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 59 percent of the assets and 31 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 Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 59 percent of the assets and 31 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, Connecticut Airport Authority, Capital Region Development Authority, Connecticut Lottery Corporation, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Housing Finance Authority, Connecticut Innovations Incorporated and the Connecticut Green Bank 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 that 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, 2014, and the respective budgetary comparison for the General Fund and the Transportation Fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 25 to the basic financial statements, in fiscal year 2014, the State of Connecticut adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets or Liabilities*. The adoption required the reclassification of certain items reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources. The Statement also amended the classification of certain items previously reported as assets and liabilities. Also in fiscal year 2014, the State of Connecticut adopted Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The adoption required significant changes in the format and content of Notes 11 and 12 of the financial statements and the Required Supplementary Information. Our opinion is not modified in respect to these matters.

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 11, 2015, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *State of Connecticut CAFR - Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2014,* 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.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 11, 2014
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

The following is a discussion and analysis of the State's financial performance and condition providing an overview of the State's activities for the fiscal year ended June 30, 2014. The information provided here should be read in conjunction with the letter of transmittal and in the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:
The primary government's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $12.6 billion (reported as net position deficit). Of this amount, $24.4 billion reported as unrestricted net position deficit while $11.8 billion is restricted for specific uses or invested in capital assets.

Net position deficit of governmental activities increased by $2.3 billion and net position of business-type activities increased by $462.0 million. Component units reported a decrease of $108.1 million from June 30, 2013.

Fund:
The governmental funds reported combined ending fund balance of $2.1 billion, an increase of $.1 million in comparison with the prior year. Of this total fund balance, $190.0 million represents nonspendable fund balance, $2.0 billion represents restricted fund balance, $635.6 million represents committed fund balance, and $28.6 million represents assigned fund balance. A negative $735.0 million unassigned fund balance offsets these amounts. This deficit, which belongs to the General Fund, decreased by $469.1 million during the fiscal year, due primarily to the issuance of GAAP conversion bonds in the amount of $598.5 million.

The State's stabilization account, the General Fund Budget Reserve Account (Rainy Day Fund) ended the fiscal year with a balance of $519.2 million.

The Enterprise funds reported net position of $4.8 billion at year-end, an increase of $462.0 million during the year, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt:
Total long-term debt was $32.4 billion for governmental activities at year-end, of which $20.8 billion was bonded debt.

Total long-term debt was $2.2 billion for business-type activities at year-end, of which $1.3 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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. The report also contains other supplementary information to provide additional support to the basic financial statements.

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. All revenues and expenses are recognized regardless of when cash is received or spent, and all assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level. The government-wide statements report the State's net position and changes in net position. Over time, increases and decreases in net position measure whether the State's overall financial condition is getting better or worse. Non-financial factors such as the State's economic outlook, changes in its demographics, and the condition of capital assets and infrastructure should also be considered when evaluating the State's overall condition.

The statement of net position presents information on all of the State's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between all reported as net position. Net position is displayed in three components – net investment in capital assets; restricted; and unrestricted.

The statement of activities presents information showing how the State's net position changed during fiscal year 2014. 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).

Both the Statement of Net Position and Statement of Activities report three separate activities. These activities are described as follows:

- **Governmental Activities** – The State's basic services fall under this activity including legislative, general government, regulation and protection, conservation and development, health and hospital, transportation, human services, education, corrections, and judicial. Taxes and intergovernmental revenues are major funding sources for these programs.

- **Business-type Activities** – The State operates certain activities much like private-sector companies by charging fees to cover all or most of the costs of providing goods and services. The major business-type activities of the State include the University of Connecticut and Health Center, State Universities, Connecticut Community Colleges, Employment Security Fund, and Clean Water Fund.

- **Discretely Presented Component Units** – A number of entities are legally separate from the State, yet the State remains financially accountable for them. The major component units of the State are Connecticut Housing Finance Authority, Connecticut Lottery Corporation, and Connecticut Airport Authority.

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. Each of these categories uses different accounting approaches. Fund financial statements begin on page 36.

- **Governmental Funds –** Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

  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. These reconciliations are presented on the page immediately following each governmental fund financial statement.

  The State reports five individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Debt Service Fund, Transportation Fund, Restricted

Grants and Accounts Fund, and Grants and Loan Programs Fund, all of which are considered major funds. Data from the other eighteen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements immediately following the required supplementary information.

- **Proprietary Funds** – Proprietary funds include enterprise funds and internal service funds and account for activities that operate more like private-sector businesses and use the full accrual basis of accounting. Enterprise funds charge fees for services provided to outside customers. Enterprise funds are reported as business-type activities on 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.

  The State reports five individual proprietary funds. Information is presented separately in the proprietary fund statements for the University of Connecticut and Health Center, State Universities, Connecticut Community Colleges, Employment Security, and Clean Water all of which are considered major funds. Data from the other enterprise funds is combined into a single, aggregated presentation. Individual fund data for all nonmajor proprietary funds is provided in the combining statements immediately following the required supplementary information.

- **Fiduciary Funds –** Fiduciary funds 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. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

- **Component Units –** The government-wide financial statements report information for all component units into a single, aggregated presentation. Information is provided separately in the component unit fund statements for the Connecticut Housing Finance Authority, Connecticut Lottery, and Connecticut Airport Authority. Data from the other component units is combined into a single, aggregated presentation. Individual fund data for all other nonmajor component units is provided in the combining statements immediately following the required supplementary information.

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. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes information regarding the State's funding progress and employer contributions for pension and other postemployment benefits, and change in employers' net pension liability.

Other Information

The combining financial statements for the State's nonmajor governmental, nonmajor enterprise, nonmajor fiduciary funds, and nonmajor discretely presented component units. This also includes the statistical section, which provides up to ten years of financial, economic, and demographic information.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET POSITION

The combined net position deficit of the State increased $1.8 billion or 16.9 percent. In comparison, last year the combined net position deficit decreased $10.5 billion or 1.0 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013*	2014	2013*
ASSETS:						
Current and Other Assets	$ 4,274	$ 4,163	$ 3,753	$ 3,599	$ 8,027	$ 7,762
Capital Assets	12,540	11,987	3,781	3,518	16,321	15,505
Total Assets	16,814	16,150	7,534	7,117	24,348	23,267
Deferred Outflows of Resources	99	18	21	-	120	18
LIABILITIES:						
Current Liabilities	3,665	3,531	728	700	4,393	4,231
Long-term Liabilities	30,619	27,729	2,029	2,098	32,648	29,827
Total Liabilities	34,284	31,260	2,757	2,798	37,041	34,058
Deferred Inflows of Resources	-	-	17	-	17	-
NET POSITION:						
Net Investment in Capital Assets	5,777	5,825	3,169	3,029	8,946	8,854
Restricted	1,795	2,283	1,068	898	2,863	3,181
Unrestricted	(24,943)	(23,200)	544	392	(24,399)	(22,808)
Total Net Position (Deficit)	$ (17,371)	$ (15,092)	$ 4,781	$ 4,319	$ (12,590)	$ (10,773)

*Restated for comparative purposes

The net position deficit of the State's governmental activities increased $2.3 billion (15.1 percent) to $17.4 billion during the current fiscal year. Of this amount, $5.8 billion was invested in capital assets (buildings, roads, bridges, etc.) and $1.8 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $24.9 billion. This deficit is the result of having long-term obligations that are greater than currently available resources. The State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds issued in the amount of $6.5 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 $11.6 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 $462 million (10.7 percent) to $4.8 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 $0.5 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 and others).

CHANGE IN NET POSITION

Changes in net position for the years ended June 30, 2014 and 2013 were as follows:

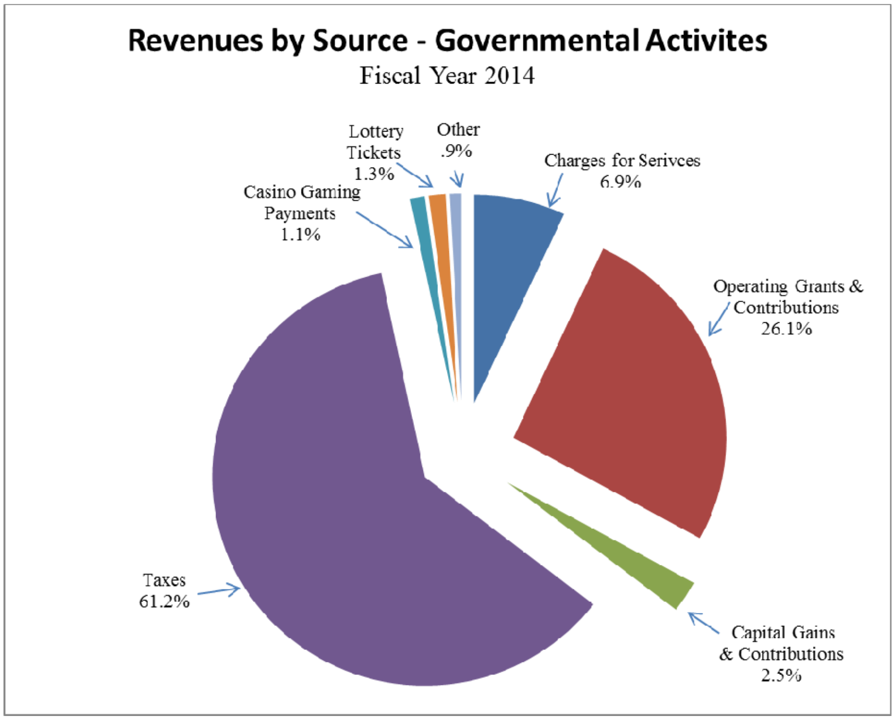
State of Connecticut's Changes in Net Position (Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		% change
	2014	2013	2014	2013*	2014	2013*	14-13
REVENUES							
Program Revenues							
Charges for Services	$ 1,726	$ 1,576	$ 2,546	$ 2,485	$ 4,272	$ 4,061	5.2%
Operating Grants and Contributions	6,497	5,992	780	1,173	7,277	7,165	1.6%
Capital Grants and Contributions	610	768	28	52	638	820	-22.2%
General Revenues							
Taxes	15,257	15,356	-	-	15,257	15,356	-0.6%
Casino Gaming Payments	280	296	-	-	280	296	-5.4%
Lottery Tickets	320	312	-	-	320	312	2.6%
Other	224	128	13	16	237	144	64.6%
Total Revenues	24,914	24,428	3,367	3,726	28,281	28,154	0.5%
EXPENSES							
Legislative	123	106	-	-	123	106	16.0%
General Government	2,060	2,036	-	-	2,060	2,036	1.2%
Regulation and Protection	905	868	-	-	905	868	4.3%
Conservation and Development	997	665	-	-	997	665	49.9%
Health and Hospital	2,624	2,540	-	-	2,624	2,540	3.3%
Transportation	1,985	1,573	-	-	1,985	1,573	26.2%
Human Services	8,273	7,472	-	-	8,273	7,472	10.7%
Education, Libraries, and Museums	4,639	4,490	-	-	4,639	4,490	3.3%
Corrections	2,143	1,977	-	-	2,143	1,977	8.4%
Judicial	1,005	894	-	-	1,005	894	12.4%
Interest and Fiscal Charges	922	780	-	-	922	780	18.2%
University of Connecticut & Health Center	-	-	2,050	1,872	2,050	1,872	9.5%
State Universities	-	-	716	666	716	666	7.5%
Connecticut Community Colleges	-	-	514	489	514	489	5.1%
Employment Security	-	-	1,060	1,515	1,060	1,515	-30.0%
Clean Water	-	-	40	50	40	50	-20.0%
Other	-	-	73	59	73	59	23.7%
Total Expenses	25,676	23,401	4,453	4,651	30,129	28,052	7.4%
Excess (Deficiency) Before Transfers and Special Item	(762)	1,027	(1,086)	(925)	(1,848)	102	
Transfers	(1,548)	(1,088)	1,548	1,078	-	(10)	
Special Item	31	-	-	-	31	-	
Increase (Decrease) in Net Position	(2,279)	(61)	462	153	(1,817)	92	
Net Position (Deficit) - Beginning (as restated)	(15,092)	(15,031)	4,319	4,166	(10,773)	(10,865)	
Net Position (Deficit) - Ending	(17,371)	(15,092)	4,781	4,319	(12,590)	(10,773)	16.9%

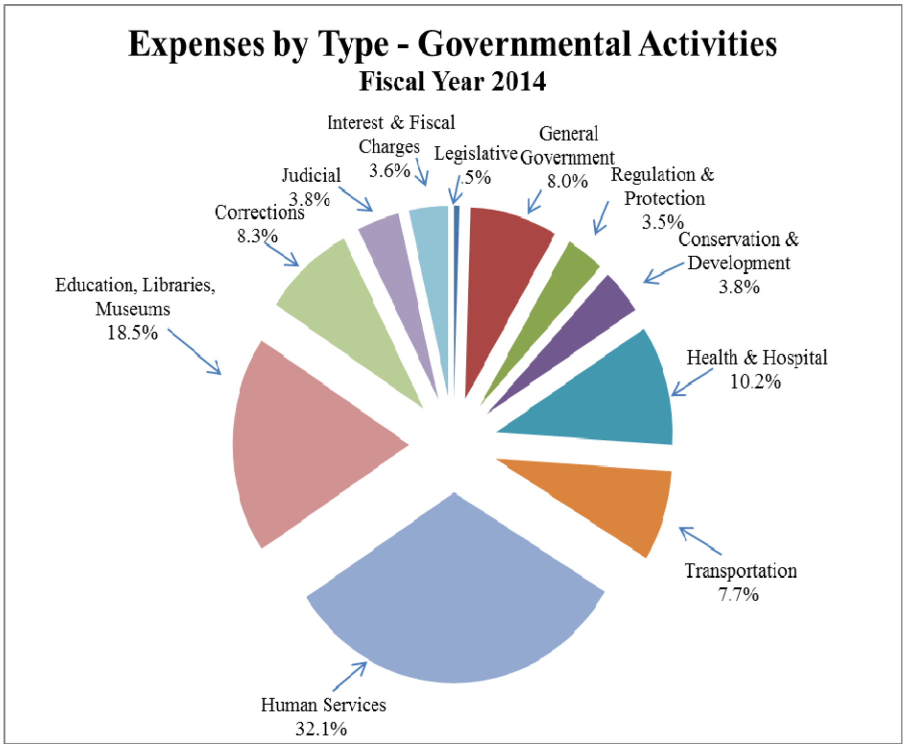
*Restated for comparative purposes

GOVERNMENTAL ACTIVITIES

The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $485.6 million, or 2.0 percent. This increase is primarily due to an increase of $504.2 million from operating grants and contributions.

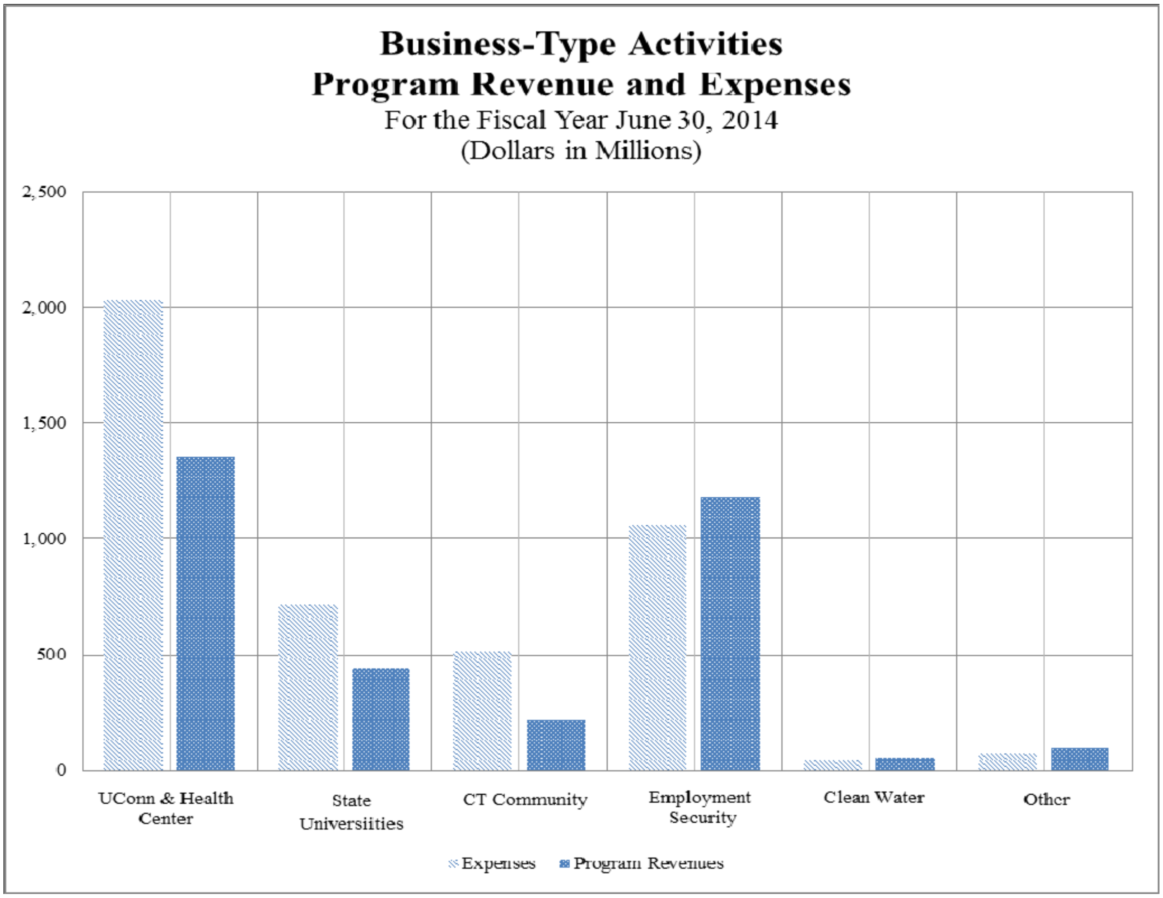


The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by $2.3 billion, or 9.7 percent. The increase is mainly attributable to increase spending in human services.



NET POSITION OF BUSINESS-TYPE ACTIVITIES

Net position of business-type activities increased by $462.0 million during the fiscal year. The following chart highlights the changes in net position for the major enterprise funds.



During the year, total revenues of business-type activities decreased 10.1 percent to $3.3 billion, while total expenses decreased 4.6 percent to $4.4 billion. In comparison, last year total revenues decreased 4.7 percent, while total expenses decreased 4.3 percent. The decrease in total expenses of $216 million was due mainly to a decrease in Employment Security expenses of $455.0 million or 30.0 percent. Although, total expenses exceeded total revenues by $1,086 million, this deficiency was reduced by transfers of $1,548 million, resulting in an increase in net position of $462.0 million.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

As of the end of the fiscal year, the State's governmental funds had fund balances of $2,097 million, an increase of $99 million over the prior year ending fund balances. Of the total governmental fund balances, $1,978 million represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $190 million represents fund balance that is non-spendable; $664 million represents fund balance that is committed or assigned for specific purposes. A negative $735 million unassigned fund balance offsets these amounts.

General Fund

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the General Fund had a fund balance deficit of $41.2 million, a decrease of $547.4 million in comparison with the prior year. Of this total fund balance, $686 million represents non-spendable fund balance or committed for specific purposes, leaving a deficit of $727.2 million in unassigned fund balance.

At the end of fiscal year 2014, General Fund revenues were 13.6 percent, or $2,734.4 million, lower than fiscal year 2013 revenues. This change in revenue results from decreases of $2,873.5 million primarily attributable to taxes ($363.0 million), federal grants and aid ($2,493.9 million), and casino gaming payments ($16.6 million). These decreases were offset by increases of $139.1 million primarily attributable to licenses, permits, and fees ($65.0 million), lottery tickets ($7.4 million), charges for services ($4.2 million), fines, forfeits, and rents ($24.7 million), investment earnings ($2.9 million), and other revenue ($34.9 million).

At the end of fiscal year 2014, General Fund expenditures were 11.5 percent, or $2,147.1 million, lower than fiscal year 2013. This was primarily attributable to a decrease in human services of $2,610.2 million, offset by increases primarily in education, corrections, and judicial of $$238 million, $69.7 million, and $60.0 million, respectively. Net other financing sources and uses increased by $812.6 million, which is primarily due to the issuance bonds.

Debt Service Fund

At the end of fiscal year 2014, the Debt Service Fund had a fund balance of $659.5 million, all of which was restricted, a decrease of $.6 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of $226.5 million at the end of fiscal 2014. Of this amount, $30.4 million was in nonspendable form and $196.1 million was restricted or committed for specific purposes. Fund balance increased by $1.8 million during the current fiscal year.

At the end of fiscal year 2014, Transportation Fund revenues and expenditures increased by $196.1, or 16.4 percent, and $30.4 million, or 3.7 percent respectively. The increased revenue is primarily due to an increase in taxes.

Restricted Grants and Accounts Fund

At the end of fiscal year 2014, the Restricted Grants and Accounts Fund had a fund balance of $45.7 million, all of which was restricted for specific purposes, a decrease of $313.4 million in comparison with the prior year.

Total revenues were 102.1 percent, or $2,832.3 million, higher than in fiscal year 2013. Overall, total expenditures were 104.4 percent, or $3,130.8 million, higher than fiscal year 2013. This is primarily attributable to the State transferring federal Medicaid spending from the General Fund to the Restricted Grants and Accounts fund.

G**rant and Loan Programs**

As of June 30, 2014, the Grant and Loan Programs Fund had a fund balance of $468.6 million, all of which was restricted for specific purposes, a decrease of $204.9 million in comparison with the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Proprietary funds report activities of the State that are similar to for-profit business. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds is provided in that section.

FINANCIAL ANALYSIS OF THE STATE'S 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. The net positions of the State's Fiduciary funds totaled $30.3 billion, an increase of $3.4 billion when compared to the prior year ending net position.

Budget Highlights-General Fund

The state budget as adopted for Fiscal Year 2014 was anticipating a small surplus of $4.4 million dollars on net General Fund appropriations of $17.2 billion. By the end of the fiscal year, a surplus of $248.5 million had emerged from operations. In accordance with state law, that surplus was deposited to the State's Budget Reserve Fund, which brought the total reserve balance in the fund to $519.2 million.

In Fiscal Year 2014, the federal portion of the State's Medicaid program transferred from the General Fund to the Restricted Grants Fund. This transfer reduced General Fund outlays for the fiscal year by approximately $2 billion. After adjusting for the impact of the elimination of federal Medicaid expenditures on trend analysis, General Fund spending increased at a rate of 2.4 percent over the prior fiscal year. In the four fiscal years leading up to the 2008 recession, General Fund spending had increased at an annual average rate of 7.3 percent. The recession resulted in the State simultaneously raising taxes and reducing growth in spending.

The General Fund payroll for State employees in Fiscal Year 2014 was $94.2 million below the actual dollar level reached in Fiscal Year 2009. Grant payments to other than towns experienced no spending growth in Fiscal Year 2014 over the prior fiscal year. This category includes most of the state's major human services programs. Grant payments going directly to towns increased by $128.3 million or 4.5 percent in Fiscal Year 2014. A majority of these dollars go to support education spending within the municipalities. The spending category referred to as non-functional (not directly assignable to state agency programs or functions of government) increased by $77.3 million in Fiscal Year 2014 or 2 percent from Fiscal Year 2013. Debt service, which is within the non-functional area, experienced a spending decline of $153.7 million or 8.5 percent. The decline results from favorable interest rates and the refinancing of 2009 Economic Recovery Notes. Other non-functional areas inclusive of fringe benefit programs posted spending growth of $231 million or 10.7 percent.

General Fund revenue in Fiscal Year 2014, again after adjusting for the Medicaid transfer, advanced by less than one percent over the prior fiscal year. The income tax, which is the General Fund's single largest source of revenue declined slightly in real dollar terms in Fiscal Year 2014 as compared to last fiscal year. A change in federal capital gains tax law contributed to the poor revenue generating performance of the income tax. The federal change shifted taxable gains from Fiscal Year 2014 into Fiscal Year 2013. The federal treatment of capital gains had a negative impact on receipts of both the income tax and estate and gift tax. Other revenue areas performed reasonably well and a tax amnesty program utilized to raise revenue in Fiscal Year 2014 was successful. The release of $190.8 million in dollars reserved from the prior fiscal year partially offset the weakness in revenue growth.

In Fiscal Year 2014, the adopted State budget contained appropriations for expenditure accruals. The lack of inclusion of these accruals within the budget is part of the reason that the unassigned fund balance within the General Fund had been growing overtime. In addition, in Fiscal Year 2014 the State Treasurer issued $598.5 million in GAAP deficit reduction bonds to reduce the General Fund's unassigned fund balance. Note 2 within this report provides a reconciliation of Fiscal Year 2014 General Fund operations for the statutory accounting basis and the accounting basis used within the fund financial statements in this report. Fiscal Year 2014 is the initial implementation year for the new budget approach to GAAP, as well as the year of the Medicaid transfer as discussed above. These factors result in some initial distortions in trend.

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, 2014 totaled $16.3 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 $815.8 million, due mainly to an increase in governmental activities' capital assets of $552.8 million or 4.6 percent.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and equipment of $813.7 million and depreciation expense of $1,024.2 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	
	2014	2013	2014	2013 *	2014	2013 *
Land	$ 1,687	$ 1,666	$ 68	$ 67	$ 1,755	$ 1,733
Buildings	2,234	1,888	2,706	2,548	4,940	4,436
Improvements Other Than Buildings	158	156	171	164	329	320
Equipment	72	77	325	331	397	408
Infrastructure	4,924	5,200	-	-	4,924	5,200
Construction in Progress	3,465	3,000	511	408	3,976	3,408
Total	$ 12,540	$ 11,987	$ 3,781	$ 3,518	$ 16,321	$ 15,505

*Restated for comparison purposes

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 debt outstanding of $22.0 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 Activies		Business-Type Activities		Total Primary Government	
	2014	2013*	2014	2013*	2014	2013*
General Obligation Bonds	$ 15,282	$ 14,228	$ -		$ 15,282	$ 14,228
Transportation Related bonds	3,771	3,462	-		3,771	3,462
Revenue Bonds	-	-	1,213	1,235	1,213	1,235
Long-Term Notes	581	573	-		581	573
Premiums and Discounts	1,195	996	84	91	1,279	1,087
Total	$ 20,829	$ 19,259	$ 1,297	$ 1,326	$ 22,126	$ 20,585

*Restated for comparative purposes

The State's total bonded debt increased by $1.6 million (7.4 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $1.1 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 December 2013, the State had a debt incurring margin of $4.5 billion.

Other Long-Term Debt

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

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013*	2014	2013*
Net Pension Obligation	$ 2,560	$ 2,533	$ -	$ -	$ 2,560	$ 2,533
Net OPEB Obligation	7,763	6,682	-	-	7,763	6,682
Compensated Absences	513	516	167	160	680	676
Workers Compensation	620	588	-	-	620	588
Federal Loan Payable	-	-	433	574	433	574
Other	129	100	302	200	431	300
Total	$ 11,585	$ 10,419	$ 902	$ 934	$ 12,487	$ 11,353

*Restated for comparative purposes

The State's other long-term obligations increased by $1.2 million (11.2 percent) during the fiscal year. This increase was due mainly to an increase in the net OPEB obligation (Governmental activities) of $1.1 million or 16.2 percent. Additional information on the State's long-term debt can be found in Notes 17 and 18 of this report.

Economic Outlook and Next Year's Budget

By the end of Fiscal Year 2014, the State had regained 60 percent of the 119,100 jobs that were lost during the 2008 recession. At the start of Fiscal Year 2014, the State was continuing to experience some employment losses; however, by the final quarter of the fiscal year Connecticut was posting consistent monthly job gains. As these gains continued, by December of 2014 the State had recovered over 80 percent of the recessionary employment loss. The state was adding jobs at a rate of 1,660 per month. Progress also continued in the State's unemployment rate. At the start of Fiscal Year 2014, Connecticut's unemployment rate was 7.9 percent. By December of 2014, the State's unemployment rate was 6.4 percent.

Fiscal Year 2014 began with Connecticut personal income growing at an annualized rate of just over 3 percent. By the third quarter of 2014, the annualized growth rate stood at 4 percent. This is still well below the average growth rate of 6.5 percent experienced during the pre-recession period. Wage and salary income in the State had been stagnant or declining throughout Fiscal Year 2014. By December 2014, there were some indications that wage and salary growth may be recovering.

Overall Connecticut like the national economy has been experiencing more modest periods of economic expansion then in past decades. 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.

Connecticut has continued to cope with these changing trends in its Fiscal Year 2015 budget. At present, the budget is undergoing appropriation reductions to ensure that it remains in balance.

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.

Basic Financial Statements

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Statement of Net Position

June 30, 2014
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 1,001,312	$ 574,581	$ 1,575,893	$ 240,970
Deposits with U.S. Treasury	-	209,496	209,496	-
Investments	113,069	124,622	237,691	439,868
Receivables, (Net of Allowances)	2,056,625	813,815	2,870,440	100,156
Due from Primary Government	-	-	-	15,274
Inventories	50,317	10,781	61,098	6,069
Restricted Assets	-	209,621	209,621	1,160,908
Internal Balances	(180,720)	180,720	-	-
Other Current Assets	8,394	69,854	78,248	7,515
Total Current Assets	3,048,997	2,193,490	5,242,487	1,970,760
Noncurrent Assets:				
Cash and Cash Equivalents	-	412,491	412,491	-
Due From Component Units	35,185	-	35,185	-
Investments	-	61,564	61,564	205,560
Receivables, (Net of Allowances)	531,060	798,037	1,329,097	217,254
Restricted Assets	659,543	284,363	943,906	4,152,074
Capital Assets, (Net of Accumulated Depreciation)	12,539,625	3,781,204	16,320,829	751,356
Other Noncurrent Assets	-	3,118	3,118	34,743
Total Noncurrent Assets	13,765,413	5,340,777	19,106,190	5,360,987
Total Assets	16,814,410	7,534,267	24,348,677	7,331,747
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	8,700	-	8,700	78,852
Unamortized Losses on Bond Refundings	90,523	17,186	107,709	68,829
Other Deferred Outflows	-	3,663	3,663	-
Total Deferred Outflows of Resources	99,223	20,849	120,072	147,681
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	734,796	295,748	1,030,544	102,335
Due to Component Units	15,274	-	15,274	-
Due to Primary Government	-	-	-	35,185
Due to Other Governments	216,059	3,117	219,176	-
Current Portion of Long-Term Obligations	1,793,748	170,154	1,963,902	398,957
Amount Held for Institutions	-	-	-	407,730
Unearned Revenue	30,850	189,432	220,282	-
Medicaid Liability	530,497	-	530,497	-
Liability for Escheated Property	278,485	-	278,485	-
Other Current Liabilities	65,018	69,932	134,950	78,550
Total Current Liabilities	3,664,727	728,383	4,393,110	1,022,757
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	30,619,712	2,029,107	32,648,819	4,047,612
Total Noncurrent Liabilities	30,619,712	2,029,107	32,648,819	4,047,612
Total Liabilities	34,284,439	2,757,490	37,041,929	5,070,369
Deferred Inflows of Resources				
Other Deferred Inflows	-	16,772	16,772	2,592
Total Deferred Inflows of Resources	-	16,772	16,772	2,592
Net Position				
Net Investment in Capital Assets	5,776,818	3,169,151	8,945,969	457,806
Restricted For:				
Transportation	125,395	-	125,395	-
Debt Service	611,208	4,508	615,716	71,040
Federal Grants and Other Accounts	38,003	-	38,003	-
Capital Projects	333,912	238,154	572,066	98,681
Grant and Loan Programs	479,448	-	479,448	-
Clean Water and Drinking Water Projects	-	677,308	677,308	-
Bond Indenture Requirements	-	-	-	945,099
Loans	-	2,586	2,586	-
Permanent Investments or Endowments:				
Expendable	-	-	-	101,465
Nonexpendable	108,053	14,033	122,086	320,850
Other Purposes	99,738	128,622	228,360	54,329
Unrestricted (Deficit)	(24,943,380)	546,492	(24,396,888)	357,197
Total Net Position (Deficit)	$ (17,370,805)	$ 4,780,854	$ (12,589,951)	$ 2,406,467

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

Statement of Activities

For The Fiscal Year Ended June 30, 2014
(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	$ 122,679	$ 2,871	$ -	$ -
General Government	2,060,294	580,626	62,394	-
Regulation and Protection	905,310	677,266	234,657	-
Conservation and Development	997,092	62,794	162,277	-
Health and Hospitals	2,623,687	100,198	179,042	-
Transportation	1,985,288	68,373	-	610,274
Human Services	8,272,895	68,817	5,260,417	-
Education, Libraries, and Museums	4,638,713	18,735	468,520	-
Corrections	2,142,788	11,061	120,974	-
Judicial	1,004,610	135,406	8,344	-
Interest and Fiscal Charges	922,110	53	-	-
Total Governmental Activities	25,675,466	1,726,200	6,496,625	610,274
Business-Type Activities:				
University of Connecticut & Health Center	2,050,529	1,133,541	218,424	21,643
State Universities	716,459	375,606	60,184	6,164
Connecticut Community Colleges	514,565	106,767	107,819	-
Employment Security	1,059,631	836,492	347,233	-
Clean Water	39,841	26,829	20,002	-
Other	72,674	67,605	26,475	-
Total Business-Type Activities	4,453,699	2,546,840	780,137	27,807
Total Primary Government	$ 30,129,165	$ 4,273,040	$ 7,276,762	$ 638,081
Component Units				
Connecticut Housing Finance Authority (12-31-13)	$ 216,325	$ 180,738	$ -	$ -
Connecticut Lottery Corporation	1,112,427	1,112,463	-	-
Connecticut Airport Authority	74,375	76,032		68,870
Other	404,792	380,716	11,601	35,802
Total Component Units	$ 1,807,919	$ 1,749,949	$ 11,601	$ 104,672

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
Special Item
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
$ (119,808)	$ -	$ (119,808)	$ -
(1,417,274)	-	(1,417,274)	-
6,613	-	6,613	-
(772,021)	-	(772,021)	-
(2,344,447)	-	(2,344,447)	-
(1,306,641)	-	(1,306,641)	-
(2,943,661)	-	(2,943,661)	-
(4,151,458)	-	(4,151,458)	-
(2,010,753)	-	(2,010,753)	-
(860,860)	-	(860,860)	-
(922,057)	-	(922,057)	-
(16,842,367)	-	(16,842,367)	-
-	(676,921)	(676,921)	-
-	(274,505)	(274,505)	-
-	(299,979)	(299,979)	-
-	124,094	124,094	-
-	6,990	6,990	-
-	21,406	21,406	-
-	(1,098,915)	(1,098,915)	-
(16,842,367)	(1,098,915)	(17,941,282)	-
-	-	-	(35,587)
-	-	-	36
-	-	-	70,527
-	-	-	23,327
-	-	-	58,303
7,752,553	-	7,752,553	-
627,100	-	627,100	-
4,116,012	-	4,116,012	-
1,796,678	-	1,796,678	-
882,107	-	882,107	-
82,216	-	82,216	-
279,873	-	279,873	-
197,138	-	197,138	-
319,500	-	319,500	-
27,313	12,948	40,261	47,414
-	-	-	33,369
31,000		31,000	(31,000)
(1,547,952)	1,547,952	-	-
14,563,538	1,560,900	16,124,438	49,783
(2,278,829)	461,985	(1,816,844)	108,086
(15,091,976)	4,318,869	(10,773,107)	2,298,381
$ (17,370,805)	$ 4,780,854	$ (12,589,951)	$ 2,406,467

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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 100.

Balance Sheet
Governmental Funds
June 30, 2014
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 164,288	$ 314,636	$ 105,342	$ 405,682	$ 989,948
Investments	-	-	-	-	-	113,069	113,069
Securities Lending Collateral	-	-	-	-	-	8,210	8,210
Receivables:							
Taxes, Net of Allowances	1,277,736	-	43,730	-	-	-	1,321,466
Accounts, Net of Allowances	410,992	-	10,940	25,402	11,330	21,238	479,902
Loans, Net of Allowances	3,419	-	-	11,401	371,041	145,199	531,060
From Other Governments	37,582	-	-	207,601	-	4,437	249,620
Interest	-	1,286	28	-	-	-	1,314
Other	-	-	-	-	-	1	1
Due from Other Funds	38,856	-	1,286	48	4	294,254	334,448
Due from Component Units	31,707	-	-	3,478	-	-	35,185
Inventories	15,736	-	30,429	-	-	-	46,165
Restricted Assets	-	659,543	-	-	-	-	659,543
Total Assets	$ 1,816,028	$ 660,829	$ 250,701	$ 562,566	$ 487,717	$ 992,090	$ 4,769,931
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 302,183	$ -	$ 21,016	$ 161,045	$ 7,955	$ 56,057	$ 548,256
Due to Other Funds	341,132	1,286	-	2,302	26	158,266	503,012
Due to Component Units	-	-	-	15,274	-	-	15,274
Due to Other Governments	202,961	-	-	13,098	-	-	216,059
Unearned Revenue	18,211	-	55	-	-	12,584	30,850
Medicaid Liability	218,233	-	-	312,264	-	-	530,497
Liability For Escheated Property	278,485	-	-	-	-	-	278,485
Securities Lending Obligation	-	-	-	-	-	8,210	8,210
Other Liabilities	56,807	-	-	-	-	-	56,807
Total Liabilities	1,418,012	1,286	21,071	503,983	7,981	235,117	2,187,450
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	439,208	-	3,091	12,869	11,156	19,034	485,358
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	50,428	-	30,429	-	-	-	80,857
Permanent Fund Principal	-	-	-	-	-	109,463	109,463
Restricted For:							
Debt Service	-	659,543	-	-	-	-	659,543
Transportation Programs	-	-	196,110	-	-	-	196,110
Federal Grant and State Programs	-	-	-	45,714	-	-	45,714
Grants and Loans	-	-	-	-	456,491	-	456,491
Other	-	-	-	-	-	619,752	619,752
Committed For:							
Continuing Appropriations	85,920	-	-	-	-	-	85,920
Budget Reserve Fund	519,169	-	-	-	-	-	519,169
Future Budget Years	30,500	-	-	-	-	-	30,500
Assigned To:							
Grants and Loans	-	-	-	-	12,089	-	12,089
Other	-	-	-	-	-	16,512	16,512
Unassigned	(727,209)	-	-	-	-	(7,788)	(734,997)
Total Fund Balances	(41,192)	659,543	226,539	45,714	468,580	737,939	2,097,123
Total Liabilities, Deferred Inflows, and Fund Balances	$ 1,816,028	$ 660,829	$ 250,701	$ 562,566	$ 487,717	$ 992,090	$ 4,769,931

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, 2014

(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$	2,097,123
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	4,005,719		
Equipment	2,411,928		
Infrastructure	13,824,648		
Other Capital Assets	5,594,096		
Accumulated Depreciation	(13,347,668)		12,488,723
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 inflows of resources in the governmental funds			485,358
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.			50,686
Deferred outflows of resources for the amount on refunding of bonded debt are not reported in the governmental funds.			90,523
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	(2,559,621)		
Net OPEB Obligation	(7,763,060)		
Worker's Compensation	(619,578)		
Capital Leases	(37,820)		
Compensated Absences	(511,766)		
Claims and Judgments	(46,151)		
Landfill Postclosure Care	(35,751)		(11,573,747)
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	(19,633,614)		
Unamortized Premiums	(1,195,127)		
Accrued Interest Payable	(180,730)		(21,009,471)
Net Position of Governmental Activities		$	(17,370,805)

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, 2014
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 14,258,388	$ -	$ 963,635	$ -	$ -	$ -	$ 15,222,023
Licenses, Permits, and Fees	311,497	-	325,842	13,719	-	40,970	692,028
Tobacco Settlement	-	-	-	-	-	197,138	197,138
Federal Grants and Aid	1,910,750	-	12,100	5,084,106	-	99,941	7,106,897
Lottery Tickets	319,500	-	-	-	-	-	319,500
Charges for Services	40,523	-	66,597	-	-	850	107,970
Fines, Forfeits, and Rents	78,915	-	17,709	-	-	1,191	97,815
Casino Gaming Payments	279,873	-	-	-	-	-	279,873
Investment Earnings (Loss)	814	9,773	405	1,170	4,044	9,915	26,121
Interest on Loans	-	-	-	-	-	53	53
Miscellaneous	200,073	-	6,867	508,254	12,263	125,879	853,336
Total Revenues	17,400,333	9,773	1,393,155	5,607,249	16,307	475,937	24,902,754
Expenditures							
Current:							
Legislative	113,797	-	-	2,547	-	-	116,344
General Government	984,839	-	5,357	388,177	480,752	93,159	1,952,284
Regulation and Protection	422,638	-	93,567	141,663	10,580	190,002	858,450
Conservation and Development	283,539	-	-	240,085	219,817	202,111	945,552
Health and Hospitals	2,275,028	-	-	194,221	14,432	5,068	2,488,749
Transportation	-	-	754,400	725,167	3,065	-	1,482,632
Human Services	4,046,310	-	-	3,773,912	7,646	7,809	7,835,677
Education, Libraries, and Museums	3,930,105	-	-	528,085	47,634	4,090	4,509,914
Corrections	2,000,037	-	-	21,874	4,682	4,249	2,030,842
Judicial	889,430	-	-	18,369	-	48,365	956,164
Capital Projects	-	-	-	-	-	955,785	955,785
Debt Service:							
Principal Retirement	1,032,688	290,615	-	-	-	-	1,323,303
Interest and Fiscal Charges	612,753	175,531	1,181	94,531	2,316	7,425	893,737
Total Expenditures	16,591,164	466,146	854,505	6,128,631	790,924	1,518,063	26,349,433
Excess (Deficiency) of Revenues Over Expenditures	809,169	(456,373)	538,650	(521,382)	(774,617)	(1,042,126)	(1,446,679)
Other Financing Sources (Uses)							
Bonds Issued	579,315	-	-	-	563,911	1,617,799	2,761,025
Premiums on Bonds Issued	82,744	102,233	-	-	41,282	164,297	390,556
Transfers In	249,205	459,599	6,331	258,643	4,000	81,135	1,058,913
Transfers Out	(1,214,647)	(7,038)	(546,731)	(50,614)	(39,466)	(748,369)	(2,606,865)
Refunding Bonds Issued	314,295	966,415	-	-	-	-	1,280,710
Payment to Refunded Bond Escrow Agent	(312,713)	(1,065,406)	-	-	-	-	(1,378,119)
Capital Lease Obligations	8,828	-	-	-	-	-	8,828
Special Item: Transfer from Component Unit	31,000	-	-	-	-	-	31,000
Total Other Financing Sources (Uses)	(261,973)	455,803	(540,400)	208,029	569,727	1,114,862	1,546,048
Net Change in Fund Balances	547,196	(570)	(1,750)	(313,353)	(204,890)	72,736	99,369
Fund Balances (Deficit) - Beginning	(588,622)	660,113	228,543	359,067	673,470	665,203	1,997,774
Change in Reserve for Inventories	234	-	(254)	-	-	-	(20)
Fund Balances (Deficit) - Ending	$ (41,192)	$ 659,543	$ 226,539	$ 45,714	$ 468,580	$ 737,939	$ 2,097,123

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, 2014

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 99,369
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	(2,761,025)	
Refunding Bonds Issued	(1,280,710)	
Premium on Bonds Issued	(390,555)	(4,432,290)
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	1,323,304	
Payments to Refunded Bond Escrow Agent	1,353,471	
Capital Lease Payments	9,225	2,686,000
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		(8,827)
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	1,554,906	
Depreciation Expense	(1,010,420)	
Retirements	(2,588)	541,898
Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which consumption exceeded purchases of inventories.		(20)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in Accrued Interest	(17,225)	
Increase in Interest Accreted on Capital Appreciation Debt	(5,186)	
Amortization of Bond Premium	191,822	
Amortization of Loss on Debt Refundings	(90,353)	
Decrease in Compensated Absences Liability	1,943	
Increase in Workers Compensation Liability	(31,926)	
Increase in Claims and Judgments Liability	(2,629)	
Increase in Landfill Liability	(35,751)	
Increase in Net Pension Obligation	(26,367)	
Increase in Net OPEB Obligation	(1,080,752)	(1,096,424)
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 increased by this amount this year.		10,831
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.		3,417
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		
Amortization of Debt Issue Costs	(82,783)	(82,783)
Change in Net Position of Governmental Activities		$ (2,278,829)

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, 2014

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 14,334,000	$ 14,278,800	$ 14,323,136	$ 44,336
Casino Gaming Payments	285,300	279,900	279,873	(27)
Licenses, Permits, and Fees	301,200	319,200	314,721	(4,479)
Other	323,150	378,200	377,843	(357)
Federal Grants	1,312,700	1,244,100	1,243,861	(239)
Refunds of Payments	(69,800)	(66,600)	(66,625)	(25)
Operating Transfers In	420,900	430,200	430,219	19
Operating Transfers Out	(61,800)	(61,800)	(61,800)	-
Transfer to/from the Resources of the General Fund	347,500	338,100	168,328	(169,772)
GAAP Conversion Bond Proceeds	-	-	598,500	598,500
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	17,193,150	17,140,100	17,608,056	467,956
Expenditures				
Budgeted:				
Legislative	82,851	82,851	70,813	12,038
General Government	625,675	635,565	605,677	29,888
Regulation and Protection	280,265	292,268	277,873	14,395
Conservation and Development	230,022	233,919	220,921	12,998
Health and Hospitals	1,835,697	1,840,054	1,827,308	12,746
Transportation	-	-	-	-
Human Services	3,430,698	3,374,846	3,215,827	159,019
Education, Libraries, and Museums	4,724,620	4,740,315	4,695,646	44,669
Corrections	1,481,924	1,492,891	1,454,442	38,449
Judicial	577,052	585,368	569,056	16,312
Non Functional	4,204,970	4,181,500	4,042,481	139,019
Total Expenditures	17,473,774	17,459,577	16,980,044	479,533
Appropriations Lapsed	172,645	327,411	-	(327,411)
Excess (Deficiency) of Revenues Over Expenditures	(107,979)	7,934	628,012	620,078
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	112,402	112,402	112,402	-
Appropriations Continued to Fiscal Year 2015	-	-	(85,920)	(85,920)
Release of 2013 Surplus Reserve	-	-	190,800	190,800
Miscellaneous Adjustments	-	1,685	2,185	500
Total Other Financing Sources (Uses)	112,402	114,087	219,467	105,380
Net Change in Fund Balance	$ 4,423	$ 122,021	847,479	$ 725,458
Budgetary Fund Balances - July 1			514,660	
Changes in Reserves			(394,506)	
Budgetary Fund Balances - June 30			$ 967,633	

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

Transportation Fund

Budget Original	Budget Final	Actual	Variance with Final Budget positive (negative)
$ 955,500	$ 963,700	$ 963,981	$ 281
-	-	-	-
372,500	372,400	374,453	2,053
3,800	5,500	6,771	1,271
13,100	12,100	12,100	-
(3,200)	(3,600)	(3,614)	(14)
(76,500)	(76,500)	(76,500)	-
(6,500)	(6,500)	(6,500)	-
-	-	-	-
-	-	-	-
(15,000)	(15,000)	(15,000)	-
1,243,700	1,252,100	1,255,691	3,591
-	-	-	-
7,365	7,365	6,332	1,033
72,756	70,756	57,457	13,299
-	-	-	-
-	-	-	-
577,360	588,364	578,123	10,241
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
638,009	633,505	624,361	9,144
1,295,490	1,299,990	1,266,273	33,717
11,000	10,776	-	(10,776)
	-		
(40,790)	(37,114)	(10,582)	26,532
41,308	41,308	41,308	-
-	-	(26,340)	(26,340)
-	-	-	-
-	-	-	-
41,308	41,308	14,968	(26,340)
$ 518	$ 4,194	4,386	$ 192
		205,921	
		(14,968)	
		$ 195,339	

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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.

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 122.

Statement of Net Position
Proprietary Funds
June 30, 2014
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Employment Security
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 262,656	$ 192,285	$ 77,414	$ -
Deposits with U.S. Treasury	-	-		209,496
Investments	657	123,965	-	-
Receivables:			-	
Accounts, Net of Allowances	132,972	173,453	11,302	185,947
Loans, Net of Allowances	2,018	2,338	-	-
Interest	-	-	-	-
From Other Governments	-	2,524	-	5,988
Due from Other Funds	75,773	28,031	106,506	718
Inventories	10,781	-	-	-
Restricted Assets	209,621	-	-	-
Other Current Assets	66,037	3,609	163	-
Total Current Assets	760,515	526,205	195,385	402,149
Noncurrent Assets:				
Cash and Cash Equivalents	1,432	127,500	-	-
Investments	12,264	34,817	-	-
Receivables:				
Loans, Net of Allowances	10,609	9,010	164	-
Restricted Assets	417	-	-	-
Capital Assets, Net of Accumulated Depreciation	2,042,550	1,059,231	651,432	-
Other Noncurrent Assets	2,328	277	-	-
Total Noncurrent Assets	2,069,600	1,230,835	651,596	-
Total Assets	2,830,115	1,757,040	846,981	402,149
Deferred Outflows of Resources				
Unamortized Losses on Bond Refundings	5,595	-	-	-
Other Deferred Outflows	-	3,663	-	-
Total Deferred Outflows of Resources	5,595	3,663	-	-
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	182,577	52,893	38,538	136
Due to Other Funds	13,596	3,674	-	13,038
Due to Other Governments	-	-	-	3,117
Current Portion of Long-Term Obligations	64,815	23,072	3,496	-
Unearned Revenue	-	186,780	2,652	-
Other Current Liabilities	55,888	13,606	438	-
Total Current Liabilities	316,876	280,025	45,124	16,291
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	423,174	373,064	38,042	433,569
Total Noncurrent Liabilities	423,174	373,064	38,042	433,569
Total Liabilities	740,050	653,089	83,166	449,860
Deferred Inflows of Resources				
Other Deferred Inflows	-	16,772	-	-
Total Deferred Inflows of Resources	-	16,772	-	-
Net Position (Deficit)				
Net Investment in Capital Assets	1,593,274	931,729	651,431	-
Restricted For:				
Debt Service	-	-	-	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	238,154	-	-	-
Nonexpendable Purposes	13,546	467	20	-
Loans	2,586	-	-	-
Other Purposes	16,074	13,513	99,035	-
Unrestricted (Deficit)	232,026	145,133	13,329	(47,711)
Total Net Position (Deficit)	$ 2,095,660	$ 1,090,842	$ 763,815	$ (47,711)

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

Business-Type Activities Enterprise Funds			Governmental Activities
Clean Water	**Other Funds**	**Total**	**Internal Service Funds**
$ 3,607	$ 38,619	$ 574,581	$ 11,364
-	-	209,496	-
-	-	124,622	-
-	8,811	512,485	156
244,970	35,549	284,875	-
6,680	549	7,229	-
-	714	9,226	-
-	-	211,028	5,077
-	-	10,781	4,152
-	-	209,621	-
41	4	69,854	184
255,298	84,246	2,223,798	20,933
227,260	56,299	412,491	-
14,483	-	61,564	-
722,215	56,039	798,037	-
227,886	56,060	284,363	-
-	27,991	3,781,204	50,902
-	513	3,118	-
1,191,844	196,902	5,340,777	50,902
1,447,142	281,148	7,564,575	71,835
11,189	402	17,186	-
-	-	3,663	-
11,189	402	20,849	-
9,441	12,163	295,748	1,531
-	-	30,308	17,346
-	-	3,117	-
70,351	8,420	170,154	85
-	-	189,432	-
-	-	69,932	-
79,792	20,583	758,691	18,962
662,683	98,575	2,029,107	-
662,683	98,575	2,029,107	-
742,475	119,158	2,787,798	18,962
-	-	16,772	-
-	-	16,772	-
-	(7,283)	3,169,151	50,902
-	4,508	4,508	-
544,971	132,337	677,308	-
-	-	238,154	-
-	-	14,033	-
-	-	2,586	-
-	-	128,622	-
170,885	32,830	546,492	(216)
$ 715,856	$ 162,392	$ 4,780,854	$ 50,686

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

For The Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Business-Type Activities		
	Enterprise Funds		
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges
Operating Revenues			
Charges for Sales and Services (Net of allowances & discounts $612,429)	$ 960,492	$ 351,531	$ 100,060
Assessments	-	-	-
Federal Grants, Contracts, and Other Aid	181,019	44,767	96,855
State Grants, Contracts, and Other Aid	29,512	11,951	8,838
Private Gifts and Grants	38,422	3,466	2,126
Interest on Loans	-	-	-
Other	81,897	20,628	5,183
Total Operating Revenues	1,291,342	432,343	213,062
Operating Expenses			
Salaries, Wages, and Administrative	1,782,346	629,825	449,694
Unemployment Compensation	-	-	-
Claims Paid	-	-	-
Depreciation and Amortization	128,157	54,834	28,443
Other	133,298	21,972	36,428
Total Operating Expenses	2,043,801	706,631	514,565
Operating Income (Loss)	(752,459)	(274,288)	(301,503)
Nonoperating Revenue (Expenses)			
Interest and Investment Income	900	1,103	119
Interest and Fiscal Charges	(6,728)	(9,828)	-
Other - Net	60,623	3,447	1,524
Total Nonoperating Revenues (Expenses)	54,795	(5,278)	1,643
Income (Loss) Before Capital Contributions, Grants, and Transfers	(697,664)	(279,566)	(299,860)
Capital Contributions	21,643	6,164	-
Federal Capitalization Grants	-	-	-
Transfers In	883,532	378,703	281,474
Transfers Out	-	-	-
Change in Net Position	207,511	105,301	(18,386)
Total Net Position (Deficit) - Beginning (as restated)	1,888,149	985,541	782,201
Total Net Position (Deficit) - Ending	$ 2,095,660	$ 1,090,842	$ 763,815

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
	$ -	$ -	$ 24,623	$ 1,436,706	$ 51,660
	834,796	-	40,111	874,907	-
	332,248	-	-	654,889	-
	14,985	-	-	65,286	-
	-	-	-	44,014	-
	-	20,040	1,788	21,828	-
	1,696	-	1,083	110,487	84
	1,183,725	20,040	67,605	3,208,117	51,744
	-	475	19,868	2,882,208	34,624
	1,059,631	-	-	1,059,631	-
	-	-	31,411	31,411	-
	-	-	1,192	212,626	14,008
	-	2,618	3,644	197,960	-
	1,059,631	3,093	56,115	4,383,836	48,632
	124,094	16,947	11,490	(1,175,719)	3,112
	-	9,920	906	12,948	317
	-	(36,748)	(5,073)	(58,377)	-
	-	6,789	(11,486)	60,897	(12)
	-	(20,039)	(15,653)	15,468	305
	124,094	(3,092)	(4,163)	(1,160,251)	3,417
	-	-	-	27,807	-
	-	20,002	26,475	46,477	-
	-	2,157	5,646	1,551,512	-
	(3,560)	-	-	(3,560)	-
	120,534	19,067	27,958	461,985	3,417
	(168,245)	696,789	134,434	4,318,869	47,269
	$ (47,711)	$ 715,856	$ 162,392	$ 4,780,854	$ 50,686

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Employment Security
Cash Flows from Operating Activities				
Receipts from Customers	$ 975,679	$ 341,995	$ 97,118	$ 837,280
Payments to Suppliers	(601,098)	(175,655)	(77,169)	-
Payments to Employees	(1,255,547)	(463,246)	(373,464)	-
Other Receipts (Payments)	364,458	93,152	86,858	(836,229)
Net Cash Provided by (Used in) Operating Activities	(516,508)	(203,754)	(266,657)	1,051
Cash Flows from Noncapital Financing Activities				
Retirement of Bonds and Annuities Payable	-	-	-	-
Interest on Bonds and Annuities Payable	-	-	-	-
Transfers In	441,031	261,122	257,576	-
Transfers Out	-	-	-	(3,560)
Other Receipts (Payments)	26,105	5,011	12,482	-
Net Cash Flows from Noncapital Financing Activities	467,136	266,133	270,058	(3,560)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	(300,700)	(149,273)	(12,390)	-
Proceeds from Capital Debt	309,000	80,340	-	-
Principal Paid on Capital Debt	(17,810)	(18,052)	-	-
Interest Paid on Capital Debt	(50,069)	(13,565)	-	-
Transfer In	225,553	122,151	20,474	-
Federal Grant	-	-	-	-
Other Receipts (Payments)	24,950	(312)	(13,295)	-
Net Cash Flows from Capital and Related Financing Activitie	190,924	21,289	(5,211)	-
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	89,370	-	-
Purchase of Investment Securities	(762)	(163,620)	-	-
Interest on Investments	873	1,096	113	-
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	11	-	-	-
Net Cash Flows from Investing Activities	122	(73,154)	113	-
Net Increase (Decrease) in Cash and Cash Equivalents	141,674	10,514	(1,697)	(2,509)
Cash and Cash Equivalents - Beginning of Year	332,452	309,271	79,111	2,509
Cash and Cash Equivalents - End of Year	$ 474,126	$ 319,785	$ 77,414	$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (752,460)	$ (274,288)	$ (301,503)	$ 124,094
Adjustments not Affecting Cash:				
Depreciation and Amortization	128,157	54,834	28,443	-
Other	161,229	-	(9,180)	-
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(794)	9,840	(1,042)	10,646
(Increase) Decrease in Due from Other Funds	-	-	-	(148)
(Increase) Decrease in Inventories and Other Assets	13,775	(26)	13,709	-
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(66,415)	5,884	2,916	(140,616)
Increase (Decrease) in Due to Other Funds	-	2	-	7,075
Total Adjustments	235,952	70,534	34,846	(123,043)
Net Cash Provided by (Used In) Operating Activities	$ (516,508)	$ (203,754)	$ (266,657)	$ 1,051
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 262,656	$ 192,285		
Cash and Cash Equivalents - Noncurrent	1,432	127,500		
Cash and Cash Equivalents - Restricted	210,038	-		
	$ 474,126	$ 319,785		
Noncash Financing Activity				
Mortgage Proceeds held by Trustee in Construction Escrow	$ 34,464	$ -		
Accruals of Expenses Related to Construction in Progress	12,080	-		
Fixed Assets Included in Accounts Payable	-	4,202		
State Financed Plant Facilities	-	6,164		
	$ 46,544	$ 10,366		

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

Business-Type Activities			Governmental
Enterprise Funds			Activities
Clean Water	Other	Totals	Internal Service Funds
$ 90,785	$ 71,320	$ 2,414,177	$ 50,924
(2,618)	(9,460)	(866,000)	(13,797)
(442)	(12,518)	(2,105,217)	(11,474)
(102,433)	(60,752)	(454,946)	(684)
(14,708)	(11,410)	(1,011,986)	24,969
(70,603)	(7,847)	(78,450)	-
(32,582)	(4,715)	(37,297)	-
741	5,646	966,116	-
-	-	(3,560)	-
-	(11,802)	31,796	(12)
(102,444)	(18,718)	878,605	(12)
-	(24)	(462,387)	(24,926)
-	-	389,340	-
-	-	(35,862)	-
-	-	(63,634)	-
-	-	368,178	-
20,314	26,519	46,833	-
-	-	11,343	-
20,314	26,495	253,811	(24,926)
-	-	89,370	-
-	-	(164,382)	-
10,910	949	13,941	317
64,261	-	64,261	-
23,452	4,272	27,735	-
98,623	5,221	30,925	317
1,785	1,588	151,355	348
1,822	37,031	762,196	11,016
$ 3,607	$ 38,619	$ 913,551	$ 11,364
$ 16,947	$ 11,490	$ (1,175,720)	$ 3,112
-	1,192	212,626	14,008
-	-	152,049	-
(31,655)	(1,306)	(14,311)	16
-	-	(148)	(753)
-	(22,955)	4,503	(475)
-	169	(198,062)	9,061
-	-	7,077	-
(31,655)	(22,900)	163,734	21,857
$ (14,708)	$ (11,410)	$ (1,011,986)	$ 24,969

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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:
Pension (and Other Employee Benefit) Trust Funds, page 130
Agency Funds, page 136

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

(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	$ 129,919	$ -	$ -	$ 160,146	$ 290,065
Receivables:					
Accounts, Net of Allowances	34,572	-	-	7,348	41,920
From Other Governments	2,099	-	-	-	2,099
From Other Funds	1,752	-	-	4,279	6,031
Interest	1,123	616	-	9	1,748
Investments (See Note 4)	29,317,812	921,639	-	-	30,239,451
Inventories	-	-	-	13	13
Securities Lending Collateral	2,038,458	-	-	-	2,038,458
Other Assets	-	65	608	386,520	387,193
Total Assets	31,525,735	922,320	608	$ 558,315	33,006,978
Liabilities					
Accounts Payable and Accrued Liabilities	66,988	116	-	$ 53,920	121,024
Securities Lending Obligation	2,038,458	-	-	-	2,038,458
Due to Other Funds	5,918	-	-	-	5,918
Funds Held for Others	-	-	-	504,395	504,395
Total Liabilities	2,111,364	116	-	$ 558,315	2,669,795
Net Position					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	29,135,808	-	-		29,135,808
Other Employee Benefits (Note 15)	278,563	-	-		278,563
Individuals, Organizations, and Other Governments	-	922,204	608		922,812
Total Net Position	$ 29,414,371	$ 922,204	$ 608		$ 30,337,183

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, 2014
(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	$ 565,544	$ -	$ -	$ 565,544
State	2,774,380	-	-	2,774,380
Municipalities	152,557	-	-	152,557
Total Contributions	3,492,481	-	-	3,492,481
Investment Income	4,128,963	1,949	-	4,130,912
Less: Investment Expense	(89,036)	(429)	-	(89,465)
Net Investment Income	4,039,927	1,520	-	4,041,447
Escheat Securities Received	-	-	22,336	22,336
Pool's Share Transactions	-	55,099	-	55,099
Other	9,271	-	-	9,271
Total Additions	7,541,679	56,619	22,336	7,620,634
Deductions				
Administrative Expense	8,249	-	-	8,249
Benefit Payments and Refunds	4,134,135	-	-	4,134,135
Escheat Securities Returned or Sold	-	-	21,237	21,237
Distributions to Pool Participants	-	1,520	-	1,520
Other	7,738	-	1,489	9,227
Total Deductions	4,150,122	1,520	22,726	4,174,368
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	3,391,557	-	-	3,391,557
Individuals, Organizations, and Other Governments	-	55,099	(390)	54,709
Net Position - Beginning	26,022,814	867,105	998	26,890,917
Net Position - Ending	$ 29,414,371	$ 922,204	$ 608	$ 30,337,183

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

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Component Unit Financial Statements

Major Component Units:

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

Connecticut Airport Authority:
The Connecticut Airport Authority, a public instrumentality and political subdivision of the State of Connecticut was established on July 1, 2011, to operate Bradley International Airport as well as the other State-owned (general aviation) airports.

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 140.

Statement of Net Position
Component Units

June 30, 2014

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-13)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	$ -	$ 7,703	$ 52,737	$ 180,530	$ 240,970
Investments	-	13,864	-	426,004	439,868
Receivables:					
Accounts, Net of Allowances	-	30,736	6,011	31,778	68,525
Loans, Net of Allowances	-	-	-	24,209	24,209
Other	-	2,209	-	2,314	4,523
Due From Other Governments	-	-	2,899	-	2,899
Due From Primary Government	-	-	14,730	544	15,274
Restricted Assets	700,660	-	2,934	457,314	1,160,908
Inventories	-	-	-	6,069	6,069
Other Current Assets	-	3,068	65	4,382	7,515
Total Current Assets	700,660	57,580	79,376	1,133,144	1,970,760
Noncurrent Assets:					
Investments	-	125,385	-	80,175	205,560
Accounts, Net of Allowances	-	-	-	33,059	33,059
Loans, Net of Allowances	-	-	-	184,195	184,195
Restricted Assets	3,956,239	-	104,309	91,526	4,152,074
Capital Assets, Net of Accumulated Depreciation	3,074	1,388	349,990	396,904	751,356
Other Noncurrent Assets	-	5,629	-	29,114	34,743
Total Noncurrent Assets	3,959,313	132,402	454,299	814,973	5,360,987
Total Assets	4,659,973	189,982	533,675	1,948,117	7,331,747
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	59,207	-	19,645	-	78,852
Unamortized Losses on Bond Refundings	66,562	-	2,122	145	68,829
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	21,547	12,791	8,776	59,221	102,335
Current Portion of Long-Term Obligations	361,154	14,134	6,185	17,484	398,957
Due To Primary Government	-	-	3,911	31,274	35,185
Amount Held for Institutions	-	-	-	407,730	407,730
Other Liabilities	26,344	25,615	1,711	24,880	78,550
Total Current Liabilities	409,045	52,540	20,583	540,589	1,022,757
Noncurrent Liabilities:					
Noncurrent Portion of Long-Term Obligations	3,462,363	125,967	149,061	310,221	4,047,612
Total Noncurrent Liabilities	3,462,363	125,967	149,061	310,221	4,047,612
Total Liabilities	3,871,408	178,507	169,644	850,810	5,070,369
Other Deferred Inflows					
Other Deferred Inflows	-	-	-	2,592	2,592
Net Position					
Net Investment in Capital Assets	3,074	1,388	215,288	238,056	457,806
Restricted:					
Debt Service	-	-	6,449	64,591	71,040
Bond Indentures	942,986	-	2,113	-	945,099
Expendable Endowments	-	-	-	101,465	101,465
Nonexpendable Endowments	-	-	-	320,850	320,850
Capital Projects	-	-	98,681	-	98,681
Other Purposes	-	2,368	-	51,961	54,329
Unrestricted (Deficit)	(31,726)	7,719	63,267	317,937	357,197
Total Net Position	$ 914,334	$ 11,475	$ 385,798	$ 1,094,860	$ 2,406,467

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/13)	$ 216,325	$ 180,738	$ -	$ -
Connecticut Lottery Corporation	1,112,427	1,112,463	-	-
Connecticut Airport Authority	74,375	76,032	-	68,870
Other Component Units	404,792	380,716	11,601	35,802
Total Component Units	$ 1,807,919	$ 1,749,949	$ 11,601	$ 104,672

General Revenues:
Investment Income
Contributions to Endowments
Special Item: Transfer to the State
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 (12-31-13)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
$ (35,587)	$ -	$ -	$ -	$ (35,587)
-	36	-	-	36
-	-	70,527	-	70,527
-	-	-	23,327	23,327
(35,587)	36	70,527	23,327	58,303
(8,430)	7,683	105	48,056	47,414
-	-	-	33,369	33,369
-	-	-	(31,000)	(31,000)
(8,430)	7,683	105	50,425	49,783
(44,017)	7,719	70,632	73,752	108,086
958,351	3,756	315,166	1,021,108	2,298,381
$ 914,334	$ 11,475	$ 385,798	$ 1,094,860	$ 2,406,467

Notes to the Financial Statements
June 30, 2014

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, 2013.

Connecticut Airport Authority
The Connecticut Airport Authority was established in July 2011 to develop, improve and operate Bradley International Airport and the state's five general aviation airports (Danielson, Groton-New London, Hartford-Brainard, Waterbury-Oxford, and Windham airports). In fiscal year 2014, Bradley International Airport, an enterprise fund reported in prior years, was consolidated into this authority.

Materials, Innovation, and Recycling Authority (MIRA)
MIRA is the successor authority to the Connecticut Resources Authority which was reported as a component unit in prior years. The Authority continues to be responsible for the planning, design, construction, financing, management, ownership, operations and maintenance of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan.

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. Effective fiscal year 2013, CHESLA was statutorily consolidated into CHEFA, making CHESLA 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.

Connecticut Green Bank (CGB)
CGB was established on July 1, 2011 through Public Act 11-80 as a quasi-public agency that supersedes Connecticut Clean Energy Fund. CGB uses public and privates funds 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, MIRA, 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 CGB 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.

The Connecticut Airport Authority 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 authority from the State's reporting entity.

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.

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 Trust Funds - These funds account for resources held in the custody of the state for the members and beneficiaries of the State's pension plans. These plans are discussed more fully in Notes 11 and 12.

Other Post-Employment Benefit (OPEB) Trust Funds- These funds account for resources held in trust for the members and beneficiaries of the state's other post-employment benefit plans which are described in notes 14 and 15.

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 "statutory" basis of accounting that utilizes the accounting standards that were applied in the budget act and related legislation. Commencing in Fiscal Year 2014, appropriations were made to legislatively budgeted funds to account for expenses accruals. The actual expense accruals were posted using the same methodology described above for the governmental fund financial statements. Revenues were recognized when received except in the General Fund and Transportation Fund. In those two funds certain taxes and Indian gaming payments are recognized within a statutory accrual period as approved by the state comptroller. The state's three major tax categories (the personal income tax, the sales and use tax, and the corporation tax), among other taxes, are subject to statutory accrual. 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 2014 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 on the fund financial statements 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.

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 an expense in the year they are incurred. 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. 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 and Balance Sheet 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. Supplemental Nutrition Assistance Program (SNAP)
Nutrition assistance distributed to recipients during the year is recognized as 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 statutory budget 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)	$ 656,680		$ 4,385
Adjustments:			
Increases (decreases) in revenue accruals:			
Receivables and Other Assets	15,097	*	7,596
(Increases) decreases in expenditure accruals:			
Accounts Payable and Other Liabilities	(110,188)	*	1,660
Salaries and Fringe Benefits Payable	12,090		536
Increase (Decrease) in Continuing Appropriations	(26,483)		(14,968)
Fund Reclassification-Bus Operations	-		(959)
Net change in fund balances (GAAP basis)	$ 547,196		$ (1,750)

- Due to a statutory change Federal Medicaid spending has been transferred from the General Fund to the Restricted Grants and Accounts Fund.

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

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

2. Certain expenditures are not subject to accrual for budgeting purposes and are recorded when paid in cash (statutory 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, 2014, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects	
Transportation	$ 718
Enterprise	
Bradley Parking Garage	$ 27,154

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, 2014, 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	$ 1,591,460	$ 1,566,383	$ 25,077
Bank Commercial Paper	325,000	325,000	-
US Government Guaranteed or Insured	128,657	128,657	-
Government Money Market Funds	283,637	283,637	-
Repurchase Agreements	250,000	250,000	-
Total Investments	$ 2,578,754	$ 2,553,677	$ 25,077

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, 2014, the weighted average maturity of the STIF was 40 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, 2014, the amount of STIF's investments in variable-rate securities was $667 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, 2014, 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	$ 1,591,460	$ -	$ 1,591,460	$ -	$ -
Bank Commercial Paper	325,000	-	325,000	-	-
U.S. Government Guaranteed & Insured Securities	128,657	-	63,657	-	65,000
Government Money Market Funds	283,637	283,637	-	-	-
Repurchase Agreements	250,000	-	-	250,000	-
Total Investments	$ 2,578,754	$ 283,637	$ 1,980,117	$ 250,000	$ 65,000

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, 2014, 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 Home Loan Bank	$ 592,116
Federal Farm Credit Bank	$ 530,002
U.S. Bank	$ 325,000
Freddie Mac	$ 265,907
Merrill Lynch	$ 250,000
Fannie Mae	$ 203,434
Morgan Stanley	$ 150,000
Western Asset	$ 133,637

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, 2014, $1,628,000 of the bank balance of STIF's deposits of $1,630,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,505,500
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	123,000
Total	$ 1,628,500

Short-Term Plus Investment Fund (STIF Plus)

STIF Plus was a money market and short-term bond investment pool in which the State, municipal entities, and political subdivisions of the State were eligible to invest. The State Treasurer was 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 were 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, 2014, STIF Plus had no investments to disclose as the fund was closed May 14, 2014.

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.

	Primary Government		
	Governmental Activities	Business-Type Activities	Fiduciary Funds
Equity in the CIFS	$ 109,464	$ 657	$ 29,317,810
Other Investments	3,605	123,965	921,639
Total Investments-Current	$ 113,069	$ 124,622	$ 30,239,449

As of June 30, 2014, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 622,637	$ 622,637	$ -	$ -	$ -
Asset Backed Securities	170,453	3,043	161,333	3,762	2,315
Government Securities	2,798,228	96,911	1,291,865	786,626	622,826
Government Agency Securities	697,892	92,834	109,669	7,247	488,142
Mortgage Backed Securities	293,045	1,290	83,852	20,124	187,780
Corporate Debt	2,381,174	347,219	745,314	1,021,735	266,906
Convertible Debt	42,805	4,338	19,169	632	18,666
Total Debt Investments	7,006,234	$ 1,168,272	$ 2,411,202	$ 1,840,126	$ 1,586,635
Common Stock	14,970,113				
Preferred Stock	136,459				
Real Estate Investment Trust	310,123				
Business Development Corporation	29,922				
Mutual Fund	1,091,268				
Limited Liability Corporation	1,156				
Trusts	836				
Limited Partnerships	5,936,222				
Total Investments	$ 29,482,333				

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, 2014, 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
Aaa	$ 2,684,822	$ -	$ 123,747	$ 1,735,227	$ 561,131	$ 178,448	$ 86,269	$ -
Aa	250,385	-	1,836	104,590	-	17,502	126,457	-
A	443,438	-	2,656	242,773	703	9,191	188,115	-
Baa	770,166	-	118	411,738	-	2,302	353,527	2,481
Ba	342,105	-	-	40,367	-	96	293,091	8,551
B	721,142	-	-	36,379	-	-	676,651	8,112
Caa	295,657	-	-	56,503	-	-	239,154	-
C	594	-	-	-	-	-	594	-
MIG	1,990	-	-	1,990	-	-	-	-
Prime 1	199,454	1,700	1,054	-	-	1,400	195,300	-
Prime 2	15,097	15,097	-	-	-	-	-	-
Withdrawn rating	59,385	-	-	-	172	-	59,213	-
Government fixed not rated	304,547	-	-	168,661	135,886	-	-	-
Not Rated	917,451	605,840	41,042	-	-	84,106	162,802	23,661
	$ 7,006,233	$ 622,637	$ 170,453	$ 2,798,228	$ 697,892	$ 293,045	$ 2,381,173	$ 42,805

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, 2014, CIFS' foreign deposits and investments were as follows (amounts in thousands):

			Combined Investment Funds						
			Fixed Income Securities				Equities		
Foreign Currency	Total	Cash	Government Securities	Corporate Debt	Convertible Securities	Asset Backed	Common Stock	Preferred stock	Real Estate Investment Trust Fund
Argentine Peso	$ 90	$ 90	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	421,324	1,692	26,281	53,561	-	-	321,855	-	17,935
Brazilian Real	251,662	1,825	56,209	1,339	-	(26)	155,369	36,946	-
Canadian Dollar	75,368	1,275	-	-	-	-	74,093	-	-
Chilean Peso	763	74	-	-	-	-	689	-	-
China Yuan Renminbi	844	68	776	-	-	-	-	-	-
Colombian Peso	27,942	-	20,213	7,729	-	-	-	-	-
Czech Koruna	15,454	90	-	-	-	-	15,364	-	-
Danish Krone	100,402	559	-	2,325	-	-	97,518	-	-
Egyptian Pound	4,618	(4)	-	-	-	-	4,622	-	-
Euro Currency	2,082,175	7,421	71,857	19,087	548	574	1,928,202	41,910	12,576
Ghana Cedi	196	-	-	196	-	-	-	-	-
Hong Hong Dollar	617,006	3,020	-	-	-	56	610,930	-	3,000
Hungarian Forint	40,028	131	7,774	-	-	-	32,123	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-
Indian Rupee	2,038	-	1,548	490	-	-	-	-	-
Indonesian Rupiah	95,945	312	36,070	4,358	-	-	55,205	-	-
Israeli Shekel	16,996	126	-	-	-	-	16,870	-	-
Japanese Yen	1,212,079	6,908	28,720	-	-	-	1,166,917	-	9,534
Kenyan Shilling	3	3	-	-	-	-	-	-	-
Malaysian Ringgit	84,430	123	46,487	-	-	-	37,820	-	-
Mexican Peso	156,709	944	96,932	4,786	-	(66)	51,955	-	2,158
New Taiwan Dollar	(20)	-	-	-	-	(20)	-	-	-
New Turkish Lira	131,485	101	37,156	-	-	-	93,662	-	566
New Zealand Dollar	76,328	799	59,150	-	-	-	16,379	-	-
Nigerian Naira	5,153	-	2,561	2,592	-	-	-	-	-
Norwegian Krone	84,769	1,051	13,365	-	-	-	70,353	-	-
Peruvian Nouveau Sol	3,782	8	3,774	-	-	-	-	-	-
Philippine Peso	54,375	7	2,431	-	-	-	51,937	-	-
Polish Zloty	132,426	102	77,054	-	-	-	55,270	-	-
Pound Sterling	1,219,775	4,487	16,010	1,761	-	-	1,181,937	75	15,505
Romanian Leu	8,812	66	8,746	-	-	-	-	-	-
Russian Ruble	37,585	470	28,636	8,479	-	-	-	-	-
Singapore Dollar	101,946	1,544	-	-	-	-	94,799	-	5,603
South African Rand	125,377	288	31,965	837	-	(103)	92,390	-	-
South Korean Won	326,068	76	-	-	-	(109)	319,408	6,693	-
Sri Lanka Rupee	45	-	-	-	-	-	45	-	-
Swedish Krona	184,521	1,173	-	-	-	-	183,348	-	-
Swiss Franc	441,948	858	-	-	-	719	440,371	-	-
Thailand Baht	103,792	24	13,982	-	-	-	89,715	-	71
Uruguayan Peso	3,875	-	3,875	-	-	-	-	-	-
Vietnam Dong	755	-	-	755	-	-	-	-	-
	$ 8,248,871	$ 35,713	$ 691,572	$ 108,295	$ 548	$ 1,025	$ 7,259,146	$ 85,624	$ 66,948

Derivatives
As of June 30, 2014, the CIFS held the following derivative Investments (amounts in thousands):

Derivative Investments	Fair Value
Asset Backed Securities	$ 169,679
Mortgage Backed Securities	198,073
Collateralized Mortgage Obligations	94,946
TBA's	135,752
Interest Only Securities	1,478
Adjustable Rate Securities	289,678
Total	$ 889,606

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, 2014, the fair value of contracts to buy and contracts to sell was $3.5 billion and $3.6 billion, 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, 2014, the CIFS had deposits with a bank balance of $51.4 million which was uninsured and uncollateralized.

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

Other Investments
As of June 30, 2014, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
State Bonds	$ 24,525	$ -	$ 8,310	$ 16,215	$ -
U.S. Government and Agency Securities	404,920	157,219	20,585	225,033	2,083
Guaranteed Investment Contracts	157,196	-	47,300	37,803	72,093
Money Market Funds	8,605	8,605	-	-	-
Total Debt Investments	595,246	$ 165,824	$ 76,195	$ 279,051	$ 74,176
Endowment Pool	12,114				
Limited Partnership	150				
Total Investments	$ 607,510				

Credit Risk
As of June 30, 2014, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

	Fair	Quality Ratings		
Investment Type	Value	AA	A	Unrated
State Bonds	$ 24,525	$ 24,525	$ -	$ -
U.S. Government and Agency Securities	260,877	260,877	-	-
Guaranteed Investment Contracts	157,196	37,157	120,039	-
Money Market Funds	8,605	-	-	8,605
Total	$ 451,203	$ 322,559	$ 120,039	$ 8,605

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, 2014, $887,537 of the bank balance of the Primary Government of $891,058 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 43,190
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	844,347
Total	$ 887,537

Component Units
The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-13 and 6-30-14, respectively (amounts in thousands):

Major Component Units

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	$ 1,014	$ -	$ -	$ -	$ 1,014
Fidelity Funds	6,623	6,623	-	-	-
GNMA & FNMA Program Assets	553,480	-	-	-	553,480
Mortgage Backed Securities	1,026	1	-	132	893
Municipal Bonds	41,603	191	1,127	1,483	38,802
U.S. Government Agency Securities	825	-	-	-	825
Structured Securities	626	-	-	-	626
Fidelity Tax Exempt Fund	4,599	4,599	-	-	-
Total Debt Investments	609,796	$ 11,414	$ 1,127	$ 1,615	$ 595,640
Annuity Contracts	139,248				
Total Investments	$ 749,044				

The CHFA and the CLC own 81.4 percent and 18.6 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 12-31-13 as follows (amounts in thousands):

Component Units

Investment Type	Fair Value	Quality Ratings CCC	D	Unrated
Collateralized Mortgage Obligations	$ 1,014	$ 1,014	$ -	$ -
Fidelity Tax Exempt Fund	4,599	-	-	4,599
Municipal Bonds	41,603	-	-	41,603
Structured Securities	626	-	626	-
Total	$ 47,842	$ 1,014	$ 626	$ 46,202

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, 2013, 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 $2,019.2 million and $1,952.3 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed 60 days. At year end, the average duration of the collateral investments was 7.58 days and an average weighted maturity of 15.85 days.

Note 5 Receivables-Current

As of June 30, 2014, current receivables consisted of the following (amounts in thousands):

	Primary Government Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,438,732	$ -	$ -
Accounts	1,244,202	620,340	68,865
Loans-Current Portion	-	284,875	26,566
Other Governments	251,904	9,226	2,899
Interest	1,314	4,095	2,820
Other (1)	4,167	3,134	1,703
Total Receivables	2,940,319	921,670	102,853
Allowance for Uncollectibles	(883,694)	(107,855)	(2,697)
Receivables, Net	$ 2,056,625	$ 813,815	$ 100,156

(1) Includes a reconciling amount of $4,166 million from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2014 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 624,736	$ -	$ 624,736
Income Taxes	406,576	-	406,576
Corporations	21,877	-	21,877
Gasoline and Special Fuel	-	43,977	43,977
Various Other	341,566	-	341,566
Total Taxes Receivable	1,394,755	43,977	1,438,732
Allowance for Uncollectibles	(117,019)	(247)	(117,266)
Taxes Receivable, Net	$ 1,277,736	$ 43,730	$ 1,321,466

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2014, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 33,059
Loans	543,876	801,253	191,187
Total Receivables	543,876	801,253	224,246
Allowance for Uncollectibles	(12,816)	(3,216)	(6,992)
Receivables, Net	$ 531,060	$ 798,037	$ 217,254

The Grants and Loans fund (governmental activities) makes loans through the Department of Economic and Community Development to provide financial support to businesses, municipalities, nonprofits, economic develop agencies and other partners for a wide range of activities that create and retain jobs; strengthen the competitiveness of the workforce; promote tourism, the arts and historic preservation; and help investigate and redevelop brownfields. The department's investments are helping build stronger neighborhoods and communities and improving the quality of life for state residents. These loans are payable over a ten year period with rates ranging from 2 percent to 4 percent.

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 $722.2 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 $105.4 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2014, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
Governmental Activities:					
Debt Service	$ 659,543	$ -	$ -	$ -	$ 659,543
Total-Governmental Activities	$ 659,543	$ -	$ -	$ -	$ 659,543
Business-Type Activities:					
UConn/Health Center	$ 210,038	$ -	$ -	$ -	$ 210,038
Clean Water	47,589	180,297	-	-	227,886
Other Proprietary	41,545	14,515	-	-	56,060
Total-Business-Type Activities	$ 299,172	$ 194,812	$ -	$ -	$ 493,984
Component Units:					
CHFA	$ 530,484	$ 598,382	$ 3,418,227	$ 109,806	$ 4,656,899
CHEFA	414,818	-	-	-	414,818
Other Component Units	224,867	-	-	16,398	241,265
Total-Component Units	$ 1,170,169	$ 598,382	$ 3,418,227	$ 126,204	$ 5,312,982

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2014, 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	$ 134,627	$ 167,556	$ -	$ -	$ 302,183
Transportation	12,200	8,816	-	-	21,016
Restricted Accounts	152,731	8,314	-	-	161,045
Grants and Loans	2,902	95	-	4,958	7,955
Other Governmental	49,871	6,186	-	-	56,057
Internal Service	742	789	-	-	1,531
Reconciling amount from fund financial statements to government-wide financial statements	-	-	180,730	4,279	185,009
Total-Governmental Activities	$ 353,073	$ 191,756	$ 180,730	$ 9,237	$ 734,796
Business-Type Activities:					
UConn/Health Center	$ 84,058	$ 67,214	$ -	$ 31,305	$ 182,577
State Universities	14,787	35,599	2,507	-	52,893
Other Proprietary	12,884	21,465	11,208	14,721	60,278
Total-Business-Type Activities	$ 111,729	$ 124,278	$ 13,715	$ 46,026	$ 295,748
Component Units:					
CHFA	$ -	$ -	$ 14,332	$ 7,215	$ 21,547
Connecticut Lottery Corporation	1,342	2,811	2,209	6,429	12,791
Other Component Units	9,894	-	2,662	55,441	67,997
Total-Component Units	$ 11,236	$ 2,811	$ 19,203	$ 69,085	$ 102,335

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	$ 1,666,409	$ 22,713	$ 2,589	$ 1,686,533
Construction in Progress	2,999,504	1,766,755	1,301,202	3,465,057
Total Capital Assets not being Depreciated	4,665,913	1,789,468	1,303,791	5,151,590
Other Capital Assets:				
Buildings	3,616,027	444,889	55,042	4,005,874
Improvements Other than Buildings	490,508	24,200	71,674	443,034
Equipment	2,312,058	368,822	132,628	2,548,252
Infrastructure	13,653,034	253,432	81,818	13,824,648
Total Other Capital Assets at Historical Cost	20,071,627	1,091,343	341,162	20,821,808
Less: Accumulated Depreciation For:				
Buildings	1,726,962	100,145	55,042	1,772,065
Improvements Other than Buildings	334,919	22,005	71,674	285,250
Equipment	2,235,366	373,144	132,628	2,475,882
Infrastructure	8,453,483	528,911	81,818	8,900,576
Total Accumulated Depreciation	12,750,730	1,024,205	341,162	13,433,773
Other Capital Assets, Net	7,320,897	67,138	-	7,388,035
Governmental Activities, Capital Assets, Net	$ 11,986,810	$ 1,856,606	$ 1,303,791	$ 12,539,625

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 6,167
General Government	37,285
Regulation and Protection	42,165
Conservation and Development	17,073
Health and Hospitals	15,457
Transportation	784,351
Human Services	2,580
Education, Libraries and Museums	49,460
Corrections	33,842
Judicial	22,041
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	13,784
Total Depreciation Expense	$ 1,024,205

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 67,011	$ 1,572	$ 795	$ 67,788
Construction in Progress	407,953	337,816	235,149	510,620
Total Capital Assets not being Depreciated	474,964	339,388	235,944	578,408
Capital Assets being Depreciated:				
Buildings	4,215,619	311,161	24,694	4,502,086
Improvements Other Than Buildings	342,182	21,140	176	363,146
Equipment	975,753	65,622	72,440	968,935
Total Other Capital Assets at Historical Cost	5,533,554	397,923	97,310	5,834,167
Less: Accumulated Depreciation For:				
Buildings	1,667,925	133,032	5,913	1,795,044
Improvements Other Than Buildings	177,805	14,389	206	191,988
Equipment	644,562	66,151	66,374	644,339
Total Accumulated Depreciation	2,490,292	213,572	72,493	2,631,371
Other Capital Assets, Net	3,043,262	184,351	24,817	3,202,796
Business-Type Activities, Capital Assets, Net	$ 3,518,226	$ 523,739	$ 260,761	$ 3,781,204

Component Units

Capital assets of the component units consisted of the following as of June 30, 2014 (amounts in thousands):

Land	$ 54,430
Buildings	661,379
Improvements other than Buildings	309,992
Machinery and Equipment	498,757
Construction in Progress	41,370
Total Capital Assets	1,565,928
Accumulated Depreciation	814,572
Capital Assets, Net	$ 751,356

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). This year the State adapted the Governmental Accounting Standards Board Statement No. 67 – *Financial Reporting for Pension Plans,* to reflect the view that the costs obligations associated with pensions should be recorded as they are earned rather than, following the traditional view, when pension contributions are paid.

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Commission administers SERS and JRS. The sixteen members are: the State Treasurer or a designee who serves as a nonvoting ex-officio member, six trustees representing employees are appointed by the bargaining agents in accordance with the provisions of applicable collective bargaining agreements, one "neutral" Chairman, two actuarial trustees and six management trustees appointed by the Governor. The Teachers' Retirement Board administers TRS. The fourteen members of the Teachers' Retirement Board include: the State Treasurer, the Secretary of the Office of Policy and Management, the Commissioner of Education or their designees, who serve as ex-officio voting members. Six members who are elected by teacher membership and five public members appointed by the Governor. 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 6/30/2014	TRS 6/30/2014	JRS 6/30/2014
Inactive Members or their Beneficiaries receiving benefits	45,803	34,310	250
Inactive Members Entitled to but not yet Receiving Benefits	1,457	1,480	4
Active Members	49,976	51,433	212

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 subject to the contractual rights established by collective bargaining. 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. Individuals hired on or after July 1, 2011 otherwise eligible for the Alternative Retirement Plan (ARP) are eligible to become members of the Hybrid Plan in addition to their other existing choices. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3 percent higher than the contribution required from the applicable Tier II/IIA plan. 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 cost-sharing multiple-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 10-183ss 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. According to Section 10-183z of the General Statues a special funding situation requires the State to contribute one hundred percent of employer's contributions on behalf of its municipalities 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.

Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2014.

	SERS		TRB		JRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	25.0%	7.3%	16.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	20.0%	7.5%	14.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%	9.0%	8.6%	7.0%	8.3%
Real Estate	7.0%	5.1%	5.0%	5.9%	7.0%	5.1%
Private Equity	11.0%	7.6%	10.0%	10.9%	10.0%	7.6%
Alternative Investment	8.0%	4.1%	6.0%	0.7%	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%	13.0%	1.7%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	2.0%	3.7%	14.0%	3.9%
Emerging Market Bond	4.0%	3.7%	4.0%	4.8%	8.0%	3.7%
TIPS	5.0%	1.0%	0.0%	0.0%	5.0%	1.0%
Cash	4.0%	0.4%	0.0%	0.0%	3.0%	0.4%
Inflation Linked Bonds	0.0%	0.0%	6.0%	1.3%	0.0%	0.0%

Deferred Retirement Option Program

Section 10-183v of the State Statue authorizes that a TRS member teacher receiving retirement benefits from the system may be reemployed for up to one full school year by a local board of education, the State Board of Education or by a constituent unit of the state system of higher education in a position (1) designated by the Commissioner of Education as a subject shortage area, or (2) at a school located in a school district identified as a priority school district. Such reemployment may be extended for an additional school year, by written request for approval to the Teachers' Retirement Board.

Net Pension Liability Required by GASB 67

SERS

The SERS net pension liability of $16.0 billion was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Detailed information about the fiduciary net position of the SERS pension plan is available in Note 13 of this report.

TRS

The TRS net collective pension liability of $10.1 billion was measured as of June 30, 2014, and the total pension liability used to calculate the net collective pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net collective pension liability was based on an actuarial projection of the State's long-term share of contributions to the pension plan relative to the actuarially determined total projected contributions of the State and all participating employees. As of June 30, 2014, the State's portion was 100 percent. Detailed information about fiduciary net position of the TRS pension plan is available in Note 13 of this report.

JRS

The JRS net pension liability of $164.0 million was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Detailed information about the fiduciary net position of the JRS pension plan is available in Note 13 of this report.

The components of the net pension liability at June 30, 2014, were as follows (amounts in millions):

	SERS	TRS	JRS
Total Pension Liability	$ 26,487	$ 26,349	$ 352
Fiduciary Net Position	10,473	16,208	188
Net Pension Liability	$ 16,014	$ 10,141	$ 164
Ratio of Fiduciary Net Position to Total Pension Liability	39.54%	61.51%	53.38%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/2014	6/30/2014	6/30/14
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed
Remaining Amortization Period	17 Years	20.4 years	17 Years
Asset Valuation Method	5-year smoothed market	4- year smoothed market	5-year smoothed market
Investment Rate of Return	8.00%	8.5%	8.00%
Salary Increases	4.00-20.00%	3.75%-7.0%	4.75%
Inflation	2.75%	3.0%	2.75%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 TRS actuarial report were based on RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, using a two year setback for males and females for the period after retirement and for dependent beneficiaries.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate

The discount rate used to measure the total pension liability increased from the prior year by .2, .6, and .5 percent to 8.0, 8.5, and 8.0 for SERS, TRS, and JRS respectively. The projection of cash flows used to determine the SERS, TRS, and JRS discount rate assumed employee contributions will be made at the current contribution rate and that contributions from the State will be made at actuarially determined rates in future years. Based on those assumptions, SERS, TRS, and JRS pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the State, calculated using the discount rates of 8.0, 8.5 and 8.0 percent for SERS, TRS, and JRS, as well as what the State's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate (amounts in thousands):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
SERS Net Pension Liability	$ 19,103,880	$ 16,014,366	$ 13,416,122
TRS Net Pension Liability	$ 12,928,793	$ 10,128,320	$ 7,747,835
JRS Net Pension Liability	$ 198,590	$ 163,993	$ 134,008

Annual Pension Cost and Net Pension Obligation Required by GASB 27

GASB Statement No. 68, *Accounting and Reporting for Pensions,* which determines how employers and nonemployer contributing entities will report their pension liabilities on their financial statements, is effective for years beginning after June 15, 2014. Until that statement is implemented, the State continues to report its annual pension cost and net pension obligation in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers.*

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	$ 1,268,935	$ 948,540	$ 16,298
Interest on net pension obligation	239,405	(41,746)	2,704
Adjustment to annual required contribution	(224,882)	54,236	(3,395)
Annual pension cost	1,283,458	961,030	15,607
Contributions made	1,268,890	948,540	16,298
Increase (decrease) in net pension obligation	14,568	12,490	(691)
Net pension obligation (asset) beginning of year	2,992,567	(491,132)	31,819
Net pension obligation (asset) end of year	$ 3,007,135	$ (478,642)	$ 31,128

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	2012	$ 978,898	94.6%	$ 2,966,249
	2013	$ 1,084,430	97.6%	$ 2,992,567
	2014	$ 1,283,458	98.9%	$ 3,007,135
TRS	2012	$ 753,196	100.5%	$ (502,643)
	2013	$ 799,047	98.6%	$ (491,132)
	2014	$ 961,030	98.7%	$ (478,642)
JRS	2012	$ 15,696	96.2%	$ 32,584
	2013	$ 15,240	105.0%	$ 31,818
	2014	$ 15,607	104.4%	$ 31,128

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2014 the most recent actuarial valuation date (amounts in thousands):

	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	$ 10,584.8	$ 25,505.6	$ 14,920.8	41.5%	$ 3,487.6	427.8%
TRF	15,546.5	26,349.2	10,802.7	59.0%	3,831.6	281.9%
JRF	190.2	343.9	153.7	55.3%	33.4	460.2%

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.

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 $35.8 million and $8.7 million, respectively.

Note 12 Other Retirement Systems Administered by the State of Connecticut

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

Plan Descriptions and Contribution Information

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

	CMERS 7/1/2014	CPJERS 12/31/2013
Retirees and beneficiaries receiving benefits	6,511	364
Terminated plan members entitled to but not receiving benefits	1,258	142
Active plan members	8,477	346
Total	16,246	852
Number of participating employers	187	1

Connecticut Municipal Employees' Retirement System

Plan Description

CMERS is an agent multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Pension plan assets, are pooled for investment purposes but separate accounts are maintained for each individual municipality so that each municipalities share of the pooled assets is legally available to pay the benefits of only it's employees. 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 an agent multi-employer defined benefit pension plan that covers judges and employees of probate courts. 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. Pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual court so that each court's share of the pooled assets is legally available to pay the benefits of only its employees. The plan is administered by the State Employee's Retirement Commission.

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.

Investment Policy

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits.

Net Pension Liability

Information concerning each participating employers' share of the CMERS and CPJERS total pension liability and significant assumptions used to measure each plans' total pension liability, such as inflation, salary changes, discount rates and mortality are available for each participating employer by contacting the State Comptrollers' Retirement Division.

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	$ -	$ 569	$ -	$ -	$ 9	$ 296	$ 874
Receivables:							
Accounts, Net of Allowances	6,198	9,918	8	15,349	4	-	31,477
From Other Governments	-	2,099	-	-	-	-	2,099
From Other Funds	23	8	-	1	-	-	32
Interest	282	782	4	52	2	-	1,122
Investments	10,469,352	16,220,107	187,774	2,161,258	90,241	1,473	29,130,205
Securities Lending Collateral	773,122	1,062,212	14,669	168,838	7,314	123	2,026,278
Total Assets	11,248,977	17,295,695	202,455	2,345,498	97,570	1,892	31,192,087
Liabilities							
Accounts Payable and Accrued Liabilities	61	24,022	-	-	-	-	24,083
Securities Lending Obligation	773,122	1,062,212	14,669	168,838	7,314	123	2,026,278
Due to Other Funds	2,984	1,706	1	1,227	-	-	5,918
Total Liabilities	776,167	1,087,940	14,670	170,065	7,314	123	2,056,279
Net Position							
Held in Trust For Employee Pension Benefits	10,472,810	16,207,755	187,785	2,175,433	90,256	1,769	29,135,808
Total Net Position	$ 10,472,810	$ 16,207,755	$ 187,785	$ 2,175,433	$ 90,256	$ 1,769	$ 29,135,808

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	$ 144,806	$ 261,213	$ 1,641	$ 25,614	$ 255	$ 41	$ 433,570
State	1,268,890	948,540	16,298	-	-	-	2,233,728
Municipalities	-	2,421	-	149,786	-	-	152,207
Total Contributions	1,413,696	1,212,174	17,939	175,400	255	41	2,819,505
Investment Income	1,479,059	2,327,746	23,669	268,761	11,619	181	4,111,035
Less: Investment Expenses	(31,894)	(50,196)	(510)	(5,796)	(250)	(3)	(88,649)
Net Investment Income	1,447,165	2,277,550	23,159	262,965	11,369	178	4,022,386
Other	610	-	-	141	1,478	-	2,229
Total Additions	2,861,471	3,489,724	41,098	438,506	13,102	219	6,844,120
Deductions							
Administrative Expense	722	-	-	-	-	-	722
Benefit Payments and Refunds	1,570,558	1,737,144	21,668	123,073	4,744	1	3,457,188
Other	-	7,728	-	-	-	-	7,728
Total Deductions	1,571,280	1,744,872	21,668	123,073	4,744	1	3,465,638
Changes in Net Position	1,290,191	1,744,852	19,430	315,433	8,358	218	3,378,482
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year	9,182,619	14,462,903	168,355	1,860,000	81,898	1,551	25,757,326
End of Year	$ 10,472,810	$ 16,207,755	$ 187,785	$ 2,175,433	$ 90,256	$ 1,769	$ 29,135,808

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, 2014 (date of the latest actuarial valuation), the plan had 37,055 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	$ 1,525,371	$ 187,227
Interest on Net OPEB Obligation	339,798	32,442
Adjustment to Annual Required Contribution	(305,163)	(26,818)
Annual OPEB Cost	1,560,006	192,851
Contributions Made	514,696	25,955
Increase in net OPEB Obligation	1,045,310	166,896
Net OPEB Obligation - Beginning of Year	5,961,366	720,942
Net OPEB Obligation - End of Year	$ 7,006,676	$ 887,838

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	2014	$ 1,572,764	33.0%	$ 7,006,676
	2013	$ 1,316,612	41.2%	$ 5,961,366
	2012	$ 1,220,577	44.3%	$ 5,187,369
RTHP	2014	$ 192,851	13.5%	$ 887,838
	2013	$ 179,620	15.1%	$ 720,942
	2012	$ 165,955	29.8%	$ 568,362

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2013 and 2014, 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	$ 19,532.4	0.7%	$ 3,539.8	551.8%
RTHP	$0	$ 2,433.0	$ 2,433.0	0.0%	$ 3,831.6	63.5%

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	6-30-14
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	25 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	5.75% 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' OPEB	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors'' Benefits	Total
Assets				
Cash and Cash Equivalents	$ 19,507	$ 109,533	$ 5	$ 129,045
Receivables:				
Accounts, Net of Allowances	-	3,095	-	3,095
From Other Funds	8	1,712	-	1,720
Interest	-	-	1	1
Investments	160,422	-	27,185	187,607
Securities Lending Collateral	10,230	-	1,950	12,180
Total Assets	190,167	114,340	29,141	333,648
Liabilities				
Accounts Payable and Accrued Liabilities	29,896	13,009	-	42,905
Securities Lending Obligation	10,230	-	1,950	12,180
Total Liabilities	40,126	13,009	1,950	55,085
Net Position				
Held in Trust For Other				
Postemployment Benefits	150,041	101,331	27,191	278,563
Total Net Assets	$ 150,041	$ 101,331	$ 27,191	$ 278,563

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

	State Employees' OPEB	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 45,509	$ 85,944	$ 521	$ 131,974
State	514,697	25,955	-	540,652
Municipalities	-	-	350	350
Total Contributions	560,206	111,899	871	672,976
Investment Income	14,421	13	3,494	17,928
Less: Investment Expenses	(312)	-	(75)	(387)
Net Investment Income	14,109	13	3,419	17,541
Other	142	6,900	-	7,042
Total Additions	574,457	118,812	4,290	697,559
Deductions				
Administrative Expense	-	7,527	-	7,527
Benefit Payments and Refunds	568,224	107,648	1,075	676,947
Other	-	10	-	10
Total Deductions	568,224	115,185	1,075	684,484
Changes in Net Assets	6,233	3,627	3,215	13,075
Net Position Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year	143,808	97,704	23,976	265,488
End of Year	$ 150,041	$ 101,331	$ 27,191	$ 278,563

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):

2015	$ 28,909
2016	29,160
2017	28,326
2018	21,619
2019	21,265
Thereafter	93,527
Total	$ 222,806

Contingent revenues for the year ended June 30, 2014, were $149 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2014, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2015	47,272	7,285
2016	83,444	7,044
2017	14,318	5,841
2018	5,767	5,447
2019	11,198	4,978
2020-2024	4,242	9,006
2025-2029	-	6,109
2030-2035	-	2,434
Total minimum lease payments	$ 166,241	48,144
Less: Amount representing interest costs		10,324
Present value of minimum lease payments		$ 37,820

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, 2014, were $47.3 million.

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, 2014, (amounts in thousands):

Governmental Activities	**Balance June 30, 2013**	**Additions**	**Reductions**	**Balance June 30, 2014**	**Amounts due within one year**
Bonds:					
General Obligation	$ 14,228,228	$ 3,127,440	$ 2,074,089	$ 15,281,579	$ 1,090,618
Transportation	3,461,875	600,000	290,615	3,771,260	269,845
	17,690,103	3,727,440	2,364,704	19,052,839	1,360,463
Plus/(Less) Premiums	996,394	390,555	191,822	1,195,127	132,703
Total Bonds	18,686,497	4,117,995	2,556,526	20,247,966	1,493,166
Long-Term Notes	573,365	314,295	306,885	580,775	122,110
Other L/T Liabilities: [1]					
Net Pension Obligation	2,533,254	2,434,137	2,407,770	2,559,621	-
Net OPEB Obligation	6,682,308	1,752,857	672,105	7,763,060	-
Compensated Absences	515,713	41,904	44,284	513,333	56,822
Workers' Compensation	587,652	135,624	103,698	619,578	102,216
Capital Leases	38,218	8,827	9,225	37,820	5,488
Claims and Judgments	43,522	7,213	4,584	46,151	13,946
Landfill Post Closure Care	-	35,751	-	35,751	-
Liability on Interest Rate Swaps	17,576	-	8,876	8,700	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	10,418,948	4,416,313	3,250,542	11,584,719	178,472
Governmental Activities Long-Term Liabilities	$ 29,678,810	$ 8,848,603	$ 6,113,953	$ 32,413,460	$ 1,793,748

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

Business-Type Activities	**Balance June 30, 2013**	**Additions**	**Reductions**	**Balance June 30, 2014**	**Amounts due within one year**
Revenue Bonds	$ 1,235,143	$ 80,340	$ 102,802	$ 1,212,681	$ 104,868
Plus/(Less) Premiums and Discounts	91,048	26,179	32,679	84,548	1,486
Total Revenue Bonds	1,326,191	106,519	135,481	1,297,229	106,354
Compensated Absences	160,046	40,051	33,520	166,577	53,410
Federal Loans Payable	574,312	92,891	233,634	433,569	-
Other	200,174	109,570	7,858	301,886	10,390
Total Other Liabilities	934,532	242,512	275,012	902,032	63,800
Business-Type Long-Term Liabilities	$ 2,260,723	$ 349,031	$ 410,493	$ 2,199,261	$ 170,154

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $40.6 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, 2014, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2014	Amounts due within year
Bonds Payable	$ 3,942,055	$ 334,598
Escrow Deposits	192,150	48,986
Closure of Landfills	43	43
Annuities Payable	142,728	14,134
Rate swap liability	151,811	-
Other	17,782	1,196
Total	$ 4,446,569	$ 398,957

Landfill Closure and Postclosure Care

Public Act 13-247 and section 99 of Public Act 13-184 required the Materials Innovation and Recycling Authority (formally known as the Connecticut Resources Recovery Authority) to transfer all legally required reserves and obligations resulting from the closure of the authority's landfills located in Hartford, Ellington, Waterbury, Wallingford and Shelton to the State Department of Energy and Environmental Protection (DEEP). During the fiscal year 2014, the authority transferred $35.8 million of its postclosure care landfill obligations to DEEP and concurrently transferred $31.0 million of its landfill reserves to the State general fund.

GASB Statement No.18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost*, applies to closure and postclosure care costs that are paid near or after the date a landfill stops accepting waste. The State recognizes landfill expenditures and related general fund liabilities using the modified accrual basis of accounting. DEEP estimates the State's landfill liability for closure and postclosure costs based on landfill capacity. Increases or decreases in such estimates are reported as additions or reductions in this line item of the State's long-term liabilities. The liability for these estimated costs is reduced when the costs are actually paid. Actual costs may be higher than estimated due to inflation or changes in permitted capacity, technology or regulation. As of June 30, 2013, all five of the landfills had no capacity available since 100 percent of their capacity had been used.

The transfer of legal obligations resulting from the closure of landfills was addressed by a memorandum of understanding ("MOU") between the Authority and DEEP. The MOU became effective April 24, 2014 at which point in time DEEP began reimbursing the Authority for all postclosure care and maintenance work at all landfills other than the Hartford landfill and the parties began a transition process to assign vendor contracts for the performance of landfill postclosure care work to DEEP and to assign federal and state licenses, permits, and orders ("Authorizations") related to the landfills to DEEP. By August 7, 2014 all solid waste authorizations concerning the above landfills had been transferred to DEEP.

As of June 30, 2014 the Hartford landfill had not been certified as closed and this landfill had not entered the postclosure care period. DEEP will assume the obligation to reimburse the authority for all postclosure care work for the Hartford landfill as of the date the authority completes its landfill closure work and submits its Closure Certification Report to DEEP. The transition of any vendor contracts and authorizations concerning the Hartford landfill will begin as of the date DEEP certifies the Hartford landfill as closed.

Note 18 Long-Term Notes and Bonded Debt

a. Economic Recovery Notes

In December 2009, Public Act 09-2 authorized the issuance $915.8 million of General Obligation Economic Recovery Notes which were used to fund a major portion of the State's general fund deficit at that time. In October 2013, a portion of these notes were refunded when the State issued $314.3 million of General Obligation Refunding Notes which were issued in four series as variable-rate remarketed obligations (VRO) that ultimately mature on January 1, 2018. Any series of these notes may be converted by the State at any time from the VRO rate, which is determined by the remarketing agent on a daily basis, to another interest rate mode – such as an adjusted SIFMA rate mode.

If the State decides to convert the interest rate mode, each holder is required to tender their notes for conversion while the State has agreed to make available supplementary information describing the notes following the conversion. If any tendered VRO's of a series are not successfully remarketed they may continue to be owned by their respective holders until the VRO Special Mandatory Redemption Date. That series of notes in that case would bear interest at a higher stepped-up rate. The liquidity available to purchase tendered notes is only provided by remarketing resources and the State's general fund. In the opinion of management, the higher cost precludes the likelihood of conversion by the State. The original VRO interest rate modes remain in effect for all four series at the end of the fiscal year.

Total Economic Recovery and VRO Notes outstanding at June 30, 2014 were $580.8 million. The notes mature on various dates through 2018 and bear interest rates from 3.0 to 5.0 percent. Future amounts needed to pay principal and interest on these notes outstanding at June 30, 3014 were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2015	$ 122,110	$ 24,523	$ 146,633
2016	147,220	16,647	163,867
2017	154,945	8,181	163,126
2018	156,500	3,521	160,021
Total	$ 580,775	$ 52,872	$ 633,647

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, 2014, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2014-2034	1.00-5.632%	$ 2,473,870	$ 487,370
School Construction	2014-2033	1.00-5.750%	4,734,566	302,800
Municipal & Other Grants & Loans	2014-2032	0.47-5.632%	1,265,725	991,951
Housing Assistance	2014-2031	0.28-5.460%	265,265	154,919
Elimination of Water Pollution	2014-2027	2.91-5.09%	197,370	301,208
General Obligation Refunding	2014-2025	1.00-5.50%	3,325,453	-
GAAP Conversion	2014-2027	1.00-5.00%	560,430	151,500
Pension Obligation	2014-2032	4.40-6.27%	2,254,378	-
Miscellaneous	2014-2038	3.00-6.00%	125,460	38,461
			15,202,517	$ 2,428,209
Accretion-Various Capital Appreciation Bonds			79,062	
		Total	$ 15,281,579	

Future amounts needed to pay principal and interest on as General obligation bonds outstanding at June 30, 2014, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2015	$ 1,090,618	$ 692,279	$ 1,782,897
2016	1,086,029	654,653	1,740,682
2017	1,041,148	610,581	1,651,729
2018	1,035,122	567,430	1,602,552
2019	986,362	519,567	1,505,929
2020-2024	4,437,066	2,161,619	6,598,685
2025-2029	3,549,737	1,107,667	4,657,404
2030-2034	1,967,750	214,859	2,182,609
2035-2039	8,685	1,083	9,768
Total	$ 15,202,517	$ 6,529,738	$ 21,732,255

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, 2014, 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%	$ 3,771,260	$ 2,967,827
			3,771,260	$ 2,967,827
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 3,771,260	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2014, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2015	$ 269,845	$ 178,988	$ 448,833
2016	246,845	167,619	414,464
2017	230,010	156,538	386,548
2018	233,840	145,557	379,397
2019	227,420	134,383	361,803
2020-2024	1,097,050	510,855	1,607,905
2025-2029	963,495	252,448	1,215,943
2030-2034	502,755	49,760	552,515
	$ 3,771,260	$ 1,596,148	$ 5,367,408

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, 2014, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2014-2030	1.5-5.5%	$ 125,165
State Universities	2014-2036	2.0-6.0%	344,181
Clean Water	2014-2031	1.0-5.0%	672,757
Drinking Water	2014-2028	2.0-5.0.%	35,303
Bradley Parking Garage	2014-2024	6.5-6.6%	35,275
Total Revenue Bonds			1,212,681
Plus/(Less) premiums and discounts:			
Uconn			22,370
Clean Water			60,277
Other			1,901
Revenue Bonds, net			$ 1,297,229

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.

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, 2014, $35.3 million of these bonds are outstanding.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2014, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2015	$ 104,868	$ 53,758	$ 158,626
2016	108,715	49,000	157,715
2017	92,303	44,724	137,027
2018	86,065	40,805	126,870
2019	73,670	37,142	110,812
2020-2024	379,335	130,421	509,756
2025-2029	251,725	53,401	305,126
2030-2034	113,910	10,402	124,312
2035-2039	2,090	85	2,175
Total	$ 1,212,681	$ 419,738	$ 1,632,419

d. Component Units

Component units' revenue bonds outstanding at June 30, 2014, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2014-2055	0.17-5.50%	$ 3,498,352
CT Higher Education Supplemental Loan Authority	2014-2035	1.70-7.00%	173,205
CT Airport Authority	2014-2035	%/1 mth libor	135,600
CT Regional Development Authority	2014-2034	1.00-7.00%	91,970
UConn Foundation	2014-2029	1.90-5.00%	25,775
CT Innovations Inc.	2014-2020	4.90-5.25%	5,020
Total Revenue Bonds			3,929,922
Plus/(Less) premiums and discounts:			
CHFA			10,811
CHESLA			1,646
CRDA			(324)
Revenue Bonds, net			$ 3,942,055

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 $5.0 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, 2013, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $3,042 million, $62.4 million, and $404.4 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 any succeeding calendar year on all outstanding bonds. The required reserves are $231.2 million per the resolution and $4.6 million per the indenture at 12/31/13. As of December 31, 2013, the Authority has entered into interest rate swap agreements for $1,039 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Materials, Innovation, and Recycling 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 Component Unit revenue bonds outstanding at June 30, 2014, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2015	$ 134,093	$ 93,889	$ 227,982
2016	125,243	91,359	216,602
2017	131,951	88,657	220,608
2018	132,103	93,521	225,624
2019	134,848	85,214	220,062
2020-2024	728,485	374,114	1,102,599
2025-2029	766,369	279,455	1,045,824
2030-2034	853,315	182,062	1,035,377
2035-2039	584,092	74,849	658,941
2040-2044	257,959	43,126	301,085
2045-2049	55,360	36,956	92,316
2050-2054	26,104	7,349	33,453
Total	$ 3,929,922	$ 1,450,551	$ 5,380,473

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, 2014 were $596.4 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, 2014, were $8,141.3 million, of which $349.4 million was secured by special capital reserve funds.

The Materials, Innovation, and Recycling Authority have 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 for 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, 2014 was $54.8 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 $966.4 million at an average coupon interest rate of 4.0 percent to advance refund $1,046.6 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 4.82 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 $26.4 million accounting loss, the State in effect reduced its aggregate fund level debt service payments by $108.1 million over the next 20 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 $98.8 million. The above loss is reported as a deferred outflow of resources 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, 2014, the outstanding balance of bonds defeased in prior years was approximately $570.0 million.

Note 19 - Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2014, 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	$ (8,876)	Non-current portion of LT Obligation	$ (8,700)	$ 335,620

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, 2014, 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	Aa2/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	A2/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%	Baa2/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%	Baa2/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%	A3/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, 2014, 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, 2014, the SIFMA rate was 0.06 percent, whereas 60 percent of LIBOR plus 30bp was 0.393 percent. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2014, 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, 2014, 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
2015	$ -	$ 1,633	$ 9,630	$ 11,263
2016	50,620	1,632	9,363	61,615
2017	55,000	1,320	7,978	64,298
2018	45,000	714	6,420	52,134
2019	45,000	687	5,067	50,754
2020-2023	140,000	719	6,606	147,325
	$ 335,620	$ 6,705	$ 45,064	$ 387,389

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

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

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand.

When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut 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 6-30-12	$ 559,546	$ 19,957
Incurred claims	129,268	4,133
Paid claims	(101,162)	(4,201)
Balance 6-30-13	587,652	19,889
Incurred claims	135,624	2,435
Paid claims	(103,698)	(449)
Balance 6-30-14	$ 619,578	$ 21,875

Note 21 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2014, were as follows (amounts in thousands):

	Balance due to fund(s)												
	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	State Universities	Community/ Technical Colleges	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)													
General	$ -	$ -	$ 48	$ 4	$ 255,777	$ 41,863	$ 16,715	$ 16,651	$ 718	$ 5,077	$ 4,279	$ -	$ 341,132
Debt Service	-	1,286	-	-	-	-	-	-	-	-	-	-	1,286
Restricted Grants & Accounts	2,302	-	-	-	-	-	-	-	-	-	-	15,274	17,576
Grant & Loan Programs	26	-	-	-	-	-	-	-	-	-	-	-	26
Other Governmental	1,912	-	-	-	21,273	33,910	11,316	89,855	-	-	-	-	158,266
UConn	13,596	-	-	-	-	-	-	-	-	-	-	-	13,596
State Universities	3,674	-	-	-	-	-	-	-	-	-	-	-	3,674
Employment Security	-	-	-	-	13,038	-	-	-	-	-	-	-	13,038
Internal Services	17,346	-	-	-	-	-	-	-	-	-	-	-	17,346
Fiduciary	-	-	-	-	4,166	-	-	-	-	-	1,752	-	5,918
Component Units	31,707	-	3,478	-	-	-	-	-	-	-	-	-	35,185
Total	$ 70,563	$ 1,286	$ 3,526	$ 4	$ 294,254	$ 75,773	$ 28,031	$ 106,506	$ 718	$ 5,077	$ 6,031	$ 15,274	$ 607,043

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, 2014, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)										
	General	Debt Service	Transportation	Restricted Grants & Accounts	Grants & Loan Programs	Other Governmental	UConn	State Universities	Community/ Technical Colleges	Clean & Drinking Water	Total
Amount transferred from fund(s)											
General	$ -	$ -	$ -	$ 50,614	$ -	$ 67,054	$ 574,179	$ 263,645	$ 259,155	$ -	$ 1,214,647
Debt Service	-	-	6,186	601	-	-	251	-	-	-	7,038
Transportation	76,500	448,732	-	15,000	-	6,499	-	-	-	-	546,731
Restricted Grants & Accounts	39,602	10,867	145	-	-	-	-	-	-	-	50,614
Grants & Loan Programs	35,466	-	-	-	4,000	-	-	-	-	-	39,466
Other Governmental	97,637	-	-	192,428	-	4,022	309,102	115,058	22,319	7,803	748,369
Employment Security	-	-	-	-	-	3,560	-	-	-	-	3,560
Total	$ 249,205	$ 459,599	$ 6,331	$ 258,643	$ 4,000	$ 81,135	$ 883,532	$ 378,703	$ 281,474	$ 7,803	$ 2,610,425

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, 2014, the beginning net position for the following funds and activities were restated as follows (amounts in thousands):

	Balances 6-30-13 Previously Reported	Reclassifications	Balances 6-30-13 as Restated
Governmental Activates			
Government-wide adjustments:			
Other Noncurrent Assets	$ 82,783	$ (82,783)	$ -
Unamortized Losses on Bond Refundings	-	180,876	180,876
Non-Current Portion of Long-Term Obligations	(27,728,358)	(180,876)	(27,909,234)
Total Government-wide adjustments	$ (27,645,575)	(82,783)	$ (27,728,358)
Proprietary Funds and Business-Type Activities			
Major Funds:			
Bradley International Airport	$ 315,166	$ (315,166)	$ -
Total Major Funds	4,336,992	(315,166)	4,021,826
Total Proprietary Funds	$ 4,634,035	(315,166)	$ 4,318,869
Business-Type Activities			
Net Position of Business-Type Activities	$ 4,634,035	(315,166)	$ 4,318,869
Component Units			
Major Component Units:			
Connecticut Airport Authority	$ -	$ 315,166	$ 315,166
Total Major Component Units	962,107	315,166	1,277,273
Total Component Units	$ 1,983,215	315,166	$ 2,298,381

The adjustment in the "Reclassifications" column for the government-wide result from the reclassification of deferred loss on refunding from a deduction from bonds payable to a deferred outflow of resources as required by GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities.*

The adjustment for the government-wide for other noncurrent assets is required by GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt; they should instead be recognized as an expense in the period incurred. These include, but are not limited to, legal costs, costs of printing, insurance costs and various fees such as rating agency fees, trustee fees and administrative fees.

In 2014, Bradley International Airport, an enterprise fund in prior years, was consolidated into the Connecticut Airport Authority, a major component unit.

Special Items

Special items are significant transactions within the control of management that are either unusual in nature or infrequent in occurrence. During the fiscal year, Public Act 13-247 and section 99 of Public Act 13-184 required the transfer from the Materials, Innovation, and Recycling Authority (MIRA) a component unit of the state to the State's General Fund of all legally required reserves resulting from the closure of the authority's landfills. During the fiscal year 2014, the authority transferred $31.0 million of its landfill reserves to the State's General Fund.

Fund Balance – Restricted and Assigned
As of June 30, 2014 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 335,933	$ -
Environmental Programs	43,746	-
Housing Programs	133,533	-
Employment Security Administration	27,280	-
Banking	19,676	-
Other	59,584	16,512
Total	$ 619,752	$ 16,512

Restricted Net Position
As of June 30, 2014, the government-wide statement of net position reported $2,861million of restricted net position, of which $218.8 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 2014, The State implemented the following statements issued by the Governmental Accounting Standards Board ("GASB").

Items Previously Reported as Assets and Liabilities (Statement No. 65) – This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of implementing this Statement, presentation and terminology changes were made to the fund financial statements and government-wide statements as necessary in addition to the immediate recognition of certain elements.

Financial Reporting for Pension Plans an amendment of GASB Statement No. 25 (Statement No. 67) - This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts. The adoption of the Statement resulted in the modification of note disclosures related to the State Retirement Systems (Note 11 and 12).

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, 2014, the Departments of Transportation and Construction Services had contractual commitments of approximately $3,966 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,942 million.

Clean and drinking water loan programs $480 million.

Various programs and services $2,512 million.

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

Component Units
As of December 31, 2013, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $178.8 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, 2014, the State reported an escheat liability of $278.5 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 $267.3 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 nor revenue sources of the State.

D. 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 $49 million at June 30, 2014.

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 27 Subsequent Events

In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in the footnotes. The effect of this evaluation led the State to report the following events which took place after the State's fiscal year end date through to the date these financial statements were issued.

In August 2014, the State issued $510.6 million of General Obligation bonds. A supplement to the original offering was issued on August 25, 2014 which discussed the onset of a federal review of Medicaid reimbursements for a variety of programs and services provided by the departments of Social Services, Developmental Services and Mental Health and Addiction Services. The official offering includes series A - $200.0 million taxable bonds maturing 2024 bearing interest rates ranging from .025 percent to 3.1 percent, series E - $300.0 million nontaxable bonds maturing in 2034 bearing interest rates ranging from 2.0 percent to 4.0 percent and series B - $10.6 million taxable refunding bonds maturing in 2027 that bear an interest rate of 3.5 percent which will defease other bonds issued at a higher cost.

In August 2014, The State of Connecticut Health and Educational Facilities Authority issued $21.2 million in Revenue Refunding Bonds. The proceeds of the bonds will be used to refund $22.0 million revenue bonds of the Authority issued at a higher cost on behalf of the State University System. The bonds will mature in 2030 and bear interest rates ranging from 2.0 percent to 4.0 percent. Certain fee receipts of the University System secure the payments on the obligation.

In October 2014, the State issued $731.5 million of Special Tax Obligation Transportation Infrastructure bonds. The offering includes $600 million of series A which will mature in 2034 bearing interest rates ranging from 2.0 percent to 5.0 percent and $131.5 million of series B refunding bonds maturing in 2025 bearing interest rates ranging from 3.0 percent to 5.0 percent that will defease other bonds issued at a higher cost.

In December 2014, the State issued $556.6 million of General Obligation bonds. The offering includes $240 million of series F which mature in 2034 bearing interest rates ranging from 1.5 percent to 5.0 percent, $60.0 million of "Green" series G which mature in 2031 bearing interest rates ranging from 3.25 percent to 5.00 percent and $256.6 million series H refunding bonds which mature in 2025 bearing interest rates ranging from 3.0 percent to 5.0 percent that will defease other bonds issued at a higher cost.

In December 2014, the State issued $61.6 million of General Obligation Refunding Economic Recovery Notes. The notes mature in 2018 and bear variable interest rates ranging from the adjusted SIFMA rate plus 4 basis points to the adjusted SIFMA rate plus 35 basis points. The notes that will defease other notes issued at a higher cost.

Required PERS Supplementary Information

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Funding Progress

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
SERS						
6/30/2005	$8,517.7	$15,987.5	$7,469.8	53.3%	$2,980.1	250.7%
6/30/2006	$8,951.1	$16,830.3	$7,879.2	53.2%	3107.9	253.5%
6/30/2007	$9,585.1	$17,888.1	$8,303.0	53.6%	3310.4	250.8%
6/30/2008	$9,990.2	$19,243.4	$9,253.2	51.9%	3497.4	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%
6/30/2014	$10,584.8	$25,505.6	$14,920.8	41.5%	$3,487.6	427.8%

*No actuarial valuation was performed.

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
TRS						
6/30/2005 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2006	$10,190.3	$17,112.8	$6,922.5	59.5%	$3,137.7	220.6%
6/30/2007 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2008	$15,271.0	$21,801.0	$6,530.0	70.0%	$3,399.3	192.1%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$14,430.2	$23,495.9	$9,065.7	61.4%	$3,646.0	248.6%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
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%
6/30/2014	$15,546.5	$26,349.2	$10,802.7	59.0%	$3,831.6	281.9%

*No actuarial valuation was performed.

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
JRS						
6/30/2005	$160.3	$235.0	$74.7	68.2%	$30.2	247.4%
6/30/2006	$169.7	$246.9	$77.2	68.7%	$31.8	242.8%
6/30/2007	$182.4	$261.2	$78.8	69.8%	$33.8	233.1%
6/30/2008	$191.7	$267.0	$75.3	71.8%	$34.0	221.5%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$179.7	$276.8	$97.1	64.9%	$31.6	307.3%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$174.7	$319.5	$144.8	54.7%	$30.3	477.9%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2014	$190.1	$343.9	$153.8	55.3%	$33.4	460.4%

*No actuarial valuation was performed.

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
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%
6/30/2014	$-	$2,433.0	$2,433.0	0.0%	$3,831.6	63.5%

Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.

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
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%
6/30/2014 *	$-	$-	$-	0.0%	$-	0.0%

*No actuarial valuation was performed.

June 30,2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

Pension Plans
Required Supplementary Information
Schedule of Employer Contributions
(Expressed in Thousands)

SERS	2014	2013	2012	2011	2010
Actuarially determined employer contribution	$ 1,268,935	$ 1,059,652	$ 926,372	$ 944,077	$ 897,428
Actual employer contributions	1,268,890	1,058,113	926,343	825,801	720,527
Annual contributions deficiency excess	$ 45	$ 1,539	$ 29	$ 118,276	$ 176,901
Covered Payroll	$ 3,355,077	$ 3,304,538	$ 3,209,782	$ 3,308,498	$ 2,920,661
Actual contributions as a percentage of covered-employee payroll	37.82%	32.02%	28.86%	24.96%	24.67%

TRS	2014	2013	2012	2011	2010
Actuarially determined employer contribution	$ 948,540	$ 787,536	$ 757,246	$ 581,593	$ 559,224
Actual employer contributions	948,540	787,536	757,246	581,593	559,224
Annual contributions deficiency excess	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,930,957	$ 4,101,750	$ 3,943,990	$ 3,823,754	$ 3,676,686
Actual contributions as a percentage of covered-employee payroll	24.13%	19.20%	19.20%	15.21%	15.21%

JRS	2014	2013	2012	2011	2010
Actuarially determined employer contribution	$ 16,298	$ 16,006	$ 15,095	$ 16,208	$ 15,399
Actual employer contributions	16,298	16,006	15,095	-	-
Annual contributions deficiency excess	$ -	$ -	$ -	$ 16,208	$ 15,399
Covered Payroll	$ 33,386	$ 31,748	$ 30,308	$ 33,102	$ 31,602
Actual contributions as a percentage of covered-employee payroll	48.82%	50.42%	49.81%	0.00%	0.00%

2009	2008	2007	2006	2005
$ 753,698	$ 716,944	$ 663,926	$ 623,063	$ 518,764
699,770	711,555	663,931	623,063	518,764
$ 53,928	$ 5,389	$ (5)	$ -	$ -
$ 3,497,400	$ 3,497,400	$ 3,310,400	$ 3,107,900	$ 2,980,100
20.01%	20.35%	20.06%	20.05%	17.41%
$ 539,303	$ 518,560	$ 412,099	$ 396,249	$ 281,366
539,303	518,560	412,099	396,249	281,366
$ -	$ -	$ -	$ -	$ -
$ 3,529,470	$ 3,393,717	$ 3,296,792	$ 3,169,992	$ 3,035,232
15.28%	15.28%	12.50%	12.50%	9.27%
$ 14,172	$ 13,434	$ 12,375	$ 11,730	$ 12,236
14,173	13,434	12,375	11,730	12,236
$ (1)	$ -	$ -	$ -	$ -
$ 34,000	$ 33,982	$ 33,757	$ 31,803	$ 30,149
41.69%	39.53%	36.66%	36.88%	40.59%

Other Postemployment Benefit Plans
Required Supplementary Information
Schedule of Employer Contributions

(Expressed in Thousands)

	RTHP		SEOPEBP	
Fiscal Year	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2008	$116.1	21.5%	$0.0	0%
2009	$116.7	25.3%	$0.0	0%
2010	$121.3	10.0%	$0.0	0%
2011	$177.1	3.0%	$0.0	0%
2012	$184.1	26.9%	$1,354.7	40.0%
2013	$180.4	15.0%	$1,271.3	42.7%
2014	$187.2	13.9%	$1,525.4	33.7%

Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.
June 30,2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

Pension Plans
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Plan Net Position
(Expressed in Thousands)

	SERS 2014	TRS 2014	JRS 2014
Service Cost	$ 287,473	$ 347,198	$ 7,539
Interest	1,998,736	2,104,895	26,301
Benefit payments	(1,563,029)	(1,732,707)	(21,668)
Refunds of contributions	(3,935)	-	-
Net change in total pension liability	719,245	719,386	12,172
Total pension liability - beginning	25,767,688	25,629,823	339,601
Total pension liability - ending (a)	**$ 26,486,933**	**$ 26,349,209**	**$ 351,773**
Plan net position			
Contributions - employer	$ 1,268,890	$ 949,209	$ 16,298
Contributions - member	144,807	273,038	1,641
Net investment income	1,443,391	2,250,837	23,156
Benefit payments	(1,563,029)	(1,732,707)	(21,668)
Refunds of contributions	(3,935)	-	-
Net change in plan net position	1,290,124	1,740,377	19,427
Plan net position - beginning	9,182,443	14,480,512	168,353
Plan net position - ending (b)	**$ 10,472,567**	**$ 16,220,889**	**$ 187,780**
Net pension liability - ending (a) -(b)	**$ 16,014,366**	**$ 10,128,320**	**$ 163,993**
Total pension liability	$ 26,486,933	$ 26,349,209	$ 351,773
Plan net position	10,472,567	16,220,889	187,780
Net pension liability	$ 16,014,366	$ 10,128,320	$ 163,993
Ratio of plan net position net position to total pension liability	39.54%	61.56%	53.38%
Covered-employee payroll	$ 3,487,577	$ 3,831,624	$ 33,386
Net pension liability as a percentage of covered-employee payroll	459.18%	264.33%	491.20%
Plan net position - beginning	9,182,443	14,480,512	168,353
Plan net position - ending (b)	**$ 9,182,448**	**$ 14,480,515**	**$ 168,358**
Net pension liability - ending (a) -(b)	**$ (9,037,641)**	**$ (14,207,477)**	**$ (166,717)**

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

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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, 2014, 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 11, 2015. 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 *Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2014, State of Connecticut Comprehensive Annual Financial Report*. 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, 2014

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, and 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 11, 2015
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, 2014. 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 CT Green Bank, Inc., the Health Information Technology Exchange of Connecticut, the Connecticut Health Insurance Exchange (Access Health CT), the Clean Water Fund, and the Drinking Water Fund, which expended $179,864,089 in federal awards, which is not included in the Schedule of Expenditures of Federal Awards, during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Connecticut Housing Finance Authority, the CT Green Bank, Inc., the Health Information Technology Exchange of Connecticut, the Connecticut Health Insurance Exchange (Access Health CT), the Clean Water Fund, and the Drinking Water Fund because other auditors were engaged to audit those entities 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.

Basis for Qualified Opinion on CFDA #93.917-HIV Care Formula Grants

As described in the accompanying schedule of findings and questioned costs, the State of Connecticut did not comply with the requirements regarding CFDA# 93.917 HIV Care Formula Grants as described in finding numbers 2014-207 for Activities Allowed or Unallowed and Cash Management and 2014-208 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the State of Connecticut to comply with the requirements applicable to that program.

Qualified Opinion on CFDA# 93.917-HIV Care Formula Grants

In our opinion, except for the noncompliance described in the Basis for Qualified opinion paragraph, the State of Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA# 93.917-HIV Care Formula Grants for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Program

In our opinion, the State of Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

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 2014-005, 2014-006, 2014-007, 2014-009, 2014-010, 2014-011, 2014-013, 2014-015, 2014-017, 2014-018, 2014-019, 2014-020, 2014-021, 2014-024, 2014-033, 2014-102, 2014-156, 2014-207, 2014-208, 2014-250, 2014-251, 2014-501, 2014-665, and 2014-725. 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.

This report replaces one previously issued on March 30, 2015. Subsequent to that issuance, it was determined that the noncompliance presented in item 2014-300 was incorrectly labeled as material noncompliance and a material weakness in the internal control process. Upon further review, it was concluded that the condition was more appropriately described as a significant deficiency in the internal control process. This report, and the status reflected in the Index of the Schedule of Findings and Questioned Costs, have been modified accordingly.

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 types of 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 federal 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 2014-006, 2014-015, 2014-201, 2014-204, 2014-206, 2014-207, 2014-208, and 2014-209 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 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, 2014-007, 2014-008, 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, 2014-014, 2014-016, 2014-017, 2014-018, 2014-019, 2014-020, 2014-021, 2014-022, 2014-023, 2014-024, 2014-025, 2014-026, 2014-027, 2014-028, 2014-029, 2014-030, 2014-031, 2014-032, 2014-033. 2014-034, 2014-035, 2014-036, 2014-037, 2014-100, 2014-101, 2014-103, 2014-150, 2014-151, 2014-152, 2014-153, 2014-154, 2014-155, 2014-156, 2014-157, 2014-200, 2014-202, 2014-203, 2014-205, 2014-250, 2014-251, 2014-300, 2014-301, 2014-302, 2014-350, 2014-351, 2014-352, 2014-400, 2014-401, 2014-402, 2014-450, 2014-451, 2014-500, 2014-550, 2014-551, 2014-650, 2014-651, 2014-652, 2014-653, 2014-654, 2014-655, 2014-656, 2014-657, 2014-658, 2014-659, 2014-660, 2014-661, 2014-662, 2014-663, 2014-664, 2014-665, 2014-700, 2014-725, and 2014-750 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. Accordingly, this report is not suitable for any other purpose

<u>Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133</u>

We have audited the financial statements of the State of Connecticut as of and for the year ended June 30, 2014, and have issued our report thereon dated February 28, 2015, 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.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

December 1, 2015
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, 2014

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Department of Agriculture			
SNAP Cluster:			
Supplemental Nutrition Assistance Program (See Note 3 and Note 10)	10.551	$ 701,811,906	$
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	46,827,913	3,118,815
Total SNAP Cluster		748,639,819	3,118,815
Child Nutrition Cluster:			
School Breakfast Program	10.553	26,350,657	25,296,334
National School Lunch Program (See Note 3)	10.555	107,179,691	89,950,076
Special Milk Program for Children	10.556	211,882	211,882
Summer Food Service Program for Children (See Note 3)	10.559	1,652,229	1,611,752
Total Child Nutrition Cluster		135,394,459	117,070,044
Professional Development for AG Service Providers in Applied Poultry Science	10.UM-S810	731	
Forest Pest Outreach and Survey Project (FPOSP) FY 2012	10.CAES-UC-2013	2,470	
MBAg: Mastering the Business of Agriculture	10.CNP-UCONN	36,148	
Plant and Animal Disease, Pest Control, and Animal Care	10.025	282,401	3,000
Federal-State Marketing Improvement Program	10.156	46,396	9,750
Inspection Grading and Standardization	10.162	558	
Market Protection and Promotion	10.163	31,692	22,230
Specialty Crop Block Grant Program - Farm Bill	10.170	226,415	114,169
Grants for Agricultural Research, Special Research Grants	10.200	11,580	12
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	53,161	
Higher Education - Institution Challenge Grants Program	10.217	21,977	
Higher Education Multicultural Scholars Grant Program	10.220	29,885	
Integrated Programs	10.303	13,932	
Homeland Security_Agricultural	10.304	17,756	
Beginning Farmer and Rancher Development Program	10.311	145,390	
Crop Insurance	10.450	4,988	
Crop Insurance Education in Targeted States	10.458	195,830	5,850
Food Safety Cooperative Agreements	10.479	108,815	
Cooperative Extension Service	10.500	3,216,899	1,431
Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 5)	10.557	42,308,366	10,767,964
Child and Adult Care Food Program	10.558	15,884,432	15,711,182
State Administrative Expenses for Child Nutrition	10.560	2,469,803	
Emergency Food Assistance Program (Administrative Costs)	10.568	487,477	487,477
WIC Farmers' Market Nutrition Program	10.572	292,263	
Team Nutrition Grants	10.574	213,922	
Senior Farmers Market Nutrition Program	10.576	84,809	
WIC Grants to States (WGS)	10.578	668,127	
Child Nutrition Discretionary Grants Limited Availability	10.579	415,257	
Fresh Fruit and Vegetable Program	10.582	2,551,313	2,490,335
Cooperative Forestry Assistance	10.664	804,365	150,983
Forest Legacy Program	10.676	49,892	
Forest Stewardship Program	10.678	71,369	
Forest Health Protection	10.680	956	
Rural Business Enterprise Grants	10.769	9,981	
Soil and Water Conservation	10.902	34,347	
Environmental Quality Incentives Program	10.912	35,062	
Farm and Ranch Lands Protection Program	10.913	52,985	
Wildlife Habitat Incentive Program	10.914	52,929	
Total Department of Agriculture		954,968,957	149,953,242
Department of Commerce			
Advancing Coastal and Marine Spatial Planning in the Northeast: Connecticut Share	11.AG121242	(26,889)	
Evaluation of immune functions in free-ranging bottlenose dolphins in support of health asse	11.EA-133C-13-SE	119,692	
Charter of R/V Connecticut for UMaine Buoy Turnaround	11.PO 5100106194	41,909	
Charter of R/V Connecticut in Support of UMaine NERACOOS Project	11.PO 5100150961	12,800	
Recommendations for Enhancements to NOAA's Coastal Cover Atlas	11.PO# 002004MD	7,376	
Merging Modeling & Mapping: The integration of ecosystem-based models into an existing	11.PSP-1048	41,788	
Dolphin and Turtle Immunology	11.5700-UCONN	4,378	
Economic Development_Support for Planning Organizations	11.302	131,509	

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Economic Development_Technical Assistance	11.303	87,208	
Anadromous Fish Conservation Act Program	11.405	2,396	
Interjurisdictional Fisheries Act of 1986	11.407	868	
Sea Grant Support	11.417	57,447	
Coastal Zone Management Administration Awards	11.419	2,048,883	55,000
Fisheries Development and Utilization Research and Development Grants and Cooperative A	11.427	305	
National Oceanic and Atmospheric Administration Cooperative Institutes	11.432	6,253	
Habitat Conservation	11.463ARRA	2,374,845	
Unallied Science Program	11.472	9,989	
Atlantic Coastal Fisheries Cooperative Management Act	11.474	119,808	
Fisheries Disaster Relief	11.477	3,022	
State and Local Implementation Grant	11.549	6,420	
Public Safety Interoperable Communications Grant Program	11.555	(3,308)	
Broadband Technology Opportunities Program (BTOP)	11.557ARRA	2,826,347	
State Broadband Data and Development Grant Program	11.558ARRA	626,962	
Total Department of Commerce		8,500,008	55,000
Department of Defense			
CT 2013 OMK RFA	12.NAFBA1-13-M-02	23,656	
Assessing the Dynamics of Connecticut's Manufacturing Sector	12.#11-K021	557	
Stem Outreach Grant Program	12.HQ0147-13-1-00	6,453	
2014 Connecticut Operation Military Kids	12.NAFBA1-13-M-03	52,617	
Charter of R/V Connecticut for Mid Atlantic Cable Survey	12.PO# 5493	56,512	
Charter R/V Connecticut by MAR Range Services for ROV Cable Survey	12.PO# M14-217	75,432	
Provision of ROV Services to Inspect and Image Subsea Cable Installation off Norfolk, VA	12.PO# M14-218	122,325	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	29,306	
Military Construction, National Guard	12.400	(191,373)	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	17,984,839	
National Guard ChalleNGe Program	12.404	227,965	
Basic Scientific Research	12.431	1,715	
Community Economic Adjustment Assistance for Reductions in Defense Industry Employme	12.611	4,750	
Community Economic Adjustment Assistance for Advance Planning & Economic Diversific:	12.614	282,005	241,233
Total Department of Defense		18,676,759	241,233
Department of Housing and Urban Development			
Section 8 Project-Based Cluster:			
Section 8 Housing Assistance Payments Program (See Note 1)	14.195	4,685,766	3,181,477
Section 8 Moderate Rehab Single Room Occupancy (See Note 1)	14.249	33,892	25,747
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (See Note 1)	14.856	105,167	100,420
Total Section 8 Project-Based Cluster		4,824,825	3,307,644
Affordable Housing Training for the Hartford-Springfield Knowledge Corridor	14.AG111076	15,126	
Supportive Housing for Persons with Disabilities (See Note 1)	14.181	1,684,522	1,426,200
Multifamily Housing Service Coordinators	14.191	380,436	380,436
Community Development Block Grants/Entitlement Grants	14.218	15,000	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	14,635,047	14,378,371
Emergency Solutions Grant Program	14.231	1,767,662	1,767,420
Supportive Housing Program	14.235	89,973	
Shelter Plus Care	14.238	189,194	10,644
Home Investment Partnerships Program	14.239	6,916,270	4,843,454
Housing Opportunities for Persons with AIDS	14.241	226,834	226,593
Continuum of Care Program	14.267	13,126,971	1,558,780
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	3,061,579	144,000
Fair Housing Assistance Program-State and Local	14.401	139,031	
Community Challenge Planning Grants and the DOT TIGER II Planning Grants	14.704	1,429,985	1,386,240
Section 8 Housing Choice Vouchers (See Note 1)	14.871	73,147,177	71,179,236
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	1,901,203	1,901,203
Total Department of Housing and Urban Development		123,550,835	102,510,221
Department of the Interior			
Fish and Wildlife Cluster			
Sport Fish Restoration Program	15.605	3,982,749	

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Wildlife Restoration and Basic Hunter Education	15.611	3,465,350	
Total Fish and Wildlife Cluster		7,448,099	0
Charter of R/V Connecticut by WHOI for Equipment Deployment/Recovery South of Fire Island	15.PO# M216477	58,800	
Sea Turtle Immunology	15.G13PX01122	30,555	
Fish and Wildlife Management Assistance	15.608	33,123	
Cooperative Endangered Species Conservation Fund	15.615	24,811	
Clean Vessel Act Program	15.616	1,314,275	1,091,348
Sportfishing and Boating Safety Act	15.622	9,070	437
North American Wetlands Conservation Fund	15.623	50,000	50,000
Wildlifie Conservation and Restoration	15.625	(319)	
Landowner Incentive Program	15.633	78,693	
State Wildlife Grants	15.634	603,335	45,352
National Fish and Wildlife Foundation	15.663	3,437	
Highlands Conservation Program	15.667	399,166	399,166
Assistance to State Water Resources Research Institutes	15.805	1,485	
National Geological and Geophysical Data Preservation Program	15.814	19,564	
Historic Preservation Fund Grants-In-Aid	15.904	663,007	48,267
Outdoor Recreation-Acquisition, Development and Planning	15.916	(215,227)	
National Heritage Area Federal Financial Assistance	15.939	6,705	
Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hu	15.957	7,926	
Total Department of the Interior		10,536,505	1,634,570
Department of Justice			
JAG Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4,484,149	1,544,533
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Te	16.803ARRA	145,811	(19,118)
Total JAG Program Cluster		4,629,960	1,525,415
Law Enforcement Assistance Narcotics and Dangerous Drugs State Legislation	16.002	3,795	
Sexual Assault Services Formula Program	16.017	202,398	196,609
Joint Law Enforcement Operations (JLEO)	16.111	61,881	
Antiterroism Emergency Reserve	16.321	1,109,673	
Juvenile Accountability Block Grants	16.523	156,253	108,243
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	527,812	351,625
Missing Children's Assistance	16.543	322,898	
Title V Delinquency Prevention Program	16.548	62,473	62,473
State Justice Statistics Program for Statistical Analysis Centers	16.550	68,547	
National Criminal History Improvement Program	16.554	245,020	
Crime Victim Assistance	16.575	5,423,684	4,857,397
Crime Victim Compensation	16.576	1,037,599	
Edward Byrne Memorial Formula Grant Program	16.579	40,609	
Edward Byrne Memorial State and Local Law Enforecement Assistance Discretionary Grants Progr	16.580	2,119,330	1,706,060
Violence Against Women Formula Grants	16.588	1,085,907	777,712
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	213,350	213,350
Residential Substance Abuse Treatment for State Prisoners	16.593	217,900	
State Criminal Alien Assistance Program	16.606	497,718	
Bulletproof Vest Partnership Program	16.607	114,390	
Public Safety Partnership and Community Policing Grants	16.710	6,438	
Juvenile Mentoring Program	16.726	86,805	30,780
Enforcing Underage Drinking Laws Program	16.727	142,012	8,000
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	30,000	
DNA Backlog Reduction Program	16.741	771,879	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	229,375	
Support for Adam Walsh Act Implementation Grant Program	16.750	170,962	
Edward Byrne Memorial Competitive Grant Program	16.751	96,582	
Recovery Act - Internet Crimes against Children Task Force Program	16.800ARRA	61,310	
Second Chance Act Reentry Initiative	16.812	592,290	
NICS Act Record Improvement Program	16.813	1,413,521	
John R. Justice Prosecutors and Defenders Incentive Act	16.816	60,559	
Equitable Sharing Program	16.922	225,109	
Total Department of Justice		22,028,039	9,837,664

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Department of Labor			
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities (See Note 1)	17.207	8,296,543	
Disabled Veterans' Outreach Program (See Note 1)	17.801	1,180,955	
Local Veterans' Employment Representative Program (See Note 1)	17.804	740,187	
Total Employment Service Cluster		10,217,685	0
WIA Cluster:			
WIA Adult Program	17.258	7,623,609	
WIA Youth Activities	17.259	8,134,611	
WIA Dislocated Worker Formula Grants	17.278	12,454,552	
Total WIA Cluster		28,212,772	0
Labor Force Statistics (See Note 1)	17.002	1,573,934	
Compensation and Working Conditions	17.005	191,020	
Unemployment Insurance (See Note 1 and Note 6)	17.225	1,147,714,751	
Unemployment Insurance (See Note 1 and Note 6)	17.225ARRA	238,307	
Senior Community Service Employment Program	17.235	959,691	954,691
Trade Adjustment Assistance (See Note 1)	17.245	5,952,311	
Workforce Investment Act	17.255	168,681	
H-1B Job Training Grants	17.268	69,852	
Work Opportunity Tax Credit Program (WOTC) (See Note 1)	17.271	160,637	
Temporary Labor Certification for Foreign Workers (See Note 1)	17.273	339,398	
Prog. of Competitive Grants for Worker Training & Placement in High Growth & Emerging Industr	17.275ARRA	17,595	6,393
Workforce Investment Act (WIA) National Emergency Grants	17.277	648,687	514,898
Green Jobs Innovation Fund Grants	17.279	2,268,978	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	5,131,655	
Workforce Innovation Fund	17.283	65,293	
Occupational Safety and Health-State Program	17.503	646,753	
Consultation Agreements	17.504	1,222,144	
Mine Health and Safety Grants	17.600	19,168	
Total Department of Labor		1,205,819,312	1,475,982
U. S. Department of State			
Academic Exchange Programs - Undergraduate Programs	19.009	417,444	60,879
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	540,539	148,937
Total U. S. Department of State		957,983	209,816
Department of Transportation			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	446,964,221	46,994,877
Highway Planning and Construction	20.205ARRA	4,466,815	2,466,355
Recreational Trails Program	20.219	807,163	521,336
Total Highway Planning and Construction Cluster		452,238,199	49,982,568
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	66,855,625	
Federal Transit - Formula Grants	20.507	98,267,453	
Federal Transit - Formula Grants	20.507ARRA	(1,428,411)	
Total Federal Transit Cluster		163,694,667	0
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1,796,495	
Job Access - Reverse Commute Program	20.516	1,372,892	576,640
New Freedom Program	20.521	938,301	251,351
Total Transit Services Programs Cluster		4,107,688	827,991
Highway Safety Cluster:			
State and Community Highway Safety	20.600	1,936,550	301,489
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,006,285	735,274
Occupant Protection Incentive Grants	20.602	20,059	
State Traffic Safety Information System Improvement Grants	20.610	205,140	100,924
Incentive Grant Program to Prohibit Racial Profiling	20.611	453,547	
Incentive Grant Program to Increase Motorcyclist Safety	20.612	81,100	
Total Highway Safety Cluster		3,702,681	1,137,687

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Federal Transit Admininstration - CT Project 26-1000	20.CT-26-1000	2,155	
Airport Improvement Program	20.106	10,590,308	
Aviation Research Grants	20.108	59,521	
Highway Training and Education	20.215	3,360	
National Motor Carrier Safety	20.218	2,081,980	
Performance and Registration Information Systems Management	20.231	69,300	
Commercial Driver's License Program Improvement Grant	20.232	352,016	
Safety Data Improvement Program	20.234	22,214	
Commercial Vehicle Information Systems and Networks	20.237	237,197	
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319	1,574,312	
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319ARRA	6,809,646	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	(8,084)	
Formula Grants for Rural Areas	20.509	1,921,776	35,045
Public Transportation Research	20.514	(22,730)	
Clean Fuels	20.519	(394)	
Alternatives Analysis	20.522	165,057	
Alcohol Open Container Requirements	20.607	6,422,231	2,186,241
National Highway Traffice Safety Administration (NHTSA) Discretionary Safety Grants	20.614	130,123	97,832
E-911 Grant Program	20.615	792,126	
National Priority Safety Programs	20.616	928,351	249,986
Pipeline Safety Program State Base Grant	20.700	585,784	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	52,714	
PHMSA Pipeline Safety Program One Call Grant	20.721	6,499	
National Infrastructure Investments	20.933	8,161	
Total Department of Transportation		656,526,858	54,517,350
Department of the Treasury			
State Capital Access Program – Urbank Loans	21.SSBCI	36,149	
Low Income Taxpayer Clinics	21.008	90,423	
Total Department of the Treasury		126,572	0
General Service Administration			
Job Discrimination Special Projects Grant	30.002	1,429	
National Aeronautics and Space Administration			
R/V Connecticut Charter in Support of GNATS 2013	43.PO #28512	44,800	
Science	43.001	36,721	
Education	43.008	7,290	
Total National Aeronautics and Space Administration		88,811	0
National Endowment for the Arts			
Promotion of the Arts-Partnership Agreements	45.025	723,270	555,059
National Endowment for the Humanities			
Promotion of Humanities-Division of Presevation and Access	45.149	33,651	
Promotion of the Humanities-Teaching and Learning Resources and Curriculum Developmen	45.162	16,490	
Promotion of the Humanities-Professional Development	45.163	38,670	
Total National Endowment for the Humanities		88,811	0
Institute of Museum and Library Services			
Grants to States	45.310	2,111,266	55,094
National Leadership Grants	45.312	45,296	
Total Institute of Museum and Library Services		2,156,562	55,094
Small Business Administration			
Avery Point Technology Incubation Center II	59.SBAHQ-08-I-0073	38,915	
ITBD Customized Jobs Training Program	59.SBAHQ-11-I-0001	11,200	
University of Connecticut Farmington Technology Incubation Center	59.SBAHQ-11-I-0007	3,744	
Small Business Adm - Federal and State Technology Partnership Program	59.058	54,767	
State Trade and Export Promotion Pilot Grant Program	59.061	264,511	
Entrepreneurial Development Disaster Assistance	59.064	453,660	88,832
Total Small Business Administration		826,797	88,832

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Department Of Veterans Affairs			
FY 13 Providence VA Hospital Internship	64.650-C26097	8,908	
FY 13 Boston VA Internship	64.PO# VA523C23	11,678	
Boston VA Hospital Internship FY14	64.VA2411-13-M-0	35,550	
FY 13 West Haven VA Internship	64.Pre-Award	123,872	
Grants to States for Construction of State Home Facilities	64.005	227,647	
Veterans State Domiciliary Care	64.014	3,501,591	
Veterans State Hospital Care	64.016	5,824,078	
Burial Expenses Allowance for Veterans	64.101	184,866	
All-Volunteer Force Educational Assistance	64.124	186,330	
Total Department Of Veterans Affairs		10,104,520	0
Environmental Protection Agency			
Connecticut Coalition Project 2011	66.AG111055	335	
State Indoor Radon Grants	66.032	133,248	
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities-Clean Air A	66.034	472,044	
State Clean Diesel Grant Program	66.040	27,246	
Congresionally Mandated Projects	66.202	129,276	
State Public Water System Supervision	66.432	1,286,253	
Long Island Sound Program	66.437	2,506,220	83,700
Water Quality Management Planning	66.454	165,389	157,839
Nonpoint Source Implementation Grants	66.460	713,287	690,265
Regional Wetland Program Development Grants	66.461	162,110	
Beach Monitoring and Notification Program Implementation Grants	66.472	217,802	
Water Protection Grants to the States	66.474	20,079	
Performance Partnership Grants	66.605	10,371,036	
Surveys, Studies, Investigations and Special Purpose Grants	66.606	253	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	114,049	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	142,515	
Pollution Prevention Grants Program	66.708	74,097	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreemen	66.802	168,671	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	777,818	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	836,228	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	205,410	
State and Tribal Response Program Grants	66.817	839,701	
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	185,701	174,165
Building Capacity to Implement EPA National Guidelines for School Environmental Health I	66.953	99,120	
Total Environmental Protection Agency		19,647,888	1,105,969
Department of Energy			
Tagger Microscope Detector w/ detector-mounted electronics & Active Collimator for Hall D	81.JSA-13-C0285	104,496	
National Energy Information Center	81.039	11,911	
State Energy Program	81.041	587,419	60,612
Weatherization Assistance for Low-Income Persons	81.042	2,090,477	159,861
Weatherization Assistance for Low-Income Persons	81.042ARRA	267,647	267,647
Renewable Energy Research and Development	81.087	456	
Renewable Energy Research and Development	81.087ARRA	642	
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122ARRA	106,628	
Total Department of Energy		3,169,676	488,120
Department of Education			
Special Education Cluster (IDEA) :			
Special Education - Grants to States	84.027	130,343,800	112,634,048
Special Education - Preschool Grants	84.173	4,528,109	3,884,078
Total Special Education Cluster (IDEA)		134,871,909	116,518,126
TRIO Cluster:			
TRIO-Student Support Services	84.042	581,842	
TRIO-Talent Search	84.044	492,265	
TRIO-Upward Bound	84.047	352,381	
TRIO-McNair Post-Baccalaureate Achievement	84.217	124,381	
Total TRIO Cluster		1,550,869	0

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Title I, Part A Cluster:			
Title 1 Grants to Local Educational Agencies	84.010	104,532,630	101,475,794
Title I Grants to Local Educational Agencies, Recovery Act	84.389ARRA	(121)	(121)
Total Title I, Part A Cluster		104,532,509	101,475,673
School Improvement Grants Cluster:			
School Improvement Grants	84.377	3,686,539	3,480,687
School Improvement Grants, Recovery Act	84.388ARRA	944,925	933,625
Total School Improvement Grants Cluster		4,631,464	4,414,312
Adult Education-Basic Grants to States	84.002	5,325,420	3,981,766
Title 1 State Agency Program for Neglected and Delinquent Children & Youth	84.013	1,903,077	
Higher Education-Institutional Aid	84.031	333,628	
Career and Technical Education-Basic Grants to States	84.048	8,913,594	5,868,488
Higher Education- Veterans Education Outreach Program	84.064	2,320	
Fund for the Improvement of Postsecondary Education	84.116	4,815	
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	28,647,493	
Rehabilitation Long-Term Training	84.129	126,260	
National Institute on Disability and Rehabilitation Research	84.133	21,994	
Rehabilitation Services-Client Assistance Program	84.161	74,193	
Magnet Schools Assistance	84.165	70,975	
Independent Living-State Grants	84.169	366,945	
Rehabilitation Services-Independent Living Services for Older Individuals Who are Blind	84.177	113,647	
Special Education - Grants for Infants and Families	84.181	3,819,552	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	188,938	
Bilingual Education	84.195	416,648	
Education for Homeless Children and Youth	84.196	447,231	348,679
Graduate Assistance in Areas of National Need	84.200	80,269	
Fund for the Improvement of Education	84.215	(240)	
Centers for International Business Education	84.220	197,358	
Assistive Technology	84.224	432,264	
Program of Protection and Advocacy of Individual Rights	84.240	119,905	
Tech-Prep Education	84.243	62	
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	194,057	
Twenty-First Century Community Learning Centers	84.287	7,770,371	7,304,911
Special Education-State Personnel Development	84.323	990,394	
Research in Special Education	84.324	11,925	
Special Ed. - Personnel Development to Improve Services and Results for Children with Disa	84.325	285,615	
Special Ed. - Tech Assistance and Dissemination to Improve Services for Children with Disa	84.326	393,822	
Advanced Placement Program	84.330	243,039	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	2,863,470	
Assistive Technology-State Grants for Protection and Advocacy	84.343	72,262	
Rural Education	84.358	37,000	37,000
English Language Acquisition State Grants	84.365	6,230,382	5,594,562
Mathematics and Science Partnerships	84.366	765,029	569,007
Improving Teacher Quality State Grants	84.367	21,059,074	19,574,245
Grants for State Assessments and Related Activities	84.369	5,483,830	(4,570)
Statewide Longitudinal Data Systems	84.372	1,259,225	
Teacher Incentive Fund	84.374	31,014	
College Access Challenge Grant Program	84.378	744,226	
Special Education Grants to States, Recovery Act	84.391ARRA	(10,709)	(10,709)
Special Education - Preschool Grants, Recovery Act	84.392ARRA	(3,917)	(3,917)
State Fiscal Stabilization Fund (SFSF) - Education State Grants Recovery Act	84.394ARRA	(13,128)	(13,128)
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395ARRA	192,979	8,873
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396ARRA	64,281	
Education Jobs Fund	84.410	(12,886)	(12,886)
National Writing Project	84.928	1,370	
Total Department of Education (See Also Student Financial Assistance Cluster)		345,845,824	265,650,432
National Archives and Records Administration			
National Historical Publications and Records Grants	89.003	23,898	2,500

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
U.S. Election Assistance Commission			
Help America Vote Act Requirements Payments	90.401	48,493	
Department of Health and Human Services			
Medicaid Cluster:			
State Medicaid Fraud Control Units	93.775	1,366,440	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medica	93.777	5,885,627	9,000
Medical Assistance Program	93.778	3,898,239,892	
Medical Assistance Program	93.778ARRA	25,474,314	
Total Medicaid Cluster		3,930,966,273	9,000
CCDF Cluster:			
Child Care and Development Block Grant	93.575	15,005,129	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	39,109,552	
Total CCDF Cluster		54,114,681	0
Aging Cluster:			
Special Programs for the Aging-Title III, Part B-Grants for Support Services and Senior Cer	93.044	4,006,167	3,995,857
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	7,298,892	7,298,892
Nutrition Services Incentive Program (See Note 3)	93.053	1,218,496	1,204,303
Total Aging Cluster		12,523,555	12,499,052
Implementation of Evidence-Based Practices for Criminal Justice Agencies	93.HHSN27120110	28,756	
Preparation and Delivery of Educational Materials to the FDA on the Topic of "Quality by D	93.NIPTE-U01-UC	5,079	
Special Programs for the Aging-Title VII, Chapter 3-Prevention of Elder Abuse, Neglect & E	93.041	56,854	56,854
Special Programs for the Aging-Title VII, Chapter 2, Long-Term Care Ombudsman Services	93.042	146,826	(23,067)
Special Programs for the Aging-Title III Part D-Disease Prevention and Health Promotion Se	93.043	227,471	227,471
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	300,059	298,376
National Family Caregiver Support, Title III, Part E	93.052	1,582,564	1,582,564
Laboratory Training, Evaluation, and Quality Assurance Programs	93.064	155,373	
Public Health Emergency Preparedness (See Note 3)	93.069	7,933,687	3,165,117
Environmental Public Health and Emergency Response	93.070	382,136	26,595
Medicare Enrollment Assistance Program	93.071	43,306	43,306
TANF Program Integrity Innovation Grants	93.076	50,193	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Pre	93.079	196,445	
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	(1,643)	(1,643)
Guardianship Assistance	93.090	871,233	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	458,398	333,807
Food and Drug Administration Research	93.103	1,142,754	
Comprehensive Community Mental Health Services for Children w/SED	93.104	164,889	
Area Health Ed Centers Point of Service Maintenance and Enhancement Awards	93.107	10,678	
Maternal and Child Health Federal Consolidated Programs	93.110	564,017	96,883
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (See Note 3)	93.116	504,824	
Emergency Medical Services for Children	93.127	167,367	125,119
Cooperative Agreements to States/Territories for the Coordination and Development of Prim	93.130	144,973	
Injury Prevention and Control Research and State and Community Based Programs	93.136	300,429	222,663
Protection and Advocacy for Individuals with Mental Illness	93.138	485,535	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	819,296	801,078
Nursing Workforce Diversity	93.178	295,472	
State Capacity Building	93.240	440,847	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	6,463,759	3,152,597
Universal Newborn Hearing Screening	93.251	291,354	
Occupational Safety and Health Program	93.262	283,564	
State Grants for Protection and Advocacy Services	93.267	7,590	
Immunization Cooperative Agreements (See Note 3)	93.268	39,177,196	1,178,663
Adult Viral Hepatitis Prevention and Control	93.270	146,416	
Alcohol Research Programs	93.273	62,387	
Substance Abuse and Mental Health Services-Access to Recovery	93.275	3,531,297	
Drug-Free Communities Support Program Grants	93.276	16,202	
Drug Abuse and Addiction Research Programs	93.279	62,388	
Centers for Disease Control and Prevention-Investigations and Technical Assistance (See No	93.283	5,098,724	1,147,586
National Public Health Improvement Initiative	93.292	215,843	

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
State Partnership Grant Program to Improve Minority Health	93.296	99,863	74,995
Small Rural Hospital Improvement Grant Program	93.301	11,712	
Nurse Education, Practice Quality and Retention Grants	93.359	188,199	5,984
ARRA - State Primary Care Offices	93.414ARRA	94,886	34,089
Food and Safety and Security Monitoring Project	93.448	18,349	
Pregnancy Assistance Fund Program	93.500	1,643,479	1,213,295
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	8,637,295	7,843,586
ACA Nationwide Program for National and State Background Checks for Direct Patient Acc	93.506	467,499	
PPHF National Public Health Improvement Innitiative	93.507	192,083	44,820
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	320,737	
Affordable Care Act – Aging and Disability Resource Center	93.517	486,711	482,533
Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Pu	93.520	54,420	
ACA: Building Epidemiology, Lab, & Health Info Systems Capacity in the Epidemiology &	93.521	1,280,281	361,434
PPHF- Community Transfromation Grants and National Dissemination and Support for Com	93.531	489,051	460,525
Affordable Care Act - Medicaid Incentives for Prevention of Chronic Disease Demonstration	93.536	907,201	
Affordable Care Act - National Environmental Public Health Tracking Program-Network Im	93.538	592,089	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure	93.539	181,563	58,212
The Patient Protection and Affordable Care Act of 2010 authorizes Coordinated Chronic Dis	93.544	211,299	49,875
Abandoned Infants	93.551	292,850	232,494
Promoting Safe and Stable Families	93.556	2,099,072	1,331,491
Temporary Assistance for Needy Families	93.558	239,954,104	5,002,874
Child Support Enforcement (See Note 7)	93.563	47,374,298	
Refugee and Entrant Assistance-State Administered Programs	93.566	1,799,071	1,575,193
Low-Income Home Energy Assistance	93.568	83,867,337	83,610,034
Community Services Block Grant	93.569	6,896,760	6,697,890
Refugee and Entrant Assistance-Discretionary Grants	93.576	558,486	453,879
State Court Improvement Program	93.586	334,994	
Community-Based Child Abuse Prevention Grants	93.590	1,019,990	425,500
Grants to States for Access and Visitation Programs	93.597	93,239	65,443
Chafee Education and Training Vouchers Program (ETV)	93.599	628,467	
Head Start	93.600	49,304	13,407
ARRA - Head Start	93.708ARRA	2,811	
Adoption Incentive Payments	93.603	14,794	
Assistance for Torture Victims	93.604	3,553	
The Affordable Care Act- Medicaid Adult Quality Grants	93.609	36,313	
Voting Access for Individuals with Disabilities-Grants for Protect and Advocacy Systems	93.618	52,300	
ACA-State Innovation Models: Funding for Model Design and Testing Assistance	93.624	2,638,208	
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,217,281	138,250
University Centers for Excellence in Developmental Disabilities Education, Research, and Se	93.632	2,181	
Children's Justice Grants to States	93.643	242,303	10,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,317,195	675,290
Child Welfare Research Training or Demonstration	93.648	13,591	
Adoption Opportunities	93.652	646,398	
Foster Care-Title IV-E	93.658	62,241,210	
Adoption Assistance	93.659	39,093,598	
Adoption Assistance	93.659ARRA	(1,891)	
Social Services Block Grant	93.667	44,037,456	20,011,600
Child Abuse and Neglect State Grants	93.669	250,018	247,883
Child Abuse and Neglect Discretionary Activities	93.670	916,264	911,429
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Service	93.671	1,489,097	1,488,826
Chafee Foster Care Independence Program	93.674	1,964,400	1,597,568
Trans-NIH Recovery Act Research Support	93.701ARRA	70,938	27,677
ARRA - State Grants to Promote Health Information Technology	93.719ARRA	1,575,752	882,614
ARRA - Health Information Technology Professionals in Health Care	93.721ARRA	115	
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Manag	93.734	77,912	72,013
State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention	93.735	91,679	91,105
PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement: Beh	93.745	144,426	106,426
Children's Health Insurance Program	93.767	19,928,730	
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disal	93.768	(7,328)	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	529,483	407,850
Money Follows the Person Rebalancing Demonstration	93.791	22,029,753	
National Bioterrorism Hospital Preparedness Program	93.889	4,316,285	3,254,605

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Grants to States for Operation of Offices of Rural Health	93.913	176,600	
HIV Care Formula Grants (See Note 8)	93.917	10,466,085	9,201,461
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detectic	93.919	1,068,768	667,945
Healthy Start Initiative	93.926	632,686	373,895
Special Projects of National Significance	93.928	12,037	
Cooperative Agreements to Support School Health Education to Prevent AIDS	93.938	66,049	
HIV Prevention Activities-Health Department Based	93.940	3,664,689	1,089,415
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surv	93.944	921,748	
Assistance Programs for Chronic Disease Prevention and Control	93.945	710,516	72,579
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Prog	93.946	193,807	
Block Grants for Community Mental Health Services	93.958	4,203,185	3,751,439
Block Grants for Prevention and Treatment of Substance Abuse	93.959	17,333,264	17,118,195
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	824,355	61,373
Preventive Health and Health Services Block Grant	93.991	968,960	863,999
Maternal and Child Health Services Block Grant to the States	93.994	4,477,214	1,678,319
Total Department of Health and Human Services (See Student Financial Assistance Cluster)		4,722,938,524	199,781,330
Corporation for National and Community Service			
State Commissions	94.003	288,034	5,000
AmeriCorps	94.006	1,790,188	1,260,732
Program Development and Innovation Grants	94.007	17,072	11,132
Total Corporation for National and Community Service		2,095,294	1,276,864
Social Security Administration			
Social Security-Disability Insurance	96.001	23,572,486	
Social Security-Work Incentive Planning and Assistance Program	96.008	138,825	
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	108,484	
Total Social Security Administration		23,819,795	0
Department of Homeland Security			
State and Local Homeland Security National Training Program	97.005	208	
Boating Safety Financial Assistance	97.012	1,727,626	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	262,511	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	49,292,800	46,714,637
Hazard Mitigation Grant	97.039	1,798,134	1,522,890
National Dam Safety Program	97.041	32,651	
Emergency Management Performance Grants	97.042	3,629,572	1,113,344
State Fire Training Systems Grants	97.043	20,582	
Cooperating Technical Partners	97.045	140	
Pre-Disaster Mitigation	97.047	564,811	564,240
Emergency Operations Centers	97.052	808,141	808,141
Interoperable Emergency Communications	97.055	8,072	
Port Security Grant Program	97.056	2,080,008	1,663,502
Homeland Security Grant Program	97.067	11,730,744	8,338,917
Competitive Training Grants	97.068	920	
National Explosives Detection Canine Team Program	97.072	197,903	
Rail and Transit Security Grant Program	97.075	2,593,748	
Buffer Zone Protection Plan (BZPP)	97.078	291,879	
Disaster Assistance Projects	97.088	219,320	219,320
Driver's License Security Grant Program	97.089	416,585	
Securing the Cities Program	97.106	433,549	
Severe Repetitive Loss Program	97.110	504,118	494,650
Total Department of Homeland Security		76,614,022	61,439,641
Agency For International Development			
EAFM Program Plan for USCTI Support Program	98.AG110248	27,173	
Miscellaneous Programs			
Oil Company Overcharge Recoveries	99.136	31,233	31,233

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Student Financial Assistance Cluster:				
Department of Education				
Federal Supplemental Educational Opportunity Grants		84.007	2,652,548	
Federal Work-Study Program		84.033	3,013,634	
Federal Perkins Loan Program-Federal Capital Contributions (See Note 4)		84.038	31,659,900	
Federal Pell Grant Program		84.063	145,849,425	
Federal Direct Student Loans (See Note 4)		84.268	354,448,032	
Teacher Education Assistance for College and Higher Education Grants		84.379	47,114	
Total Department of Education			537,670,653	0
Department of Health and Human Services				
Nurse Faculty Loan Program (See Note 4)		93.264	761,128	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantage (See No		93.342	815,737	
Nursing Student Loans (See Note 4)		93.364	19,496	
ARRA - Nurse Faculty Loan Program (See Note 4)		93.408ARRA	194,104	
Total Department of Health and Human Services			1,790,465	0
Total Student Financial Assistance Cluster			539,461,118	0
TOTAL NON RESEARCH AND DEVELOPMENT GRANTS			**8,749,404,966**	**850,910,152**
RESEARCH AND DEVELOPMENT CLUSTER:				
Department of Agriculture				
Agricultural Marketing Service				
Federal-State Marketing Improvement Program	RD	10.156	20,017	
Specialty Crop Block Grant Program - Farm Bill	RD	10.170	64,827	
Total Agricultural Marketing Service			84,844	0
Agricultural Research Service				
Agricultural Research-Basic and Applied Research	RD	10.001	905,492	
Animal and Plant Health Inspection Service				
Plant and Animal Disease, Pest Control, and Animal Care	RD	10.025	400,640	
Economic Research Service				
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	RD	10.250	7,416	
Food and Nutrition Service				
State Administrative Matching Grants for the Supplemental Nutrition	RD	10.561	636,698	
Foreign Agricultural Service				
Technical Assistance for Specialty Crops Program	RD	10.604	85,470	
Forest Service				
Urban and Community Forestry Program	RD	10.675	22,507	
Forest Stewardship Program	RD	10.678	39,176	6,000
Forest Health Protection	RD	10.680	83,665	11,054
Total Forest Service			145,348	17,054
National Institute of Food and Agriculture				
Grants for Agricultural Research, Special Research Grants	RD	10.200	162,966	76,215
Cooperative Forestry Research	RD	10.202	380,939	
Payments to Agricultural Experiment Stations Under the Hatch Act	RD	10.203	2,128,909	
Grants for Agricultural Research_Competitive Research Grants	RD	10.206	115,818	42,974
Animal Health and Disease Research	RD	10.207	16,142	
Higher Education Graduate Fellowships Grant Program	RD	10.210	18,408	
Sustainable Agriculture Research and Education	RD	10.215	138,314	4,591
Biotechnology Risk Assessment Research	RD	10.219	179,131	
Integrated Programs	RD	10.303	314,878	106,216
Homeland Security_Agricultural	RD	10.304	7,537	
Specialty Crop Research Initiative	RD	10.309	169,299	23,611

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Agriculture and Food Research Initiative	RD	10.310	2,776,788	670,023
Cooperative Extension Service	RD	10.500	118,290	
Total Institute of Food and Agriculture			6,527,419	923,630
Natural Resources Conservation Service				
Soil and Water Conservation	RD	10.902	29,549	
Environmental Quality Incentives Program	RD	10.912	27,448	
Total Natural Resources Conservation Service			56,997	0
Integrating approaches to conservation design across the LCC network in the East	RD	10.14-CR-112423	15,800	
Establishment of Genomic Tools for Investigating Fish Pathogens	RD	10.Preaward	988	
Total Department of Agriculture			8,867,112	940,684
Department of Commerce				
National Oceanic and Atmospheric Administration				
Integrated Ocean Observing System (IOOS)	RD	11.012	266,267	
Sea Grant Support	RD	11.417	1,182,557	44,162
Climate and Atmospheric Research	RD	11.431	75,683	
Marine Mammal Data Program	RD	11.439	21,231	
Applied Meteorological Research	RD	11.468	3,769	
Unallied Science Program	RD	11.472	225,181	
Coastal Services Center	RD	11.473	112,923	
Center for Sponsored Coastal Ocean Research Program	RD	11.478	36,732	
NOAA Programs for Disaster Relief Approp Act- Non-Construction & Construction	RD	11.483	163,269	64,276
Total National Oceanic and Atmospheric Administration			2,087,612	108,438
Development of Native Kelp Culture System Technologies to Support Sea Vegetable Aquacu	RD	11.AG110895	17,323	
Evaluation of Immune Functions in Free-ranging Bottlenose Dolphins in Support of Health A	RD	11.EA133C11SE1	(1,133)	
To Determine Relative Susceptibility of Hawaiian Monk Seal, Northern Fur Seal, California	RD	11.PO EA-133F-12	9,751	
Total Department of Commerce			2,113,553	108,438
Department of Defense				
Advanced Research Projects Agency				
Research and Technology Development	RD	12.910	20,730	
Department of the Air Force, Materiel Command				
Air Force Defense Research Sciences Program	RD	12.800	1,274,330	694,633
Department of the Navy, Office of the Chief of Naval Research				
Basic and Applied Scientific Research	RD	12.300	2,443,981	689,939
Department of Defense HIV/AIDS Prevention Program	RD	12.350	494,849	
Total Department of the Navy, Office Chief of Naval Research			2,938,830	689,939
Naval Medical Logistics Command				
Naval Medical Research and Development	RD	12.340	37,807	
U. S. Army Materiel Command				
Basic Scientific Research	RD	12.431	2,272,977	764,820
U.S. Army Medical Command				
Military Medical Research and Development	RD	12.420	2,246,593	110,917
Office of the Secretary of Defense				
Basic Scientific Research - Combating Weapons of Mass Destruction	RD	12.351	544,826	149,894
Basic, Applied, and Advanced Research in Science & Engineering	RD	12.630	25,596	
Total Office of the Secretary of Defense			570,422	149,894
National Security Agency				
Language Grant Program	RD	12.900	1,005	
Mathematical Sciences Grants Program	RD	12.901	61,925	
Information Security Grant Program	RD	12.902	77,595	
Total National Security Agency			140,525	0

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Control of Autonomous Hybrid Projectiles and Relevant Instrumentation	RD	12.10-9-0002	141,302	
Secure Efficient Cross-domain Protocols	RD	12.201301983-S	25,970	
Oxidation Modeling in Bond Coatings of Single Crystal Turbine Blades	RD	12.21153 Task #100	(10,557)	
Computational Implementation of Phase Field Theories in Finite Element Codes	RD	12.21153 Task #82	1,330	
TEM Characterization of SAM Al	RD	12.21153 Task #85	(2,864)	
Carbon Exchanges and Source Attributions in the New River Estuary, NC	RD	12.888-13-16-129	114,846	
Deposition of Thermographic Thermal Barrier Coatings	RD	12.AG091197	6,795	
CMAS and High Temperature Resistant LaMgAl11O19 TBC Coating Using a Microwave Ba	RD	12.AG130711	25,115	
Modeling and Optimizing Turbines for Unsteady Flow	RD	12.AG140182	40,000	
Modeling the Combined Effects of Deterministic and Statistical Structure for Optimization of	RD	12.FA9453-12-C-02	111,440	
Data Fusion and Tracking Algorithms for BMD	RD	12.HQ0147-12-C-6	295,858	
Development of Innovative Solutions for Hardware Security, and Detection and Prevention o	RD	12.HQ0147-13-C-6	53,604	
Tunable Capacitive Micromachined Ultrasonic Receiver (CMUR) Array	RD	12.N66604-12-P-10	(4,759)	
Design and Process Development for Gain Chip	RD	12.N66604-12-P-32	(236)	
Optimization of Design and Process Development for Gain Chip	RD	12.N66604-13-P-10	39,891	
MEMS Magnetic Sensor	RD	12.N66604-13-P-103	5,943	
Fast Speed Three-Channel Photonic Time Delay Unit	RD	12.PO # 870423	(382)	
Phase II STTR: High Energy Density Nanocomposite Based on Tailored Surface Chemistry	RD	12.PO 216062	89,326	
Impact Point Prediction Research for Short & Medium Range Thrusting Projectiles"	RD	12.PO 4440278825	69,571	
MOCVD of High Performance Complex Oxide Films for Switchable Film Bulk Acoustic Re	RD	12.PO# 41950-021	49,573	
NURTEC's Kraken2 ROV Services to Support the US Navy Subsea Cable Inspection	RD	12.PO #5494R-1	63,496	
Ignition Studies of Premixed Hydrocarbon and Vitiated Gas Mixtures at Atmospheric and Lo	RD	12.SB00710	(1,490)	
Thermodynamic Modeling of a Rotating Detonation Engine	RD	12.SB01210	(121)	
S-PMHT for RF/IR Data Correlation	RD	12.Subcontract No. A	(33,589)	
Experimental Study of Reacting Jets in Crossflow	RD	12.Task # 110 211	64,691	
Tracking the Uptake, Translocation, Cycling and Metabolism of Munitions Compounds in Co	RD	12.W912HQ-11-C	317,918	
Advanced Numerical Simulation of Electromagnetic Wave Propagation With Multi-region, P	RD	12.W913E5-07-C-0	659	
Advanced Proto Gun-launched Extended Munitions Utilizing Manned/Unmanned Projectiles	RD	12.343585	(795)	
Multi-Qubit Enhanced Sensing and Metrology	RD	12.5710003138	109,145	
Total Department of Defense			11,073,894	2,410,203
Department of Housing and Urban Development				
Office of Healthy Homes and Lead Hazard Control				
Healthy Homes Production Program	RD	14.913	29,665	
Department of the Interior				
Fish and Wildlife Service				
Sport Fish Restoration Program	RD	15.605	18,594	
Fish and Wildlife Management Assistance	RD	15.608	7,176	
Wildlife Restoration and Basic Hunter Education	RD	15.611	91,420	
State Wildlife Grants	RD	15.634	26,546	
Fish and Wildlife Coordination and Assistance Programs	RD	15.664	25,473	
Hurricane Sandy Disaster Relief Activities-FWS	RD	15.677	10,233	
Total Fish and Wildlife Service			179,442	0
U.S. Geological Survey				
Assistance to State Water Resources Research Institutes	RD	15.805	99,701	
U.S. Geological Survey - Research and Data Collection	RD	15.808	111,496	
Total U.S. Geological Survey			211,197	0
CT Comprehensive Wildlife Conservation Strategy Invertebrate Species of Greatest Conserva	RD	15.DEPA0000207	(408)	
Total Department of Interior			390,231	0
Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Juvenile Accountability Block Grants	RD	16.523	89,029	
Juvenile Justice and Delinquency Prevention_Allocation to States	RD	16.540	40,340	4,500
Total Office of Juvenile Justice and Delinquency Prevention			129,369	4,500
National Institute of Justice				
National Institute of Justice Research, Evaluation, and Development Project Grants	RD	16.560	183,480	48,011

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Bureau of Justice Assistance				
Edward Byrne Memorial Justice Assistance Grant Program	RD	16.738	8,905	
Total Department of Justice			321,754	52,511
Department of State				
Under Secretary for Public Diplomacy and Public Affairs				
Public Diplomacy Programs	RD	19.040	34,779	12,828
Department of Transportation				
Federal Highway Administration (FHWA`				
Highway Planning and Construction	RD	20.205	458,795	3,965
Highway Training and Education	RD	20.215	36,003	
Total Federal Highway Administration (FHWA)			494,798	3,965
Federal Railroad Administration (FRA)				
Railroad Research and Development	RD	20.313	4,710	
Office of the Secretary (OST) Administration Secretariate				
University Transportation Centers Program	RD	20.701	86,297	1,132
Development of the Connecticut Motor Vehicle Crash Data Repository	RD	20.0192-0732-AD	109	
State Motor Vehicle Crash data Repository Phase III	RD	20.0193-0732-AC	73,405	
Assessing the Full Cost of Parking Provision from the Perspective of the Municipality	RD	20.5710003457	48,618	
Crowdsourcing Real-time Traveler Information Services: Issues, Challenges and Recommen	RD	20.5710003459	33,382	
Effectiveness of Interventions at Midblock Crossings for Improving Senior and Other Pedest	RD	20.5710003458	75,405	
Investigation of Road and Roadside Design Elements Associated with Elderly Pedestrian	RD	20.5710003212	16,543	
Towards more Livable Sustainable Cities: The Impact of Parking Policies on the Long Term	RD	20.5710003211	16,631	
Transportation System Modeling in the Information Era	RD	20.5710003214	46,097	
Establishment of the Connecticut Transportation Safety Research Group (CTSRG)	RD	20.DOT00930193PL	556,107	
Establishment of the Connecticut Transportation Safety Research Group (CTSRG)	RD	20.DOT07139998PL	109,328	
Improved Prediction Models for Crash Types and Crash Severities	RD	20.HR 17-62	160,163	84,004
Connecticut Safety Circuit Rider Program	RD	20.MOU-1703269-2	73,756	
Repair of Steel Beam/Girder Ends with Ultra High-Strength Concrete	RD	20.MOU-S2282-0-2	63,987	
University of Connecticut Graduate Fellowships	RD	20.No. 5710003188	130,364	
Single Lane Roundabout	RD	20.PREAWARD	(9,420)	
Dynamic Impact Factors on Existing Long-span Truss Railroad Bridges	RD	20.SAFETY-25	26,570	
Evaluating Application of Field Spectroscopy Devices to Fingerprint Commonly Used Const	RD	20.SHRP-R-06(B)	74,244	
Total Department of Transportation			2,081,094	89,101
Department of the Treasury				
Characteristics of Compliant Corporations	RD	21.TIRNO-11-P-00	(17,385)	
National Aeronautics and Space Administration				
Determining Geophysical Impacts on Scatterometer Wind Stress Accuracy	RD	43.11-039	27,833	
Electrochemical H2 Reclamation	RD	43.AG110738	2,090	
Evaluation of the Performance of NASA's SOFC-LTA on Methane as Fuel	RD	43.NNC11VE02P	28,918	
Thermogaphic Coating of a Turbine Blade	RD	43.NNC13VI87P	1,893	
FLEX Droplet Flame Extinguishment in Microgravity	RD	43.NNX08AD13G	12,680	
Genome-Based Investigations into the Nature of the Common Ancestor of the Thermotogales	RD	43.NNX08AQ10G	23,064	
Testing the Suitability of Satellite Precipitation Products for Hydrological Modeling at Multi	RD	43.NNX10AG77G	10,491	
Investigation of Satellite QPE and Hydroligic Validation in Complex Terrain Basins	RD	43.NNX10AG91G	16,038	
Data Reduction And Fusion For Remote Diagnostics	RD	43.QSI-DSC-09-003	(13,940)	
Detecting Changes of Forest Biomass from Fusion of Radar and Lidar: Developing DESDyn	RD	43.Sub #1426327	568	
Flame Stabilization for Reacting Jets in Crossflow	RD	43.Task 114	28,919	
Science	RD	43.001	698,889	56,107
Aeronautics	RD	43.002	127,775	
Exploration	RD	43.003	22,395	
Education	RD	43.008	16,812	
Total National Aeronautics and Space Administration			1,004,425	56,107

STATE OF CONNECTICUT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
National Endowment for the Humanities				
Promotion of the Humanities-Fellowships and Stipends	RD	45.160	17,339	
Promotion of the Humanities-Professional Development	RD	45.163	737	
Total National Endowment for the Humanities			18,076	0
National Science Foundation				
Charter of R/V Weicker for CT River Project	RD	47.PO #M216006	5,991	
Charter of R/V Connecticut in Support of R. Evans Deployment	RD	47.PO# M216021	15,033	
Engineering Grants	RD	47.041	5,740,450	110,669
Mathematical and Physical Sciences	RD	47.049	2,350,384	28,341
Geosciences	RD	47.050	1,793,316	8,900
Computer and Information Science and Engineering	RD	47.070	3,102,496	
Biological Sciences	RD	47.074	4,675,016	476,009
Social, Behavioral, and Economic Sciences	RD	47.075	808,352	60,834
Education and Human Resources	RD	47.076	3,999,021	201,952
Polar Programs	RD	47.078	334,085	6,850
Office of Cyberinfrastructure	RD	47.080	134,032	
Trans-NSF Recovery Act Research Support	RD	47.082	105,909	25,316
Trans-NSF Recovery Act Research Support	RD	47.082ARRA	674,909	197,669
Total National Science Foundation			23,738,994	1,116,540
Small Business Administration				
Small Business Development Centers	RD	59.037	1,108,768	
Total Small Business Administration			1,108,768	0
Department of Veterans Affairs				
Gender Differences in Addictive Behaviors among Returning Veterans	RD	64.AG110995	16,208	
Study Of Returning Veterans (SERV)	RD	64.VA241-12-C-0020	25,291	
Total Department of Veterans Affairs			41,499	0
Environmental Protection Agency				
Office of Water				
Long Island Sound Program	RD	66.437	1,030,215	138,100
Nonpoint Source Implementation Grants	RD	66.460	78,333	
Total Office of Water			1,108,548	138,100
Office of Research and Development (ORD)				
Science To Achieve Results (STAR) Research Program	RD	66.509	94,458	
Science To Achieve Results (STAR) Fellowship Program	RD	66.514	40,084	
P3 Award: National Student Design Competition for Sustainability	RD	66.516	47,081	16,000
Total Office of Research and Development (ORD)			181,623	16,000
Office of the Administrator				
Performance Partnership Grants	RD	66.605	27,054	
Turning the N-Sink Prototype into a Working GIS Tool	RD	66.824181-000-OP	9,705	
Development and Application of a Long Island Sound GIS-Based Eelgrass Habitat Suitability	RD	66.AG101024	(127)	
The NY/CT Long Island Sound Eelgrass Restoration Project	RD	66.AG101187	204	
N-Sink Tool Stakeholder Feedback and Analysis of Scalability	RD	66.DTS-14-002	4,847	
Total Environmental Protection Agency			1,331,854	154,100
Nuclear Regulatory Commission				
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	RD	77.008	44,735	
Department of Energy				
Studies of Transversity using Frozen-Spin HD Ice Target	RD	81.07A0299200	25,455	
Industrial Carbon Capture and Storage (CCS) Application	RD	81.134ARRA	59,575	
JLab/UConn MOU for Bridge Position in Theoretics Nuclear Physics	RD	81.08C1751101	5,417	
Experimental Nuclear Physics	RD	81.13C1252100	10,676	
Load Forecasting at the Distribution Level in the Face of Distributed Energy Resources	RD	81.3481-4700194558	57,796	
Mesoscale Modeling of Coupled Phenomena in Thin Ferroic Films	RD	81.3F-31881	14,797	
Metals Program in Support of Stack Block Durability Testing	RD	81.AG091277	88,885	
WiFi-Enabled Plug-In Multi-Outlet Adapter	RD	81.AG131223	56,833	
Single Step Manufacturing of Low Catalyst Loading Electrolyzer MEAs	RD	81.EC-013088-1	(2,396)	

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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Graduate Research Services	RD	81.JSA-07-A0299	(2,254)	
Graduate Research Services-Alexey Kubarovskiy	RD	81.PO 07-A0299202	5,969	
Dish Dtirling High Performance Thermal Storage	RD	81.PO 1291108	111,767	
Graduate Research Services-Andrey Kim	RD	81.PO 14-P0041	15,874	
Analysis of Dislocations in BCC Metals	RD	81.PO-1415509	15,449	
Evaluating Alumina Forming Austenitic Steels for Solid Oxide Fuel Cell Power System Bala	RD	81.PO 2601309ARRA	20,650	
Thermally Integrated Solid State Hydrogen Separator and Compressor Development Support	RD	81.PO 50546-000	69,828	
Long Term Materials and Electrochemical Testing	RD	81.154319	12,215	
Mechanistic Evaluation of the Thermo-Chemo and Electro Processes and the Role of Micros	RD	81.158038	11,705	
Special Studies and Projects in Energy Education and Training	RD	81.045	80,619	
Office of Science Financial Assistance Program	RD	81.049	3,301,776	
University Coal Research	RD	81.057	118,341	
Renewable Energy Research and Development	RD	81.087	357,276	
Fossil Energy Research and Development	RD	81.089	343,266	89,708
Energy Efficiency and Renewable Energy Info. Dissemination Outreach, Training	RD	81.117	5,157	
Advanced Research Projects Agency-Energy	RD	81.135	1,893	
Total Department of Energy			4,786,569	89,708
Department of Education				
Office of Postsecondary Education				
Fund for the Improvement of Postsecondary Education	RD	84.116	2,658	
Graduate Assistance in Areas of National Need	RD	84.200	690,576	
Total Office of Postsecondary Education			693,234	0
Office of Elementary and Secondary Education				
Mathematics and Science Partnerships	RD	84.366	2,241	
Institute of Education Sciences				
Education Research, Development and Dissemination	RD	84.305	1,901,568	736,815
Research in Special Education	RD	84.324	1,982,255	907,976
Statewide Longitudinal Data Systems	RD	84.372	97,819	85,378
Total Institute of Education Sciences			3,981,642	1,730,169
Office of Vocational and Adult Education				
Career and Technical Education-Basic Grants to States	RD	84.048	17,681	
Office of Special Education and Rehabilitative Services				
Special Education - Grants to States	RD	84.027	18,551	
Special Education - Personnel Development to Improve Services and Results for Children w	RD	84.325	1,097,824	473,428
Total Office of Special Education and Rehabilitative Services			1,116,375	473,428
Total Department of Education			5,811,173	2,203,597
Vietnam Education Foundation				
Fellowship Program	RD	85.802	29,550	
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	RD	90.401	233,312	
U.S. Election Assistance Commission Research Grants	RD	90.403	58,098	
Total U.S.Election Assistance Commission			291,410	0
Department of Health and Human Services				
Administration for Children and Families				
TANF Program Integrity Innovation Grants	RD	93.076	81,775	
Affordable Care Act (ACA) Personal Responsibility Education Program	RD	93.092	226,417	
Abandoned Infants	RD	93.551	26,317	26,317
Promoting Safe and Stable Families	RD	93.556	277,843	
Temporary Assistance for Needy Families	RD	93.558	5,200	
State Court Improvement Program	RD	93.586	5,807	
Community-Based Child Abuse Prevention Grants	RD	93.590	234,559	
Child Abuse and Neglect Discretionary Activities	RD	93.670	147,633	
Total Administration for Children and Families			1,005,551	26,317

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Administration for Community Living				
Special Programs for the Aging-Title IV and Title II Discretionary Projects	RD	93.048	42	
Affordable Care Act – Aging and Disability Resource Center	RD	93.517	70,484	
University Centers for Excellence in Developmental Disabilities Education, Research, and S	RD	93.632	481,649	
Total Administration for Community Living			552,175	0
Centers for Disease Control and Prevention				
Public Health Emergency Preparedness	RD	93.069	25,978	
Injury Prevention and Control Research, State and Community Based Programs	RD	93.136	1,441	
Occupational Safety and Health Program	RD	93.262	1,956,748	45,408
Centers for Disease Control, Prevention-Investigations and Technical Assist	RD	93.283	186,801	
HIV Prevention Activities-Health Department Based	RD	93.940	373,827	
Research, Prevention, and Education Programs on Lyme Disease in the U. S.	RD	93.942	222,466	
Assistance Programs for Chronic Disease Prevention and Control	RD	93.945	123,850	
Total Centers for Disease Control and Prevention			2,891,111	45,408
Centers for Medicare and Medicaid Services				
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disa	RD	93.768	(1,001)	
Medical Assistance Program	RD	93.778	781,004	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluati	RD	93.779	13,762	
Total Centers for Medicare and Medicaid Services			793,765	0
Food and Drug Administration				
Food and Drug Administration - Research	RD	93.103	598,011	
Food Safety and Security Monitoring Project	RD	93.448	355,787	
Total Food and Drug Administration			953,798	0
Health Resources and Services Administration				
Area Health Education Centers Point of Service Maint. & Enhancement Awards	RD	93.107	414,651	327,797
Maternal and Child Health Federal Consolidated Programs	RD	93.110	310,827	
AIDS Education and Training Centers	RD	93.145	41,584	
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	RD	93.153	373,169	215,319
Public Health Training Centers Program	RD	93.249	4,624	4,500
Poison Center Support and Enhancement Grant Program	RD	93.253	170,448	
Nurse Education, Practice Quality and Retention Grants	RD	93.359	51,949	
Affordable Care Act (ACA) Primary Care Residency Expansion Program	RD	93.510	599,435	
Grants for Primary Care Training and Enhancement	RD	93.884	354,315	47,111
HIV Emergency Relief Project Grants	RD	93.914	75,675	43,973
HIV Care Formula Grants	RD	93.917	665,566	
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	RD	93.918	10,778	
Maternal and Child Health Services Block Grant to the States	RD	93.994	1,117	
Total Health Resources and Services Administration			3,074,138	638,700
National Institutes of Health				
Family Smoking Prevention and Tobacco Control Act Regulatory Research	RD	93.077	476,931	12,540
Environmental Health	RD	93.113	1,051,013	39,723
Oral Diseases and Disorders Research	RD	93.121	3,641,651	72,256
NIEHS Superfund Hazardous Substances-Basic Research & Education	RD	93.143	4,696	
Human Genome Research	RD	93.172	2,938,616	1,849,319
Research Related to Deafness and Communication Disorders	RD	93.173	1,113,656	139,090
Research and Training in Complementary and Alternative Medicine	RD	93.213	377,960	178,754
National Center on Sleep Disorders Research	RD	93.233	406,433	
Mental Health Research Grants	RD	93.242	5,841,544	1,318,069
Alcohol Research Programs	RD	93.273	4,174,579	317,620
Drug Abuse and Addiction Research Programs	RD	93.279	8,412,928	1,448,698
Mental Health Research Career/Scientist Development Awards	RD	93.281	202,901	
Mental Health National Research Service Awards for Research Traning	RD	93.282	340,209	
Discovery and Applied Research for Technological Innovations to Improve Human Health	RD	93.286	957,866	
Minority Health and Health Disparities Research	RD	93.307	148,516	
Trans-NIH Research Support	RD	93.310	269,521	
National Center for Advancing Translational Sciences	RD	93.350	6,000	
Research Infrastructure Programs	RD	93.351	132,856	
Nursing Research	RD	93.361	651,483	

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
National Center for Research Resources	RD	93.389	168,382	
Cancer Cause and Prevention Research	RD	93.393	1,114,094	81,976
Cancer Detection and Diagnosis Research	RD	93.394	689,002	93,634
Cancer Treatment Research	RD	93.395	1,071,813	117,624
Cancer Biology Research	RD	93.396	998,510	131,331
Trans-NIH Recovery Act Research Support	RD	93.701ARRA	2,277,710	60,624
Cardiovascular Diseases Research	RD	93.837	3,610,823	1,324,900
Lung Diseases Research	RD	93.838	416,943	148,745
Arthritis, Musculoskeletal and Skin Diseases Research	RD	93.846	4,114,142	104,753
Diabetes, Digestive, and Kidney Diseases Extramural Research	RD	93.847	2,306,135	71,511
Extramural Research Programs in the Neurosciences and Nureological Disorders	RD	93.853	5,292,925	
Allergy, Immunology and Transplantation Research	RD	93.855	8,814,607	833,446
Microbiology and Infectious Diseases Research	RD	93.856	159,461	
Biomedical Research and Research Training	RD	93.859	6,816,704	41,360
Child Health and Human Development Extramural Research	RD	93.865	3,806,047	795,244
Aging Research	RD	93.866	3,288,775	1,249,613
Vision Research	RD	93.867	1,373,996	
Medical Library Assistance	RD	93.879	294,355	97,320
Total National Institutes of Health			77,763,783	10,528,150
Substance Abuse and Mental Health Services Administration				
Substance Abuse and Mental Health Services-Projects of Reg & Nat.	RD	93.243	2,210,108	422,926
Public Health and Social Services Emergency Fund	RD	93.003	66,100	
Block Grants for Prevention and Treatment of Substance Abuse	RD	93.959	1,702	
Total Substance Abuse and Mental Health Services Administration			2,277,910	422,926
Office of the Secretary				
Policy Research and Evaluations Grants	RD	93.239	17,120	
State Partnership Grant Program to Improve Minority Health	RD	93.296	61,462	61,462
Teenage Pregnancy Prevention Program	RD	93.297	16,431	
Health Information Technology Regional Extension Centers Program	RD	93.718ARRA	(349)	
ARRA - State Grants to Promote Health Information Technology	RD	93.719ARRA	324,739	
National Bioterrorism Hospital Preparedness Program	RD	93.889	149,829	19,500
Total Office of the Secretary			569,232	80,962
Reduced Afterglow Scintillator Films for High Speed Medical Imaging	RD	93.C09-30	19,859	
Effect Size Metric Choices as Factors in Meta-Analytic Statistical Inferences	RD	93.HHSA 290 2007	6,539	
Biologic and Non-biologic Systematic Agents and Phototherapy for Treatment of Chronic Pl	RD	93.HHSA 290 20	44,997	
The Use of Indirect Statistical Comparisons in EPC Reports	RD	93.HHSA 290 200	45,629	
Evidence-Based Practice Centers III	RD	93.HHSA 290-2007-1	(67)	
Liposomal Protein Drug Products: A Quality by Design Case Study to Understand and Mana	RD	93.HHSF223201011	(4,600)	
Method of Dissolution for Nanosuspensions/Nanoparticles	RD	93.HHSF223201110	19,425	
Continuous Manufacturing of Liposomal Drug Formulations	RD	93.HHHSF2232013	121,699	
Estimating the Causal Effects of Social Networks on Health Behaviors	RD	93.M12A11287(A2	16,014	
Understanding Electrostatic Behavior in Granular Materials: Models and Experiments	RD	93.NIPTE-U01-CT	29,398	
HPTN 067 Behavioral Aspects of PrEP Counseling for Intermittent Exposure	RD	93.PREAWARD	13,329	
HPTN 069: Pre-Exposure Prophylaxis (PrEP) to Prevent HIV Transmission in At-Risk Men	RD	93.PREAWARD	13,330	
Nhanes Chemosensory Development and Implementation Protocol	RD	93.S8056	82,434	
DIG Program Evaluation and Analysis	RD	93.10MHA1195	(139)	
HHS Programs for Disaster Relief Appropriations Act - Non Construction	RD	93.095	107,921	
Total Department of Health and Human Services			90,397,231	11,742,463
Social Security Administration				
Economic Outcomes Unexpected Lifecycle Shocks	RD	96.AG101129	52,091	
Department of Homeland Security				
US Coast Guard Biodiesel Pilot Program Validation Study	RD	97.23-13-323P040	6,276	
Switch Polarity Solvent (SPS) Membrane Studies	RD	97.Contract 00141	40,168	
Update of the Database on Terrorist and Serious Criminal Attacks against Public Surface Tra	RD	97.HSHQDC-10-D	95,750	81,250
Advanced Simulation & Testing of Border-Crossing Clandestine Tunnel Detection	RD	97.Subcontract #912	3,875	
Verification and Validation of the Performance of the Geophysical and Operational System F	RD	97.99900	33,589	
Centers for Homeland Security	RD	97.061	644,208	158,598

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR		CFDA/ IDENTIFYING NUMBER	Expenditures	Provided to Subrecipients
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Tech	RD	97.077	93,694	
Homeland Security-Related Science, Tech. Engineering and Math (HS STEM) Career Devel	RD	97.104	252,550	
Total Department of Homeland Security			1,170,110	239,848
Agency for International Development				
Characterization of Mycoplasma Gallisepticum Isolates from Pakistan and their Use in Produ	RD	98.PGA-P210935	13,323	
Cbaer in Senegal: Needs Assessment Unexpected Demand for Profesionals in Ag	RD	98.451066-19213	185,193	
Norman E. Borlaug Leadership Enhance in Agriculture Program: Fellowship for Taye Hulluk	RD	98.016258-90	1,499	
USAID Foreign Assistance for Programs Overseas	RD	98.001	140,419	109,048
USAID Development Partnerships for University Cooperation and Dev.	RD	98.012	649,124	358,681
Total Agency for International Development			989,558	467,729
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**155,710,740**	**19,683,857**
TOTAL FEDERAL ASSISTANCE			**8,905,115,706**	**870,594,009**

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 federal programs that are subject to separate audits in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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), *Section 8 Moderate Rehabilitation Single Room Occupancy Program* (CFDA #14.249), *Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation* (CFDA #14.856), and *Section 8 Housing Choice Vouchers* (CFDA #14.871) programs represent the net Annual Contributions Contact subsidy received for the state's fiscal year ended June 30, 2014. 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.

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. 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 6) the non-federal share portion is not included in the Schedule.

Note 2 – Research Programs

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.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 3 – Non-cash Assistance

The state received non-cash federal financial assistance, which are included in the schedule and are as follows:

10.551	Supplemental Nutrition Assistance Program	701,811,906
10.555	National School Lunch Program	14,412,321
10.559	Summer Food Service Program for Children	6,559
39.003	Donation of Federal Surplus Personal Property **	0
93.053	Nutrition Services Incentive Program	14,193
93.268	Immunization Grants	35,211,161
93.283	Centers for Disease Control & Prevention Investigations & Technical Assistance	602

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

Note 4 - Federally Funded Student Loan Programs

The summary for the federally funded student loan programs below include both those loans that have continuing compliance requirements and those that do not. They are:

a) Student loan programs with continuing compliance requirement:

CFDA Number	Program Name	Loans Outstanding On June 30, 2014	New Loans Processed
84.038	Federal Perkins Loan Program	$27,458,023	$5,104,619
93.264	Nurse Faculty Loan Program	739,718	203,736
93.342	Health Professions Student Loans	700,903	0
93.364	Nursing Student Loans	19,571	0
93.408	ARRA-Nurse Faculty Loan Program	171,095	0

b) Other student loan programs that do not have a continuing compliance requirement:

CFDA Number	Program Name	New Loans Processed
84.268	Federal Direct Student Loans	$354,448,032

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 5 - Rebates on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

The expenditures presented on the schedule for the federal WIC program are presented net of rebates and amounts for penalties and fines.

During the fiscal year the state received $13,553,067 from rebates from infant formula and cereal manufactures on the sales of formula to participants in the *U.S. Department of Agriculture's WIC program* (CFDA #10.557). The WIC program collected $55,260 in fines and penalties that were subsequently used to increase WIC program benefits to more participants.

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. During fiscal year 2014 Under 2 CFR 225, rebates enabled the state to serve more eligible persons with the same federal dollars thereby reducing the federal cost per person.

Note 6 – State Unemployment Insurance Funds

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, 2014, the state funds expended from the Federal Unemployment Trust Fund amounted to $241,337,354. The total expenditures from the federal portion equaled $809,484,510. The $96,772,225 in Unemployment Insurance program administrative expenditures was financed by the U.S. Department of Labor.

Note 7 – Child Support Enforcement

During the fiscal year ended June 30, 2014, the Department of Social Services expended a total of $47,374,298 (federal share) to accomplish the goals of the *Child Support Enforcement Program* (CFDA #93.563). However, the state received $13,997,827 of the total expenditures by withholding a portion of various collections received by the state through the process of implementing the *Child Support Enforcement Program*. The other $33,376,471 of the federal share of expenditures was reimbursed to the state directly from the federal government.

Note 8 – HIV Care Formula Grants

Expenditures reported on the SEFA totaled $10,466,085 for the *HIV Care Formula Grants* (CFDA #93.917). The state also expended $16,082,292 in HIV rebates provided by private pharmaceutical companies. These HIV rebates are authorized by the AIDS Drug Assistance Program (ADAP) manual Section 340B rebate option as a cost savings measure and are not included in the reported SEFA expenditures.

Note 9 – ARRA American Recovery and Reinvestment Act

Under the provisions of the American Recovery and Reinvestment act of 2009, recovery expenditures were separately identified using the code, “ARRA” along with the CFDA number. During the fiscal year ended June 30, 2014 a grand total of $48,456,716 was expended. The total amount includes $45,099,483 in ARRA non-research expenditures as well as $3,357,233 in ARRA research expenditures.

Note 10 – Supplemental Nutrition Assistance Program

The reported expenditures for benefits under the *Supplemental Nutrition Assistance Program* (SNAP) (CFDA #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 0.64 percent of USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2014. The amount which was reported under SNAP was provided with non-cash assistance.

Note 11 – Refunds of Unspent Funds

When refunds of unspent funds are received by the state from a non-state subrecipient and returned to the federal government for funds reported as expended in a prior SEFA, negative balances may be reported.

Note 12 – 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 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.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.	STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Note 12 - Pass-through Grants:				
NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS				
Department of Agriculture				
10.CNP-UCONN	UOC	Last Green Valley, Inc.	CNP-UCONN	$ 36,148
10.UM-S810	UOC	University of Maine	UM-S810	731
10.200	UOC	Northeastern Regional Aquaculture Center	Z540501	11,580
10.303	UOC	Cornell University	67850-10222	2,890
10.304	UOC	Cornell University	67826-9915	17,756
10.500	UOC	Auburn University	13-HHP-379816-UCONN	10,648
10.500	UOC	Kansas State University	S13051	11,724
10.500	UOC	Kansas State University	S14081	21,054
10.500	UOC	University of Delaware	Subaward 29126	4,024
10.500	UOC	University of Nebraska	26-6365-0001-359	3,992
10.500	UOC	University of Vermont	26922	142,583
10.500	UOC	University of Vermont	PDP Coordinator	27,987
10.500	UOC	University of Vermont	Coordinator13	1,769
10.500	UOC	University of Vermont	SNE13-01	37,682
10.500	UOC	University of Vermont	SNE12-01	23,341
Total Department of Agriculture				353,909
Department of Commerce				
11.PO 5100106194	UOC	University of Maine	PO 5100106194	41,909
11.PO 5100150961	UOC	University of Maine	PO 5100150961	12,800
11.PO# 002004MD	UOC	Photo Science	PO# 002004MD	7,376
11.PSP-1048	UOC	Consolidated Safety Services	PSP-1048	41,788
11.432	UOC	Florida Atlantic University	Subcontract #URH96	146
11.432	UOC	Florida Atlantic University	Subcontract# URJ18	6,107
11.5700-UCONN	UOC	Industrial Economics (IEc)	5700-UCONN	4,378
Total Department of Commerce				114,504
Department of Defense				
12.611	CCC	CT Ctr. For Advanced Technology	SO-146-11	4,750
12.#11-K021	UOC	Connecticut Center for Advanced Technology, Inc.	#11-K021	557
12.PO# 5493	UOC	Truston Technologies	PO# 5493	56,512
12.PO# M14-217	UOC	MAR Range Services	PO# M14-217	75,432
12.PO# M14-218	UOC	MAR Range Services	PO# M14-218	122,325
Total Department of Defense				259,576
Department of Housing and Urban Development				
14.AG111076	UOC	Capitol Region Council of Governments	AG111076	15,126
14.218	CCSU	City of New Britain	Unknown	15,000
Total Department of Housing and Urban Development				30,126
Department of the Interior				
15.PO# M216477	UOC	Woods Hole Oceanographic Institution	PO# M216477	58,800
15.663	UOC	National Fish and Wildlife Foundation	Project 1401.12.032632	3,437
15.805	CCC	University of Connecticut	#G11AP20069	1,485
15.939	UOC	Last Green Valley, Inc.	CLEAR/UCONN (9/12 - 4/13)	6,705
Total Department of Interior				70,427
Department of Justice				
16.726	UOC	National 4-H Council	2013-JU-FX-0022	17,914
16.726	UOC	National 4-H Council	2012-OJJDP-NMPIII-306	61,382
16.726	UOC	National 4-H Council	AG120128	7,509
Total Department of Justice				86,805
Department of Labor				
17.255	CCC	Northwest Regional Investment Board	ISY-12-002	627
17.255	CCC	Northwest Regional Investment Board	ISY-13-002	168,054
17.259	CCC	Northwest Regional Investment Board	OSY-12-002	7,107
17.259	CCC	Northwest Regional Investment Board	OSY-13-002	298,670
17.259	CCC	The Workplace Inc.	WYOU-2012-NCCO/S-001	94,595
17.259	CCSU	Capital Workforce Partners, Inc.	Unknown	76,895
17.268	CCC	Northwest Regional Investment Board	H-1B-11-008	7,454
17.268	CCC	The Workplace Inc.	HG-22616-12-60-A-9	52,726
17.268	CCSU	Capital Workforce Partners	HG-22591-12-60-A-9	9,672
17.283	CCC	Workforce Alliance	SGA-DFA-PY-11-05	65,293
Total Department of Labor				781,093
Department of Transportation				
20.601	CCSU	Texas Center for the Judiciary	583EGF7029	15,463

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
National Aeronautics and Space Administration					
43.PO #28512		UOC	Bigelow Laboratory for Ocean Sciences	PO #28512	44,800
43.001		CCC	University of Hartford	AGR-1-15-08	7,419
43.001		CCSU	University of Hartford	NNX12AG64H - P530	2,000
43.001		CCSU	University of Hartford	NNX12AG64H - P658	7,500
43.001		UOC	University of Hartford	P-644	(682)
43.001		UOC	University of Hartford	P-696	874
43.001		UOC	University of Hartford	P-701	5,593
43.001		UOC	University of Hartford	P-743	12,250
43.001		UOC	University of Hartford	P-745	645
43.001		UOC	University of Hartford	PO# 009587	976
43.001		UOC	University of Hartford	PO#099659 P-646	(19)
43.008		ECSU	University of Hartford	Unknown	5,000
43.008		CCC	University of Hartford	Ltr. 03-28-14	1,500
43.008		CCSU	University of Hartford	NNX12AG64H - P-807	790
Total National Aeronautics and Space Administration					88,646
Institute of Museum & Library Services					
45.310		UOC	Connecticut State Library	151A-0A-14	4,670
45.312		UOC	Hartford Public Library	AG100794	34,138
Total Institute of Museum & Library Services					38,808
Environmental Protection Agency					
66.AG111055		UOC	Integrated Pest Management Institute of North America	AG111055	335
66.437		UOC	New England Interstate Water Pollution Control Com	2013-023	13,166
66.437		UOC	National Fish and Wildlife Foundation	1401.11.028174	105
66.437		UOC	National Fish and Wildlife Foundation	Project 1401.12.032632	5,750
66.437		UOC	National Fish and Wildlife Foundation	Project# 1401.11.028580	29,578
Total Environmental Protection Agency					48,934
Department of Energy					
81.087		CCC	Hudson Valley Community College	AGR 09-20-10	456
81.087	ARRA	CCC	Hudson Valley Community College	AGR-9-20-10	642
81.122	ARRA	UOC	University of Minnesota	A000211554	(3)
Total Department of Energy					1,095
Department of Education					
84.002		CCC	Education Connection, Foothill Adults & Continuing Ed.	Transitions Grant AE12-5	12,215
84.116		CCC	LaGuardia Community College	#46285L	4,835
84.133		SDR	University of Mass, Boston	S520100000012109	21,994
84.165		CCSU	Hartford Board of Education	USDOE #U165A100064	70,554
84.165		SCSU	Hyde School	U165A100032-12	421
84.224		SCSU	Handhold Adaptive	ED-IES-11-C-0400	35,724
84.324		SCSU	University of Tennessee	A12-0612-S001	11,925
84.326		UOC	University of North Carolina, Chapel Hill	5-39295	22,679
84.326		UOC	University of Oregon	223561A	158,912
84.326		UOC	University of Oregon	224440K	212,231
84.367		UOC	National Writing Project Corporation	Agmt 92-CT01-SEED2012	26
84.367		CCSU	Wesleyan University Green Street Arts Center/PIMMS	130HE1188AA	13,380
84.374		UOC	New Haven Public Schools, CT	Agreement No 96085257	31,014
84.388	ARRA	UOC	Bridgeport Public Schools	AG130845	11,300
84.395	ARRA	UOC	Providence Public Schools, Providence, RI	2109427-0-PO	116,803
84.395	ARRA	UOC	Providence Public Schools, Providence, RI	2105741-0-PO	629
84.395	ARRA	UOC	Providence Public Schools, Providence, RI	2109427-0-PO	75,546
84.396	ARRA	UOC	Ohio State University	6002916/RF01233626	31,806
84.396	ARRA	UOC	Ohio State University	60029196/RF01233626	32,475
84.928		CCSU	National Writing Project	06-CT04 (USDOE U928A050001)	1,186
84.928		UOC	National Writing Project Corporation	92-CT01	184
Total Department of Education					865,839
Department of Health and Human Services					
93.NIPTE-U01-UC		UOC	National Institute of Pharmaceutical Technology and Education	NIPTE-U01-UC-003-2012	5,079
93.110		SCSU	FAVOR, Inc.	Unknown	20,118
93.243		DOC	Yale University	5H79TI019806-05	14,958
93.243		CCC	Wheeler Clinic	LTR-3-14-12	88,134
93.243		CCSU	Clinton Youth & Family Service Bureau	CCSU 11-16	5,674
93.243		CCSU	Wheeler Clinic	Unknown	5,100
93.273		DOC	Yale University	5R01AA018944-04	62,387
93.276		CCSU	Clinton Youth & Family Service Bureau	SAMSA #10-SP15833A	4,882
93.276		CCSU	Town Of Southington	DPHS # 1H79SP015686-01	11,320
93.279		DOC	Yale University	5R01DA030762-03	62,388
93.283		DPH	National Association of Chronic Disease Directors	NACDD Contract # 0102013	20,000
93.604		UOC	International Institute of Connecticut	AG130098	3,553
93.648		UOC	National Child Welfare Workforce Institute	1113708-13-66158	13,591
93.701	ARRA	SCSU	Yale University	M10A10804(R10957)	62,637
93.721	ARRA	CCC	Tidewater Community College	AGR-7-7-10	115
93.928		DOC	Yale University	H97HA24963-02	12,037
93.959		CCSU	Wheeler Clinic	Unknown	5,054
Total Department of Health and Human Services					397,027

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Corporation for National and Community Service					
94.006		UOC	Jumpstart, Inc	830200	122,136
Department of Homeland Security					
97.005		CCC	Nat'l Partnership For Environmental Educ	Ltr 05-10-11	208
97.075		DOT	New York State Division of Homeland Security & Emergency Services	C157588	1,536,698
97.106		DPS	New York City Police Department (NYCPD)	Unknown	433,549
Total Homeland Security					1,970,455
United States Agency for International Development					
98.AG110248		UOC	Conservation International Fund	AG110248	27,173
TOTAL NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS					**5,272,016**

RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS: (SEE NOTE 2)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Agriculture					
Agriculture Marketing Service					
10.170	RD	UOC	University of Florida	UFDSP00010092	638
National Institute of Food and Agriculture					
10.200	RD	AES	TEXAS A & M	570512	1,590
10.200	RD	AES	CORNELL UNIVERSITY	62094-9545	149
10.200	RD	AES	CORNELL UNIVERSITY	60217-9222	1,780
10.215	RD	AES	UNIVERSITY OF VERMONT	LNE09-279	88,848
10.215	RD	AES	PENN STATE UNIVERSITY	4378-CAES-UV-0296	2,967
10.215	RD	UOC	University of Rhode Island	082410/0002574	1,824
10.215	RD	UOC	University of Vermont	LNE13-324	222
10.215	RD	UOC	University of Vermont	LNE09-281	29,810
10.215	RD	UOC	University of Vermont	ONE13-179	3,336
10.215	RD	UOC	Hampshire College	AG140457	11,307
10.304	RD	AES	CORNELL UNIVERSITY	67826-9931	7,537
10.309	RD	AES	VIRGINA POLY TECH INSTITUTE	422179-19756	28,222
10.309	RD	AES	CORNELL UNIVERSITY	64094-9752	13,477
10.309	RD	AES	UNIVERSITY OF MASS AMHERST	12-007055-A-00	127,600
10.310	RD	AES	UNIVERSITY OF GEORGIA	RC293-365/4693928	673
10.310	RD	UOC	Purdue University	8000047623-AG	61,795
10.310	RD	UOC	University of California at Davis	Subaward# 201015739-07	10,917
10.310	RD	UOC	University of California, Berkeley	00007712	24,493
10.310	RD	UOC	University of Nevada	UNR-12-02	8,651
10.310	RD	UOC	Yale University	M10M10477 (M00101)	27,328
Total National Institute of Food and Agriculture					452,526
Foreign Agricultural Service					
10.604	RD	AES	California Dried Plum Board	PN 12-27	52,001
Forest Service					
10.678	RD	AES	National Audubon Society	13-DG-11420004-260	2,569
Economic Research Service					
10.250	RD	UOC	South Dakota State University	Subaward 3TB428	7,416
Natural Resources Conservation Service					
10.902	RD	UOC	University of Rhode Island	122909/0002399	(22)
Total Department of Agriculture					515,128
Department of Commerce					
National Oceanic and Atmospheric Administration					
11.012	RD	UOC	Northeastern Regional Association of Coastal Ocean Observing Systems	02-A002	266,267
11.417	RD	UOC	Marine Biological Laboratory	44035	14,305
11.431	RD	UOC	University Corporation for Atmospheric Research	Subaward #S08-67963	16,192
11.431	RD	UOC	University of Michigan	3002868294	13,441
11.473	RD	UOC	Gulf of Maine Association	AG130184	40,969
11.473	RD	UOC	Rutgers - State University of New Jersey	PO# S1566258	71,953
11.478	RD	UOC	University of Rhode Island	Sub#091811/0003087	36,732
11.483	RD	UOC	Norteastern Regional Association of Coastal OCEAN observing System	A003-001	1,536
11.483	RD	UOC	Rutgers - State University of New Jersey	436500 10255 S1961894	28,931
Total National Oceanic and Atmospheric Administration					490,326
11.AG110895	RD	UOC	Ocean Approved, LLC	AG110895	17,323
Total Department of Commerce					507,649

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Defense					
Advanced Research Projects Agency					
12.910	RD	UHC	DVBIO	W31P4Q07C0202	(12,235)
12.910	RD	UOC	University of Southern California Los Angeles	PO #46485418	32,965
Total Advanced Research Projects Agency					20,730
Department of the Air Force, Materiel Command					
12.800	RD	UOC	Princeton University	00001684	239
12.800	RD	UOC	University of Texas, Pan American	FA9550-12-1-01559-03	37,201
12.800	RD	UOC	University of Michigan	3001890465	189,043
Total Department of the Air Force, Materiel Command					226,483
Department of the Navy, Office of the Chief of Naval Research					
12.300	RD	UOC	University of Texas at Austin	UTA09-000725	77,280
Naval Medical Logistics Command					
12.340	RD	UOC	Leidos	P010127189	37,807
U.S. Army Materiel Command					
12.431	RD	UOC	Northwestern University	SP0025190-PROJ0006752	52,571
12.431	RD	UHC	Triton Systems, Inc.	TSI-2404-12-100873	115
12.431	RD	UHC	Triton Systems, Inc.	TSI-2407-12-101148	108,314
12.431	RD	UOC	University of California at Santa Barbara	KK1016	49,568
Total U. S. Army Materiel Command					210,568
U.S. Army Medical Command					
12.420	RD	UOC	Wake Forest University	WFUHS 441059 ER-09	17,815
12.420	RD	UHC	Stevens Institute Of Technology	2102309-01	17,652
Total U. S. Army Medical Command					35,467
Office of the Secretary of Defense					
12.351	RD	UHC	The Pennsylvania State University	4106-UCHC-DTRA-0004	84,945
12.351	RD	UOC	Rensselaer Polytechnic Institute	A12049	2,089
12.351	RD	UOC	University of Texas at El Paso	26-0900-15-62	3
Total Office of the Secretary of Defense					87,037
National Security Agency					
12.900	RD	UOC	Creare, Inc	Subcontract No. 71388	1,005
12.343585	RD	UOC	University of Hartford	343585	(795)
12.201301983-S	RD	UOC	Sonalysts, Inc	201301983-S	25,970
12.5710003138	RD	UOC	Massachusetts Institute of Technology	5710003138	109,145
12.10-9-0002	RD	UOC	Connecticut Center for Advanced Technology, Inc.	10-9-0002	141,302
12.21153 Task #100	RD	UOC	United Technologies-Pratt & Whitney	21153 Task #100	(10,557)
12.21153 Task #82	RD	UOC	United Technologies-Pratt & Whitney	21153 Task #82	1,330
12.21153 Task #85	RD	UOC	United Technologies-Pratt & Whitney	21153 Task #85	(2,864)
12.Task # 110 211	RD	UOC	United Technologies-Pratt & Whitney	Task # 110 21153	64,691
12.888-13-16-129	RD	UOC	RTI International	888-13-16-12, 9-312-0213589	114,846
12.AG091197	RD	UOC	Ohio Aerospace Institute	AG091197	6,795
12.AG130711	RD	UOC	Amastan, LLC	AG130711	25,115
12.AG140182	RD	UOC	HyPerComp	AG140182	40,000
12.PO #5494R-1	RD	UOC	Truston Technologies	PO #5494R-1	63,496
12.PO # 870423	RD	UOC	Agiltron Inc.	PO # 870423	(382)
12.PO 216062	RD	UOC	TPL, Inc.	PO 216062	89,326
12.PO 4440278825	RD	UOC	Ministry of Defense (Israel)	PO 4440278825	69,571
12.PO# 41950-021	RD	UOC	Structured Materials Industries, Inc.	PO# 41950-021913-08	49,573
12.SB00710	RD	UOC	Innovative Scientific Solutions, Inc.	SB00710	(1,490)
12.SB01210	RD	UOC	Innovative Scientific Solutions, Inc.	SB01210	(121)
12.Subcontract No. A	RD	UOC	Vectraxx, Inc	Subcontract No. A-018	(33,589)
Total Department of Defense					1,447,739
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	29,665
Department of the Interior					
Fish and Wildlife Service					
15.677	RD	UOC	University of Maine	AG141120	10,233
Department of Transportation					
Federal Highway Administration (FHWA)					
20.205	RD	UOC	Massachusetts Institute of Technology	5710003213	8,632
Office of the Secretary (OST) Administration Secretariate					
20.701	RD	UOC	Massachusetts Institute of Technology	5710002724	(223)
20.701	RD	UOC	Massachusetts Institute of Technology	5710002961	35
Total Office of the Secretary (OST) Administration Secretariate					(188)
20.5710003211	RD	UOC	Massachusetts Institute of Technology	5710003211	16,631
20.5710003212	RD	UOC	Massachusetts Institute of Technology	5710003212	16,543
20.5710003214	RD	UOC	Massachusetts Institute of Technology	5710003214	46,097
20.5710003457	RD	UOC	Massachusetts Institute of Technology	5710003457	48,618
20.5710003458	RD	UOC	Massachusetts Institute of Technology	5710003458	75,405
20.5710003459	RD	UOC	Massachusetts Institute of Technology	5710003459	33,382
20.No. 5710003188	RD	UOC	Massachusetts Institute of Technology	No. 5710003188	130,364
20.PREAWARD	RD	UOC	University of Vermont	PREAWARD	(9,420)
20.HR 17-62	RD	UOC	NAS/Transportation Research Board	HR 17-62	160,163
20.SAFETY-25	RD	UOC	NAS/Transportation Research Board	SAFETY-25	26,570
20.SHRP-R-06(B)	RD	UOC	NAS/Transportation Research Board	Unknown	320

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
20.SHRP-R-06(B)		RD	UOC	NAS/Transportation Research Board	SHRP-R-06(B)	73,924
Total Department of Transportation						627,041
National Aeronautics and Space Administration						
43.11-039		RD	UOC	University of New Hampshire	11-039	27,833
43.AG110738		RD	UOC	Sustainable Innovations	AG110738	2,090
43.QSI-DSC-09-003		RD	UOC	Qualtech Systems, Inc	QSI-DSC-09-003	(13,940)
43.Task 114		RD	UOC	United Technologies-Pratt & Whitney	Task 114	28,919
43.001		RD	UOC	University of Florida	UF12067/00097232	33,468
43.001		RD	UOC	Smithsonian Institution/Smithsonian Environmental Research Center	12SUBC-440-0000256377	10,320
43.001		RD	UOC	University of Hartford	PO # 0099583 P-651	2,675
43.001		RD	UOC	University of Hartford	PO 099585 P-653	2,500
43.001		RD	UHC	University of Hartford	NNX12AG64H	3,330
43.001		RD	UOC	University of Hartford	P-754	2,500
43.001		RD	UOC	University of Hartford	PO#0099582	958
43.001		RD	UOC	Woods Hole Oceanographic Institution	A100890	27,954
43.002		RD	UOC	University of Illinois	2012-05551-01	127,775
43.008		RD	UOC	University of Hartford	P-657	16,812
Total National Aeronautics and Space Administration						273,194
National Science Foundation						
47.PO #M216006		RD	UOC	Woods Hole Oceanographic Institution	PO #M216006	5,991
47.PO# M216021		RD	UOC	Woods Hole Oceanographic Institution	PO# M216021	15,033
47.041		RD	UOC	Biorasis, Inc	AG120725	98,689
47.041		RD	UOC	Ciencia, Inc	803210	(1,239)
47.041		RD	UOC	Polytechnic Institute of New York University	Subaward # 400607	12,630
47.041		RD	UOC	Purdue University	4101-33905	7,956
47.041		RD	UOC	Sustainable Innovations	AG120737	44,293
47.041		RD	UOC	Clemson University	1965-206-2009743	11,341
47.041		RD	UOC	Yale University	C13D11528 (D01897)	77,740
47.049		RD	SCSU	Yale University	C12D11227(D01804)	296,374
47.049		RD	UOC	Rensselaer Polytechnic Institute	A12111	716
47.049		RD	UOC	University of Pennsylvania	553113	3,252
47.050		RD	UOC	University of California at Davis	EAR-1338256	4,954
47.070		RD	UOC	Massachusetts Institute of Technology	5710002196	(1)
47.070		RD	UOC	Rochester Institute of Technology	31251-02	35,988
47.070		RD	UOC	Rochester Institute of Technology	31419-02	77
47.074		RD	UOC	American Museum of Natural History	10-2010	832
47.074		RD	UOC	California State University, Fullerton	S-4790-UOC	14
47.074		RD	UOC	Smithsonian Institution/Smithsonian Environmental Research Center	12SUBC440-0000250211	10,366
47.074		RD	UOC	University of Colorado at Boulder	Subcontract#1548625	59,432
47.074		RD	UOC	University of Virginia	GA11020-142299	23,416
47.074		RD	UOC	University of Puerto Rico	AG060505	14,132
47.074		RD	UOC	University of Virginia	GA10618-137687	18,163
47.075		RD	CCSU	University of Massachusetts Amherst	13-007189B00	42,545
47.075		RD	UOC	University of Chicago	FP050648	13,338
47.075		RD	UOC	University of Illinois	2012-06354-01 (A0388)	89,177
47.076		RD	UOC	University of Massachusetts	06-003554-A-05	(212)
47.076		RD	UOC	University of Massachusetts	12-006782 B 00	32,146
47.076		RD	UOC	University of Massachusetts	Unknown	37,029
47.076		RD	UOC	University of Massachusetts Amherst	05-003146 B 10	(5,063)
47.076		RD	UOC	University of Massachusetts Amherst	13-007380 A 00	479,528
47.076		RD	CCSU	New England Board of Higher Ed	NSF AWARD #DUE-0903051	24,940
47.076		RD	CCSU	Stevens Institute of Technology	Unknown	2,500
47.076		RD	ECSU	Univ of Northern Colorado/Nat'l Science Foundation	GKA13-0068	3,579
47.082	ARRA	RD	UOC	Marine Biological Laboratory	Subaward No. 40459	451
47.082	ARRA	RD	UOC	University of North Carolina, Wilmington	Subaward 5A0010-10-01	(441)
Total National Science Foundation						1,459,666
Environmental Protection Agency						
Office of Water						
66.437		RD	UOC	National Fish and Wildlife Foundation	1401.12.033050	85,914
66.437		RD	UOC	National Fish and Wildlife Foundation	1401.13.039525	15,023
66.437		RD	UOC	New England Interstate Water Pollution Control Com	AG120096	82,537
Total Office of Water						183,474
Office of Research and Development (ORD)						
66.516		RD	UOC	Texas State University	14002-8-1867-2	47,081
66.824181-000-OP		RD	UOC	Shaw Environmental & Infrastructure, Inc	824181-000-OP	9,705
66.AG101024		RD	UOC	Cornell University	AG101024	(127)
66.AG101187		RD	UOC	Cornell University	AG101187	204
66.DTS-14-002		RD	UOC	CSS-Dynamac	DTS-14-002	4,847
Total Environmental Protection Agency						245,184
Nuclear Regulatory Commission						
77.008		RD	UOC	University of Hartford	P-591 303203	44,735
Department of Energy						
81.154319		RD	UOC	Battelle Memorial Institute	154319	12,215
81.07A0299200		RD	UOC	Jefferson Science Associates, LLC	07A0299200	25,455
81.3481-4700194558		RD	UOC	Alstom Grid	3481-4700194558	57,796
81.AG091277		RD	UOC	Rolls Royce, Inc	AG091277	88,885
81.EC-013088-1		RD	UOC	Proton OnSite	EC-013088-1	(2,396)
81.PO 07-A0299202		RD	UOC	Jefferson Science Associates, LLC	PO 07-A0299202	5,969
81.PO 2601309	ARRA	RD	UOC	United Technologies-Research Center	PO 2601309	20,650
81.PO 50546-000		RD	UOC	Fuelcell Energy, Inc	PO 50546-000	69,828
81.13C1252100		RD	UOC	Jefferson Science Associates, LLC	13C1252100	10,676
81.PO 14-P0041		RD	UOC	Jefferson Science Associates, LLC	PO 14-P0041	15,874
81.045		RD	UOC	Sinmat, Inc.	AG120181	80,619

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CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
81.049		RD	UOC	HiFunda	AG130541	191,877
81.049		RD	UOC	Marine Biological Laboratory	44977	156,222
81.049		RD	UOC	Michigan State University	RC102989A	32,545
81.049		RD	UOC	Princeton University	00001700	405,720
81.049		RD	UOC	Western Michigan University	6646-UCONN-1	129,360
81.049		RD	UOC	Western Michigan University	6981-UCONN-1	24,073
81.049		RD	UOC	University of South Carolina	10-1721	202,873
81.087		RD	UOC	South Dakota State University	3TA155/Yulia Kuzovkina-Eischen	38,361
81.087		RD	UOC	University of Hawaii	Z975726	222,764
81.117		RD	UOC	Clean Energy Finance and Investment Authority (CEFIA)	AG130182	3,696
81.134	ARRA	RD	UOC	Praxair	PO 60010996	59,575
81.135		RD	UOC	Gas Technology Institute	S491	1,893
Total Department of Energy						1,854,530
Department of Education						
Office of Postsecondary Education						
84.116		RD	UOC	Drexel University	213031-3661	2,658
Institute of Education Sciences						
84.305		RD	UOC	Indiana University	BL-4240310-UC	66,343
84.305		RD	UOC	Michigan State University	61-1708UC	160,123
84.305		RD	UOC	Mtelegence	AG130867	6,327
84.305		RD	UOC	SRI International	51-001267	25,180
84.324		RD	UOC	University of Oregon	223850B	96,533
84.324		RD	UOC	University of Tennessee	A12-0612-S003	782
Total Institute of Education Sciences						355,288
Total Department of Education						357,946
Department of Health and Human Services						
Administration for Children and Families						
93.092		RD	UHC	Village For Families & Children Inc	90AP2669/01	226,416
93.590		RD	UHC	Friends of Children Trust Fund Inc	052UCH-CTF-01	217,608
93.670		RD	UOC	The Connection, Inc	AG130109	147,633
Total Administration for Children and Families						591,657
Centers for Medicare and Medicaid Services						
93.779		RD	UHC	Eastern Connecticut Area Agency on Aging Inc	CT LTCOP	13,762
Center for Disease Control and Presentation						
93.136		RD	UHC	University of Rochester	5-23258/PO415561-G	1,441
93.262		RD	UHC	Viridian Health Management	200-2011-42034	186,006
93.262		RD	UHC	University of Massachusetts	S51130000021503	46,333
93.262		RD	UHC	University of Massachusetts at Lowell	S51130000024283	392,744
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000024283/PO#L000139679	3,609
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000024283/PO#L000139680	3,011
93.262		RD	UOC	University of Massachusetts	S51130000024283	226,130
93.262		RD	UHC	Northeastern University	500326-78051	8,029
93.283		RD	UHC	Association of University Centers on Disabilities	11-028	3,999
Total Center for Disease Control and Prevention						871,302
Food and Drug Administration						
93.103		RD	UOC	National Institute of Pharmaceutical Technology and Education	NIPTE-U01-CT-002-2012	3,752
93.103		RD	UOC	National Institute of Pharmaceutical Technology and Education	NIPTE-UO1-CT-001-2012	20,852
Total Food and Drug Administration						24,604
Health Resources and Services Administration						
93.110		RD	UHC	Mount Sinai Sch Med NYU Hosp Ctr	0253-6542-4609	1,309
93.110		RD	UHC	Mount Sinai Sch Med NYU Hosp Ctr	0253-6541-4609	23,398
93.145		RD	UHC	University of Massachusetts	6146523 ETC-05	4,414
93.145		RD	UHC	University of Massachusetts	WA00120888 ETC05	37,169
93.249		RD	UHC	Yale University	M12A11260	4,624
93.914		RD	UHC	City of Hartford	HHS2012-39R	(5,981)
93.914		RD	UHC	City of Hartford	HHS2012-39Q	(3,550)
93.914		RD	UHC	City of Hartford	HHS2013-32R	73,093
93.914		RD	UHC	City of Hartford	HHS2014-12R	12,113
93.917		RD	UHC	City of Hartford	HHS2014-12Q	52,762
93.917		RD	UHC	City of Hartford	HHS2013-32Q	150,806
93.918		RD	UHC	Community Health and Wellness Center of Greater Torrington	CHWC	10,778
Total Health Resources and Services Administration						360,935
National Institutes of Health						
93.077		RD	UOC	Harvard University	PREAWARD	216,507
93.113		RD	UOC	Ciencia, Inc	753103-UConn	76,559
93.113		RD	UOC	Dartmouth College	Subaward No. 1076	184,356
93.113		RD	UOC	Pennsylvania State University	UCT ES021762	210,198
93.113		RD	UOC	University of Kansas Medical Center Research Institute	QK850572	125,458
93.121		RD	UHC	New York University	UW529094	7,163
93.121		RD	UHC	Trustees of Columbia University in the City of New York	5-30234	52,711
93.121		RD	UOC	Yale University	M11A11041 (A07929)	19,943
93.121		RD	UHC	The Trustees of the University of Pennsylvania	551082	100
93.121		RD	UHC	The Charlotte-Mecklenburg Hospital Authority	DE022909	(1,361)
93.121		RD	UHC	The Charlotte-Mecklenburg Hospital Authority	G600480	213,982
93.143		RD	UOC	Dartmouth College	1443	4,696
93.172		RD	UHC	Regents University Of CA Berkeley	6823740	(535)
93.172		RD	UHC	Regents University Of CA Berkeley	7038163	149,803
93.173		RD	UOC	Albert Einstein Healthcare Network (AEHN)\Moss Rehab Research Institute	AG100573	10,441
93.173		RD	UOC	Stanford University	26366270-50588-B	8,661
93.173		RD	UOC	Drexel University	232584-3684	26,938
93.213		RD	UOC	Massachusetts General Hospital	PREAWARD	34,644
93.242		RD	UHC	Veritas Health Solutions, LLC	2R44MH085350-02	26,450

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CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.242		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	54246PRJ:1087883	17,680
93.242		RD	UHC	Northwestern University	610 5264000-60025890 SP0009501	11,402
93.242		RD	UHC	Palo Alto Institute for Research and Education, Inc.	CLO0001-07	10,658
93.242		RD	UOC	Public Health Foundation Enterprises	2417.002.001 EPIC	1,886
93.242		RD	UOC	Public Health Foundation Enterprises (PHFE)	2417.003.001 EPIC	25,307
93.242		RD	UOC	University of North Carolina, Chapel Hill	UNC-CH 5-50176	(2,619)
93.242		RD	UOC	Yale University	M14A11751 (A09452)	28,303
93.242		RD	UOC	Yale University	PREAWARD	13,831
93.242		RD	CCSU	Yale University	M14A11861 (A08021)	9,347
93.273		RD	UHC	General Hospital Corporation Institute for Health Policy	MGH 219663	38,724
93.273		RD	UHC	Brown University	PO1 Project	16,004
93.273		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	SUNY 62189	89,050
93.273		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	SUNY 1009189/ AWARD 65685	465,978
93.273		RD	UHC	Yale University	M09A10062	9,801
93.273		RD	UHC	Yale University	M09A10136	33,733
93.273		RD	UOC	Brown University	00000484	184,285
93.273		RD	UOC	Miriam Hospital	710-9926	14,072
93.273		RD	CCSU	Yale University	NIH #1R01AA016599-01A2	16,559
93.279		RD	UHC	Medical University of South Carolina	MUSC 10-090	37,480
93.279		RD	UHC	Yale University	M10A10351 (A08309)	303,101
93.279		RD	UHC	University of Texas Medical Branch	11-028	57,441
93.279		RD	UHC	Yale University	M10A10351 (A08308)	(608)
93.279		RD	UHC	Yale University	M12A11188	57,967
93.279		RD	UOC	Yale University	M14A11704 (A08606)	42,309
93.279		RD	UOC	George Washington University	12-S11R	18,343
93.279		RD	UOC	Northeastern University	542650P0901349	(5,041)
93.279		RD	UOC	Yale University	A07466 (M08A10247)	6,276
93.286		RD	UHC	Nanoprobes Incorporated	1 R43EB015845-01	26,015
93.286		RD	UOC	Biorasis, Inc	AG091073	10,817
93.286		RD	UOC	Physical Sciences, Inc	SC61233-1820	30,484
93.286		RD	UOC	Physical Sciences, Inc	SC62048-1827	1,991
93.307		RD	UHC	Yale University	M11A11032	148,516
93.310		RD	UHC	Mount Sinai Sch Med NYU Hosp Ctr	MSSM 0255-3761-4609	213,551
93.350		RD	UOC	Physical Sciences, Inc	SC59114-1790	6,000
93.351		RD	UOC	Ciencia, Inc	743101-UConn	26,738
93.351		RD	UHC	Yale University	M13A11654 (A09242)	106,118
93.361		RD	UOC	University of Pittsburgh	0029591 (123132-2)	38,934
93.389		RD	UOC	Massachusetts General Hospital	R24RR018934/207916	(3,252)
93.393		RD	UHC	Rutgers, The State University	UMDNJ R01 CA116399	5,134
93.393		RD	UOC	University of Hawaii	KA0063	81,114
93.393		RD	UOC	University of Massachusetts Amherst	PO# 0001254189	(667)
93.393		RD	UOC	University of Hawaii	preaward	4,661
93.393		RD	UOC	Yale University	M13A11572 (A09119)	15,375
93.395		RD	UHC	The Hospital of Central Connecticut	27469-121	1,853
93.395		RD	UHC	Nanoprobes Incorporated	1R44CA130225-02	21,043
93.395		RD	UHC	Nanoprobes Incorporated	1R44CA130225-01A2	(302)
93.395		RD	UHC	California Institute Of Technology	21B-1088933	110,244
93.395		RD	UHC	University of Arizona	Y560264	37,957
93.396		RD	UHC	Virginia Technical University	431692-19801	18,266
93.701	ARRA	RD	UHC	Maine Medical Center	0992-001	6,787
93.701	ARRA	RD	UHC	Duke University	173530	(15,858)
93.837		RD	UHC	Nanoprobes Incorporated	1R43HL117473 01	53,548
93.838		RD	UOC	University of Iowa	Subcontract No. 1001224718	36,617
93.838		RD	UOC	Yale University	A08211 (M11A11069)	59,633
93.838		RD	UOC	Yale University	M13A11538 (A09237)	43,891
93.846		RD	UOC	University of Kansas - DNU	QW854830	353
93.846		RD	UHC	University of Michigan	3002095783	13,557
93.846		RD	UHC	Indiana University	IN4685566UC	1,704
93.846		RD	UHC	University of Southern California	38321800	(20,803)
93.846		RD	UHC	Yale University	M11A11030	(16)
93.846		RD	UHC	The Jackson Laboratory	JAX 201997	10,545
93.847		RD	UHC	Mercer University	420623-04	53,538
93.847		RD	UHC	AUST Development, LLC	1R43HL116017-01A	13,088
93.847		RD	UOC	Ciencia, Inc	733102-UConn	(4,071)
93.847		RD	UOC	Ciencia, Inc	733103-1-UConn	108,539
93.847		RD	UOC	Drexel University	232510	8,180
93.847		RD	UOC	University of Melbourne	TA 19370-UC	29,640
93.847		RD	UOC	University of Wisconsin	361K594	(11,134)
93.847		RD	UHC	Rush University Medical Center	5R01DK089394-05	11,157
93.853		RD	UHC	Wesleyan University	WESU5011048139	7,364
93.855		RD	UHC	Connecticut Children's Medical Center	12-179194-01-01	(604)
93.855		RD	UHC	Oregon Health & Science University	9006862	137,987
93.855		RD	UOC	Ciencia, Inc	783102-UCONN	30,322
93.855		RD	UOC	Promiliad Biopharma, Inc.	R42 AI0165143-02A1	(12,853)
93.855		RD	UOC	University of Alabama, Birmingham	PREAWARD	55,378
93.855		RD	UOC	Vanderbilt University	PREAWARD	60,268
93.856		RD	UHC	Harvard Medical Center	149047.5047084.1164	69,222
93.859		RD	UHC	Cell and Molecular Tissue Engineering, LLC	1R43GM103116-01	28,263
93.859		RD	UHC	Regents of the University of Minnesota	N003002801	18,758
93.859		RD	UHC	University of Arizona	72285	43,672
93.859		RD	UHC	University of Washington	738392	23,923
93.859		RD	UHC	Virginia Technical University	431519-19801	17,205
93.859		RD	UOC	Northwestern University	60029188UC	240,867
93.859		RD	UOC	University of Georgia	RR771-024/4786826	(3,285)
93.859		RD	UOC	University of North Carolina, Chapel Hill	Subaward UNC # 5-32099	84,844
93.859		RD	UOC	Virginia Polytechnic Institute and State University	431745-19213	87,573

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.			STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.865		RD	UHC	Yale University	M10A10768	50,583
93.865		RD	UOC	Beth Israel Deaconess Medical Center	5P01HD057853-04	94,049
93.865		RD	UOC	CT Childrens Medical Center	13-179330-03	39,890
93.865		RD	UHC	Connecticut Children's Medical Center	13-179330-02	20,900
93.865		RD	UOC	Haskins Laboratories	AG121324	50,835
93.865		RD	UOC	University of Colorado at Boulder	1544069/PO#0000064218	740
93.865		RD	UOC	University of Pennsylvania	560147/PO# 3183511	21,767
93.866		RD	UHC	Hebrew Rehab Ctr Hebrew Seniorlife	10.10.92252	408
93.866		RD	UHC	Hebrew Rehab Ctr Hebrew Seniorlife	10.10.92251	(1,773)
93.866		RD	UHC	Hebrew Rehab Ctr Hebrew Seniorlife	10.10.92253	22,848
93.866		RD	UHC	Trudeau Institute, Inc.	P01AI021600	2,726
93.866		RD	UHC	Washington University	14-131 2923103X	8,654
93.866		RD	UHC	Rensselaer Polytechnic Inst	A40290	(7,901)
93.866		RD	UHC	Rensselaer Polytechnic Inst	A12279	29,634
93.866		RD	UHC	University of Maryland at Baltimore	SR00001487	339,361
Total National Institute of Health						5,729,093
Substance Abuse and Mental Health Services Administration						
93.243		RD	UHC	Community Mental Health Affiliates Inc	H79SM0599584-01	1,343
93.243		RD	UHC	Community Mental Health Affiliates Inc	H79SM0599584-03	12,653
93.243		RD	UHC	Community Mental Health Affiliates Inc	H79SM0599584 04	23,232
93.243		RD	UHC	Research Triangle Institute	11-312-0210700	282,043
93.243		RD	UHC	Justice Resource Institute, Inc	U79SM061283-01	(23,020)
93.243		RD	UHC	Justice Resource Institute, Inc	U79SM061283-04	68,621
93.243		RD	UHC	Wheeler Clinic	CHCI	28,291
93.243		RD	UOC	Community Mental Health Affiliates, Inc	AG091064	75,805
Total Substance Abuse and Mental Health Services Administration						468,968
Office of the Secretary						
93.239		RD	UOC	University of Wisconsin	456K470	17,120
93.297		RD	UHC	City of Hartford	HHS 2012-44	5,805
93.297		RD	UHC	City of Hartford	2014-01-5449-M	9,231
93.297		RD	UHC	City of Hartford	2014-01-5449-H	1,395
93.718	ARRA	RD	UHC	Ehealth Connecticut Inc	90RC005301	(349)
Total Office of the Secretary						33,202
93.M12A11287(A2		RD	UOC	Yale University	M12A11287(A28507)	16,014
93.NIPTE-U01-CT		RD	UOC	National Institute of Pharmaceutical Technology and Education	NIPTE-U01-CT-004-2012	29,398
93.S8056		RD	UOC	Westat	S8056	82,434
93.C09-30		RD	UOC	Radiation Monitoring Devices, Inc.	C09-30	19,859
93.PREAWARD		RD	UOC	Family Health International	PREAWARD	26,659
Total Department of Health and Human Services						8,267,887
Department of Homeland Security						
97.Subcontract #912		RD	UOC	Mitre Corporation	Subcontract #91200	3,875
97.99900		RD	UOC	Mitre Corporation	99900	33,589
97.061		RD	UOC	University of Texas at El Paso	26-3001-81-61	(9,275)
97.077		RD	UOC	Yale University	C12P11266(P00323)	93,694
Total Department of Homeland Security						121,883
Agency for International Development						
98.016258-90		RD	UOC	University of California at Davis	016258-90	1,499
98.451066-19213		RD	UOC	Virginia Polytechnic Institute and State University	451066-19213	185,193
98.PGA-P210935		RD	UOC	University of Veterinary and Animal Sciences	PGA-P210935	13,323
98.001		RD	UOC	Oregon State University	RD011G-E	140,419
98.012		RD	UOC	American Council on Education	HED052-9740-ETH-11-01	640,620
98.012		RD	UOC	University of Georgia	RC299-430/4942366	8,503
Total Agency for International Development						989,557
TOTAL RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS						**16,752,037**
TOTAL PASS-THROUGH GRANTS						**22,024,053**

Identification of State Agencies:

AES	Agricultural Experiment Station
DOC	Department of Correction
DOT	Department of Transportation
DPH	Department of Public Health
DPS	Department of Emergency Services and Public Protection
SDR	State Department of Rehabilitation Services
UOC	University of Connecticut
UHC	University of Connecticut Health Center
CCSU	Central Connecticut State University
ECSU	Eastern Connecticut State University
SCSU	Southern Connecticut State University
CCC	Connecticut Community Colleges

Schedule of Findings
and Questioned Costs

STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2014
INDEX OF SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUS

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

STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2014
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	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.551 and 10.561	Supplemental Nutrition Assistance Program Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.871	Section 8 Housing Choice Vouchers
17.258, 17.259 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*
20.500 and 20.507	Federal Transit Cluster*
84.007, 84.033, 84.038, 84.063, 84.268 84.379, 93.264, 93.342, 93.364 and 93.408	Student Financial Assistance Cluster*
84.010	Title 1 Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.126	Vocational Rehabilitation Cluster
93.775, 93.777 and 93.778	Medicaid Cluster*
93.575 and 93.596	Child Care Cluster
93.268	Immunization Cluster
93.558	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
93.917	HIV Care Formula Grants
96.001	Social Security Disability Insurance
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: $26,715,347

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

2014-001 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

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, 2014. This data included client names and social security numbers (SSNs). The payments made on behalf of these clients totaled $6,596,528,301.

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 11,988 clients. The payments made on behalf of these 11,988 clients totaled $49,593,671, of which $25,074,030 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 $126,148, of which $63,091 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 for the state to utilize 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, 11 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 for Medicare and Medicaid Services. Further review of the case files of the eight clients in which a SSN was not entered into EMS disclosed that no SSN was included in the case file for any of the clients.

Effect: Without entering the SSN into EMS, DSS is not able to use the IEVS to verify eligibility using wage information as required by federal regulations.

Cause: The errors appeared to be oversights by DSS eligibility workers.

Recommendation: The Department of Social Services should obtain 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 this finding. The Department will issue instructions to staff that reinforce the need to enter valid SSNs in EMS. The Department will also ensure that training staff stress the importance of obtaining SSNs and updating EMS to new employees.

We anticipate that our ability to track missing SSNs will be improved with the implementation of IMPACT, the new eligibility system, currently scheduled for deployment in 2016. In preparation for IMPACT, we will also be updating missing SSNs in EMS."

2014-002 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

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, 2012 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 ten years.

Effect: DSS is not in compliance with its State Plan and Section 17-312-105(g) of the Regulations of Connecticut State Agencies and has lessened its assurance that appropriate rates are used to pay for inpatient hospital and LTCF services.

Cause: DSS does not believe it is necessary to perform field audits on the inpatient hospital cost reports. The numbers on the cost report come from information obtained from the DSS Medicaid Management Information System and the Medicare cost report, which is audited. 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 will be effective in 2015. In addition, DSS is behind on performing desk audits because reviews were not 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. Furthermore, 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. The Department is in the process of implementing new impatient hospital reimbursement methodologies utilizing Diagnosis-Related Groups (DRGs) and new outpatient hospital reimbursement methodologies utilizing Ambulatory Payment Classification (APCs). As the Department moves to new hospital reimbursement methodologies, 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."

2014-003 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP, 1305CT5ADM, 1405CT5MAP and 1405CT5ADM

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, 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 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.

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 fiscal year ended June 30, 2014 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 quarter March 31, 2014 and noted the following:

- The amount reported as Medical Assistance Payments on line 6, Expenditures in this Quarter, on the Form CMS-64 Program Summary Sheet was $1,690,120,665 of which $980,853,331 was claimed for federal reimbursement under the Medicaid program and $7,004,590 was claimed for federal reimbursement under BIPP. The correct amount was $1,689,457,030, of which $980,521,513 was attributable to Medicaid and $6,991,301 was attributed to BIPP. This resulted in net expenditures being overstated by $663,635, the Medicaid federal share being overstated by $331,818, and the BIPP share being overstated by $13,289.
- The amount reported as State and Local Administration on line 6, Expenditures in this Quarter, of the Form CMS-64 Program Summary Sheet was $98,269,617. The correct amount was $99,373,833. This resulted in an understatement of $1,104,216. Based on the applicable Medicaid federal financial participation rates, federal funds were under claimed by $662,051.

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 net expenditures were understated on the Form CMS-64 by $440,581. Based on the various federal participation rates, DSS under claimed $330,233 in federal reimbursement under Medicaid and over claimed $13,289 in federal reimbursement under BIPP.

Cause: The conditions above were caused by clerical errors that went unnoticed during the supervisory review process.

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 will review and evaluate the finding and the claims that were submitted for federal reimbursement. If the claims contain errors, adjustments will be submitted with subsequent quarterly filings.”

2014-004 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

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 Part 455 Section 432 provides that the state Medicaid agency must conduct pre-enrollment and post-enrollment site visits of providers who are designated as “moderate” or “high” categorical risks to the Medicaid program. The purpose of the site visit is to verify that the information submitted to the state Medicaid agency is accurate and to determine compliance with federal and state enrollment requirements.

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, 2014, DSS made payments to 8,956 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 in effect at the time specified that the provider type should have been re-enrolled every 36 months.
- DSS was unable to provide us with adequate documentation to evidence pre-enrollment or post-enrollment site visits for five providers in our sample who are designated as “moderate” or “high” categorical risks to the Medicaid program

In addition, we noted the following during our review:

- DSS submits claims for federal reimbursement for services provided to clients of both the Department of Developmental Services (DDS) and the

Department of Mental Health and Addiction Services (DMHAS). DSS does not revalidate the enrollment of some of these providers.
- DSS did not verify that out-of-state providers are properly licensed at the time that services were performed. DSS only verified that out-of-state providers were properly licensed at the time of enrollment or reenrollment.

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

Cause: DSS previously did not consider that the requirement to revalidate the enrollment of providers at least every five years applied to the DDS and DMHAS providers. DSS is currently working on revalidating the enrollment of these 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 the finding.

For the provider that was not reenrolled in over five years, DSS asked HP to hold the renewal process because the provider agreement was being revised. HP then denied the application. The new application with a signed provider agreement was then submitted. Once the agreement was finalized, the application process was promptly completed missing the five year reenrollment requirements by a month. HP and the Department will review operational processes in order to avoid reenrollment extending out beyond the five year limit.

For the DDS and DMHAS providers, DSS in the process of setting up a LEAN project to convert the DDS and DMHAS enrollment applications to a Web based enrollment. One of the goals of this project is to update the enrollment criteria which will include a set reenrollment interval.

A change request has been submitted to have HP research and prepare a solution to the method of verifying licenses of out-of-state providers but the change request has not been completed due to competing priorities.

The Department will pursue changes necessary to ensure that pre-enrollment and post-enrollment site visits are performed and documented."

2014-005 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

Background: Our audit population of fee-for-service payments disclosed that a Social Security number (SSN) was not listed for 11,988 clients who were over three years old. The payments made on behalf of these 11,988 clients totaled $49,593,671, of which $25,074,030 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 $126,148, of which $63,091 was received in federal reimbursement. Of these 25 clients, there were 11 clients who were non-qualified aliens. The payments made on behalf of these 11 clients totaled $39,499, of which $19,749 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 11 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 $4,565 that appear to have been paid on behalf of four non-qualified aliens for services that did not meet the medical condition description defined in the State Medicaid Manual.

Effect: This resulted in questioned costs totaling $2,282.

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 has previously identified this as an issue and has an outstanding work request to address this issue. At the present time, however, our IT resources are devoted to the development of IMPACT, the Department's replacement eligibility system. As a result, it is not likely that system controls to address this finding will be available until the deployment of IMPACT in 2016."

2014-006 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

Background: During the fiscal year ended June 30, 2014, the Department of Social Services (DSS) claimed for federal reimbursement payments made to fee-for-services providers totaling $6,596,497,537. Of this amount, $3,673,214,314 was received in federal reimbursement. Our sample was selected from an audit population totaling $6,553,977,301. 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 that all initial applications from the applicant, an authorized representative, or, if the applicant is a minor or incapacitated, someone acting responsibly for the applicant, is signed under penalty of perjury.

Title 42 United States Code Section 1320b-7 requires, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish their Social Security number (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 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.

Title 42 CFR Part 435 Section 914 requires the state to maintain, as part of the applicant's case record, any documentation in support of the Medicaid agency's decision on an eligibility determination.

Title 42 CFR Part 435 Section 916 requires the state to redetermine the eligibility of individuals whose Medicaid eligibility is determined on a basis other than the modified adjusted gross income method 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.

Condition: We randomly selected 60 benefit payments totaling $35,923. Of this amount, $18,018 was received in federal reimbursement. Our review disclosed the following:

1. In eight cases, we were not able to locate an application submitted by the applicant that was signed under penalty of perjury.
2. In two cases, the required eligibility redeterminations were not performed within the previous 12 months of the service periods tested. There was no indication in the DSS Eligibility Management System (EMS) that a redetermination was done and there was no redetermination form in the client case files.
3. In one case, DSS did not verify the SSN of the applicant with SSA.

Effect:

1. DSS was not in compliance with Title 42 CFR Part 435 Sections 907 and 914.
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 $148. Of this amount, $74 was received in federal reimbursement.
3. DSS was not in compliance with Title 42 CFR Part 435 Section 910(g). In addition, without a proper SSN, DSS is not able to use the IEVS to verify eligibility using wage information, as required by federal regulations.

Cause:

1. DSS indicated that the applications may have been misfiled.
2. DSS could not explain why these redeterminations were not completed.
3. DSS could not explain why the SSN was not verified with SSA. It appears that DSS received an IEVS alert indicating that the SSN for the applicant was not valid; however this alert was never properly resolved.

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

Agency Response: "The Department agrees with this finding. The Department reviewed the EMS narratives, actions taken on EMS and the ConneCT electronic file for documents related to cases in the sample. Our review showed that documents used for processing were received by DSS prior to implementation of document imaging in ConneCT. The forms would have been received in hard copy and retained in the clients' paper records.

The Department is in the second year of its ConneCT modernization project. Document scanning/imaging has been an extremely effective in minimizing misplaced documents and should address this finding."

2014-007 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

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

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

Criteria: Title 2 Code of Federal Regulations (CFR) Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A, (formerly OMB Circular A-87) provides that to be allowable under federal awards, costs must be necessary and reasonable.

Title 42 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, 2014, DSS received $3,293,654 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 $1,993, which disclosed that a portion of all of the Medicare premium refunds totaling $1,259 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 $682.

Cause: The MMIS assigns refunds based on 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. The department is evaluating cost effective methods for resolving this issue. The department will attempt to implement procedures to ensure that the federal share of refunds received for Medicare premium overpayments are returned to the federal government."

2014-008 Allowable Costs/Cost Principles – Electronic Health Record Incentive Payments

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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CTINCT and 1405CTINCT

Criteria: Title 42 Code of Federal Regulations (CFR) Part 495 Subpart D authorizes states to provide incentive payments to Medicaid providers who adopt, implement, or upgrade certified electronic health record (EHR) technology or meaningfully use such technology. Section 316 in Part 495 asserts that the state is responsible for verifying the activities necessary for a Medicaid eligible professional or eligible hospital to receive an incentive payment for each payment year.

Title 42 CFR Part 495 Section 310 states that the method used to calculate the amount of incentive payments to eligible hospitals is determined by the state and paid over a minimum three-year period and maximum six-year period. The Department of Social Services (DSS) has opted through its State Medical Health Information Technology Plan (SMHP) to issue hospital incentive payments over a three year period at 50, 30, and 20 percent, respectively. Section 310 also states that the aggregate EHR hospital incentive amount is calculated as the product of the overall EHR amount multiplied by the Medicaid share of inpatient-bed-days. The overall EHR amount ranges from a base of $2,000,000 and a maximum of $15,925,500 that varies depending on the number of acute-care inpatient discharges the hospital has.

Title 42 CFR Part 495 Section 304 requires that Medicaid eligible professionals must have a minimum 30 percent Medicaid patient volume for each year the professional seeks an EHR incentive payment. Section 306 provides that the state shall designate the method it has established for measuring patient volume through its SMHP. The State of Connecticut elected to use the patient encounter methodology in which the Medicaid patient volume is calculated by dividing the total Medicaid patient encounters in any representative continuous 90-day period in the preceding calendar year, known as the numerator, by the total patient encounters in the same 90-day period, known as the denominator.

Condition: During the fiscal year ended June 30, 2014, DSS claimed for federal reimbursement 877 Medicaid EHR payments totaling $24,514,542 that consisted of 25 payments to hospitals totaling $11,323,944 and 852 payments to professionals totaling $13,190,598. We reviewed a sample of 25 Medicaid EHR incentive payments totaling $2,887,861 that consisted of three payments to hospitals totaling $2,588,944 and 22 payments to professionals totaling $298,917. Our review disclosed the following:

- DSS paid a hospital an EHR incentive payment of which $72,546 was unsupported. DSS determined that the hospital was eligible for a $1,373,415 EHR incentive payment based on the hospital's supporting documentation. However, DSS paid the hospital $1,445,961 based on the hospital's calculation without questioning the variance of $72,546. We also noted that DSS paid the hospital EHR incentive payments during the fiscal years ended June 30, 2013 and 2015 that were unsupported by $120,911 and $48,364, respectively.
- DSS paid four professionals a total of $34,000 in EHR incentive payments without confirming that the professionals met the required Medicaid patient volume threshold.

Effect: The above errors resulted in questioned costs totaling $120,911, $106,546 and $48,364 during the fiscal years ended June 30, 2013, 2014, and 2015, respectively.

Cause: The EHR incentive payment made to the hospital was based on the hospital's calculation instead of the amount determined by DSS. Although DSS' SMHP allows for a ten percent variance between the hospital's calculated incentive payment amount and the amount determined by DSS, this percentage of variance appears unreasonable. Since eligible hospital incentive payments can be millions of dollars, this could allow for potentially several hundred thousand dollars of unsupported payments to a hospital over the three year payment period.

We were informed that during the audited period that DSS did not review the denominator of the Medicaid patient volume ratio because DSS policy did not require eligible professionals to submit supporting documentation for the denominator. DSS implemented such a procedure as of November 15, 2014.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that Medicaid electronic health record incentive payments are issued to eligible providers and payment amounts are adequately supported. In addition, the Department of Social Services should reevaluate the reasonableness of the ten percent variance allowance used for the calculation of eligible hospital electronic health record incentive payments.

Agency Response: "The Department agrees in part with this finding.

Effective November 15, 2014, the Department instituted a more rigorous review process which would identify the mismatch in the 90 day period and require the provider to submit both a Medicaid encounter list and an all payers encounter list. The all payers encounter list in addition to the Medicaid encounter list will assist the Department in verifying the patient volume numerator and denominator.

The Department disagrees with the finding related to the hospital EHR overpayments. The Department submitted the eligible hospital verification process to the Centers for Medicare and Medicaid Services (CMS) and received approval of that process from CMS. The aforementioned process approved by CMS allows a variance between the Department's incentives pre-calculation with the hospitals (MAPIR) attestation calculation. Under the CMS approved process, eligible hospitals are only required to submit supporting documentation for discrepancies that go beyond the 10% variance. Supporting documentation was not required and the hospital was paid based on the attestation as per CMS-approved procedures."

2014-009 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

Background: The Department of Social Services (DSS) made fee-for-service payments totaling $5,426,118,995 during the fiscal year ended June 30, 2014. Of this amount, $2,743,212,334 was received in federal reimbursement. We separated the total population into five strata and randomly selected 25 transactions from each stratum for a sample of 125 payments totaling $103,590. Of this amount, $52,064 was received in federal reimbursement. A summary by strata follows:

Strata	Population Amount	Federal Portion of Population	Sample Amount	Federal Portion of Sample
Home Health and Home Care Waivers	$546,635,640	$273,786,691	$40,497	$20,249
Hospital	1,454,899,560	733,405,548	15,466	7,793
Medical Durable Goods	65,294,962	32,956,085	3,208	1,604
School Based	60,503,610	31,230,843	16,495	8,450
All Other	3,298,785,223	1,671,833,167	7,474	3,742
Total	$5,426,118,995	$2,743,212,334	$83,140	$41,838

Criteria: Title 2 Code of Federal Regulations Part 225, Cost Principles for State, Local and Indian Tribal Governments, Appendix A (formerly Attachment A to OMB Circular A-87), 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 that 21 LEAs were unable to provide us with sufficient service delivery records to support all the dates of service billed. In addition, we were unable to obtain three IEPs that covered all the SBCH services that were billed from the LEAs. This resulted in an over-claim of $13,905.

Effect: Our sample had questioned costs totaling $7,125.

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

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

Agency Response: "The Department concurs with the finding and agrees with the recommendation. All LEAs enrolled in the SBCH program should be aware of the documentation requirements to support the SBCH Medicaid expenditures. The documentation requirements have not changed since 2011 and have been included on all pertinent documentation and training material issued to LEAs. The Department developed a SBCH website in early calendar year 2014 where we post all SBCH program relevant information and guidance. The Department issued a Bulletin on October 24, 2014 to the LEAs reviewing the documentation requirements for the SBCH program and this Bulletin is posted on the SBCH program website. We would expect that future audits that review dates of service later in calendar year 2014 would have documentation to support claims consistent with the continued prompts from the Department to LEAs."

2014-010 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

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 $28,476,086 during the fiscal year ended June 30, 2014. Of this amount, $14,238,043 was received in federal reimbursement.

Criteria: Title 2 Code of Federal Regulations (CFR) Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), provides that to be allowable under federal awards, costs must be necessary, reasonable, and adequately documented.

Title 2 CFR 200 (formerly 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 $75,883 of which $37,941 was received in federal reimbursement. Our review disclosed the following:

- One payment totaling $1,338 was made to reimburse a client for an insurance premium paid for which there was inadequate documentation on hand to support whether the client had actually paid the premiums for which they were reimbursed.
- Two payments were initiated and authorized by the same individual.

Effect: The errors above resulted in questioned costs totaling $669. 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. However, DSS has informed us that during the 2015 state fiscal year that the department has begun reviewing the cost effectiveness of insurance premium payments and has stopped making further payments until all required supporting documentation is obtained. 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: "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 are reimbursed.

The department will review the processes related to manual issuances to ensure that proper segregation of duties exist."

2014-011 Allowable Costs/Cost Principles – Department of Developmental Services

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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

Background: The Department of Social Services (DSS) is designated as the single state agency to administer the Medicaid program in accordance with Title 42 Code of Federal Regulations (CFR) Part 431. Connecticut administered certain aspects of the Medicaid program through a number of state agencies including the Department of Developmental Services (DDS).

During the fiscal year ended June 30, 2014, DSS claimed for federal reimbursement payments processed by DDS and its fiscal intermediaries totaling $992,223,057. Of this amount $496,245,039 was received in federal reimbursement.

Criteria: Title 2 Code of Federal Regulations (CFR) Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), provides that to be allowable under federal awards, costs must be necessary, reasonable, and adequately documented.

Condition: We reviewed 40 benefit payments totaling $370,029, of which $185,015 was received in federal reimbursement. Our review disclosed unsupported payments totaling $24.

Effect: The above payments resulted in questioned costs of $12 attributable to the Medicaid program.

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

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

Agency Response: *Response provided by the Department of Developmental Services:*
"The supporting documentation did not fully support the claimed services for the noted individuals. The Fiscal Intermediary billed $60 of services but only had support for $35. That leaves $25 dollars without support.

DDS will review with the Fiscal Intermediaries the importance of keeping the backup information for the billing. We are following up with the Fiscal Intermediaries as well as the Department of Social Services to see if there should be a process change if there is insufficient support in the billing process.

If no backup is found, the claims will be adjusted within a two month period and returned to the Medicaid Program."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming Medicaid expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. It is DDS's responsibility to ensure it has controls in place to properly submit allowed expenditures to DSS for claiming under the Medicaid program.

However, in late 2013, the DSS Quality Assurance Audit Division had assembled an audit team that focuses on the review of DDS Medicaid providers. As part of the audit process, the Audit Division ensures that providers comply with applicable program requirements."

Auditors' Concluding Comments: As the single state agency for the Medicaid program designated under 42 CFR Part 431, DSS is responsible to administer or supervise the administration of the program. Although the finding is directed towards the DDS, DSS is directly accountable to ensure that all costs claimed for federal reimbursement under the Medicaid program are allowable.

2014-012 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Number: N/A

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. On March 28, 2014, DSS entered a settlement agreement in which it agreed to obtain and maintain compliance with the requirements of federal law for the processing of applications and the provision of Medicaid services in a timely manner. Benchmarks were established that designated the percentage of applications that must be processed timely as DSS works towards achieving full compliance with the applicable standards of promptness. Based on the settlement agreement, by April 2014 DSS shall be processing 87 percent of non-long-term care applications and 60 percent of long-term care applications, timely.

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 regulations requiring the processing of SNAP applications on a timely basis. On May 13, 2013, the court granted the plaintiffs' motion for a permanent injunction to enjoin DSS to process applications for and provide SNAP benefits in a timely manner, as required by federal regulations. Within 12 months of the injunction DSS must be in full compliance with all federal requirements to promptly determine eligibility and provide assistance to all eligible households. For purposes of

the injunction, DSS is considered to be in full compliance if it processes 97 percent of applications timely.

Criteria:

Medicaid:
Title 42 Code of Federal Regulations (CFR) Part 435 Section 912 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 2014 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
Non Long-Term Care	20,496	3,080	15%
Long-Term Care	1,574	180	11%
Total:	22,070	3,260	15%

SNAP:

Component	Number of Applications Received	Applications Not Processed Timely	
		Number	Percentage
SNAP Expedited	7,563	1,414	19%
SNAP Regular	6,904	1,233	18%
Total:	14,467	2,647	18%

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. In addition, DSS is not complying with court ordered benchmarks in regards to the timely processing of Medicaid non long-term care and SNAP applications.

Cause: Delays in the processing of applications are attributed to increases in the assistance program applications received and insufficient staffing levels 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: "Improving Medicaid and SNAP application timeliness is a top agency priority. 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 initially declined with the initial deployment of ConneCT in July 2013, timeliness quickly improved and has shown steady improvement. Timeliness is over 92 percent in October 2014 across all categories of Medicaid, including long term care applications with third part (non-agency-caused) delays.

Similarly SNAP application timeliness has improved since the audit finding. As of December 2014 DSS is timely processing approximately 88 percent of non-expedited SNAP applications.

This increase in SNAP timeliness is primarily due 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 anticipated 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.

The Department would also like to clarify that the Department is not under a court order to meet benchmarks for processing Medicaid applications. The department settled the Medicaid action with the litigating plaintiffs and is currently meeting the benchmarks established in that settlement.

With regards to the SNAP litigation, the benchmark performance requirements set by the court in its preliminary injunction are above and beyond what virtually any other state in the nation achieves. Using the more realistic measurements of timely application processing established by the federal agency charged with overseeing the SNAP program (FNS), DSS is currently processing applications at a rate within the acceptable range of performance. DSS is currently meeting and exceeding the benchmarks set forth for it by FNS."

2014-013 Allowable Costs/Cost Principles – Duplicate Payments

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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

Criteria: Title 42 United States Code (USC) Section 604 subsection (a)(1) provides that funds may be used in any manner reasonably calculated to accomplish the purposes of the TANF program.

Title 42 USC 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 (TFA) 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. The State Plan specifies that the earned income of TFA recipients is totally excluded up to the Federal Poverty Level (FPL). Once earnings reach the FPL, the family becomes ineligible for assistance.

Section B Part III of the TANF State Plan indicates that Connecticut's objective criteria are described in official state policies and regulations. Section 8562.15 of the Department of Social Services (DSS) Uniform Policy

Manual defines the Standard of Need as a monthly standard which represents the amounts deemed necessary for the normal, recurring, basic needs of a family. In addition, Section 8565.10 of the DSS Uniform Policy Manual states that new applicants for TFA are not eligible for cash assistance if their income is equal to or greater than the Standard of Need.

Condition: We obtained a file from DSS of cash assistance payments issued during the fiscal year ended June 30, 2014. Using this file we extracted 86 potential duplicate payments totaling $41,783. We performed a further review on 15 of these payments totaling $6,184 and identified 11 actual duplicate payments totaling $4,335. Of these 11 payments, ten were issued in September 2013 and one in August 2013. A further review disclosed that from the remaining universe of potential duplicate payments, an additional 53 duplicate payments were issued in September 2013 totaling $22,411.

In addition, we noted that two of the 15 clients reviewed were not eligible to receive cash assistance payments.

- One client's income exceeded the Standard of Need upon initial application. The client received cash assistance totaling $2,009 during the fiscal year ended June 30, 2014.
- One client's earnings exceeded 100 percent of the FPL. The client received cash assistance totaling $1,410 and $960 during fiscal years ended June 30, 2013 and 2014, respectively.

Effect: Our testing disclosed questioned costs totaled $1,410 and $29,715 in fiscal years ended June 30, 2013 and 2014, respectively.

Cause: We were informed by DSS that in July and August of 2013 DSS experienced delays in its ability to view scanned documents that were needed to redetermine client eligibility due to the recent implementation of the ConneCT system. As of August 16, 2013, there was a backlog of 31,589 redeterminations for the TFA and Supplemental Nutrition Assistance Program (SNAP). Since the backlog could have interrupted client services in September 2013, DSS decided to issue 504 TFA cash assistance payments totaling $192,315 without conducting redeterminations. However, since DSS did not notify the regional offices of this decision in a timely manner, the regional offices proceeded to process some redeterminations and manually issue cash assistance payments to clients whose eligibility was interrupted. This resulted in some clients receiving benefits twice for the same service month. Although DSS was aware that duplicate payments may have been issued, it appears no actions were taken to identify and recoup the duplicate payments.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that cash assistance payments are issued to eligible clients in the proper amount in accordance with federal regulations, the Temporary Assistance for Needy Families State Plan, and the state's corresponding policies and regulations. In addition, the Department of Social Services should strengthen internal controls regarding communication with the regional offices when executive decisions impact client services.

Agency Response: "The Department agrees with the findings and recommendations. The Department will refocus training efforts to field staff to insure that staff follows proper procedures. The cited cases will be forwarded to the field offices for appropriate action."

2014-014 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

Criteria: Title 45 Code of Federal Regulations (CFR) 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. Title 45 CFR Part 265 Section 7 requires that the state's quarterly financial reports be complete and accurate, which means that the reported data reflects information available to the state in case records, financial records, and automated data systems; the data are free from computational errors and are internally consistent; and the state reports data on all applicable elements. The instructions for the preparation of the TANF ACF-196 Financial Report require that all amounts reported be actual expenditures or obligations made in accordance with all applicable statutes and regulations.

Title 45 CFR Part 265 Section 8 authorizes a reporting penalty against a state when the TANF financial report does not contain complete and accurate information. A penalty of up to four percent of the TANF grant will be assessed for each quarter a state fails to submit an accurate, complete, and timely required report.

Condition: Our review of the TANF ACF-196 Financial Reports for the quarters ended September 30, 2013 and March 31, 2014 disclosed errors with the amounts reported as Federal TANF Expenditures (Column A).

- For the quarter ended September 30, 2013, the amount reported on Line 6m - *Other* was understated by $21,611 and the amount reported on Line 6l - *Non-Assistance Authorized under Prior Law* was understated by $8,588.

- For the quarter ended March 31, 2014, the amount reported on Line 6m - *Other* was overstated by $15,120 and the amount reported on Line 6g - *Diversion Payments* was understated by $2,022.

During the performance of other audit testing, we noted errors with the amounts reported as Federal TANF Expenditures (Column A) on the TANF ACF-196 Financial Report submitted for the quarter ended December 31, 2013. Line 6m - *Other* was overstated by $3,237, Line 6l - *Non-Assistance Authorized under Prior Law* was understated by $46,730, and Line 6j - *Administration* was understated by $6,931.

Effect: DSS understated the amount reported on lines 6g, 6j, 6l, and 6m by a net total of $67,525. DSS' inaccuracies in overstating any line amount on the TANF ACF-196 require the department to refile a financial report to avoid a federal reporting penalty.

Cause: The misstatements were due to clerical errors with intervening calculations in the preparation of the financial report. Examples of the errors included double-claiming expenditures, overlooking expenditures, applying the incorrect eligibility rate to expenditures, applying the incorrect cost allocation percentage to expenditures, and adding medical adjustments to expenditures, instead of subtracting them.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that the amounts claimed on the Temporary Assistance for Needy Families ACF-196 Financial Report are accurate, complete, and supported.

Agency Response: "DSS agrees with this finding and will refile the ACF-196 when the QE March 2015 report is filed."

2014-015 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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 (TFA) 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 B Part III of the TANF State Plan asserts that Connecticut's objective criteria are described in official state policies and regulations. Section 8540.25 of the Department of Social Services (DSS) Uniform Policy Manual prohibits any individual from receiving TFA concurrently with Supplemental Security Income. In addition, Section 8540.20 of the DSS Uniform Policy Manual disqualifies convicted drug felons, fleeing felons, and parole and probation violators from TFA unless individuals meet specific requirements.

Title 42 United States Code Section 1320b-7 requires, as a condition of eligibility, that each individual requesting TANF services furnish their Social Security number (SSN) to the state for the state to utilize 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 45 Code of Federal Regulations (CFR) Part 205 Section 60 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 a sample of 60 cash assistance payments, totaling $26,633, to review. Our sample was selected from an audit universe of 183,937 benefit payments, totaling $75,858,418, that were issued during the fiscal year ended June 30, 2014, of which $31,309,940 (41 percent) was claimed as direct federal expenditures and $44,548,478 (59 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 one case, the recipient was not eligible to receive cash assistance payments because the client's earnings and assets exceeded the limits of the program. Furthermore, we noted that the SSN of one member of the household was not entered into the DSS Eligibility Management System. This resulted in a $480 overpayment. In addition to the amount in our sample, we noted that the recipient was overpaid $10,925 in cash assistance payments; $3,697 during the fiscal year ended June 30, 2013, $5,280 during the fiscal year ended June 30, 2014, and $1,948 during the

fiscal year ending June 30, 2015 through the time of our review in October 2014.

2. In one case, the recipient was not eligible to receive cash assistance payments because the individual was concurrently receiving Supplemental Security Income. This resulted in a $109 overpayment. In addition to the amount in our sample, we noted that the recipient was overpaid $668 in cash assistance payments; $232 during the fiscal year ended June 30, 2013 and $436 during fiscal year ended June 30, 2014.
3. In two cases, the recipients' application or redetermination forms were not on file. This resulted in a $1,021 overpayment.
4. In two cases, law enforcement information was not on file. This resulted in a $797 overpayment.
5. In one case, the SSN of one member of the household was incorrectly entered into the DSS Eligibility Management System.

Effect: This resulted in questioned costs totaling $2,407 from the amount sampled. In addition, we noted additional questioned costs totaling $3,929, $5,716, and $1,948 during the fiscal years ended June 30, 2013, 2014, and 2015 through the time of our review in October 2014, respectively. Furthermore, without a proper SSN, DSS is not able to use the IEVS to verify eligibility using wage information, as required by federal regulations.

Cause:

1. DSS did not properly review and disposition an IEVS alert which indicated that the recipient had excess income. In addition, DSS did not enter the asset data provided by the recipient into the DSS Eligibility Management System so a proper eligibility determination could be performed.
2. We were informed that the IEVS does not consistently detect Supplemental Security Income of clients.
3. The missing application or redetermination forms may have been misfiled.
4. Missing law enforcement information may have been misfiled.
5. When DSS entered one individual's SSN into the DSS Eligibility Management System, the last two digits were transposed.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that each client who receives cash assistance is eligible for the program according to federal regulations, the Temporary Assistance for Needy Families State Plan, and the state's corresponding policies and regulations.

Agency Response: "The Department agrees with the finding and audit recommendation. The Department will review training curricula and operational directives to field staff and continue to work with Field Operations and Organizational & Skill Development managers/staff to ensure correct payments are made on behalf of eligible clients."

2014-016 Procurement

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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 36 provides that when procuring property and services under a federal grant, a state will follow the same policies and procedures it uses for procurement from its non-federal funds.

Section 4-70b of the Connecticut General Statutes states that purchase of service (POS) contracts shall be subject to the competitive procurement provisions of Sections 4-212 through 4-219 of the General Statutes. Section 4-216 requires that each POS agreement that is more than $50,000 or a term of more than one year shall be based on competitive negotiations or competitive quotations, unless the state agency applies to the Secretary of the Office of Policy and Management for a waiver from such requirement and the Secretary grants the waiver in accordance with the guidelines adopted under Section 4-215 of the General Statutes. Section 4-215 states that the services that may qualify for waiver from competitive procurement shall include, but not be limited to, (1) services for which the cost to the state of a competitive selection procedure would outweigh the benefits of such procedure, (2) proprietary services, (3) services to be provided by a contractor mandated by the general statutes or a public or special act, and (4) emergency services.

Title 45 CFR Part 93 Section 100 states that no federal grant funds may be expended to support lobbying activities.

Public Law 103-227 Part C, Pro-Children Act of 1994, prohibits smoking in any portion of any indoor facility owned or regularly used for the provision of health, day care, education, or library services to children under the age of 18, if the services are funded by federal programs whether directly or through state or local governments. The federal TANF grant award’s terms and conditions state that the above language must be included in any subawards that contain provisions for children’s services and that all sub-grantees shall certify compliance accordingly.

Condition: During the fiscal year ended June 30, 2014 DSS made payments for 24 POS contracts totaling $5,424,526. Our review of seven POS contracts in which DSS made payments totaling $1,840,715 disclosed the following:

1. Three POS contracts did not include the Pro-Children Act of 1994 provisions or that the sub-grantee shall certify compliance accordingly.

2. One POS contract did not include the provision that funds are not to be used to support lobbying activities.
3. DSS did not adhere to state procurement policies and procedures for four POS contracts, which have not been obtained through competitive procurement process since 2008.
   a. DSS requested waivers from competitive solicitation for two POS contracts in 2011 and 2013. The waivers stated that the reasons for not conducting a competitive procurement process in 2013 were that DSS was delayed in its procurement plan and that the program was scheduled for certification. It should be noted that the program is regularly certified every other year. We noted that the POS contracts were renewed through June 30, 2016 without conducting a competitive procurement process.
   b. DSS requested waivers from competitive solicitation for two POS contracts in 2010 and 2012. The waivers stated that the reason for not conducting a competitive procurement process in 2012 was that the existing contractors continued to satisfactorily administer the program. The waivers also stated that the POS contracts were identified for competitive procurement in 2013. We noted that DSS amended these POS contracts three times to extend the term of the contracts through June 30, 2015 without conducting a competitive procurement process in 2013.

Effect: Since POS contracts excluded required clauses and provisions, federal grant funds may be improperly used for lobbying activities and there is decreased assurance that children will be cared for in a smoke free environment. In addition, since contracts were not the result of a competitive procurement process, the department may not be receiving services from the most qualified lowest cost vendor.

Cause: Program employees who request POS contracts and competitive procurement are not familiar with the terms and conditions of the TANF federal award.

DSS received waivers from competitive solicitation from the Office of Policy and Management and therefore did not put contracts through a competitive procurement process. However, DSS should not have submitted a request for waivers since the reasons stated on the waivers did not comply with the General Statutes and were not otherwise substantive.

Recommendation: The Department of Social Services should strengthen procedures to ensure compliance with federal requirements and state regulations regarding the department's procurement responsibilities.

Agency Response: "The Department agrees with this finding in part.

For the three POS contracts that did not include the "Pro-Children Act of 1994" provisions, program staff will be inserting the Pro-Child Act of 1994 language via amendments to the POS contracts.

For the POS contract that did not include the provision that funds are not to be used to support lobbying activities, contract administration and procurement staff will review the grant requirements with program staff to ensure compliance with the TANF Federal Award.

The Department disagrees with the statement that state procurement policies and procedures were not adhered to for four POS contracts, which had not been through a competitive procurement since 2008. Both State statutes and OPM guidelines state that it is the Secretary of OPM that makes the determination whether the services requested can qualify for a waiver. The Department exercised its statutory right to request a waiver and that request was granted."

Auditors' Concluding Comments: While DSS received a waiver, there does not appear to have been any good reason for OPM to have granted it.

2014-017 Special Tests and Provisions – Child Support Non-Cooperation

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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

Criteria: Title 45 Code of Federal Regulations Part 264 Section 30 provides that if a state agency administering TANF determines that an individual is not cooperating with child support requirements, the agency must deduct an amount equal to not less than 25 percent of the amount of the assistance or deny the individual any assistance.

Section 8540.65 of the Department of Social Services (DSS) Uniform Policy Manual specifies that individuals who request assistance are required to cooperate in securing support from legally liable relatives for all members of the assistance unit unless the assistance unit is exempt or has good cause for not complying with such requirements. If an individual does not cooperate without good cause, the entire assistance unit is ineligible to receive assistance.

Condition: Our review of 25 sanction notices for non-cooperation with child support requirements for fiscal year ended June 30, 2014 revealed that six sanction notices were not timely processed by DSS. At the time of our review, we noted that some of the sanction notices had not been processed for as long as nine months. DSS continued to issue payments totaling $12,993 to these assistance units during the fiscal year ended June 30, 2014.

Effect: Clients who were non-compliant with eligibility requirements continued to receive cash assistance benefits.

Cause: DSS implemented a modernization of client services in July 2013. Previously, DSS had eligibility workers manage assigned caseloads. Currently, client cases are managed through a statewide queue system. We were informed that the transition to a statewide queue system disrupted the processing of sanction notices.

Recommendation: The Department of Social Services should strengthen internal controls to ensure compliance with Temporary Assistance for Needy Families child support enforcement requirements.

Agency Response: "The Department agrees with this finding. The modernization of the delivery services had a negative impact on the ability of child support to have clients sanctioned by eligibility. Previously, if a client needed to be sanctioned, child support staff had a worker they could contact in their respective office to get the matter resolved. Due to modernization changes, all requests had to go through an automated process/queue system. Unfortunately, due to volume, and prioritization, the queue system was not followed as it was originally intended and many requests for sanctions went unprocessed. The Department will research the implementation of processes that could potentially rectify the finding."

2014-018 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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 including the issuance of policies, rules, and regulations on program matters. Connecticut administers certain aspects of the TANF Program through a number of state agencies including the Department of Corrections (DOC).

As part of the operations of the DOC, costs incurred for education and training, addiction services, and residential services programs were determined to be eligible for federal TANF reimbursement.

According to the Inter-Agency TANF Claiming Procedures Manual, DOC 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 DSS with aggregate expenditure and eligibility ratio reports 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, 2014:

Component	Amount
Education and Training	$1,476,830
Addiction Services	4,110,016
Residential Services	15,308,052
Total	$20,894,898

Criteria: Title 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), requires that to be allowable under federal awards, costs must be adequately documented. Payroll costs under federal awards must be supported by personal activity reports or equivalent documentation that must be signed by the employee. In addition, Appendix A provides that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received.

Title 45 CFR 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 funds in separate state programs. Title 45 CFR Part 265 Section 7 requires that the state's quarterly financial reports be complete and accurate, which means that the reported data reflects information available to the state in case records, financial records, and automated data systems; the data are free from computational errors and are internally consistent; and the state reports data on all applicable elements. The instructions for the preparation of the TANF ACF-196 Financial Report require that all amounts reported be actual expenditures or obligations made in accordance with all applicable statutes and regulations.

Condition: We reviewed the support for the TANF quarterly reports that were provided by DOC and claimed by DSS for the fiscal year ended June 30, 2014. Our review disclosed the following:

- TANF eligibility ratios for the Addiction Services Program were misstated for the quarters ended September 30, 2013 and June 30, 2014, resulting in overstated TANF claims totaling $3,056 and $13,592, respectively.

- We reviewed 45 payroll transactions claimed under the TANF Program and disclosed that 22 timesheets were not signed by the employee. It should be noted that the DOC implemented a new policy on January 24, 2014 that required employees to sign their timesheets. Prior to the new policy, 20 out of 30 timesheets reviewed were not signed by the employee. After the new policy, two out of 15 timesheets reviewed were not signed by the employee.
- We reviewed Residential Services Program expenditures and noted that the DOC has the data available to calculate the claimable amount at a program level rather than the aggregate level. We noted that the aggregate level calculations exceeded the program level calculations by $799,097. The variance was due to two factors; program level calculations were more accurate than aggregate level calculations by $448,919; and aggregate level calculations included expenditures of four subprograms that contained no eligible participants, which resulted in overstated TANF claims of $350,178.

Effect: DSS overstated the amount claimed as TANF expenditures for the DOC Addiction Services and Residential Services programs by $815,745. In addition, payroll costs that were charged to TANF may not have reflected the time actually worked by the employee. Without accurate and adequate supporting documentation, there is decreased assurance that costs claimed under TANF are allowable.

Cause: Eligibility ratios for the Addiction Services Program were misstated due to clerical errors by DOC. We were informed that the misstated eligibility ratios for the quarter ended September 30, 2013 were detected by DOC and resubmitted to DSS in January 2014. However, DSS has not refiled its TANF claim to reflect the resubmitted data.

Although DOC implemented a new policy on January 24, 2014 requiring employees to sign their timesheets, it appears some unsigned timesheets went unnoticed during the supervisory review process.

DSS has not provided written guidance to DOC regarding the federal program requirements that are applicable for determining claimable TANF expenditures or outlined the data needed from DOC to accurately determine claimable TANF expenditures.

Recommendation: The Department of Social Services and the Department of Correction should strengthen internal controls to ensure that the amounts claimed for federal Temporary Assistance for Needy Families (TANF) reimbursement are accurate and adequately supported. The Department of Social Services should work with the Department of Correction to define each agency's responsibilities regarding program administration, expenditure claims, eligibility rates, and reporting requirements.

The Department of Social Services and the Department of Correction should reevaluate the aggregate level methodology used to calculate TANF claims incurred by the Department of Correction to ensure that claimed expenditures are allocable and accurately reflect available data.

Agency Response: *Response provided by the Department of Correction:*
"The agency agrees with this finding. With regard to DOC internal controls associated with TANF reporting the agency is reviewing its current practices and procedures with regard to TANF data collection and reporting and will work with the Department of Social Services to ensure that DOC's policies and procedures meet the Department of Social Services' requirements. Data collection and reporting will be standardized within the department and DOC will document the agreed upon process and requirements in written procedures which will be distributed to staff and implemented.

With regard to the signing of timesheets, unit directors and staff have been reminded of the requirements and the obligation to ensure that procedures are followed.

With regard to the reporting of community based service expenditures, DOC is now reporting claimable amounts at a program level rather than the aggregate level per the auditor's recommendation. The Department of Social Services has accepted this change in reporting."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming TANF expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. The Department of Social Services has forwarded a Memorandum of Understanding to DOC outlining each parties' responsibilities concerning claiming allowed expenditures under the TANF program. It is DOC's responsibility to ensure it has controls in place to properly submit the allowed expenditures to DSS for claiming under the TANF program.

DSS will refile the ACF-196 with the recommended adjustments when the QE March 2015 report is filed."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205 Section 100, DSS has the authority to administer or supervise the administration of the TANF program. Although the finding was directed jointly towards DOC and DSS, the state's lead agency is ultimately accountable for the proper use of the federal TANF funds.

2014-019 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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. Connecticut administers certain aspects of the TANF Program through a number of state agencies, including the Department of Mental Health and Addiction Services (DMHAS).

As part of the operations of DMHAS, costs incurred for the Young Adult Services Program (YAS) were determined eligible for federal TANF reimbursement. The amount claimed under TANF consists of salary and fringe benefit costs for the program, reduced by costs considered ineligible for TANF reimbursement. Ineligible costs include those reimbursed by a third party, salaries and fringe benefit costs of YAS staff performing services which are medical in nature, and costs allocated to YAS clients considered ineligible for TANF reimbursement. Among other criteria, DMHAS identifies YAS eligible clients as those aged 18-25 years.

DMHAS provides DSS with quarterly aggregate expenditures, eligible service ratios, and TANF claimable expenditures. DSS claimed YAS expenditures of $22,941,182 for federal reimbursement under TANF during the fiscal year ended June 30, 2014.

Criteria: Title 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), provides that to be allowable, costs must be allocable to the federal awards. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Title 45 CFR 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 funds in separate state programs. Title 45 CFR Part 265, Section 7, requires that the state's quarterly financial reports be complete and accurate, which means that the reported data reflects information available to the state in case records, financial records, and automated data systems; the data are free from computational errors and are internally consistent; and the state reports data on all applicable elements.

Condition: We reviewed the support for the quarterly expenditure amounts that were provided by DMHAS and claimed by DSS for federal reimbursement under TANF for fiscal year ended June 30, 2014. Our review disclosed that DMHAS applied the incorrect non-medical allocation percentage to YAS fringe benefit costs that resulted in the amount claimed being overstated by $1,729,317.

We also reviewed the eligible service ratios for the quarters ended March 31, 2014 and June 30, 2014. The eligible service ratios audit universe included 643 unique clients who received 48,897 units of service for YAS. Our review disclosed that DMHAS improperly included in the eligible service ratios 731 units of service for 19 clients who were ineligible as of January 1, 2014 because they were over 25 years old. The ages of the ineligible clients ranged from 26 to 33 years old. The costs associated with the ineligible units of service totaled at least $173,837.

Effect: Questioned costs totaled at least $1,903,154 for fiscal year ended June 30, 2014. Without accurate preparation of YAS data, there is decreased assurance that costs claimed under TANF are allowable.

Cause: DMHAS miscalculated the non-medical percentage allocation. In addition, DMHAS did not remove clients that had aged out of the program from the YAS client listing.

Recommendation: The Department of Mental Health and Addiction Services should recalculate and resubmit the correct claimable expenditures, eligible service ratios, and TANF claimable expenditures for fiscal year ended June 30, 2014 to the Department of Social Services so that the Temporary Assistance for Needy Families financial reports for the federal fiscal years ended September 30, 2013 and 2014 can be refiled.

The Department of Social Services and the Department of Mental Health and Addiction Services should work together to strengthen controls to ensure that data included in the Temporary Assistance for Needy Families reimbursement claim is accurate and allowable under federal awards.

Agency Response: *Response provided by the Department of Mental Health and Addiction Services:*
"DMHAS procedures and reports have been modified to exclude individuals who are older than 25 years old from being submitted for reimbursement under the TANF Program. In addition, both fiscal and programmatic staff have been trained on this exclusion parameter."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming TANF expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. The Department of Social Services has forwarded a Memorandum of Understanding to DMHAS outlining each party's responsibilities concerning claiming allowed expenditures under the TANF program. It is DMHAS's responsibility to ensure it has controls in place to properly submit the allowed expenditures to DSS for claiming under the TANF program.

DSS will refile the ACF-196 with the recommended adjustments when the QE March 2015 report is filed."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205 Section 100, DSS has the authority to administer or supervise the administration of the TANF program. Although the finding was directed jointly towards DMHAS and DSS, the state's lead agency is ultimately accountable for the proper use of the federal TANF funds.

2014-020 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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. 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 foster care (EA) were claimed for federal reimbursement under TANF.

<u>Case Management</u>:
Case management expenditures are allocated to TANF through DCF's cost allocation plan (CAP). The CAP allocates costs for administration, direct

services, in-home services, and out-of-home services. These costs must be reported on different lines of the TANF claim form (ACF-196), 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 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 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: Title 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), 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. Appendix A also requires that to be allowable under federal awards, costs must be adequately documented.

Title 45 CFR 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 funds in separate state programs. Title 45 CFR Part 265 Section 7 requires that the state's quarterly financial reports be complete and accurate, which means that the reported data reflects information available to the state in case records, financial records, and automated data systems; the data are free from computational errors and are internally consistent; and the state reports data on all applicable elements.

Condition: The prior five 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 was not implemented during the fiscal year ended June 30, 2014 and expenditures were 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 fiscal year ended June 30, 2014, totaled $114,031,418. Total foster care maintenance payments, including prior fiscal year adjustments, claimed under the TANF Program in the fiscal year ended June 30, 2014, totaled $1,204,718.

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

Recommendation: The Department of Social Services and the Department of Children and Families should strengthen internal controls to ensure that the foster care maintenance payments claimed for federal Temporary Assistance for Needy Families reimbursement are accurate and adequately supported.

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.

Agency Response: *Response provided by the Department of Children and Families:*
"We agree with these findings. A new TANF eligibility system was developed and put in place September 2014 and provides data for the previous two years. We will work with DSS on restating TANF claims."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming TANF expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. The Department of Social Services has forwarded a Memorandum of Understanding to DCF outlining each party's responsibilities concerning claiming allowed expenditures under the TANF program. It is DCF's responsibility to ensure it has controls in place to properly submit the allowed expenditures to DSS for claiming under the TANF program.

The agency disagrees with the finding that 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 for Case Management and Foster Care.

Based on SFY 2012 audit findings, DSS changed its procedures to recognize the issues with the Maximus reporting system. For the Case Management claim, the total costs claimable to TANF were reduced from 10% to 20%. For the Foster Care (Residential Care Months 5-12), a 10% reduction was made to the claimable amount."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205 Section 100, DSS has the authority to administer or supervise the administration of the TANF program. Although the finding was directed jointly towards DCF and DSS, the state's lead agency is ultimately accountable for the proper use of the federal TANF funds.

DSS' reductions for the case management and foster care maintenance claims were not supported by calculated estimates to substantiate the issues with the Maximus reporting system. The degree of accuracy or inaccuracy of the claimed amounts is unknown. DSS should not claim expenditures for federal TANF reimbursement unless the information is reliable.

2014-021 Allowable Costs – Department of Children and Families 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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

DSS claims federal reimbursement under TANF for certain in-home and community-based services provided to DCF clients by DCF providers. DCF enters into agreements with these providers and pays the providers in quarterly advances from state appropriations.

The providers determine TANF eligibility for each client that they serve and enter the results of the determinations into the DCF Programs and Services Data Collection and Reporting System (PSDCRS). PSDCRS is the DCF data and reporting system for community-based programs. At the conclusion of each quarter, DCF provides DSS with summary eligibility rates for each provider and service along with the amounts advanced to the provider in the quarter. DSS uses this information to claim federal reimbursement under TANF.

Criteria: Title 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), requires that to be allowable under federal awards, costs must be adequately documented.

Title 45 CFR 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 funds in separate state programs. Title 45 CFR Part 265 Section 7 requires that the state's quarterly financial reports be complete and accurate, which means that the reported data reflects information available to the state in case records, financial records, and automated data systems; the data are free from computational errors and are internally consistent; and the state reports data on all applicable elements.

Condition: Expenditures for in-home and community-based services claimed under TANF during the fiscal year ended June 30, 2014 appear to be based on inaccurate eligibility rates, as clients who may not have received services during the quarter may have been included in the rates. The prior two audits have revealed that the PSDCRS system does not capture the information needed to accurately calculate the eligibility rates. We were informed during prior audits that episode start and end dates did not represent 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. Therefore, as eligibility rates still were not calculated based on clients who actually received services during a particular quarter, we did not perform any testing.

Effect: DSS claimed $17,038,083 in DCF expenditures which may have been based on inaccurate TANF eligibility rates.

Cause: The PSDCRS system still does not capture the information necessary to accurately calculate the TANF eligibility rate.

Recommendation: The Department of Children and Families should implement procedures or further enhance the Programs and Services Data Collection and Reporting System to obtain or capture the information necessary to calculate the eligibility rates based on actual Temporary Assistance for Needy Families clients served.

The Department of Social Services should not claim the Department of Children and Families' in-home and community-based services expenditures until the eligibility rates are calculated based on the actual Temporary Assistance for Needy Families clients served.

Agency Response: *Response provided by the Department of Children and Families:*
"We agree with this finding. The Department will continue to work with the PSDCRS contractor to improve data collection. DCF will also work with the providers and provide training materials defining the data elements being collected and the significance of the responses in an effort to have more accurate data collection.

DCF and DSS have agreed to work together to improve the determination and collection of TANF eligibility information and will commence that project in SFY16."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming TANF expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. The Department of Social Services has forwarded a Memorandum of Understanding to DCF outlining each parties' responsibilities concerning claiming allowed expenditures under the TANF program. It is DCF's responsibility to ensure it has controls in place to properly submit the allowed expenditures to DSS for claiming under the TANF program.

It should be noted that when a client applies to DSS for the Temporary Assistance to Families program, it may take up to 2 months to grant the case. After granting the case, retroactive benefits are provided back to the application date. DCF operates under a similar system where a client's start date is their application date. It may take time to determine what services are needed and begin to provide such services. The client is eligible for services the entire time after the start date."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205 Section 100, DSS has the authority to administer or supervise the administration of the TANF program. Although the finding was directed jointly towards DCF and DSS, the state's lead agency is ultimately accountable for the proper use of the federal TANF funds.

2014-022 Subrecipient Monitoring – Department of Children and Families

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Federal Award Agency: Department of Health and Human Services
Award Years: Federal Fiscal Year 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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 including the issuance of policies, rules, and regulations on program matters. Connecticut administers certain aspects of the TANF Program through a number of state agencies including the Department of Children and Families (DCF).

DSS claims federal reimbursement under TANF for certain in-home and community-based services provided to DCF clients by DCF subrecipients. DCF enters into agreements with these subrecipients and pays them quarterly advances from state appropriations.

The subrecipients determine TANF eligibility for each client that they serve and enter the results of the determinations into the DCF Programs and Services Data Collection and Reporting System (PSDCRS). PSDCRS is the DCF data and reporting system for community-based programs. At the conclusion of each quarter, DCF provides DSS with summary eligibility rates for each subrecipient and service along with the amounts advanced to the subrecipient in the quarter. DSS uses this information to claim federal reimbursement under TANF.

Criteria: Title 2 CFR Part 200.331 (formerly OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations), states that a pass-through entity is responsible for identifying federal award information to the subrecipient.

Title 2 CFR Part 25 Section 200 provides that for subawards made on or after October 1, 2010, a pass-through entity is responsible for ensuring that 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.

Title 2 CFR Part 170 Appendix A requires that states report any action that obligates $25,000 or more in federal funds for a subaward to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) no later than the end of the month following the month in which the obligation was made. Appendix A also requires states to report key data elements as described in the submission instructions such as the amount of the subaward.

Condition: As reported in the prior two audits, DCF does not communicate to subrecipients the portion of their expenditures that were claimed by DSS under the TANF program.

We also noted that DCF did not obtain subrecipient DUNS numbers as part of the subaward application process or prior to awarding the contracts.

Effect: Subrecipients 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 subrecipient's auditor in determining major federal program coverage and the completion of a single audit. Therefore, without DCF communicating to the subrecipients the amount of their expenditures that were claimed under TANF, the subrecipients may not meet the single audit reporting requirement.

Without obtaining each subrecipient's DUNS number, DCF was unable to report TANF subawards to the FSRS. Therefore, there is decreased transparency to the public on DCF's spending of federal awards.

Cause: Although DCF states in its agreement with subrecipients that a portion of program funding is provided through the TANF Program, DCF does not have procedures in place to notify its subrecipients of the amount of their payments that were claimed under the TANF Program through DSS. In addition, we were informed that DSS does not regularly provide DCF with the amount of funds that were claimed for reimbursement under the TANF Program.

DCF was not aware of the requirement that applicants are to submit their DUNS numbers prior to receiving subawards.

DSS has not defined for DCF in writing that the federal requirements regarding the Federal Funding Accountability and Transparency Act are applicable for TANF claimable expenditures.

Recommendation: The Department of Social Services should work with the Department of Children and Families to ensure that subawards claimed under the Temporary Assistance for Needy Families Program are reported to the subrecipients and all federally required information is obtained from subrecipients prior to awarding contracts to ensure compliance with federal requirements.

Agency Response: *Response provided by the Department of Children and Families:*
"We agree with this finding. The Department has begun to closely monitor information filed by providers with the federal government and has begun to record DUNS numbers.

DCF has created a process to notify providers of the amount of their payments that were claimed under TANF. The Department is working with DSS to receive the necessary claiming information to be able to make these notifications. We will continue to work with DSS to receive this information in a timely manner, allowing DCF to comply with this requirement."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming TANF expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. The Department of Social Services has forwarded a Memorandum of Agreement to DCF outlining each party's responsibilities concerning claiming allowed expenditures under the TANF program. It is DCF's responsibility to ensure it has controls in place to properly monitor its subrecipients."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205 Section 100, DSS has the authority to administer or supervise the administration of the TANF Program. Although the finding was directed jointly towards DCF and DSS, the state's lead agency is ultimately accountable for the proper use of the federal TANF funds.

2014-023 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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 including the issuance of policies, rules, and regulations on program matters. Connecticut administers certain aspects of the TANF Program through a number of state agencies including the State of Connecticut Judicial Branch (Judicial), Court Support Services Division.

As part of the operations of the Judicial Branch, costs incurred for the Alternative in the Community and Multi-Systemic Therapy programs were determined to be eligible for federal TANF reimbursement. DSS claimed the following expenditures incurred by the Judicial Branch under TANF for the fiscal year ended June 30, 2014:

Component	Amount
Alternative in the Community	$1,905,473
Multi-Systemic Therapy	2,740,855
Total	$4,646,328

Criteria: Title 2 CFR Part 200.331 (formerly OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D – Section 400) states that a pass-through entity is responsible for identifying to a subrecipient federal award information such as Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, award year, and name of federal agency.

Condition: Our review of Judicial's procedures related to monitoring included reviewing the contracts of ten subrecipients of the TANF program. Our testing disclosed that none of the contracts or amendments to the contracts contained the required federal award information such as CFDA title and number, award name and number, and award year.

Effect: DSS has decreased assurance that federal funds are used for allowable activities.

Cause: DSS has not provided adequate guidance to Judicial regarding the federal requirements that are applicable to federal TANF funds provided to subrecipients.

Recommendation: The Department of Social Services and the Judicial Branch should establish policies and procedures to ensure that all subrecipients are provided federal award information as required by 2 CFR Part 200.331.

Agency Response: *Response provided by the Judicial Branch:*
"In response to the state's single audit finding for fiscal year ending June 30, 2013, on March 6, 2014 Judicial Branch Legal Services issued an opinion with suggested revision to current contract language which would include additional

Federal Funding Identification (applicable only if federal funds are identified in the Agreement).

Specifically, the Federal Funding Identification data fields would be as follows: DUNS number, CFDA Title and Number, Award Name and Number, Award Year, Research and Development status (yes/no), and name of Federal Agency Awarding the funds.

The Judicial Branch adopted the recommendations of this opinion on March 20, 2014 and included the new data fields in all current sub-recipient Agreement and Amendment contract documents.

Since the current TANF audit covers the entire SFY14 (July 2013-June 2014), implementation of this corrective action falls outside of the current review period, but should sufficiently address this finding in subsequent audits."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming TANF expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. The Department of Social Services has forwarded a Memorandum of Agreement to the Judicial Branch outlining each parties' responsibilities concerning claiming allowed expenditures under the TANF program. It is Judicial Branch's responsibility to ensure it has controls in place to properly monitor its subrecipients."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205 Section 100, DSS has the authority to administer or supervise the administration of the TANF Program. Although the finding was directed jointly towards the Judicial Branch and DSS, the state's lead agency is ultimately accountable for the proper use of the federal TANF funds.

2014-024 Level of Effort – State Department of Education, Office of Early Childhood, and Department of Labor

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 2012-2013
Federal Award Numbers: 1302CTTANF

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.

Connecticut administers certain aspects of the TANF Program through a number of state agencies including the State Department of Education (SDE), the Office of Early Childhood (OEC), and the Department of Labor (DOL).

As part of the operations of SDE through June 30, 2013 and OEC as of July 1, 2013, costs incurred for the School Readiness and Severe Need programs were claimed as state TANF maintenance of effort (MOE) expenditures. The administration of the School Readiness and Severe Need programs were transferred from SDE to OEC as of July 1, 2013.

SDE and OEC used family income statistics to allocate costs for state TANF MOE. Program costs were reduced on a quarterly basis by the percentage of non-TANF eligible families. SDE or OEC provided DSS with quarterly aggregate expenditures and eligibility reports that were used to prepare the TANF claim. DSS claimed the following expenditures incurred by SDE or OEC under TANF MOE for the federal fiscal year ended September 30, 2013:

Component	Amount
School Readiness	$72,608,899
Severe Need	6,614,929
Subtotal	79,223,828
Reduction for non-TANF eligible families	(6,616,133)
Total	$72,607,695

As part of the operations of DOL, costs incurred for the Jobs First Employment Services Program (JFES) were claimed as state TANF MOE. DOL provides DSS with a quarterly memorandum that identifies the aggregate JFES expenditures categorized as Contractual and Direct DOL Services and DOL Administration. DSS claimed the following JFES expenditures incurred by DOL under state TANF MOE for the federal fiscal year ended September 30, 2013:

Component	Amount
Contractual and Direct DOL Services	$14,360,760
DOL Administration	977,544
Total	$15,338,304

Criteria: Title 45 CFR 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. Title 45 CFR Part 265 Section 7 requires that the state's quarterly financial reports be complete and accurate, which means that the reported data reflects information available to the state in case records, financial records, and automated data systems; the data are free from computational errors and are internally consistent; and the state reports data on all applicable elements.

Title 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly Office of Management and Budget Circular A-87), provides that credits received by the governmental unit that relate to allowable costs shall be credited to the federal award.

Condition: We reviewed the amount of School Readiness and Severe Need Program expenditures provided by SDE and OEC and claimed by DSS for TANF MOE for the federal fiscal year ended September 30, 2013 and noted that the amount of Severe Need program expenditures reported for the quarter ended December 31, 2012 was overstated by $10,700. After applying the reduction percentage of 8.42 percent for non-TANF eligible families, DSS overstated the amount claimed as TANF MOE by $9,800.

We reviewed the JFES expenditures as reported on the quarterly memoranda provided by DOL and claimed by DSS for federal fiscal year ended September 30, 2013 and noted that the amount of JFES administrative expenditures reported for the quarter ended September 30, 2013 was overstated by $20,081.

Effect: TANF MOE was overstated by $29,881 for federal fiscal year ended September 30, 2013.

Cause: SDE did not include the amount of adjustments and refunds received in the amount reported to DSS.

DOL incorrectly included Early Retirement Incentive Plan (ERIP) expenditures in the amount of JFES expenditures reported to DSS. DOL attempted to correct the error in the subsequent federal fiscal year by reducing JFES expenditures reported to DSS for the quarter ended June 30, 2014. Since DOL only reports aggregate JFES expenditures to DSS, the amount of the correction could not be identified. Consequently, DSS did not adjust the amount reported as TANF MOE for the federal fiscal year ended September 30, 2013.

DSS has not provided adequate written guidance to SDE, OEC, or DOL regarding the federal program requirements that are applicable for determining claimable TANF expenditures.

Recommendation: The State Department of Education and the Department of Labor should resubmit corrected expenditures to the Department of Social Services so that the Temporary Assistance for Needy Families financial report can be refiled. In addition, the Department of Social Services should work with the Office of

Early Childhood and the Department of Labor to define each agency's responsibilities regarding program administration, expenditure claims, and reporting requirements to ensure that amounts being reported as Temporary Assistance for Needy Families maintenance of effort are complete, accurate, and net of adjustments and refunds.

Agency Response: *Response provided by the State Department of Education:*
"We agree with this finding. SDE will ensure that TANF reporting for claimable programs has been reviewed to include an adjustment for refunds or credits that had been made up to the time of the reporting. Further, SDE will review and file corrected reports for the quarter ended December 31, 2012 and ensure future reports reflect the proper amounts net of refunds."

Response provided by the Department of Labor:
"We agree with this finding. The original first quarter report for the period ending 9/30/13 over stated ERIP expenditures. These expenditures were removed in the 2nd quarter of the state fiscal year 2014 (12/31/13) because they were paid for with other funds but as the 2013 federal fiscal year JFES expenditures claimed included the ERIP amounts, the correction needs to be recognized in the 2013 federal fiscal year."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming TANF expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. The Department of Social Services has forwarded a Memorandum of Understandings to the other agencies outlining each party's responsibilities concerning claiming allowed expenditures under the TANF program. It is their responsibility to ensure it has controls in place to properly submit the allowed expenditures to DSS for claiming under the TANF program.

DSS will refile the ACF-196 with the recommended adjustments when the QE March 2015 report is filed."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205 Section 100, DSS has the authority to administer or supervise the administration of the TANF Program. As the lead agency, DSS is ultimately accountable to ensure that all costs claimed as TANF maintenance of effort are complete, accurate, and net of adjustments and refunds.

2014-025 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Number: N/A

Criteria: Title 42 United States Code Section 1320b-7 requires that the state have in effect an Income and Eligibility Verification System (IEVS) for the Medicaid, TANF, and SNAP programs. The IEVS provides for matches involving the Department of Labor (DOL) wage information, Social Security wage and earning files, and Internal Revenue Services unearned income files.

Condition: Prior audits of the IEVS have disclosed internal control deficiencies for 18 consecutive years. Our review of three IEVS alert codes displayed on the Department of Social Services (DSS) Eligibility Management System (EMS) disclosed deficiencies. As of November 6, 2014, 47,697 alerts for the Medicaid, TANF, and SNAP programs that were generated during the quarter ended September 30, 2013 have not been investigated, resolved, or removed, as appropriate. Each alert is assigned a specific due date generated by the system that ranged from July 12, 2013 to November 12, 2013 for our review. It should be noted that the report dated November 6, 2014 only included alerts that were originally generated during the quarter ended September 30, 2013 that have not been resolved as of the report date. The alerts that have been resolved are no longer on this report. Based on the alert report dated November 6, 2014, the total number of alerts generated during the quarter ended September 30, 2013 was at least 59,680.

Our review of 11 alerts generated during the quarter ended September 30, 2013, that had not been resolved as of November 6, 2014, disclosed one alert for the Medicaid program in which the client's income exceeded the net income limit for the program.

Our review of 25 alerts generated during the quarter ended September 30, 2013, that had been resolved as of November 6, 2014, disclosed 20 alerts that were resolved without properly updating employer information in EMS, addressing client wage differences between EMS and the DOL system, or entering unemployment compensation benefit payments into EMS.

Effect: Clients could have received benefits that they were not eligible to receive since determinations of eligibility and benefit amounts were completed without an adequate review of all available income and eligibility information. In addition, the eligibility workers' failures to properly correct the information in EMS when resolving alerts could likely result in the alert being regenerated.

Cause: Due to the volume of alerts, the proper review and disposition of alerts is not taking place in a timely manner.

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. While unprocessed alerts may not affect eligibility or benefit amounts, failure to act on them could potentially lead to errors. We will issue a reminder to staff to check for and disposition alerts whenever they take action on a case.

IMPACT, our new eligibility system scheduled to deploy in 2016, will make the process of dispositioning alerts easier. When a worker initiates a case action, IMPACT will direct the worker to a "pending case work" screen that includes any outstanding alerts."

2014-026 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTSOSR and 1401CTSOSR

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 Program, 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 (currently codified in Title 2 CFR Part 200), 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.

Title 2 CFR Part 200.331 (formerly Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D – Section 400) 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 subrecipients to submit various financial, programmatic and statistical, and monitoring reports to DSS and provide for site visits by 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 30 subrecipients including 25 subrecipients of SSBG funding, and seven subrecipients of TANF funding with two of these subrecipients having received both SSBG and TANF. Our testing disclosed the following:

- <u>Monitoring Activities:</u>
  1. Site visits, as provided for in the contracts, were not performed by

DSS for 14 subrecipients.

2. Some financial status, programmatic and statistical or monitoring reports required by the contracts were not on file or were submitted late for 25 subrecipients.

- Audit Requirements:
  1. 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:
  1. Three subrecipients did not provide a DUNS number to DSS.

Effect: DSS is not meeting its responsibility for monitoring subrecipients that receive SSBG and TANF 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 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 Title 2 CFR Part 200 (formerly Office of Management and Budget Circular A-133, Subpart D – Section 400) concerning its responsibilities as a pass-through entity and to ensure that subrecipients are properly monitored.

Agency Response: “The Department agrees with the findings and recommendation and will ensure proper procedures are in place. The Office of Community Services continues to have reduced staffing levels that affect on-site monitoring. The winter weather conditions impacted the capability to conduct monitoring visits and they are being scheduled during the next three months.”

2014-027 Reporting – Federal Funding Accountability and Transparency Act

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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTLIEA and 1401CTLIEA

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTSOSR and 1401CTSOSR

Criteria: Title 2 Code of Federal Regulations Part 170 Appendix A requires that states report any action that obligates $25,000 or more in federal funds for a subaward to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) no later than the end of the month following the month in which the obligation was made. Appendix A also requires states to report key data elements as described in the submission instructions such as the amount of the subaward.

Condition: We reviewed a sample of 15 subawards made during the fiscal year ended June 30, 2014 to determine if they were properly reported to the FSRS. Our sample included seven SSBG, four TANF, and four LIHEAP subawards from an audit universe of 92 subawards that included 65 SSBG, 16 TANF, and 11 LIHEAP subawards. Our review disclosed the following exceptions:

1. DSS did not report one SSBG and four TANF subawards totaling $1,667,914 and did not report amendments totaling $89,326 for two LIHEAP subawards. We noted that the remaining 12 TANF subawards totaling $3,345,106 that were in the audit universe but were not part of our sample were also not reported.
2. DSS did not report five SSBG and four LIHEAP subawards in a timely manner. Subawards were reported between four and 13 months late.
3. DSS overstated the amount reported for four LIHEAP subawards totaling $18,375,152.

Effect: There is decreased transparency to the public on DSS spending of federal awards.

Cause: The above conditions were caused by clerical errors, lack of staffing, and a misunderstanding of the need to report some subawards.

Recommendation: The Department of Social Services should strengthen internal controls regarding completeness, accuracy, and timeliness of subaward reporting to ensure compliance with the Federal Funding Accountability and Transparency Act reporting requirements.

Agency Response: "The Department agrees with this finding.
Condition #1:
DSS could not report one SSBG subaward in FSRS because the subawardee was not registered with SAM.gov. DSS will contact the subawardee regarding registering with SAM.gov. The TANF subawards that were not

reported were paid with state funds. All subawards associated with the state SIDs have been added to the report for TANF and they will be included in reporting for TANF going forward since the Department is claiming TANF federal reimbursement for these payments. The two LIHEAP subawards have been updated in the report submitted in March 2015 to reflect amendments to the originally reported amounts.

Condition #2:
The Department will implement a more frequent review and reporting will take place to insure that subawards are reported in a timely manner.

Condition #3:
The four LIHEAP subawards were overstated due to multiple report submissions. A FFATA report was submitted in March 2014 and in July 2014. The amounts reported in July were the total obligation to date, including the amounts reported in March, which resulted in an overstatement. The July 2014 report has been revised to correct the overstatement."

2014-028 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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTLIEA and 1401CTLIEA

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. DSS does not obtain documentation to support the amount used for program services and that the proper amount of unused benefits was refunded

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 eight 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 11 advances for administrative costs and LIHEAP Assurance 16 case management costs caused the LIHEAP subrecipients to have cash on hand in excess of their needs.

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 Office of Community Services (OSC) agrees partially to the finding regarding payments made to utility companies. OCS has communicated with the utility companies in trying to develop a process to ensure that the proper amounts are being refunded. Please note that these are not technically advances to the utility companies as payments are not released until January through June of each program year for applications that were approved as far back as August for the program that starts on October 1st.

OCS feels that there is adequate segregation of duties within DSS because the requests for payments to subrecipients are prepared by a fiscal staff person and reviewed and approved by the Manager of the unit prior to submittal to DFS.

OCS continues to review the need for payments prior to processing. We are now making monthly rather that quarterly administrative and Assurance 16 payments and only if the reports indicate that the subrecipients are in need of a payment."

2014-029 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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTSOSR and 1401CTSOSR

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 17 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: "The Office of Community Services is in agreement but does not have the staffing to process payments on a weekly basis to ensure that cash on hand does not exceed the average weekly disbursements. This would require submittal of weekly reports by the subrecipients and then the review and processing of payments. This requirement would also impact the capability of the subrecipients to perform this function on a weekly basis as well as the Department's Division of Fiscal Analysis. 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."

2014-030 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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTSOSR and 1401CTSOSR

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 federal fiscal year to carry out programs under SSBG. During the state fiscal year ended June 30, 2014, $14,967,155 of these TANF funds was expended by the Office of Early Childhood (OEC) for child day care services, $3,209,614 was expended by the Department of Children and Families (DCF) for residential treatment services, and $4,851,195 was expended by the Department of Housing (DOH) for the administration of programs for homeless individuals.

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 OEC, DCF, and DOH 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 Office of Early Childhood, the Department of Children and Families, and the Department of Housing 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 Office of Early Childhood*:
"We agree with this finding, and the issue was already corrected. As this was identified in a prior year, the correction to the template has been made effective 7-1-2014 and currently reads: Part I. A. 6. C. "The federally funded portion of this contract's funds must be used to support families that fall under two hundred percent (200%) of the federal poverty level. The Contractor shall report the number of families falling under this threshold on the monthly PSR." OEC will review existing procedures and policies on an ongoing basis to ensure TANF funds transferred to the SSBG are used in accordance with the guidelines."

Response provided by the Department of Children and Families:
"We agree with this finding. DCF will work with DSS to develop procedures to ensure compliance with the program and income requirements for families being served."

Response provided by the Department of Housing:
"The Department of Housing agrees with the finding. The Department of Housing (DOH) was created on July 1st, 2013, and with its creation received homeless service programs from the Department of Social Services (DSS). In the first year of existence, DOH also lost over one third of the staff that came from DSS to DOH to implement these programs. DOH is actively engaged in reforming their current homeless programs to be in full compliance with both state and federal regulations. Specifically, DOH has rebid all homeless shelter services. As part of this rebid, DOH has made a concerted effort to meet the requirements of all sources of funding. DOH will identify in their contracts the amount of funding in the contract coming from TANF funds. Contract language will clearly state that all agencies receiving TANF funds must comply with the federal regulation that all recipients of TANF funds have incomes that are below 200% of the federal poverty level. The monitoring tool used for all providers receiving TANF funds will document that all participants are in compliance with the poverty level criteria upon review of individual files."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming SSBG expenditures for the State of

Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. It is the other agencies responsibility to ensure that they have adequate controls in place to incur expenditures for allowed services."

Auditors' Concluding Comments: As the state's lead agency designated under 45 CFR Part 205 Section 100, DSS has the authority to administer or supervise the administration of the TANF program. As the lead agency, DSS is directly accountable for the proper use of TANF funds.

2014-031 Subrecipient Monitoring – Department of Housing

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTSOSR and 1401CTSOSR

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 including the Department of Housing (DOH).

DOH is responsible for administering programs for homeless individuals, including emergency shelter services, transitional housing services, on-site social services for available permanent housing, and for the prevention of homelessness. During the fiscal year ended June 30, 2014, DOH expended $11,032,823 in SSBG funds that were used to administer various programs for homeless individuals.

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 31 provides that SSBG grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 and revised Office of Management and Budget (OMB) Circular A-133, and that 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.

Title 2 CFR Part 200.331 (formerly Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D – Section 400) 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.
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, the provisions of contracts and grant agreements and that performance goals are achieved. Contracts between DOH and the subrecipients require the subrecipients to submit various financial, programmatic and statistical reports and provide for annual monitoring and site visits by DOH in order for DOH 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 DOH procedures related to monitoring consisted of testing 25 SSBG program subrecipients. Our testing disclosed the following:

- Award Information:
  Nine subrecipients were not provided with all the required federal award information. In addition, we noted that DOH contracts with the subrecipients do not adequately advise subrecipients of federal requirements imposed on them nor require that they impart federal program requirement information to their subcontractors.

- Monitoring Activities:
  1. Annual monitoring or site visits, as provided for in the contracts, were not performed by DOH for 16 subrecipients.
  2. Programmatic and statistical reports required by the contracts were not on file for 12 subrecipients.
  3. There was no documentation on hand to indicate that the financial, programmatic, and statistical reports submitted to DOH were adequately reviewed and it is not clear which employees of DOH are responsible to review the reports.

- Audit Requirements:
  DOH did not have procedures in place for the review of audit reports

received to ensure that all audit requirements were met including the proper determination and reporting of federal awards expended. For six 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 DOH.

- <u>DUNS Numbers:</u>
  There is no documentation of DUNS numbers on file for any of the subrecipients.

Effect: DOH is not meeting its responsibility for monitoring subrecipients that receive federal funds. DOH monitoring procedures did not provide reasonable assurance that federal funds are used for allowable activities.

Cause: DOH did not have adequate procedures in place to include the federal award information in all the contracts for which funds are provided, to ensure that all required DUNS numbers are properly on file, and to properly monitor the activities of subrecipients, as necessary. In addition, DSS did not adequately provide DOH with guidance regarding DOH's responsibilities for monitoring subrecipients that receive SSBG funds.

Recommendation: The Department of Social Services should work with the Department of Housing to implement procedures to comply with Title 2 CFR Part 200.331 (formerly Office of Management and Budget Circular A-133, Subpart D – Section 400) concerning its responsibilities as a pass-through entity and to ensure that subrecipients are properly monitored.

Agency Response: *Response provided by the Department of Housing:*
"The Department of Housing agrees with the finding. The Department of Housing (DOH) was created on July 1st, 2013, and with its creation received homeless service programs from the Department of Social Services (DSS). In the first year of existence, DOH also lost over one third of the staff that came from DSS to DOH to implement these programs. DOH is actively engaged in reforming their current homeless programs to be in full compliance with both state and federal regulations. Specifically, DOH has rebid all homeless shelter services. Through this rebid process, DOH will be implementing new contract language for the subcontractors that carry out eligible activities that address many of the auditor's concerns. Specifically, all CFDA titles and numbers will be added to the contract as well as all DUNS numbers. Federal requirements will be clearly spelled out so all subcontractors know their responsibilities.

In addition, DOH will implement new changes related to monitoring all programs immediately. DOH staff responsible for overseeing programmatic monitoring are required to submit a calendar of program monitoring for the entire fiscal year. This calendar will ensure that all programs are monitored on an annual basis. In addition to creating a monitoring schedule for all programs, DOH immediately instituted a change for financial monitoring. Specifically, a grant and contract specialist will review agency quarterly financial reports to determine if programs are properly reporting the spending of state and federal funds. An accountant will also review the annual audit findings of all agencies to determine compliance with state and federal regulations. All monitoring reviews including programmatic and fiscal monitoring and required statistical reports will be saved in a shared folder. This will allow access to all reports and monitoring results to all DOH staff members as well as entities requesting this information."

Response provided by the Department of Social Services:
"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming SSBG expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. It is DOH's responsibility to ensure it has controls in place to properly monitor its subrecipients."

Auditors' Concluding Comments: As the principal state agency for the SSBG program, DSS is directly accountable for the proper use of the funds provided to other state agencies.

2014-032 Subrecipient Monitoring – State Department of Education and Office of Early Childhood

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTSOSR and 1401CTSOSR

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

The state may transfer up to ten percent of its Temporary Assistance for Needy Families (TANF) funds for a given federal fiscal year to carry out programs under SSBG. During the state fiscal year ended June 30, 2014, $14,967,155 of these TANF funds was expended by the Office of Early Childhood (OEC) for child day care services. During the state fiscal year ended June 30, 2014, OEC was under the State Department of Education (SDE) for administrative purposes.

Criteria: Title 2 CFR Part 200.331 (formerly Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D – Section 400) states that pass-through entities shall monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. OEC contracts with subrecipients require the contractors to submit various financial, programmatic, statistical, and monitoring reports to OEC in order for OEC to monitor the use of federal awards.

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 SDE procedures related to subrecipient monitoring consisted of testing 15 SSBG program subrecipients. Our testing disclosed the following:

1. On-site monitoring was only performed when an issue or concern arose. Procedures are inadequate to ensure sufficient subrecipient monitoring.
2. DUNS numbers were not readily available for eight out of 15 subrecipients in the sample. OEC does not have procedures in place to obtain DUNS numbers from subrecipients.

Effect: OEC is not meeting its responsibility for monitoring subrecipients that received federal funds. In addition, OEC monitoring procedures did not provide reasonable assurance that federal funds are used for allowable activities.

Cause: OEC does not have adequate procedures in place to properly monitor the activities of subrecipients. Staff shortages prevent the performance of routine on-site visits. On-site visits are only currently being initiated due to the identification of a problem at the program level. In addition, OEC does not have policies and procedures in place to ensure that DUNS numbers are obtained from all subrecipients.

Recommendation: The Department of Social Services should work with the Office of Early Childhood to implement procedures to comply with Title 2 CFR Part 200.331 (formerly Office of Management and Budget Circular A-133, Subpart D – Section 400) concerning its responsibilities as a pass-through entity and to ensure that subrecipients are properly monitored.

Agency Response: *Response provided by the Office of Early Childhood:*

"We agree with this finding. OEC will develop and implement a procedure that will require on-site monitoring of a sampling of grantees for compliance under (OMB) Circular A-133 to monitor subrecipient activity at the program level. As SDE is the APO for OEC, we will continue to rely on SDE's Office of Internal Audit to perform subrecipient monitoring at the financial level via the federal single audit process. As well, we will continue to rely on SDE to collect and maintain the financial information related to DUNS numbers. The DUNS numbers will be collected during the application process."

Response provided by the State Department of Education:

"We agree with this finding. SDE will implement a procedure to maintain DUNS numbers from all recipients as required under (OMB) Circular A-133. Additionally, we will continue to perform subrecipient monitoring through the federal single audit process."

Response provided by the Department of Social Services:

"Although the Department of Social Services is the lead agency and retains overall responsibility for claiming SSBG expenditures for the State of Connecticut, this finding should not be listed as a finding under the Department of Social Services section of the Federal Single Audit report. It is other agencies' responsibility to ensure it has controls in place to properly monitor its subrecipients."

Auditors' Concluding Comments: As the principal state agency for the SSBG program, DSS is directly accountable for the proper use of the funds provided to other state agencies.

2014-033 Allowable Costs/Cost Principles – Duplicate Payments

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Number: N/A

Background: The Department of Social Services (DSS) is responsible for processing applications, determining eligibility, and issuing Supplemental Nutrition Assistance Program (SNAP) benefits to eligible households. We obtained a file from DSS of SNAP benefits issued during the fiscal year ended June 30, 2014. This file contained payments made to 311,294 unique assistance unit (AU) numbers. DSS assigns each eligible household a unique AU number at the time eligibility is determined. We extracted payments from the file if an AU received multiple payments for the same amount in a month. There were 973 such AUs for which payments totaled $444,139. Further review was performed on 15 AUs for which payments totaled $5,884.

Criteria: Title 2 Code of Federal Regulations (CFR) Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), provides that to be allowable under federal awards, costs must be necessary and reasonable.

Title 7 CFR Part 273 Section 18(a) provides that if a household receives more SNAP benefits than it is entitled to receive, the state must establish a claim against that household.

Condition: Our review of 15 AUs that received multiple payments for the same amount in a month disclosed that eight of these AUs received duplicate payments. Claims were not established against these households because DSS had not previously identified these duplicate payments.

Effect: Our testing disclosed questioned costs totaling $1,579.

Cause: We were informed by DSS that in July and August of 2013 DSS experienced delays in its ability to view scanned documents that were needed to redetermine client eligibility due to the recent implementation of the ConneCT system. As of August 16, 2013, there was a backlog of 31,589 redeterminations for SNAP and the Temporary Assistance for Needy Family program. Since the backlog could have interrupted client services in September 2013, DSS decided to issue 8,954 SNAP payments totaling $2,316,838 without conducting redeterminations. However, since DSS did not notify the regional offices of this decision in a timely manner, the regional offices proceeded to process some redeterminations and manually issue benefits to clients whose eligibility were interrupted. This resulted in some clients receiving benefits twice for the same service month. Although DSS was aware that duplicate payments may have been issued, it appears no actions were taken to identify and recoup the duplicate payments.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that duplicate Supplemental Nutrition Assistance Program benefits are not being made and should attempt to recover any duplicate benefits issued.

Agency Response: "The Department will review the potential duplicate payments related to the SNAP program. If it is determined that duplicate payments were issued, the Department will undertake the procedures to attempt to recoup the duplicate payments. Additionally, the Department will explore the implementation of controls to ensure that benefits are not issued without a valid redetermination on file."

2014-034 Allowable Costs/Cost Principles – Office of Early Childhood

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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTCCDF and 1401CTCCDF

Background: During the fiscal year ended June 30, 2014, the Department of Social Services (DSS) was designated as the lead agency to administer the CCDF in accordance with Title 45 Code of Federal Regulations (CFR) Part 98. Connecticut administered certain aspects of the CCDF program through a number of state agencies including the Office of Early Childhood (OEC).

The Department of Social Services (DSS) claimed federal reimbursement under CCDF for costs incurred at OEC including costs involved with the operation of the 211 Childcare Infoline. The OEC's contract for the operation of the 211 Childcare Infoline requires the contractor to submit periodic financial and performance reports.

Criteria: Title 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly Office of Management and Budget (OMB) Circular A-87), provides that credits received by the governmental unit that relate to allowable costs shall be credited to the federal award.

Title 2 CFR Part 200.303 (formerly 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 having a manager with knowledge of the program requirements approve all program expenditures. In addition, prior to authorizing the payment, the manager should verify that all required supporting documentation is on hand including contractually required financial and performance reports.

Condition: During the fiscal year ended June 30, 2014, $3,082,292 of expenditures at OEC was claimed for federal reimbursement under CCDF. We reviewed a sample of ten payments totaling $508,521. Our review disclosed that one payment totaling $187,500 was not approved in advance by a manager having adequate knowledge of the program requirements. In addition, it appears that contractually required financial and performance reports were not on hand prior to the payment being issued to the contractor. Further, our review disclosed that total expenditures at OEC were overstated by $3,717.

Effect: CCDF expenditures were overstated by $3,717. In addition, without the proper authorization of expenditures, there is an increased risk that unallowable costs may occur.

Cause: OEC did not include the amount of adjustments and refunds received in the amount reported to DSS. In addition, OEC's procedures regarding the approval of federal expenditures were not always effective.

Recommendation: The Office of Early Childhood should resubmit expenditures net of adjustments and refunds received to the Department of Social Services so that the Child Care and Development Fund financial reports can be refiled. In addition, the Office of Early Childhood should ensure that all expenditures are adequately supported and properly approved prior to payments being made.

Agency Response: *Response provided by the Office of Early Childhood*:
"OEC will ensure that CCDF reporting for claimable programs have been reviewed to include an adjustment for refunds or credits that had been made up to the time of the reporting. Further, SDE will review and file corrected reports for the 2014 year and ensure future reports reflect the proper amounts net of refunds.

Additionally, OEC continues to use a process by which program managers are required to confirm that the activities being authorized for payment have occurred and were programmatically appropriate. OEC will enforce existing procedures to ensure that all program managers are following accordingly. Further, OEC will ensure that assigned program managers are knowledgeable and properly trained prior to being assigned such activities, even in a temporary capacity."

Response provided by the Department of Social Services:
DSS will refile the ACF-196 with the recommended adjustments when the QE March 2015 report is filed. It should be noted that the specific recommendation pertains to the Office of Early Childhood and should not be listed as a finding under the Department of Social Services section of the Federal Single Audit.

2014-035 Special Tests and Provisions – 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 2012-2013 and 2013-2014
Federal Award Number: 1301CTCCDF and 1401CTCCDF

Background: During the fiscal year ended June 30, 2014, the Department of Social Services (DSS) was designated as the lead agency to administer the CCDF in accordance with Title 45 Code of Federal Regulations (CFR) Part 98. Connecticut administered certain aspects of the CCDF program through a number of state agencies including the Department of Public Health (DPH).

Child care services are provided by center based, group home, family home, and in-home child care providers. Center based, group home, and family home child care providers are required to be licensed. The Department of Public Health Community Based Regulations, Child Day Care unit is responsible for the administration of the child day care licensing programs. The Community Based Regulation unit licenses more than 4,000 child day care facilities.

Required background checks for these licensed facilities are sent to the DPH’s Office of Licensure, Regulation, and Compliance (OLRC) 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 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.

DSS is responsible for initiating and monitoring the required background checks for in-home child care providers. Background checks are performed when the provider initially enters the system and annually thereafter.

There are three types of background checks that are performed; a child abuse registry check, a state/territory criminal background check, and a FBI criminal background check. The child abuse registry is maintained by the Department of Children and Families (DCF), a state/territory criminal background check is performed by the Department of Emergency Services and Public Protection (DESPP) and a FBI criminal background check which includes fingerprints is performed by the Federal Bureau of Investigation.

As of July 1, 2014, the Office of Early Childhood (OEC) became the lead agency to administer the CCDF and is responsible for licensing and performing background checks on child care providers.

Criteria: Title 45 CFR Part 98 Section 41 provides that as part of their CCDF state plans, lead agencies must certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive child care subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that child care providers serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers.

The CCDF State Plan provides that for all types of child care providers, background checks (child abuse registry, state/territory criminal background, and FBI criminal background checks) are required for all program staff upon initial entrance into the system as well as all individuals residing in a family home daycare. In addition, a check with the child abuse registry and a state/territory criminal background check will be performed annually thereafter on all in-home child care providers.

Condition: Our review of DSS' procedures for initiating and monitoring background checks for in-home child care providers disclosed that providers with criminal backgrounds, which would make them ineligible to provide services under CCDF, are not being discovered timely. As part of reviewing overpayments we noted two in-home child care providers that had criminal convictions and were continuing to provide services under CCDF. One provider provided services for six months and the other for two years before DSS deemed them ineligible to participate in the program.

We reviewed the DPH'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 OLRC 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 DPH's licensing files that document site visits to child care facilities found that the files do not contain evidence that 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. This review is only completed if a complaint against a provider includes an allegation addressing a background check issue.
- We reviewed a sample of 21 new program staff or household members whose background checks by the OLRC identified 25 legal matters that required follow-up by the department. On average, it took approximately 143 days for the 25 background checks to move from the OLRC to the Child Day Care unit with a range of 41 to 486 days, it took approximately 21 days from the date the department's Child Day Care unit received the referral from the OLRC, to the date when that unit sent out its standard letter of inquiry with a range of 1 to 118 days for 19 of the 25 background checks.

The overall time lag includes the impact of delays caused by the processing of background checks at DESPP and DCF. Lag times related to the processing time for fingerprint cards sent to DESPP averaged 148 days with a range of 79 to 481 days and lag times for release forms sent to DCF averaged 69 days with a range of 33 to 137 days. There is uncertainty related to the delays caused in the processing of background checks system-wide, as DPH does not have the capacity to accurately identify all individuals with one or more background check referrals that are delayed and require action. It should be noted that the combined 143 day average does not include the additional time needed to reach resolution on the identified legal matters.

- Our prior audits identified that DPH's Child Day Care unit has no mechanism to detect and track the arrests of individuals whose subsequent convictions could result in their disqualification with the program. Until an individual is convicted of a crime the Child Day Care unit has no regulatory authority to prohibit the individual from providing services.

Effect: Child care providers and their employees may be operating without the required completed background checks. As a result, children are at an increased risk of coming into contact with unsuitable individuals.

Cause: As the lead agency during the fiscal year ended June 30, 2014, DSS did not implement adequate controls to ensure that child care providers that have not received background checks or providers with criminal backgrounds are not providing child care services. In addition, since background checks on in-home providers are only performed annually, providers with criminal backgrounds could be providing child care services to children for an extended period of time before being removed from the program. Some of the delay in determining a provider has a criminal background is due to processing delays at DCF and DESPP.

DPH does not have a unified monitoring and enforcement system capable of ensuring that all program employees entering the child care system in Connecticut are identified, that they have received background checks, and follow-up has taken place in all instances where a background check reveals legal matters of concern. DPH relies on a manual process that does not provide management with real time feedback of background check activity. The OLRC communicates background check "hits" to the Child Day Care unit by paper memoranda. The Child Day Care unit uses several different manual systems for tracking and documenting their follow-up activities with respect to background checks.

DPH does not have the capacity or capability to track arrests identified as part of their background check procedures. In the absence of such capacity, individuals with dangerous charges whose possible convictions could result in disqualification may not be identified or may not be identified in a timely manner. DPH relies upon the good faith of providers to report convictions as required by statute. For those entities that may choose to ignore the law, DPH has no process in place to identify noncompliance and exercise appropriate enforcement. Background checks are only being performed on program employees entering the child care system; no subsequent background checks are performed. As such, it remains DPH's responsibility to act upon existing information already in its possession, such as the record of arrests from the completed background checks.

Recommendation: As the successor agency to the Department of Social Services and the Department of Public Health, the Office of Early Childhood should ensure that background checks are performed on all required child care providers and that a system is established to track and review all legal matters of concern that may be identified subsequently.

Agency Response: *Response provided by the Department of Public Health:*

"The Department of Public Health agrees with this finding. The Child Day Care Unit transferred to the newly established State Office of Early Childhood (OEC) on July 1, 2014. Accordingly, any statutory and/or regulatory oversight related to, as well as the substantive management and processing of, child care background checks is no longer within the purview of the Department of Public Health for the purpose of constructing any corrective action plan herein. Pursuant to a Memorandum of Understanding with the OEC, the Department continues to lend office support staff to the OEC (at no budgetary expense to the OEC) to assist in the processing of OEC background checks until the OEC hires personnel to support this processing role or July 1, 2015, whichever is earlier.

Prior to July 1, 2014, the Department took a number of steps in an attempt to address identified concerns related to the Child Day Care Unit's background check processes. For example, two temporary Child Day Care program staff were hired to assist in quantifying the resources needed to follow up with those applicants whose background checks were not processed for various reasons (smudged fingerprints, insufficient payment, etc.). Over three months, those staff resolved background checks for 684 individuals. However the number of incomplete background checks grew by approximately 70 per week, to 1827 individuals. Interagency meetings and discussions were also held between the Governor's Office, DPH, Department of Emergency Services and Public Protection (DESPP), Department of Children and Families (DCF), OEC and Office of Policy and Management to determine whether the background checks could be conducted within the already-existing DCF infrastructure that includes live-scan machines and staff. While DCF was agreeable to this resolution, DESPP had concerns about DCF staff conducting background checks on behalf of as separate state agency and this potential option was tabled. In addition, two existing staff within the Child Day Care Unit's licensing program were designated and trained to assist supervisors with the collection of documentation in regards to criminal history record "hits" in an effort to expedite the program's initial response to criminal history record "hits". The manual process for following up on background checks that reveal a "hit" was standardized among the Child Care Licensing Supervisors and the transfer of documentation from the OLRC to the Child Day Care Unit was documented.

Prior to the Child Day Care Unit's transfer to the OEC, DPH posted a notice on the Child Day Care Unit's webpage and the early care list-serve reminding licensed child care providers of the requirements for submitting background checks and to return the necessary information to the Child Day Care Unit immediately if requests for background checks were initially rejected.

While the Department agrees that the identified concerns related to delays in the child care background check process should be addressed, at this time any meaningful corrective action plan would need to be articulated by the OEC. As stated, this is because, as of July 1, 2014, the Department has no further regulatory oversight or budgetary control over child care background check processes and, as such, lacks any agency ability to dictate and/or implement corrective actions relative to that program."

Response provided by the Department of Social Services:
"The recommendation is not applicable to the Department of Social Services. The recommendation relates to the Office of Early Childhood."

Response provided by the Office of Early Childhood:
"The Office of Early Childhood (OEC) agrees with the findings that provider employees may not be checked against the database during routine site visits for confirmation that the required checks had been completed, that it took approximately 21 days from the date the child care licensing unit received the referral from OLRC to the date the initial letter of inquiry was sent, and that the procedures for initiating and monitoring background checks for in-home providers are not conducted in a judicious manner. Overall, the OEC agrees that the system to process background checks on child care providers must be improved to ensure that background checks are performed on all required providers in a timely fashion. Additional staffing was called for in the Governor's budget which will enable the OEC to independently manage the state's responsibilities related to the completion of criminal and protective services background checks associated with child care providers. The recruitment of these new staff is ongoing and will position the OEC to take over the processing of background checks from DPH and DSS. Once hired,

these new staff, under the supervision of an OEC attorney, will review all options to improve the process including the implementation of Live Scan machines throughout the state, an examination of the new requirements of the CCDF reauthorization, and revision of statutes. 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."

2014-036 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5MAP and 1405CT5MAP

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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTCCDF and 1401CTCCDF

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 2012-2013 and 2013-2014
Federal Award Number: 4CT400400

Background: The administrative costs incurred in operating the Department of Social Services (DSS) are allocable to federal and state programs in accordance with benefits received, as specified in the DSS federally approved cost allocation plan (CAP). Each expenditure transaction is assigned an expenditure code. The state's accounting system accumulates the expenditures by the recorded expenditure codes and generates the reports DSS uses to record the expenditures in various cost pools. The costs accumulated in these cost pools are allocated to federal and state programs as specified in the CAP. Costs are allocated to programs based on the allocation basis assigned to the respective cost pools. DSS contracted with a vendor to develop the CAP.

Criteria: Title 2 Code of Federal Regulations (CFR) Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), 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 CFR Part 95 Section 517 provides that for the state to claim federal financial participation for costs associated with a program, it must do so only in accordance with its approved cost allocation plan.

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

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

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

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

Agency Response: "We concur with this finding related to Department of Rehabilitation Services (DORS). Our review of the Regional Office Allocation Basis indicated that the FTE hours for this allocation basis are automatically derived from the Department Allocation Basis. We established the link to the Department Allocation Basis for Vocational Rehabilitation and in working with our cost allocation contractor; we amended the Public Assistance Cost Allocation Plan effective July 1, 2014.

Corrections/adjustments are being made to appropriately allocate costs to benefitting programs. We anticipate completion by June 30, 2015."

2014-037 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 2012-2013 and 2013-2014
Federal Award Numbers: 1305CT5ADM and 1405CT5ADM

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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CTTANF and 1402CTTANF

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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTCCDF and 1401CTCCDF

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 2012-2013 and 2013-2014
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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CTLIEA and 1401CTLIEA

Criteria: Title 2 Code of Federal Regulations (CFR) Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A (formerly OMB Circular A-87), 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:

- Two timesheets 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 Title 2 CFR Part 225. This lessens the assurance that only allowable costs are being charged to federal awards.
Cause:	For the first exception, the two 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 Department will continue to communicate the importance of complete and accurate records with our staff assisting in the entry and storage of timesheets until the transition to self-service."

DEPARTMENT OF TRANSPORTATION

2014-100 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, 2014
State Project: DOT01710305CN

Background: The National Environmental Policy Act (NEPA) "requires that the significant environmental effects of public transportation projects proposed for FTA assistance be documented, and that alternatives to avoid, minimize, and mitigate the adverse effects be considered." The measures to mitigate the adverse environmental and community impacts of a project, if any, are described in NEPA and related environmental documents.

Criteria: Title 23 Code of Federal Regulations Part 771 provides that for projects requiring an Environmental Impact Statement (EIS), mitigation measures are summarized in a Record of Decision. Section 4.10 of the Final Environmental Impact Statement (FEIS) for the CTfastrak project specifies that "ConnDOT will perform further investigation during the design phase both at station areas and along the railroad corridor itself to determine actual levels of any potential contamination. ConnDOT will comply with all applicable state and federal regulations regarding hazardous waste or contamination issues."

Section 4.10 of the FEIS also states "ConnDOT will produce a plan for addressing Hazardous/Contaminated Materials issues during the design phase, which will be reviewed during construction. All applicable state and federal regulations would be followed to address proper handling and disposal of any contaminated materials."

Condition: It does not appear that an adequate investigation for potential contamination was performed during the design phase of the CTfastrak project at the Amtrak Railroad Bridge. It also does not appear that all state and federal regulations were initially followed regarding the proper handling and disposal of contaminated materials.

Documents reviewed found that it appears that asbestos containing materials from the demolition process were removed and transported to one of the Waste Stockpile Areas (WSA) for the CTfastrak project before it was determined that asbestos was present at the site.

It appears that work began on site on June 26, 2013, according to the Department of Transportation's (DOT) Site Manager's Work Item Detail for the line item – Removal of Superstructure (Site No. 1). We were informed from a DOT project engineer that during a field meeting on July 15, 2013, there was a discussion of the possibility of asbestos containing materials used for waterproofing the bridge deck may be present on the Amtrak Railroad Bridge. We were also informed that the general contractor took a small sample for testing and that less than one percent of asbestos containing materials were found and this was communicated to project personnel on July 26, 2013. We were also informed that the engineering firm asked the DOT's Office of Environmental Compliance to advise them on how to proceed in an email dated August 23, 2013. The Office of Environmental Compliance responded that same day that the sample may not be valid unless it could be proven that the sample was taken by a licensed asbestos inspector and to provide proof of the license. It was also suggested that the contractor should have the environmental consultant sample the material in question.

We were informed that on January 14, 2014, the environmental consultant was engaged to sample more material from the bridge. An email dated January 23, 2014, indicates that the preliminary results found that the thick fibrous tar block/panels from the bridge deck and sidewalls tested positive for asbestos. The email also states that "tar block/panels have already been removed and are currently stored in a holding area. They will need to be handled, packed and shipped for asbestos disposal."

The environmental consultant confirmed the existence of asbestos containing materials. An asbestos abatement contractor was hired to remove asbestos–containing black flashing tar on the bridge sidewall/upper edges and asbestos-containing thick fibrous tar blocks and panels on the bridge floor, sidewalls and ends. The site log indicates that this took place from February 4, 2014 through February 12, 2014. The asbestos abatement contractor also removed soil contaminated with debris from asbestos containing fibrous tar blocks and panels from the Waste Stockpile Area from June 10, 2014 through June 16, 2014.

Effect: It appears that the general contractor was unaware of the existence of asbestos containing materials before the start of the demolition process. Hazardous materials were not initially removed according to applicable state and federal regulations as described in section 4.10 of Final Environmental Impact Statement. The workers of the general contractor, upon starting the demolition process, may not have followed proper work practices for handling asbestos containing materials and therefore may have been exposed to asbestos without wearing protective gear (air-purifying mask respirators and protective clothing) as required by OSHA regulations and state Department of Public Health's requirements. The workers also may not have utilized techniques for safe removal of regulated materials – wet methods and hand/mechanical techniques which minimize the generation of dust, because they were unaware of the existence of asbestos containing materials.

Cause: DOT apparently did not consider that asbestos may have been present until after demolition work began in June 2013. DOT's Environmental Compliance Unit informed us that a specific policy was put in place July 29, 2013, instructing DOT designers to submit all projects involving painted steel surfaces to DOT for a comprehensive review regarding hazardous and controlled materials. It appears that correspondence between the field workers and DOT's Environmental Compliance Unit did not take place until August 23, 2013 and they only asked for advice on test results done by someone hired by the contractor. We were not provided information to verify the test was done by a licensed asbestos inspector.

Recommendation: The Department of Transportation should ensure that all hazardous materials are identified in the design phase of the project to avoid exposure by the workers and to ensure that the asbestos abatement process is done in accordance with all applicable state and federal regulations for disposal of the contaminated materials.

Agency Response: "We agree with this finding. The Environmental Compliance Unit has a program that utilizes on-call environmental consultants to perform investigations regarding hazardous and contaminated materials during the design phase of department projects so that these issues can be managed properly during construction. This includes investigating soil and groundwater contamination, as well as lead, asbestos and hazardous waste issues related to demolition/renovation work at buildings and/or bridges. At the time of the design phase of project 171-305 (the subject of this finding), this program did not include addressing these issues at bridges. At that time, lead compliance for projects involving painted steel surfaces (bridges) was addressed by the Lead Health Protection Program (LHPP) which was a specification put into bridge projects by the Office of Construction – without input from the Environmental Compliance Unit.

The department recognized this deficiency in the program and in July of 2013, the LHPP was abandoned and DOT designers were instructed to submit all projects involving this type of bridge work to the Environmental Compliance Unit where a comprehensive review regarding hazardous and controlled materials is performed. Therefore, the recommendation contained in your finding, although not in effect during the design phase of the audited project, is now in effect and has been since July of 2013."

2014-101 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, 2014
Federal Project Numbers: Various
State Project: Various

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) Subaward System (FSRS) is the mechanism that federal agencies use to report awards to prime awardees such as the Department of Transportation (DOT). DOT is required to report subaward data from this award into FSRS for subawards over $25,000. 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 FFATA. 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."

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

The FSRS Awardee User Guide section 5.5 provides guidance on how to edit an existing report, change an incorrect award amount, and how to de-obligate an award amount.

Condition: We selected 10 reports from USASpending.gov for three federal programs. We found that three out of four reports for the Highway Planning and Construction program did not reflect proper data. We found:

- DOT originally received an award of $15,263,572 that was eventually revised to $8,324,626. This amount is reported in USASpending.gov for the prime awardee for the federal award identification number (FAIN) 09000R728ER8030. Our review found that DOT reported for this FAIN one subaward of $15,263,572 with an obligation date of October 30, 2011. Our review of Core-CT, the state's accounting system, for this award found that there should have been a total of 28 subawards reported that each received over $25,000.
- DOT reported for FAIN 09H090002LY1030 a subaward of $59,752. Our review found that the amount DOT received as prime awardee and reported in USASpending.gov by the federal agency was $58,304.

> DOT reported for FAIN 09PEDS156LU2E10 a subaward of $412,778. Our review found that the amount DOT received as prime awardee and that was reported by the federal agency in USASpending.gov was $40,000. We found the $40,000 was used by DOT for preliminary engineering activities and there should not have been a subaward associated with this FAIN. The $412,778 should have been reported as a subaward for a different project.

We were informed that DOT has been advised by a staff member of the federal district DOT that once it enters data into FSRS, it does not have to edit that data for changes to the award. The email from that staff member stated that the "only time the state needs to make a change in FSRS.gov is when a subaward is added. When the obligation numbers change, it looks like they are adjusted automatically." We found this is true for the prime awardee, whose data is entered by the federal agency. The adjustment does not filter down to the subaward level. We found that the FSFR Awardee User Guide provides guidance on how to make changes at the subaward level. We were not able to contact this staff member because we were informed that he no longer works for the federal district DOT.

The department did not have a means of readily obtaining subaward data from Core-CT for FHWA awards. When we attempted to obtain a sample based on expenditures, we found that DOT did not code to the expenditure account 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 FFATA.

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

Cause: For the first exception, DOT was incorrectly informed by a federal staff person that the department did not have to perform modifications of existing entries in FSRS. As a result, as federal awards increased or decreased, no changes were made by DOT in FSRS to reflect those changes.

For the first exception, it appears that DOT was not aware that it was using the incorrect allocation for the subaward.

For the second exception, there were two separate federal awards. The FSRS requires the department to breakdown the total federal obligation into separate awards based on the apportionment or "program code" within each Federal Aid Project Agreement. For this example, the total federal award was $67,192, of which $58,304 was awarded under LY10 and $8,888 was awarded under HY10. There were two separate FAINs. Because the HY10 funding was under the $25,000 threshold, it was not required to be reported for subaward purposes. It appears that DOT reported the subaward by combining both federal awards, but should have only reported the LY10 award.

For the third exception noted, DOT reported on the construction portion of the project by using the FAIN for the preliminary engineering portion of the project. DOT did not report the construction portion of that project as a subaward for the associated federal project number.

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. Modifications should be made in the reporting system as necessary. The department should review its prime awardee data in USASpending.gov by federal award identification number and ensure that it properly reports its subaward data for that same number.

Agency Response: "We agree with this finding. Each of the three reports cited in the audit appear to contain inaccurate subaward information.

FAIN 09000R728ER8030 As the result of an audit finding in the Single Statewide Audit for State Fiscal Year (SFY) 2012 (issued in mid-SFY 2013), effective October 1, 2014, subawards have been reported based on agreements executed between CTDOT and municipalities. The report numbered 0900R728ER0830 was submitted July 23, 2012, prior to the new method of reporting being implemented. The project was for Storm Alfred related activities statewide and was federally authorized on October 30, 2011. The project was initially authorized with only Advance Construction funding on the project. $15,263,572 of ER (Emergency Relief) funds were obligated on the project on March 28, 2012. Based on our reporting method at the time, a subaward report was submitted based on the amount of federal funds obligated in FMIS. As noted in the audit finding, based on an email response received from FHWA on July 29, 2011, we have not reported decreases to obligations that occur after we have filed a transparency report, so the $15,263,572 was never revised downward.

At the time of authorization, it was unknown which municipalities would be receiving funding. The department incorrectly filed the transparency report listing the City of Hartford as the subawardee, when in fact, we did not know for certain who the subawardees were going to be.

Under current reporting methods, we would not have filed a report until a town agreement triggered us to do so, and then we would have filed a separate subaward report for each of the subawards.

The department will revise the existing report 0900R278ER0830 in FSRS to accurately reflect the actual subawards made to 28 subawardees.

FAIN 09H090002LY1030 The total federal obligation for the project is actually $67,192, of which $58,304 is under LY10 funding, and $8,888 is under HY10 funding. FSRS breaks out our FMIS projects into "awards" based on the apportionment code and the detail line number, and only provides "award numbers" to choose to report on if the federal funding in FMIS for the specific code and line are greater than $25,000. In this case, only the $58,304, under LY10 funding appeared in FSRS. The source for our subaward reporting is the agreement that CTDOT executes with the town. The town agreement deals with the entire project and does not provide a breakout of federal funding by apportionment code. As the town agreement showed a maximum federal reimbursement to the town of $59,752, and the 09H090002LY1030 was the only award available in FSRS, the whole $59,752 was reported. Where all portions of a project are available in FSRS, the whole $59,752 was reported. Where all portions of a project are available to report on in FSRS, we split the federal reimbursement to the municipality proportionately between the "awards". In this case, we should have calculated the portion of the $59,752 attributed to LY 10 based on the percent of LY10 funding to the total federal funding and reported that amount for 09H090002LY1030.

A revised report will be submitted through FSRS to correct 09H090002LY1030 to reflect a $51,848 subaward. We will revise our procedures on Transparency Subaward Reporting to specify how subawards are to be reported when a federal aid project is only partially included in FSRS, due to multiple funding sources and the $25,000 threshold."

FAIN 09PEDS156LU2E10 When the town agreement for the construction activities was executed on December 5, 2013, it appears to have mistakenly referenced the federal number PEDS(156) that was associated with the PE (Preliminary Engineering) phase of the project, which in turn prompted our transparency reporting staff to look for an award number in FSRS that matched with the PE federal aid agreement. By submitting the subaward report under the FSRS award number 09PEDS156LU2E10 instead of 09PEDS155LU2E10, the construction obligations were mistakenly attributed to the PE phase of the project.

Revised reports will be submitted through FSRS to correct 09PEDS156LU2E10 to not include construction activities and to add a report for 09PEDS155LU2E10 to properly reflect the construction activities.

The department's Transparency Subaward Reporting procedures will be reviewed and adjustments made to ensure that the procedures followed ensure accurate reporting."

2014-102 Reporting - Federal Financial Reporting

High-Speed Rail Corridors and Intercity Passenger Rail Service (CFDA #20.319)
Federal Award Agency: United States Department of Transportation (Federal Railroad Administration (FRA))
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Numbers: RFHSR-0125-12-01-00

ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service (CFDA #20.319)
Federal Award Agency: United States Department of Transportation (Federal Railroad Administration (FRA))
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Numbers: FR-HSR-0083-11-01-00 and FR-HSR-0029-11-01-00

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 the federal share of expenditures, "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, 2014, for the three grants awarded to the Department of Transportation (DOT). Our review of cumulative amounts reported disclosed that DOT did not report the correct amount for cash disbursements or for the federal share of expenditures amounts.

Grant award RF-HSR-0125-12-01-00: Cash disbursements reported and the federal share of expenditures reported were $16,099,139. Corresponding figures from the state's Core-CT accounting system were $16,633,210. The difference is $534,071.

Grant award FR-HSR-0083: Cash disbursements reported and the federal share of expenditures reported were $8,620,322. Corresponding figures from Core-CT were $8,793,294. The difference is $172,972.

Grant award FR-HSR-0029: Cash disbursements reported and the federal share of expenditures reported were $12,764,524. Corresponding figures from Core-CT were $13,162,409. The difference is $397,885.

Effect: Cash disbursements and the federal share of expenditure amounts reported were incorrect, potentially impacting users of these reports.

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.

Recommendation: The Department of Transportation should prepare financial reports in accordance with instructions on the Federal Rail Administration's website.

Agency Response: "We agree with this finding in regards to the interpretation of the FRA guidance related to reporting federal expenditures and how it effects the reporting of federal expenditures. As stated above, the department is in discussions with FRA and is awaiting guidance regarding the proper reporting methodology to be used for completing quarterly Federal Financial Reports (SF-425) on FRA grants since it is in direct contradiction with how the department was directed by FTA to report federal expenditures as a result of an FTA ARRA review conducted in 2012, which resulted in a finding. The department settled this finding with FTA by creating a reporting process that included using BLDs (Billed Amount) as the basis for reporting federal expenditures.

In recent conversations with FRA, they indicated that they would be reaching out to FTA to coordinate guidance on this reporting issue. The department is awaiting a response from FRA before making any changes to our current reporting process for both FRA and FTA."

Auditors' Concluding Comments: FRA notified DOT on March 9, 2015, that it was in agreement with our finding. We were notified by DOT on March 12, 2015 that it would be preparing a process for the completion of the SF-425 and that it would provide this process to FRA and our office when completed.

2014-103 Special Tests and Provisions – Quality Assurance Program

Highway Planning and Construction (CFDA #20.205)
Federal Award Agency: Department of Transportation (Federal Highway Administration (FHWA))
Award Year: State Fiscal Year Ended June 30, 2014
State Project: DOT01740366CN

Criteria: Title 23 Code of Federal Regulations Sections 637.201 through 637.207 require that the state Department of Transportation (DOT) have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. It is also required that verification sampling must be performed by qualified testing personnel employed by the state DOT, or by its designated agent, excluding the contractor.

DOT's Material Testing Manual requires that for material number 00091, Paint Epoxy Pavement Markings, a materials certificate be provided from the manufacturer to the DMT (Division of Material Testing).

Condition: We selected 10 projects for testing. We found an exception for one project. Our sample was for 3,125 gallons of 4" white epoxy resin pavement markings. We found that in the Site Manager contract administration software, it was noted on the Material Test Report (MAT-100) that the contractor needs to "supply CT DOT approved lab # on material cert submitted, which has been omitted." It was also noted that this deficiency was noted for 1,200 gallons of epoxy resin pavement markings, symbols and legends and 3,020 gallons of 4" yellow epoxy resin pavement markings. Site Manager also noted that the sample status was "deficient" because the required certifications were not present.

When we inquired of personnel in the department's DMT as to what was deficient, we were informed that the manufacturer, who was also the supplier of the white epoxy resin pavement markings, provided an invalid certification. The DMT provided us with a material certificate from the manufacturer; however, we were informed by DMT personnel that this certification did not meet department and federal requirements. We were also informed by personnel that they did not follow up on the deficiency to determine if the white epoxy resin pavement markings met the required specifications.

When we reviewed Core-CT to determine whether the contractor had been paid, we found several payments had already been made to the contractor on this project even though the required certifications were not in place.

Effect: Materials used for the paving project in District 4 were not approved by the DMT as required by federal regulation. If the materials do not meet the standards and payments have already been made to the contractor, federal funds could be disallowed.

Cause: We were informed that the DMT did not follow up on the matter when it determined that the required certifications were not provided.

Recommendation: The Department of Transportation should pursue deficiencies regarding materials used for federal-aid construction projects in order to comply with federal regulations and ensure that materials paid for meet the required specifications.

Agency Response: "The Department of Transportation (Department) does not agree with this finding. The department's Division of Materials Testing (DMT) is not required by federal regulation to approve material used on construction projects. The approval of material is the responsibility of the Contract Administrator, or the District Engineer. The DMT's role is to recommend acceptance or rejection of materials in accordance with established testing requirements. When material is recommended for rejection based on failing those requirements, or not documented sufficiently and given a status of deficient, there are avenues for the Contract Administrator to accept material using alternate acceptance procedures. The alternate acceptance procedures are included in the department's Standard Specification Sections 1.06.02 and 1.06.04. The criteria for these procedures are listed on a form titled "Report of Rejected Material – MAT 103" which is signed by the inspector, the project engineer, and the District or Assistant District Engineer when this method is employed. A copy of the MAT-103 used for the material in question on the subject project is attached.

Therefore, the department followed established procedures approved by the Federal Highway Administration for the material in question. Deficiencies were addressed appropriately and at no point were federal regulations violated or federal funds in jeopardy."

Auditors' Concluding Comments: Our review of MAT-103 found that the reason for acceptance by the Inspector, Project Engineer, and District or Assistant District Engineer was "results of prior and subsequent series of tests of the material or materials from the same source or sources are found satisfactory." We requested documentation of these tests as 23 CFR 637 Appendix A Materials Certificate states that "exceptions should be investigated to determine if in fact the material is in reasonably close conformity with the plans and specifications." While we were provided the agency response on March 10, 2015, we were not provided any documentation supporting the tests. We are awaiting the requested documentation prior to considering this recommendation resolved.

DEPARTMENT OF LABOR

2014-150 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 2011, 2012, and 2013
Federal Fiscal Years 2012, 2013, and 2014
Federal Award Numbers: AA-21386-11-55-A-9, AA-22926-12-55-A-9 and AA-24083-13-55-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.

Training and Employment Guidance Letter No. 13-12 provides that at the close of the grant, two reports will be submitted: a final quarter 9130 and a closeout 9130 report. A final quarter 9130 is required at the completion of the quarter encompassing the grant period of performance. A final financial closeout report is required to be submitted no later than 90 calendar days after the grant period of performance.

Condition: Our review of the ETA-9130 financial reports for the quarter ended June 30, 2014, revealed that the Department of Labor understated statewide activity expenditures by $439,987 and administrative expenditures were overstated by $439,987. In addition, one ETA-9130 financial report was found to have the incorrect program year recorded.

Financial reports from the five Workforce Investment Boards (WIBs) 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.

The department failed to submit a final quarter ETA-9130 financial report and final financial closeout report for grant number AA-21386-11-55-A-9. The period of availability for the grant ended on June 30, 2014.

Effect: Inaccurate financial data was reported on Form ETA-9130.

Cause: Errors were made during the preparation of the ETA-9130 report. 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 WIA Administration Unit issued Administrative Policy memo 14-08 "Reporting Requirements for WIA Cumulative Financial Report No. 9130a" on November 18, 2014 which prescribes Workforce Investment Boards financial reporting responsibilities to DOL. The new revised AP clearly establishes a procedure that ensures DOL is able to determine that the detailed financial statements timely submitted by the WIBs meet the federal financial standards, which require accurate, current, and complete disclosure of financial results. Through this process DOL will be better able to determine the adequacy and frequency of WIB financial reporting to ensure compliance with federal financial standards."

2014-151 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 Year 2013, Federal Fiscal Year 2014
Federal Award Numbers: AA-24083-13-55-A-9

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

Condition: The Department of Labor provides the majority of its WIA funds to five Workforce Investment Boards (WIBs). Our review of the WIBs' quarterly financial reports revealed that one WIB had cash on hand of $264,169 as of June 30, 2014. A review of grant disbursements revealed that the last four disbursements from the Department of Labor to the WIB totaled $319,682. Of the $319,682 disbursed to the WIB, $264,169 had not been expended by the WIB from up to five weeks after the cash disbursements were made from the Department of Labor.

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 further 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 Unit issued Administrative Policy 13-10 "WIA Cash-on-Hand" on November 6, 2013. The AP clearly establishes a procedure that ensures DOL is able to monitor Workforce Investment Boards' compliance with the federal cash management requirements. In this particular finding the WIB submitted a WIA transfer of fund request to transfer $200,000 from the Adult funding stream to the Dislocated Worker funding stream. That transfer request was approved on June 9, 2014. The cash disbursement adjustment was not reflected until after the end of the fiscal year close. Due to the transfer of $200,000 being recorded after the end of the fiscal year the delayed adjustment created excessive cash on hand for FY14 Dislocated Worker."

2014-152 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 2013-2014
Federal Award Numbers: AA-22926-12-55-A-9, AA-24083-13-55-A-9

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

Criteria: Title 20 Code of Federal Regulations (CFR) Section 667.200 requires that each state receiving funds comply with Title 2 CFR Part 225 (formerly 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 five contracts with the Workforce Investment Boards for program year 2013 were signed approximately one to five months after the contract service period began.

Effect: Without an executed contract in place, the department could make payments for activities that are not allowable.

Cause: The department did not properly anticipate the time needed to process contracts with the Workforce Investment Boards and Early Warning System grantees in a timely manner.

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 in part with this finding. We are currently developing an internal worksheet which is designed to ensure that contracts move quickly between DOL staff and the WIBs. The worksheet will help identify areas of concern and ensure that contracts are properly completed and executed prior to the contract start date. In addition we have begun the contract process earlier in the cycle to allow time for internal processing between Business Management and the WIA Administration unit.

The Department will continue to review internal processing procedures to ensure WIA contracts are fully executed prior to contract start date but it has become clear to all involved that due to nature of WIA contract reviews and negotiations we do not expect that contract will be fully executed prior to start date. This will result in continuous findings of this nature.”

2014-153 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, 2011-2012 and 2012-2013, Federal Fiscal Years 2011-2012, 2012-2013 and 2013-2014
Federal Award Numbers: AA-21386-11-55-A-9, AA-22926-12-55-A-9 and AA-24083-13-55-A-9

Criteria: 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: 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 does not have a 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 did not have adequate procedures in place to ensure that monitoring tools are current with federal compliance requirements. Although the department has updated its compliance monitoring tools, the U.S. DOL will not consider the finding resolved until the department submits the program year 2013 monitoring reports and responses to these reports.

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. DOL completed, and posted its final Monitoring Guide based on initial review and input from the Regional Office and Workforce Investment Boards on April 9, 2014. The final guide and an informative power point presentation regarding its use have been posted to the Departments' website under our Resource Library. In addition, CT scheduled and conducted monitoring based on the following schedule:

- Northwest 4/29 – 4/30
- East 5/6 – 5/7
- South Central 5/20 – 5/21
- North Central 6/3 – 6/4
- Southwest 6/11 – 6-13

On October 16, 2014, DOL sent a customized monitoring report to each of the five WIBs which contained a cover letter and the report along with a response due date. As of January 29, 2015, four of the five WIBs submitted formal responses to the monitoring reports that were issued on October 16, 2014. The remaining WIB has requested until April 2015 to submit its response."

2014-154 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 2013-2014
Federal Award Number: UI-25193-14-55-A-9

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

Criteria: Training and Employment Guidance Letter (TEGL) No. 6-09 Change Number 2 includes 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.

Condition: For the quarter ended June 30, 2014, the department reported information regarding 1,372 TAA participants in the Trade Activity Participant Report. Our review revealed the following:

- The current quarter training expenditures data element was overstated by $428,241 when compared to the ETA-9130 financial reports prepared for the same quarter.
- For 980 TAA participants, the department reported TRA data elements as blank, which denoted that the individuals were not TAA participants. The department should have reported these data elements with a zero, which would have denoted that the data elements were not applicable to the participant.

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

Cause: The department has not established a process to accurately extract, calculate, and report current TAA training expenditure data. The department incorrectly reported TRA data for 980 TAA participants.

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. This finding has previously been addressed with the U.S. DOL representatives. The original Data Integrity Report Card for quarter ending 3/31/14 was received by DOL on 8/26/14. Essentially, DOL was instructed to include indirect training costs in the quarterly TAPR report, while the instructions for preparing the ETA 9130 stated not to include indirect expenses. This same issue was cited on the DI Report Card for quarter ending 6/30/14. Based on discussions with our U.S. DOL regional representative beginning with quarter ending 9/30/14, indirect expenses are no longer included in the TAPR report.

As for the 980 TAA participants that the department reported TRA data elements as blank, TAPR data elements 1441-1444 have been corrected for the report period ending 12/31/2014. TAA participants with no TRA payments are now denoted with a zero."

2014-155 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 2013-2014
Federal Award Number: UI-25193-14-55-A-9

Background: The ETA-227 report provides information on overpayments of intrastate and interstate claims under the state unemployment compensation (UI) and under federal UI programs (i.e. programs providing unemployment compensation for federal employees (UCFE) and ex-servicemen (UCX), established under Chapter 85, Title 5, U.S. Code). The Employment and Training Administration (ETA) and state agencies need such information to monitor the integrity of the benefit payment processes in the UI system. The ETA-227 report is due quarterly.

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 non-fraud overpayments (line 103) includes all overpayments classified as non-fraud (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 Unemployment Insurance Program Letter (UIPL) No. 02-12 requires states to impose a monetary penalty on claimants whose fraudulent acts resulted in overpayments.

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 June 30, 2014 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 $868,508.

- EB Receivables Removed at the End of Period (line 312) was unsupported by $99,675.
- UCFE/UCX Receivables Removed at the End of Period (line 312) were unsupported by $1,450.
- UI Aging of Benefit Overpayments (Line #504 and #506) was unsupported by $7,603.
- TEUC non-fraud UI Outstanding at the End of Period (line 313) was unsupported by $2,976.
- EUC Receivables Recovered for Other States (line 321) was unsupported by $3,000.

Incomplete information was recorded on the ETA-227, Section A, Overpayments Established, for the quarters ended December 31, 2013 and March 31, 2014.

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 and UCFE/UCX line 312 and TEUC line 313 were incorrectly reported due to programming errors to the department's summary reports that are used to complete the ETA-227 report. EUC line 321 was incorrect due to an input error.

Reprogramming of the department's Benefit Overpayment Tracking System (BOTS) was necessary to allow the department to impose monetary penalties as mandated by the U.S. Department of Labor. This caused a system lock-out which did not allow the department to process new overpayments in BOTS and, therefore, amounts reported on the ETA-227, Section A, were incomplete.

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 has allocated resources in an effort to improve the format and accuracy of the ETA 227 over the past few years. There has been success, as the information supplied is now supported and Section C (line 313) balances with Section E (line 507). Additional improvements have been made by including the missing information in multiple fields, while the difference in the balancing line item has been reduced by eighty percent.

However, issues remain that cannot be resolved without a total re-write of the current IBM mainframe (system). It is important to understand that the overpayment data, residing in DB2 tables in IBM were constructed in a manner that does not allow exact accounting of (old) record. For example, overpayment data exists from the prior computer system, Unisys. In October 2001, CTDOL migrate all outstanding (overpayment) Unisys data to IBM, from file format to table format. Therefore, this Unisys data was not configured in such a manner to be conducive to the Federal reporting standard that followed. Another primary reason for the discrepancy is the IBM structure at the beginning of its production cycle, 2001 and afterwards. These discrepancies were not realized until years after CTDOL understood the differences in the reporting mechanism designed in the ETA-227 report.

As stated earlier, DOL allocated resources, IT and Business staff over the past few years to correct the reporting mechanisms and better align the current system structure. Despite our extensive review and corrections there doesn't appear to be any final resolution to this current finding or future findings until DOL completes its migration to new mainframe environment in next several years. Also U.S. DOL Regional staff has accepted our ETA 227 Reporting corrections made to date and are not requiring any further adjustments."

2014-156 UI 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 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 Emergency Unemployment Compensation (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 $17,904 for compliance with federal eligibility requirements. Our sample was comprised of 51 regular benefit payments totaling $15,692 and 9 emergency unemployment compensation benefit payments totaling $2,212. Our sample was randomly selected from an audit universe of 3,393,749 unemployment checks totaling $1,050,821,864 paid during the state fiscal year ended June 30, 2014, of which $809,484,509 was for regular benefit payments, $210,599,917 was for emergency unemployment compensation benefit payments, and $30,737,438 was for other federal benefit payments.

Audits of the last four years have disclosed internal control deficiencies over eligibility. Our review for the fiscal year ended June 30, 2014, disclosed that for ten transactions totaling $2,365, 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 four claimants, we were unable to verify the claimant’s weekly attestations to the eligibility requirements, which included being able and available for work and not refusing an offer of suitable work, because the department was unable to provide us with the documentation to support the attestations provided to an agent by phone and the attestations were not properly documented in the IBM system.
- Four claimants collected benefits under the EUC program, but there was no evidence that an initial EUC application was prepared and submitted.
- One claimant collected benefits under the EUC program, but the department did not schedule the claimant 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.

A stop was put on one claimant's EUC benefits due to failure to provide evidence of a work search and failure to attend scheduled mandatory RES/REA services. Upon opening an additional EUC claim during the same benefit year, the claimant received benefits without the required work search and reemployment services being rescheduled.

The EUC program was scheduled to end on January 1, 2014 and the department stopped notifying EUC claimants of the mandatory RES/REA work search requirements and reemployment services as of November 23, 2013. However, since services are scheduled three weeks from the date of the letter, services would have been provided prior to the EUC end date.

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.

Continued Claim Attestations issues:
Most claimants file their continued claims (CC) via the Agency's automated systems (IVR & Web), both of which store the claimants' answers to CC questions. Due to system limitations the Agency must sometimes manually enter CCs via an online transaction. These four CCs were manually processed by Agency staff using this online transaction while speaking with the claimants and obtaining the answers to CC questions by telephone. Prior to 9/20/13, the Agency utilized paper CCs to capture claimant answers for manually filed CCs, however, as of that date the Agency instituted a new Continued Claim procedural memorandum which eliminated paper CCs. This new procedure requires Agency staff to enter the claimant's answers to CC questions onto a message screen on the IBM system when manually processing a CC. Two of the four CCs (CWE 8/31/13 & 8/3/13) in question were processed *before* the new CC procedure was implemented. The other two CCs (CWE 1/4/14 & 1/4/14) were entered *after* 9/20/2013, however, since the Agency had recently implemented the new procedure all staff may not have been fully trained or familiar with the process. The Agency distributed the new procedure to all UI staff and actively works to ensure compliance by random monitoring of manually entered CCs coupled with ongoing reminders to staff.

EUC paper application filing issues:
For four claimants that collected benefits under the EUC program, the auditor was unable to locate the initial EUC applications. The Agency took EUC applications in three ways: IVR, WEB, and manual entry of a paper EUC application into the IBM system. The Agency processed 363,959 EUC applications from the beginning of EUC (Summer 2008) until EUC expired 12/31/2013. For FY2014 (7/1/2013 – 6/30/2014), EUC was only in effect from 7/1/13 to 12/31/2013. During this period, the Agency processed 21,986 EUC applications: 10,081 by IVR & WEB and 11,905 paper applications. EUC applications taken via IVR or WEB are stored in the database. For paper EUC applications, the Agency instituted a filing process in which applications were filed by EUC effective date and the last four digits of the claimant's SSN. Since approximately 175,000 of the 363,959 EUC applications taken were paper, the misfiling of some of these EUC applications was likely, although unfortunate.

EUC work search and RES/REA scheduling issues:
For one claimant that collected benefits under the EUC program, the auditor indicated the Agency did not schedule the claimant for eligibility assessment and reemployment services. With this case, the Agency did not schedule the claimant for the EUC Reemployment Services and Reemployment and Eligibility Assessment (RES/REA) meeting. Due to the EUC programs' expiration date of December 31, 2013, the Agency, for administrative reasons, decided to no longer schedule EUC RES/REA appointments beginning the week before Christmas and, as a result, the automated program that scheduled claimants for RES/REA was disabled after 11/22/2013. Though claimants who were paid their third week of EUC (Tier I) were scheduled for RES/REA, this claimant's third week of EUC was paid after the RES/REA scheduling program was discontinued."

2014-157 Special Tests and Provisions – UI Benefit Overpayments

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

Background: Overpayments of unemployment compensation are detected using various methods including hotline tips, integrity software and cross matches. When a possible overpayment is detected through cross match, a form UC-1124 Certificate of Earnings is sent to the employer to determine if the claimant earned wages while collecting unemployment benefits. Once the UC-1124 is returned, the case is reviewed to determine whether an overpayment has occurred. If the employer does not return the UC-1124, no further action is taken.

Criteria: Public Law No. 112-40, enacted on October 21, 2011, and effective October 21, 2013, amended sections 303(a) and 453A of the Social Security Act and sections 3303, 3304, and 3309 of the Federal Unemployment Tax Act (FUTA) to improve program integrity and reduce overpayments. States are (1) required to impose a monetary penalty (of not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) States are prohibited from providing relief from charges to an employer's UC account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information. States may continue to waive recovery of overpayments in certain situations and must continue to offer the individual a fair hearing prior to recovery.

Section 31-273(a)(1) of the Connecticut General Statutes requires that any person who, through error, has received any sum of benefits under this chapter while any condition for the receipt of benefits imposed by this chapter was not fulfilled in his case, or has received a greater amount of benefits than was due him under this chapter, shall be charged with an overpayment of a sum equal to the amount so overpaid to him, provided such error has been discovered and brought to his attention within one year of the date of receipt of such benefits.

Section 31-273(b)(1) of the Connecticut General Statutes requires that any person who, by reason of fraud, willful misrepresentation or willful nondisclosure by such person or by another of material fact, has received any sum as benefits under this chapter while any condition for the receipt of benefits imposed by this chapter was not fulfilled in such person's case, or has received a greater amount of benefits than was due such person under this chapter, shall be charged with an overpayment and shall be liable to repay to the administrator of the Unemployment Compensation Fund a sum equal to the amount so overpaid to such person.

Condition: Potential overpayments are not investigated if the UC-1124 Certificate of Earnings letter is not completed and returned to the department by the employer. Review of 15 positive cross match results revealed that two potential overpayments were not investigated further because the Certificate of Earnings letters were not returned.

Effect: Overpayment of unemployment compensation may not be recovered if employers fail to respond to Certificate of Earnings letters. In addition, the department may not receive penalty and interest charges that would be assessed on fraudulent overpayments.

Cause: The department does not follow up on potential overpayments detected through cross matching if the employer does not return the UC-1124 Certificate of Earnings.

Recommendation: The Department of Labor should strengthen internal controls to ensure that all potential overpayments are investigated.

Agency Response: "We agree with this finding. The Department has implemented major improvements over the years in regards to overpayment detection mechanisms, or crossmatches. Currently there are four separate crossmatches to investigate potential overpayments: employer submitted return-to-work (state and federal), prisoner's crossmatch, and the quarterly crossmatch. In 2003, at the urging of employers receiving duplicate wage requests, the Department implemented an interface between crossmatches so the employer will only get one wage request per quarterly earnings. In 2013, the Department improved the system by generating an informational letter to the claimants from the employer submitted return-to-work crossmatch, which prevents on-going fraud especially when the employer fails to respond to the crossmatch. In the last quarterly crossmatch, the Department sent out approximately 8,000 crossmatch forms to the employers. Additionally, the process includes a "second" employer notice if the employer does not respond in 8 weeks to the initial crossmatch mailing.

According to the Department's records, employers / agents are responding to the crossmatches at an estimated rate of eighty percent. This percentage is much better than the majority of states with crossmatches, but the non-response remains a concern for the Department. Benefit Payment Control (BPC) did an informal pilot project two years ago pertaining to this very issue, employer non-response to crossmatches. BPC determined that many of the "no responses" can be attributed to employers going out-of-business, moving out-of-state, and a high percentage mailed to agents. As a result of that review, BPC contacted several employer agents who were the least responsive to the wage requests, explaining the importance of the information. There were conference calls with action items for the largest agent plus the Department includes information specific to this concern on employer tax correspondence.

BPC has been aware of the employer non-response, but does not have the resources to properly address the concern – a potential overpayment. However, Call-Center staff will be reassigned to BPC in a temporary capacity beginning next month as part of the existing business plan. Therefore, another pilot project will be developed to incorporate the temporary assistance with this identified concern – employer no-response to the certificate of earning."

DEPARTMENT OF PUBLIC HEALTH

2014-200 Cash Management – Monitoring of Subrecipient Cash Balances

Public Health Emergency Preparedness (PHEP) (CFDA #93.069) (Non-Major Program)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Number(s): 1U90TP000514 and 5U90TP000514

Criteria: Title 31 Code of Federal Regulations (CFR) Section 205 specifies that states should time the transfer of funds to subrecipients, to the maximum extent practicable, with the subrecipients' actual immediate funding requirements to carry out the program or project.

The Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Tribal Governments (Title 2 CFR Section 200) 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 (45 CFR 92.20 (b) (7)).
- Subgrantees shall be paid in advance, provided they demonstrate the ability to minimize the time elapsing between the transfer of funds and their subsequent disbursement (45 CFR 92.21 (c)).
- If a grantee cannot meet the criteria for advance payments under 45 CFR 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 subgrantees if the reason for using such method is the unwillingness or inability of the grantee to provide timely advances to the subgrantee to meet the subgrantee's actual cash disbursements (45 CFR 92.21 (e)).

Condition: During fiscal year 2014, the Department of Public Health expended $8,013,968 in Public Health Emergency Preparedness grant funds. Of that amount, $3,404,327 in contract payments were made to approximately 54 subrecipients who received 121 scheduled contract payments. Those payments were made to the subrecipients to collaborate in strategic planning and to assist in completing performance assessment tools to enhance regional public health response.

While the payments to the subrecipients were made in accordance with their contracts, such payments were not timed to the actual immediate funding requirements to carry out the program.

Effect: The department's use of scheduled contract payments to subrecipients does not assure that the time elapsed between the transfer of funds and their subsequent disbursement is minimized. As a result, scheduled payments can be less than or more than the subreciients's actual immediate funding requirements to carry out the program or project.

Cause: The department is in the process of but has not completed its efforts to implement cash management procedures for its 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: "The Department of Public Health (DPH) agrees with this finding, however, it wishes to acknowledge that newly established policies and procedures in conformance with this recommendation were implemented on July 1, 2014 for the Public Health Emergency Preparedness Grant Program. Since the auditors reviewed records within the period, July 1, 2013 through June 30, 2014, the records did not show the change in procedure. When the audit period July 1, 2014 through June 30, 2015 is reviewed, the records will show that the DPH is in full compliance with the federal requirements."

2014-201 Subrecipient Monitoring – Financial and Program Compliance Review - MER

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 2013 - 2014
Federal Award Number: 2014W100344

Criteria: 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 Code of Federal Regulations section 246.19(b)).

Condition: We reviewed the Department of Public Health's fiscal and programmatic monitoring of its WIC subrecipients. As part of that review, we examined a sample of 12 subrecipient management evaluations reviews. Our testing resulted in the following conditions.

- The required financial management systems portion of the review was not completed for five of the seven local WIC agencies scheduled for review in fiscal year 2014.
- The two financial management reviews scheduled and completed during fiscal year 2014 were inconsistent as to the extent, nature and timing of the procedures used by the department to review fringe benefit calculations.

Effect: The Department of Public Health is not in compliance with the management evaluation review requirements for the WIC program. Without complete reviews of all required areas, the department does not have the relevant data to evaluate local WIC agency performance.

Cause: The Department of Public Health's various units did not coordinate schedules and efforts to adequately ensure complete compliance with the management evaluation reviews.

Recommendation: The Department of Public Health should take the necessary steps to ensure that complete management evaluation reviews are conducted on each local agency at least once every two years. The department should ensure that established procedures for such reviews are applied consistently and meet the requirements of the applicable federal regulations.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH reorganized the process of performing fiscal reviews in FY14. Due to staffing issues, some of the fiscal reviews were physically performed but documentation and finalization of the review materials was not timely completed.

Recognition of the problem by management prompted two reviews to be conducted at the beginning of the state 2015 fiscal year. The DPH is now assigning additional staff to assist with performance of the financial reviews. The manager, with the assistance of the supervisor, of the Contracts and Grants Management Section will develop a financial review schedule that is coordinated with the programmatic evaluation reviews. This initiative is intended to have the financial reviews be consistent with the timing of the programmatic reviews."

2014-202 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 2013 - 2014
Federal Award Number: 2014W100344

Background: In our prior audit, we noted certain risk indicators concerning the integrity and validation of data found in the department's Statewide Information System (SWIS). The data maintained on SWIS is required to support participant eligibility in the WIC program.

As a result of those risk indicators, we expanded the scope of our review to test whether the SWIS data supported participant eligibility to receive program benefits. Our prior audit work identified numerous instances in which participant SWIS records did not adequately support eligibility and resulted in a corresponding recommendation. The following sections describe the results of our follow-up work on this matter.

Criteria: The Connecticut WIC State Plan identifies the procedures to be followed by local WIC agencies, criteria to be met by participants, and the documentation required for an individual in SWIS 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 (SNAP), Temporary Family Assistance Program (TFA), or HUSKY A/Medicaid. Individuals that cannot provide acceptable evidence of income may self-declare income and will be certified for a maximum of 30 days.

To be eligible, individuals must reside 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 the first month's check.

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 participant data for 91,272 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 and noted the following:

Income Eligibility:

- We identified 568 participant records whose participant data used proof of income codes that were not officially in use by the department and did not support the participants' income eligibility at the time WIC checks were issued by the local WIC agency.
- We also identified 5,906 participant records with missing Medicaid numbers for participants recorded as adjunctively eligible at the time WIC checks were issued by the local WIC agency.
- We also identified 306 participant records with self-declared income that were issued WIC checks more than 30 days after the initial self-declared income certification.

Residential Eligibility:

- We identified 1,214 participant records with either no residency codes entered into the system or with residency status codes that were not officially in use by the department at the time WIC checks were issued by the local WIC agency.
- We also identified 419 participant records 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.

Effect: WIC checks were issued to participants without all of the data required by the department entered into SWIS by local WIC agency personnel.

Cause: SWIS does not contain all the data necessary to ensure participant eligibility. 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.

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.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The audit findings were specifically addressed during FY14 and changes were made. The corrections, however, were in the process of being made when the audit was conducted. The changes that were made were discussed and reviewed with the auditor and were accepted."

2014-203 Reporting – Federal Funding Accountability and Transparency Act

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA#10.557)
Federal Award Agency: United States Department of Agriculture Award Year
Award Year: Federal Fiscal Year 2013- 2014
Federal Award Number: 2014IW10034

Criteria: Under the Federal Funding Accountability and Transparency Act (FFATA) or Transparency Act – P.L. 109-182, as amended by section 6202(a) of P.L. 111-252, 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). The information required to be reported includes the subaward date, subawardee DUNS number, amount of subaward, subaward obligation/action date, date of report submission, and subaward number.

The grant period for the WIC program begins October 1st of each year. The Department of Public Health (DPH) is required to report subawards by the end of the month following the month in which reportable action occurred. For the WIC program, the department is required to report subawards to FSRS by November 30th of each year.

Condition: The Department of Public Health did not report subawards for the WIC program for fiscal year 2013 to FSRS in a timely fashion.

The Department of Public Health had untimely reporting of subawards for the WIC program. For fiscal year 2014 the department did not report the subawards to FSRS until December 29, 2014.

Effect: Reviewers of USASpending.gov were not provided with timely information and DPH is not in compliance with FFATA.

Cause: DPH did not have adequate procedures in place to ensure that information is properly reported in a timely manner to FSRS.

Recommendation: The Department of Public Health should take the necessary steps to ensure that it reports timely information to the FSRS in accordance with the requirements of FFATA.

Agency Response: "The Department of Public Health (DPH) agrees, in part, with this finding. Effective 2011, the DPH developed and implemented a manual procedure to comply with the FFATA regulations. The records show that the DPH transmitted WIC sub-award data for FY2011, 2012 and 2014 correctly. The DPH submitted 2012 data for 2013 in error. A mistake was made using the Excel Upload method. But for this error, the information would have been transmitted properly.

On January 15, 2015, FY2013 information was transmitted correctly into the FFATA system as required. The excel Upload method has been improved and data is now being transmitted into the FSRS.gov system correctly and promptly in accordance with FFATA regulations. The DPH has also assigned an additional staff person to review the data entered prior to its transmittal to ensure that the proper information is sent to FFATA for the year specified."

2014-204 Special Test 3 – 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 2013- 2014
Federal Award Number: 2014IW100344

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 of 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 246.12(l)(1) identifies mandatory vendor sanctions that are required by the program. Title 7 CFR 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."

In accordance with Title 7 CFR 246.12(h)(3)(xxv), disqualification from participation in the WIC program may also result in the disqualification of a vendor from participating in the Supplemental Nutrition Assistance Program (SNAP). Such a disqualification is not subject to administrative or judicial review under SNAP.

Condition:

We reviewed 10 WIC vendors who collectively had 31 compliance buys and 13 completed compliance investigations.

The review of the 10 vendors indicated that each should be disqualified as a result of the completed compliance investigations. The department concluded that nine of the 10 vendors should have been subject to a federally mandated 3-year disqualification due to overcharging on WIC checks and one vendor should have been subject to a federally mandated 1-year disqualification for providing unauthorized food items. However, in our review we found:

- The department failed to take enforcement action and establish a claim against seven of the 10 vendors subject to a federally mandated disqualification. The department provided unsigned copies of disqualifications letters that were not sent to the WIC vendors.
- Three of the 10 vendors were included as a follow-up on the prior audit finding. In response to the prior audit finding, the department provided draft copies of disqualification letters. The letters were not sent to the vendors and the vendors were not disqualified. Additional compliance investigations were completed this year and generated new disqualification letters. The new letters were not sent to the vendors and the vendors were not disqualified.

In the review of the completed 13 compliance investigations, the department did not take enforcement action and establish a claim at the conclusion of the investigation for eight of the completed investigations.

- One of the 13 completed compliance investigations had no enforcement action taken because the compliance buys used to support the investigation were of such age that they could no longer be used to support the disqualification.

- Six of the 13 completed compliance investigations should have resulted in a disqualification, but there was no evidence of the review, establishment, and payment of a civil penalty in lieu of disqualification.

As a part of the review of the compliance investigations, we attempted to review the supporting compliance buys. However, the department could not provide documentation for 18 of the requested 31 compliance buys.

Effect: An ineffective enforcement process fails to serve as a deterrent to future violations.

Cause: Our prior audit identified and reported on conditions similar to those presented above. The corrective actions planned by the department in response to our prior audit recommendation were not sufficient to prevent a repetition of those conditions.

Recommendation: The Department of Public Health should take timely and appropriate enforcement actions against WIC vendors when compliance investigations disclose vendor violations in accordance with federal regulations.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The WIC program implemented a system to address the delay between the identification of violations and sanctioning vendors. Once violations have been identified and are referred to the supervisor for potential disqualification or civil money penalty assessment, the compliance buy reports will be reviewed and any necessary corrections will be made to the summary sheet prior to the sanction letter being drafted. This will happen concurrently while the participant access map and determination is being prepared and will be due within 5 days of the request. The turnaround time from the date of the buy to the letter being sent is expected to be a 60 day process.

The Program recently made improvements to its Access database in order to track the status of compliance investigations. In addition to tracking details and violations of each compliance buy, the database will be used to track the request for determination of adequate participant access in order to assess whether disqualification or a civil money penalty is warranted. A tracking system has been designed in the Access database also to follow the process of preparing, signing and sending the sanction letter as well as the closure of the investigation in the TIP report."

2014-205 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 2013- 2014
Federal Award Number: 2014IW100344

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 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 ID’s of employees who are terminated for any reason.”

Condition: As a part of our follow-up on the prior audit finding related to the internal controls over local WIC agency user ID controls, we performed audit procedures to test the effectiveness of the department’s corrective action. Our procedures included a review of existing user IDs and the reported personnel changes at the local WIC agencies.

Our review of existing user IDs found that four local WIC agency employees had two unique user IDs. We also identified 12 user IDs that did not belong to current WIC employees.

Our review of the personnel changes at the local WIC agencies identified at least two new hires without a unique user ID for SWIS. This is indicative of password sharing at the local WIC agency. In addition we identified six user IDs that belonged to terminated local WIC agency employees. Of these six user IDs, one was used to log onto SWIS approximately six weeks after the employee’s termination date. Subsequent audit procedures determined that it is unlikely that this user ID was used to certify individuals for participation in WIC after the termination date.

However, we identified approximately 49 user IDs that were used to sign off on both the nutrition assessment and the income verification in SWIS for approximately 149 WIC participants.

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 properly certified WIC participants are issued food instruments.

Cause: The Department of Public Health did not monitor local WIC agencies for compliance with the Password/User ID policy in the WIC State Plan. The department also did not complete the planned corrective action from the prior audit.

Recommendation: The Department of Public Health should establish the necessary internal controls at the state level designed to ensure that local WIC agencies adhere to the Password/User ID policy in the WIC State Plan.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH attempted to correct this finding previously in FY14, however due to system problems, not all corrections were made at that time. Local Agencies are updating and checking staff IDs monthly. However, we uncovered a training issue. While all local agency Coordinators were submitting their IT requests to remove terminated staff from the system, they did not realize that to complete the process, they also had to terminate the staff from their end as well in order to remove their names completely. This has since been resolved by the DPH with follow-up e-mails and contact with the local agency Coordinators.

Due to unforeseen circumstances, at times, a Nutritionist might be asked to assume the role of a program assistant which includes obtaining demographics and screening clients for income. The income field in SWIS is always active and if changed, it will save the User ID of whoever made that change. If a Nutritionist updates income on a client for whom she performed a risk assessment at their last visit, it will appear that there was not a separation of staff who performed income verification and risk assessment as the initials (ID) will be the same. To prevent this from occurring, SWIS has been updated to display the following pop up message, "You performed the Risk Assessment, so you cannot change proof of Income."

2014-206 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 2013 - 2014
Federal Award Number: 2014W100344

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: Title 2 Code of Federal Regulations (CFR) Part 200 Section 331 requires the pass-through entity to monitor 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."

Title 2 CFR Part 225, Appendix A 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." It 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."

Title 2 CFR Part 225, Appendix B states that 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."

Section 19a-59c of the Regulations of Connecticut State Agencies further defines and limits what 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, workers' compensation insurance, and pension plan) and Other Costs. Only General Administration and Client Services allow for Other Costs which may include outreach, payroll maintenance, personnel, administrative, fiscal and program records, audit expenses, legal services and assessments.

Condition: In our prior audit, it was recommended that the Department of Public Health establish guidelines in accordance with state and federal regulations for setting fringe benefit rates for local WIC agencies. It was further recommended that the department should establish review procedures that examine the fringe benefit line items for compliance with those guidelines. The department agreed with the recommendation and indicated that it would establish new procedures by July 1, 2014.

Conditions similar to those found in the prior year were noted as part of our current review. The department's new on-site fiscal review procedures for subrecipients of WIC funds were intended to be the primary means by which it follows up on prior-period federal and state findings, reviews the specific line items on the monthly expenditure reports subject to audit to ensure that they are valid WIC costs, and monitors subrecipient progress in making corrections, if any are necessary. However, the department's new procedures for completing the on-site fiscal reviews were neither prepared nor implemented during the period. Furthermore, only two fiscal reviews of local WIC agencies were completed during the period. The department's on-site fiscal reviews of subrecipients of WIC funds for the current period were insufficient as to comprehensiveness and quantity.

During the period under review, we reviewed the monthly expenditure reports from 12 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 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 two local WIC agencies and paid by the department exceeded 50 percent. For the one Management Evaluation Review performed by the department for a local WIC agency with reported a fringe benefit rate over 50 percent, there was no evidence of the department's assessment of the reasonableness of the fringe benefit rates against established guidance for such rates. In fact, as noted above, that guidance had not been put into effect during the period under review. For example, the review of fringe benefit rates at the one local WIC agency was limited to a review of the reasonableness of the estimate used to establish the budgeted rate for the fiscal period. There was no Management Evaluation Review completed for the second local WIC agency with a fringe benefit rate exceeding 50 percent.
- For one local WIC agency with the second and only other Management Evaluation Review performed by the department during the period, it was noted that the Summary of Actuarial Valuation Results included Payment on Unfunded Actuarial Accrued Liability. It appears that a portion of the unfunded liability was included in the component rate for the pension costs.
- It was noted that one local WIC agency and its sub-office each included one or more items within its fringe benefits that are specifically not allowed based upon department regulations.
- For six local WIC agencies and sub-offices, it was noted that the Other Expenditures section of their monthly expenditures reports were not broken out.

  As such, it was not possible to determine whether the costs reported were allowable based upon established budgets and department regulations.

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.

Cause: The Department of Public Health had not established guidance for setting reasonable fringe benefit rates for the local WIC agencies for the period under review. 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 classification of Other Expenditures.

Recommendation: The Department of Public Health should implement its established guidelines in accordance with state and federal regulations for evaluating and approving 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 allowable.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The issues regarding "fringe benefits" cited in this audit report were addressed by DPH immediately in FY14. It was necessary to first clarify the requirements before establishing DPH policies and procedures. As a result, during FY14 several discussions and meetings took place among State WIC and Administration DPH officials, the USDA fiscal auditors and the State Auditors of Public Accounts.

The following steps were taken by the DPH as a result of these meetings:

1. A new form was implemented for providers, requiring that they submit detailed fringe benefit information with reporting documents. The "other" category and line item was eliminated.
2. Revised procedures for the DPH Fiscal Review were finalized.
3. DPH realigned fiscal review dates to be congruent with the program audits review dates. All fiscal audits were rescheduled so that program audits and fiscal audits would occur at the same time. Rotating and rescheduling caused a delay in implementation. The DPH expects to be in full compliance by September 30, 2015."

2014-207 Activities Allowed or Unallowed and Cash Management – Rebate Balance

HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B) (CFDA #93.917)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: X07HA00022-23 and X07HA00022-24

Criteria: Title 45 Code of Federal Regulations (CFR) Part 92 Section 21 provides that states disburse drug rebates before requesting additional cash payments.

Title 31 CFR Part 205 Section 33 provides for programs not covered in the Treasury Agreement and specifies that funds transferred to a state must be limited to the minimum amounts needed by the state.

Condition: As of July 1, 2013, the Department of Public Health (DPH) had an accumulated drug rebate balance of approximately $13 million dollars. Throughout state fiscal year 2014, DPH generated approximately $24.9 million in additional rebate revenue, while expending approximately $16.1 million in rebate dollars. This resulted in a further net increase in its rebate balance of approximately $8.8 million, Rebate dollars are not considered federal funds and DPH is required to expend the rebate dollars prior to federal dollars. During state fiscal year 2014, DPH did not exhaust its rebate balance prior to expending approximately $13.9 million in federal dollars; consequently, federal funds transferred to DPH were not limited to the minimum amount needed.

Effect: DPH maintained a rebate balance sufficient to cover all program expenditures for the fiscal year under review. As a result, the $13.9 million drawn down in the current year was not justified.

Cause: DPH did not have adequate procedures in place to ensure rebate dollars were expended prior to expending federal dollars.

Recommendation: The $13.9 million in federal funds expended during state fiscal year 2014 should be returned to the grantor agency. In addition, the Department of Public Health should consider whether it should return federal expenditures in prior periods if they were expended prior to rebate dollars.

DPH should also establish policies and procedures, in accordance with federal requirements, to ensure rebate dollars are expended prior to federal dollars.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. After consulting with the grantor agency, HRSA, the rebate balances accumulated prior to April 1, 2014 will not be subject to the regulation and the rebate balance will be expended under a separate spending plan. DPH submitted the spending plan to HRSA on December 18, 2014. The DPH will not be required to return any federal monies expended prior to April 1, 2014. Rebate monies collected on or after April 1, 2014 will be tracked annually to coincide with the Ryan White Part B grant period and no federal monies will be drawn until all rebate balances are exhausted. Procedures have been implemented to comply with the regulation."

2014-208 Eligibility – AIDS Drug Assistance Program

HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B) (CFDA #93.917)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: X07HA00022-23 and X07HA00022-24

Criteria: Title 42 United States Code Section 300ff-26 requires, as a condition of eligibility for the AIDS Drug Assistance Program (ADAP), that each individual have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the state.

Furthermore, the Health Resources and Services Administration, an agency of the United States Department of Health and Human Services, issued Policy Clarification #13-02, which requires documentation supporting HIV status, income, and residency for the initial eligibility determination. The clarification also requires the grantee to verify if the applicant is enrolled in other health coverage for the initial eligibility determination and for each recertification, which must occur at least every six months

Condition: The Department of Social Services (DSS), administering ADAP on behalf of the Department of Public Health (DPH) via a memorandum of agreement, does not require ADAP applicants to provide documentation supporting their status as low-income individuals or documentation supporting their Connecticut residency.

Effect: Without documentation supporting an applicant's income or residency, it is not possible to determine an individual's eligibility.

Cause: DPH, as the agency responsible for administering the program, did not take the appropriate measures to ensure DSS' policies and procedures, regarding ADAP eligibility, were adequate.

Recommendation: The Department of Public Health should monitor DSS policies and procedures to verify that they are properly designed and implemented and in conformance with federal requirements.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. DPH will work with the Department of Social Services (DSS) to revise the Memorandum of Agreement to include a clause that requires ADAP applicants to provide documentation supporting their status as a low income individual, as required by the Federal Code."

2014-209 Matching, Level of Effort, Earmarking – Calculation of Maintenance of Effort

HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B) (CFDA #93.917)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: X07HA00022-23 and X07HA00022-24

Criteria: Title 42 United States Code Section 300ff-27 requires that the state maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the state for the 1-year preceding the fiscal year for which the state is applying to receive a grant.

Condition: The Department of Public Health (DPH) did not prepare a maintenance of effort calculation.

Effect: Without the maintenance of effort calculation, it is not possible to determine if the State of Connecticut maintained its HIV-related activities, as required.

Cause: Management oversight was not sufficient to ensure that the maintenance of effort calculation was prepared in accordance with federal regulations.

Recommendation: The Department of Public Health should establish policies and procedures, in accordance with federal requirements, to ensure that the State of Connecticut has maintained HIV-related activities.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The State of Connecticut has maintained HIV Care Formula related activities in compliance with this regulation. The DPH miscalculated the amount reported to the federal grantor for federal fiscal year 2012-2013 and a mistake was made. A revised MOE calculation for 2012-2013 was submitted to HRSA on 11/24/2014. The DPH has implemented a procedure that ensures proper calculation and reporting of Ryan White Part B Maintenance of Effort as required. An additional staff person will review the information prior to it being sent to ensure the information is correctly submitted."

DEPARTMENT OF CHILDREN AND FAMILIES

2014-250 Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallowable Activities

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: 1302CT1401 and 1402CT1401

Criteria: Funds may be expended for foster care maintenance payments on behalf of eligible children. Title 42 United States Code (USC) Section 675(4)(A) defines the term "foster care maintenance payments" as payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation. Title 42 USC Section 672(b) requires that foster care maintenance payments shall be limited so as to include in such payments only those items which are included in the term "foster care maintenance payments" as defined in Section 675(4).

Title 45 Code of Federal Regulations (CFR) Section 1356.60(c) states that funds may be expended for costs directly related to the administration of the program that are necessary for the proper and efficient administration of the Title IV-E Plan. Title 45 CFR Section 1356.60(c)(3) states that allowable administrative costs do not include the costs of social services provided to the child, the child's family or foster family which provide counseling or treatment to ameliorate or remedy personal problems, behaviors or home conditions.

Title 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments (Office of Management and Budget Circular A-87), Appendix A – General Principles for Determining Allowable Costs, requires that costs must be adequately documented to be allowable under federal awards.

Condition: We reviewed 60 foster care maintenance payments, totaling $113,801, of which $100,294 represented reimbursable costs ($50,147 federal share), for compliance with the federal activities allowed/unallowed and allowable costs/cost principles requirements. Our sample was randomly selected from a universe of $48,830,164, of which $24,415,084 was claimed for federal reimbursement, during the state fiscal year ended June 30, 2014. We could not determine the number of transactions included in our audit universe.

Our review disclosed that seven transactions, totaling $28,079 ($14,039 federal share), appear to contain unallowable services such as respite and consultative services. In each case, the payments were made to a child placing agency (CPA) under contract with the Department of Children and Families to provide various levels of therapeutic foster care. The department establishes per diem rates paid to the CPAs, some of which are child-specific, that include the maintenance payments to the foster parents, administrative costs, and in some instances, support or other services that are deemed necessary as documented in the child's care plan. Our review found in these seven instances, a portion or an undetermined amount of the administrative and/or support or other services costs, totaling $6,594 ($3,297 federal share), may be unallowable. The portion of the payments that may contain unallowable costs made on behalf of these seven children outside of our sample during the state fiscal year ended June 30, 2014, totaled $36,177 ($18,088 federal share).

Effect: We identified questioned costs in our test totaling $3,297 (federal share) and additional payments outside of our test totaling $18,088 (federal share) as it appears that a portion of the per diem rates contain unallowable charges.

Cause: The department's claiming process was not adequately designed to accurately identify costs of unallowable services included in certain per diem rates. The errors identified were coded to service codes in which the per diem rates calculated combined multiple administrative and service categories that include both allowed and unallowed activities under the foster care program.

For claiming purposes, the department decreased the claim by 20 percent for certain providers to adjust for unallowable activities. However, since the department did not perform a complete review of all providers and components of the per diem rates, there is less assurance that the reduction in the claim was sufficient to cover any unallowable services.

Recommendation: The Department of Children and Families should establish an internal control process to review the cost components contained in various per diem rates for allowability and should strengthen internal controls to ensure all amounts claimed for reimbursement are adequately supported.

Agency Response: "We agree with this finding. We agree that our internal control process needs to be strengthened to ensure all amounts claimed for reimbursement are properly supported. The department's analysis of per diem rates paid to CPAs was incomplete at the time of this review. The project to complete this analysis of what costs are allowable within rates paid to all CPAs will be undertaken within the next few months and adjustments to the claiming process will follow as appropriate."

2014-251 Eligibility, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Improper and Inadequately Documented 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 2012-2013 and 2013-2014
Federal Award Numbers: 1302CT1407 and 1402CT1407

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 Title IV-E state plan provide procedures (effective October 1, 2006) 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), effective October 1, 2006, 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, or a crime involving violence or if the prospective foster family has been convicted within the last five years of a felony involving physical assault, battery, or a drug-related offense.

Section 473 of the Social Security Act specifies that a 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.

Title 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments (Office of Management and Budget Circular A-87), Appendix A – General Principles for Determining Allowable Costs, requires that costs must be adequately documented to be allowable under federal awards.

Condition: We reviewed 60 adoption assistance subsidy payments, totaling $57,231 ($28,616 federal share), for compliance with federal eligibility compliance requirements. We selected randomly from an audit universe of $48,479,405 ($24,237,811 federal share) for the fiscal year ended June 30, 2014. We could not determine the number of transactions in our audit universe.

Our review disclosed that for five of the 60 transactions, totaling $5,414 ($2,707 federal share), one of the federal eligibility criteria was not met. In each case, no criminal history records checks of any kind were found for the prospective adoptive parents for periods prior to October 1, 2006. Payments outside of our sample, which were made on behalf of the five children and claimed for federal reimbursement during the fiscal year ended June 30, 2014, totaled $58,881 ($29,441 federal share).

Furthermore, we had previously reported that the federal Office of Inspector General (OIG) had 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 were evaluated for compliance with certain Title IV-E adoption assistance requirements specifically income eligibility and criminal record check requirements. In summary, the OIG's 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 of Children and Families (DCF) had informed the OIG that it would resolve all outstanding issues with the federal Administration of Children and Families (ACF).

Our inquiry to DCF regarding the current status found that the department and ACF are still in the process of resolving the outstanding issues in the OIG's report.

Effect: The department's adoption assistance claims included $5,414 ($2,707 federal share) in improper payments made on behalf of ineligible children due to non-compliance with federal eligibility requirements. Payments outside of our test made on behalf of these ineligible children totaled $58,881 ($29,441 federal share).

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 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.

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 continue to work with the federal Administration of Children and Families to resolve the recommendations of the federal Office of Inspector General.

Agency Response: "We agree with this finding. The department agrees with the state auditor's decision regarding the five sample cases referenced. 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 and 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 three years and that all exceptions in this current audit involved adoptions that were finalized from 2001 to 2008. 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 to present due to appropriate procedures being put in place. Adjustments to correct these errors will be made and included in the March 2015 claim.

The department and ACF continue to communicate regarding the process to resolve the recommendations of the federal Office of Inspector General."

DEPARTMENT OF EDUCATION

2014-300 Reporting – Federal Funding Accountability and Transparency Act

Special Education- Grants to States (CFDA #84.027)
Federal Award Agency: United States Department of Education
Award Year: Federal Fiscal Years 2012-2013, 2013-2014
Federal Award Numbers: H027A120021, H027A130124

Title I Grants to Local Educational Agencies (CFDA #84.010)
Federal Award Agency: United States Department of Education
Award Year: Federal Fiscal 2012-2013, 2013-2014
Federal Award Numbers: S010A120007, S010A130007

Criteria: In accordance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA) prime awardees of a federal grant are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee distributes any sub-grant equal to or greater than $25,000. Several key data elements are required to be reported for compliance with the Transparency Act: the sub-award date, sub-awardee DUNS number, amount of sub-award, date of report submission and sub-award number. The prime grant awardee is required to report on its sub-awards through the FFATA Sub-award Reporting System (FSRS). The data is then transferred to USASpending.gov, a free public website containing full disclosure of all federal award information for awards of $25,000 or more.

Condition: We requested a full list of DUNS numbers for sub-awardees of federal awards. We also inquired about the process used to collect DUNS numbers from new sub-awardees. SDE staff indicated that there is no process in place for the collection of DUNS numbers. Additionally, if DUNS numbers for any of the sub-awardees are not available, SDE does not report associated sub-awards through FSRS.

Our analytical procedures of major programs identified five sub-awardees receiving funds exceeding $25,000 not reported in FSRS:

- CFDA #84.027 - IDEA, one $155,262 sub-award
- CFDA #84.010 - Title I, four sub-awards totaling $176,547

Effect: Failure to provide required information regarding sub-awards does not allow users of USASpending.gov access to complete and accurate federal spending information.

Cause: The Department of Education does not have procedures in place for the collection of DUNS numbers for sub-awardees of federal funds. Without this information, the FSRS will not allow reports to be filed as required.

Recommendation: The State Department of Education should establish and implement procedures to ensure the collection of DUNS numbers from sub-awardees and complete reporting in FSRS as required by FFATA.

Agency Response: "We agree with this finding. The SDE's Bureau of Grants Management will establish and implement procedures for collecting DUNS numbers from sub-awardees for all federal grants during the application process and complete the required reporting in FSRS."

2014-301 Activities Allowed or Allowable Cost – Contractual Payments

Special Education- Grants to States (CFDA #84.027)
Federal Award Agency: United States Department of Education
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Number(s): H027A120021 and H027A130124

Background: The State Department of Education contracts with individuals to provide surrogate parent representation to eligible children. A surrogate parent must be appointed by the State Department of Education (SDE) to represent a student whenever the student requires, or may require, special education, and the student meets established criteria.

Criteria: The Federal Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2 of Code of Federal Regulations section 200.303, requires a non-federal entity to establish and maintain effective internal controls over the federal awards that provide reasonable assurance that the non-federal entity is ensuring compliance with federal statutes, regulations, and award terms and conditions. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States, or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Additionally, SDE, as a non-federal entity procuring property and services under a federal award, must follow the same policies and procedures it uses for procurements with non-federal funds.

Section 4-212(3), of the Connecticut General Statutes, defines a personal service agreement as a "…written agreement defining the services or end product to be delivered by a personal service contractor to a state agency..." An agency may modify an existing contract through an amendment. The "Procurement Standards; For Personal Service Agreements and Purchase of

Service Contracts" issued by the state Office of Policy and Management defines an amendment as a formal modification, deletion, or addition to an existing (executed) contract that is negotiated and agreed upon by all parties. As such, the amendment should accurately reflect those terms.

Condition: During June 2013, the State Department of Education executed surrogate parent contract amendments which eliminated mileage reimbursements. A corresponding change to increase service rates was not incorporated into the June 2013 contract amendments. Our test of eleven expenditure payments to surrogate parents included nine which were affected by the amended contracts, and these nine payments were made at the intended higher service rates, rather than the lower contractual rates.

SDE was unable to provide documentation which evidenced proper approval of both the June 2013 contract amendments, which eliminated the mileage reimbursement, and the subsequent amendments processed in response to our finding, which incorporated the intended higher service rates.

Effect: Improper controls over both the amendment of surrogate parent contracts and the review of associated payments for compliance with contractual terms increase the risk that approvals could be unauthorized. The nine contracts we reviewed, each with two improper amendments, resulted in nine payments exceeding their contractual terms by a total of $670.

Cause: SDE claimed that the exclusion of intended higher service rates was due to a clerical error. SDE lacks sufficient controls and supervisory review of surrogate parent contract amendments and payments.

Recommendation: The State Department of Education should strengthen controls over surrogate parent contracting and payments. Controls should ensure a proper approval is documented prior to the execution of a contract amendment and that an approval is properly evidenced and retained. Controls should ensure that a payment for service is made at the contractual rate. Supervisory review of a contract amendment and a contract payment should ensure accuracy and compliance with policies and procedures.

Agency Response: "We agree with this finding. It is correct that the contract did not reflect the increased daily rates. Since we became aware, the Bureau of Fiscal Services has begun to correct the daily rates in all new executed contracts and will correctly reflect the amount in all contract amendments forthcoming, so that all rates will be appropriately reflected by August of 2015. Additionally, the Bureau of Fiscal Services will ensure that all required contract approvals are documented and maintained for this program. Supervisors will review contracts, amendments and payments to ensure accuracy and compliance."

2014-302 Subrecipient Monitoring – Surrogate Parent Responsibilities

Special Education - Grants to States (CFDA #84.027)
Federal Award Agency: United States Department of Education
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Number(s): H027A120021 and H027A130124

Background: The State Department of Education appoints individuals to provide surrogate parent representation whenever a student requires, or may require, special education, and the student meets established criteria. The surrogate parent is responsible for representing the child in all matters relating to the identification, evaluation, and educational placement of the child for a free and appropriate public education.

Criteria: Individual contracts between SDE and surrogate parents incorporate the Surrogate Parent Procedure Manual which provides for the following:

- Monthly, a signed dated original invoice, detailing eligible activities, must be submitted by the surrogate parent. The invoice must be accompanied by a description of their activities and a list of cases served.
- Services continue until the child is no longer eligible; once ineligible, the surrogate parent is required to notify SDE and return the student's files;

Condition: SDE receives monthly bills from surrogate parents for services rendered but does not independently verify whether the services were actually provided on behalf of eligible children. The monthly invoices contain a list of children being served during the month and are supported by forms detailing the type of services rendered for each child. The Surrogate Parent Office relies on the information provided by the surrogate parent. In addition, there is no process in place to accurately verify each surrogate parent's actual caseload.

Effect: Inadequate monitoring procedures may lead to the target child population not receiving the required contracted services. SDE may receive and pay invoices for services that have not been provided.

A surrogate parent may obtain payment for an ineligible child who was not promptly removed from their caseload.

Recommendation: The State Department of Education should establish policies and procedures to independently verify that the required duties are performed for each child in the surrogate parent's caseload. Payments should be based on verified services.

Agency Response: "We agree with this finding. SDE will review current procedures for approving the surrogate invoices at the program level and will create any necessary policies and procedures to effectively monitor compliance with the program requirements. This procedure will include sampling to ensure verification of the services rendered, eligibility, and accuracy of related payment.

Due to recent staffing changes in the surrogate office, as well as the recent hiring of a new Special Education Bureau Chief, there will be a greater ability to effect the changes identified above."

DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION

2014-350 Allowable Costs/Cost Principles - Federal Time Reporting Procedures

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)
Federal Awarding Agency: United States Department of Homeland Security
Award Years: Federal Award Years 2013-2014
Federal Award Number: DR 1904-CT, DR 4023-CT, DR 4046-CT, DR 4087-CT, DR 4106-CT

Criteria: OMB Circular A-87 establishes the requirement that when employees are expected to work solely on a single federal award, charges for their salaries and wages will be supported by periodic certifications that employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. OMB Circular A-87 also establishes the requirement that personnel activity reports or equivalent documentation are required for employees who work on multiple activities or cost objectives. These personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards.

Condition: Employees were not always certifying that the pre-determined funding allocations are accurate reflections of how their time is spent. In one instance, an employee's time was charged 100% to CFDA 97.036 based on the pre-determined workload. A signed certification was not completed to certify the hours worked. Additionally, two employees in our test submitted their time electronically via Core-CT self-service. Employees of the Department of Emergency Services and Public Protection (DESPP) who submitted their time via the Core-CT self-service module were not required to certify or otherwise document the programs their time was spent on unless it was different from pre-determined funding sources based on the employee's expected workload.

Effect: There is an increased risk that time spent on different projects may incorrectly be charged to the federal grant.

Cause: In the first instance, the cause is unknown. In the other instances, the implementation of Core-CT self-service timesheets has caused issues with documentation of time spent on federal grants.

Recommendation: The Department of Emergency Services and Public Protection should improve time reporting documentation so that employees are required to certify all time charged to federal programs after-the-fact, regardless if it is based on a pre-determined funding allocation.

Agency Response: "We do not agree with this finding.

For the employee whose time was 100 percent charged to CFDA # 97.036, an email dated October 10, 2013, addresses the review of his workload and reallocation of his payroll costs based on that review which is signed/certified via email by his direct supervisor.

For the two employees whose time is not fully charged to CFDA # 97.036, their timesheets reflect any deviations from their position funding allocations for the time periods as referenced by the override reason codes which correlate to the funding source to be charged. Each employee's timesheet is electronically submitted via the agency's financial system and upon submission, the employee is verifying the allocation of their time for that pay period.

Effective pay period ending January 22, 2015, all employees funded either in whole or in part with grant funds must complete an 'Actual Timesheet Allocation By Funding Source' to document their time per pay period to the corresponding funding source."

Auditors' Concluding Comments: In regard to the employee who was 100% federally funded, the agency's response and documentation provided to us indicate that a review of this employee's time allocation was performed in October 2013. According to federal guidelines, a certification must be performed and signed at least semi-annually for employees that are 100% federally funded. We were told by the agency that no review was performed after October 2013 because the employee terminated employment in January 2014. It is the auditor's position that a review should have been performed for the time between October 2013 and January 2014 to ensure that time was properly allocated during that period.

In addition, although DESPP disagrees with the finding, the agency acknowledged that a change in procedure was needed. Accordingly, effective with the pay period ended January 22, 2015, the agency is implementing a procedure that requires all employees funded either in whole or in part with grant funds to document their time to the corresponding funding source each pay period.

2014-351 Allowable Costs/Cost Principles - Reimbursement of Payroll Costs

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)
Federal Awarding Agency: United States Department of Homeland Security
Award Years: Federal Award Years 2013-2014
Federal Award Number: DR 4087-CT

Criteria: In order to be an allowable cost under OMB Circular A-87, a cost must be reasonable.

Condition: In our review of reimbursements to one subrecipient, we noted six instances totaling 23.5 hours in which the same overtime for one employee was reported on both the Force Account Labor Record and on Direct Administrative Cost documentation.

Effect: The federal reimbursement to this subrecipient was overstated by $607.

Cause: The cause is unknown.

Recommendation: The agency should ensure that reimbursement documentation is completed in accordance with federal guidelines.

Agency Response: "We agree with this finding.

The Federal Emergency Management Agency (herein FEMA), not the State of Connecticut, develops the cost documentation in direct cooperation with the subgrantee (applicant). Once developed, each project worksheet is reviewed and approved by FEMA staff. Upon approval by FEMA, Connecticut initiates payment of the FEMA-approved amount.

The state will continue to stress the need for FEMA to follow federal guidance on documentation of costs and include appropriate documentation of those costs in each project worksheet.

When an error comes to the DESPP Division of Emergency Management and Homeland Security's attention, we request that FEMA revise the project worksheet to correct the error and once notified that the correction has been made, we will initiate the recovery of the overpayment. Connecticut will make appropriate notification to FEMA of the need to revise this project worksheet and will then initiate recovery of the $607 overpayment."

2014-352 Allowable Costs/Cost Principles – Undocumented Reimbursement for Equipment Usage in Excess of FEMA's *Schedule of Equipment Rates*.

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)
Federal Awarding Agency: United States Department of Homeland Security
Award Years: Federal Award Years 2013-2014
Federal Award Number: DR 1904-CT

Criteria: 44 CFR 206.228(a) generally requires that reimbursement for operation costs of applicant-owned equipment used to perform eligible work shall be in accordance with the Schedule of Equipment Rates established by FEMA.

44 CFR 206.228(a)(ii) states, "If an applicant wishes to claim an equipment rate which exceeds the FEMA Schedule, it must document the basis for that rate and obtain FEMA approval of an alternate rate."

Condition: In our review of reimbursements to one subrecipient, we noted a payment for the use of a piece of equipment owned by the subrecipient. The reimbursement rate exceeded the FEMA Schedule of Equipment Rates. There was no documentation on file that would allow for the excess rate.

Effect: The federal reimbursement to this subrecipient was overstated by $30.

Cause: The cause is unknown.

Recommendation: All reimbursements for equipment usage should be made in compliance with federal requirements.

Agency Response: "We agree with this finding.

FEMA, not the State of Connecticut, develops the cost documentation in direct cooperation with the subgrantee (applicant). Once developed, each project worksheet is reviewed and approved by FEMA staff.

The state will continue to stress to FEMA the need to follow federal guidelines on documentation of equipment usage costs and include appropriate documentation of those costs in each project worksheet. In cases where other than the FEMA equipment rates are used, Connecticut will request that FEMA document the source of that cost.

Additionally, Connecticut has posted the correct FEMA equipment rate schedule on the Public Assistance section of the Division of Emergency Management and Homeland Security's website and includes a current copy of that schedule of equipment rates in the briefing packet for all applicant briefings.

DESPP Division of Emergency Management and Homeland Security's staff will request that FEMA revise the project worksheet to correct the error and once notified that the correction has been made will initiate the recovery of the $30 overpayment."

DEPARTMENT OF REHABILITATION SERVICES

2014-400 Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Timekeeping

Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA #84.126)
Federal Awarding Agency: United States Department of Education
Award Years: Federal Fiscal Years 2011-2012 and 2012-2013
Federal Award Number: H126A130008 and H126A140007

Social Security Disability Insurance (CFDA #96.001)
Federal Awarding Agency: United States Social Security Administration
Award Years: Federal Fiscal Year 2012-2013 and 2013-2014
Federal Award Number: 1304CTDI00 and 1404CTDI00

Background: We reviewed 25 payroll transactions in which employee salaries were charged directly to two federal programs, Vocational Rehabilitation Grants to States (CFDA 84.126) and Social Security and Disability Insurance (CFDA 96.001). For all 25 transactions, employees charged 100 percent of their time to one of these two programs.

Criteria: Title 2 Code of Federal Regulations (CFR) Part 225 Appendix B item 8 (h) (3) requires that, where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Condition: During the audited period, salaries and wages charged to the Vocational Rehabilitation Grants and the Social Security and Disability Insurance program were not supported by semi-annual periodic certifications stating that each employee worked solely on one of the respective programs.

Effect: The agency is not compliant with federal cost principles. The absence of periodic certifications lessens the assurance that salaries and fringe benefits charged to the Vocational Rehabilitation Grants and the Social Security and Disability Insurance Program totaling $18,583,578 and $13,510,919 are accurate.

Cause: The department was unaware of the federal regulation requiring the certification of time and effort by employees.

Recommendation: The Department of Rehabilitative Services should implement procedures to comply with time and effort reporting of employees working solely on a federal award or cost objective.

Agency Response: *"We agree and effectively immediately we will implement semi-annual certifications."*

2014-401 Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Client Benefit Payments and Indirect Costs

Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA #84.126)
Federal Award Agency: United States Department of Education
Award Years: Federal Award Years 2012-2013 and 2013-2014
Federal Award Numbers: H126A130008 and H126A140007

Social Security Disability Insurance (CFDA #96.001)
Federal Awarding Agency: United States Social Security Administration
Award Years: Federal Award Years 2012-2013 and 2013-2014
Federal Award Numbers: 1304CTDI00 and 1404CTDI00

Background: The Department of Rehabilitation Services contracts with Community Rehabilitation Providers on a fee-for-service basis to provide employment rehabilitative services. Service authorizations and vendor invoices are authorized by vocational rehabilitation counselors in the department's Case Management System 7. Case Management System 7 is interfaced with the statewide Core-CT accounting system, which is used to process payments and report expenditures.

Criteria: Expenditures must be recorded in Core-CT in accordance with the account chartfield section of the State Accounting Manual. Title 2 Code of Federal Regulations (CFR) Section 200.92 defines subaward as an award provided by a pass-through entity to a subrecipient to carry out part of a federal award. It does not include payments to contractors. Title 2 CFR Section 200.330 provides a list of characteristics that support the classification of the non-federal entity as a subrecipient or a contractor.

The department's approved indirect cost rate agreement with the U.S. Department of Education permits the reimbursement of indirect costs at a rate that is applied to a modified total direct cost base. This base excludes equipment, capital expenditures, participant support costs, pass-through funds and the portion of each subaward above $25,000.

Condition: During the review of 40 client benefit payments charged to the Vocational Rehabilitation Grants to States program totaling $34,515, we noted that 26 transactions totaling $21,572 were misclassified in Core-CT as pass-through grants. Our review of the transactions and related contracts showed that the payments were for services rendered by community service providers. Each payment was supported by a vendor's invoice and the department's service authorization form.

Our review of indirect costs for the Vocational Rehabilitation Grants to States and the Social Security Disability Insurance programs found the same misclassification of vendor payments as subawards. The department's calculation of indirect costs excluded vendor payments exceeding $25,000 per contract because these payments were coded as pass-through grants.

Effect: The misclassification of vendor payments as pass-through grants to subrecipients caused understatements in the department's calculation of indirect costs. We reviewed two quarterly charges of indirect costs and determined the following understatements:

- Indirect costs charged to the Vocational Rehabilitation Program were understated by $147,532 and $32,036 for the quarters ended September 30, 2013 and March 31, 2014, respectively.
- Indirect costs charged to the Social Security Disability Insurance program were understated by $24,788 and $125,416for the quarters ended September 30, 2013 and March 31, 2014, respectively.

Cause: It appears the miscoding of subgrants in System 7 was established when the Bureau of Rehabilitative Services was under the administration of the Department of Social Services, a condition that still exists.

Recommendation: The Department of Rehabilitation Services should strengthen internal controls over the accuracy of indirect costs by ensuring expenditures are coded properly in both the Case Management System and Core-CT.

Agency Response: "We agree and effective immediately we will implement changes in System 7 expenditure coding to reflect the appropriate Core-CT expenditure account codes for our various service categories."

2014-402 Reporting

Rehabilitation Services–Vocational Rehabilitation Grants to States (CFDA #84.126)
Federal Award Agency: United States Department of Education
Award Year: Federal Award Year 2012-2013
Federal Award Numbers: H126A130008

Background: The U.S. Department of Education, Rehabilitation Services Administration (RSA) uses the Annual Vocational Rehabilitation Program/Cost Report (RSA-2 report) to determine the average cost of services when preparing the annual budget of the U.S Department of Education, as well as other purposes. The Connecticut Department of Rehabilitation Services uses information in the Core-CT accounting system and Case Management System 7 in its preparation of the RSA-2 report.

Criteria: According to the instructions from the U.S. Department of Education, total expenditures in Schedule I of the RSA-2 report should include expenditures from Section 110 funds, Title VI-B Supported Employment funds and other rehabilitation funds. Section 110 funds include the state funds used to meet the maintenance of effort requirement and funds spent for the Business Enterprise Program. Other rehabilitation funds include program income.

Condition: Total vocational rehabilitation program expenditures for the Bureau of Education and Services for the Blind (BESB) per Core-CT were $659,497 greater than the total expenditures of $4,015,455 reported in Schedule I of the RSA-2 for the fiscal year ended September 30, 2013.

Effect: The understatement affected RSA's calculation of BESB's average service cost per client. In addition, because the U.S. Social Security Administration (SSA) reimburses rehabilitation costs based on a fixed cost formula using information in Schedule 1 of the RSA-2 report, the above error also affected the department's calculation and reimbursement for administrative, counseling, placement, and tracking costs.

Cause: It appears that expenditures in BESB's Case Management System were not coded to match expenditures in the state's Core-CT accounting system.

Recommendation: The Department of Rehabilitation Services should reconcile expenditures in the Case Management System to the Core-CT accounting system and report the correct amounts to the Rehabilitation Services Administration.

Agency Response: "We agree and effective immediately we will utilize Core-CT data to report expenditures to the Rehabilitation Services Administration."

DEPARTMENT OF ADMINISTRATIVE SERVICES

2014-450 Allowable Costs/Cost Principles – No Verification Methodology for Employees Charged to the Revolving Funds

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: United States Department of Health and Human Services
Awards Years: Federal Fiscal Years 2012-2013 and 2013-2014

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, 2014.

The Department of Administrative Services - Bureau of Enterprise Systems and Technology operates an internal service fund called the Technical Services Revolving Fund (TSRF). The TSRF is used to account for the revenues and expenditures related to the operations of the agency's telecommunication and data processing operations furnished and billed to other state agencies and listed in Section II of the approved SWCAP for fiscal year ended June 30, 2014.

Criteria: Appendix B to Title 2 Code of Federal Regulations (CFR) Part 225, Section 8.h.1 (formerly 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."

Appendix B to Title 2 CFR Part 225, Section 8.h.4 (formerly 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 and TSRF accounts for the direct and indirect services-related efforts of 90 filled positions (70 for the GSRF and 20 for the TSRF). We noted that the department inaccurately reported 69 and 22 positions for GSRF and TSRF, respectively, as part of the cost allocation plan submitted to the federal government. DAS did not obtain personnel activity reports or equivalent documentation reflecting the actual activity of each employee charged to the GSRF and TSRF. 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: Certain personnel costs 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 or TSRF 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 Title 2 CFR Part 225 (formerly 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 and TSRF 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 and the Technical Service Revolving Fund are considered for inclusion in the cost allocation plan and are properly documented as working on fund-related activities as required by Title 2 Code of Federal Regulations Part 225 (formerly Office of Management and Budget Circular A-87).

Agency Response: "Department of Administrative Services (DAS) agrees and has taken the necessary steps to correct this finding. All DAS employees charged to the Technical Services Revolving Fund (TSRF) currently work 100% on either Criminal Justice Information System (CJIS) or Telecomm activities that are properly supported by the TSRF. With regard to positions charged to the General Services Revolving Fund (GSRF), DAS has reviewed and adjusted the coding on all such positions to ensure that employees assigned to this fund work 100% on GSRF activities. There are three remaining GSRF positions to be adjusted that are in Core-CT pending final Office of Policy Management approval; once these adjustments are approved, this finding will be fully corrected."

2014-451 Allowable Costs/Cost Principles - Billing Rates Development and Adjustment Methods

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: United States Department of Health and Human Services
Awards Years: Federal Fiscal Years 2012-2013 and 2013-2014

Background: The Department of Administrative Services (DAS) operates an internal service fund called the General Services Revolving Fund (GSRF). The GSRF is used to account for the revenues and expenditures related to several fee-for-service functions provided to other state agencies. The largest of those functions is fleet operations, which makes up approximately 67 percent of the GSRF expenditures.

Pursuant to Section 4-77 of the Connecticut General Statutes, billing rates for activities such as the services provided by DAS through the GSRF should be included in the budget preparation documents distributed by the Office of Policy and Management (OPM) each year. Historically, DAS has claimed that their submissions to OPM have not been approved; OPM contends that DAS has not submitted a timely proposal in many years.

Criteria: Section 4-77, paragraph (a) of the Connecticut General Statutes states "the administrative head of each budgeted agency shall transmit, on or before September first of each even-numbered year, to the Secretary of the Office of Policy and Management, on blanks to be furnished by him not later than the preceding August first, … estimates of expenditure requirements for each fiscal year of the next biennium." It is reasonable to allow one additional month for OPM to integrate proposed changes to budgetary factors into the package it sends to all state agencies, which places submission to OPM at July 1st, or one fiscal year in advance of the implementation date.

Appendix C to Title 2 Code of Federal Regulations (CFR) Part 225, Section G(2) (formerly 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.

Appendix C to Title 2 CFR Part 225, Section G(4) (formerly 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 2014 (based on fiscal year 2012 figures), DAS developed rates, but did not submit the rates to OPM. 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 Title 2 CFR Part 225 (formerly 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: In the past, 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 Title 2 Code of Federal Regulations Part 225 (formerly Office of Management and Budget Circular A-87).

Agency Response: "Department of Administrative Services (DAS) does have formalized rate development procedures and policies. While DAS did submit General Services Revolving Fund (GSRF) rates to the Office of Policy Management (OPM) in fiscal year 2013 and fiscal year 2014, DAS agrees that such submissions were not timely. DAS has corrected this condition and timely submitted rates in June 2014 for fiscal years 2016 and 2017.

Further, DAS does regularly analyze the financial condition of the GSRF and reconciles revenue to actual costs. DAS is currently reviewing the methods described in Title 2 CFR Part 225 (formerly OMB Circular A-87) to determine the most suitable method to adjust for potential over/under recoveries."

UNIVERSITY OF CONNECTICUT

2014-500 Allowable Costs/Cost Principles – Time and Effort

Federal Award Agency: Various
Award Year: State Fiscal Year Ended June 30, 2014
Research and Development Programs: Various

Criteria: Per Title 2 Code of Federal Regulations (CFR) Part 220 (formerly 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 of verification to confirm 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: As noted during our previous audit, under the university's current time and effort reporting system, researchers' 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 the 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 compensation paid to researchers during a period, based on the distribution of those charges to project accounts. This is confusing, because part of that compensation was actually earned during preceding periods when the researchers may have been working on different projects. Overlapping payments for summer semester work creates 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.

Conclusion: We are reporting this control deficiency as it existed during the audited period. We are not presenting a recommendation, as the university is already working to address it.

Agency Response: "The University has implemented new charging instructions for labor charged to restricted accounts during the academic year for 9 and 10 month faculty who are paid over 12 months. This method charges sponsored project awards for the full amount earned during the period and accrues the portion not yet paid. Ongoing training is being provided for research administrators and departmental staff who are responsible for processing payroll authorizations. Central administrative personnel will reconcile the accrued amounts to the amount paid to the employee and to determine the proper period was charged. The University has transitioned its effort reporting periods to align with the academic year. Development continues on a new electronic, web based, effort reporting system which is scheduled to deployed in FY15 and is expected to be in use for all or some of the current academic year effort reports."

2014-501 Cash Management

R/V Connecticut Charter in Support of GNATS 2013 (CFDA # 43.PO #28512) Non Major Program
Federal Award Agency: National Aeronautics and Space Administration
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Number: PO #28512
Account # 5610680 – Subaward PO #28512 (A08211) from Bigelow Laboratory for Ocean Sciences, project period April 24, 2013 through December 31, 2014

Criteria: Per Title 2 Code of Federal Regulations (CFR) Part 220 (formerly OMB Circular A-21), 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 one award. These cash balances were significantly in excess of immediate cash needs. At the beginning of the fiscal year, the account for award PO #28512 had a cash balance of $115,140. Effective June 6, 2014 a charge of $44,800 was posted to the account, reducing the cash balance to $70,340. No other charges were posted to the account.
Effect:	Excess cash balances were maintained.
Cause:	With respect to award PO #28512, the grantor agency deliberately transferred funds substantially in excess of the university's immediate cash needs. The grantor agency bears the responsibility for taking appropriate remedial action.
Conclusion:	This condition was deliberately engendered by the grantor agency; it bears the responsibility for taking appropriate remedial action.
Agency Response:	Not applicable.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

2014-550 Reporting

Substance Abuse and Mental Health Services – Projects of Regional and National Significance (CFDA #93.243)
Federal Award Agency: United States Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Number: 5U79SM061273-02

Alcohol Research Programs (CFDA #93.273)
Federal Award Agency: United States Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Number: 5R01AA021446-02

Cancer Biology Research (CFDA #93.396)
Federal Award Agency: United States Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Number: 5U01CA154966-03

Human Genome Research (CFDA #93.172)
Federal Award Agency: United States Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Number: 5U54H007005-02

Criteria: Title 2 Code of Federal Regulations Part 170 and the Transparency Act require, effective October 1, 2010, certain reporting requirements relating to first-tier subawards of $25,000 or greater. These reporting requirements include registering in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and reporting subaward data through FSRS. The subaward must be reported by the end of the month following the month a subaward is made.

Condition: During the audit period, we tested 14 subawards issued by the University of Connecticut Health Center (Health Center). We noted one instance in which the Health Center did not report the subaward to the FSRS. In addition, we noted three instances in which the Health Center was late in reporting the required key data elements to the FSRS.

Effect: The Health Center was not in compliance with the reporting requirements of the Federal Funding Accountability and Transparency Act.

Cause: The condition appears to have been due to designed procedures not being followed.

Recommendation: The University of Connecticut Health Center should take steps to improve the process used for identifying and reporting subawards to the FSRS.

Agency Response: "We agree with this finding.

Federal Funding Accountability and Transparency Act (FFATA) requirements and reporting procedures have been reiterated to department staff. Management will work with staff to ensure awards are identified and reported on a timely basis."

2014-551 Equipment and Real Property Management

Oral Diseases and Disorders Research (CFDA #93.121)
Federal Award Agency: United States Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Numbers: R01-DE021103

Human Genome Research (CFDA #93.172)
Federal Award Agency: United States Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Numbers: 1U54HG006994-01

Criteria: Title 2 Code of Federal Regulations (CFR) Part 220 (formerly OMB Circular A-21) and Title 2 CFR Section 215.34 (formerly OMB Circular A-110) require that a physical inventory of equipment be taken at least once every two years and reconciled to the equipment records. Furthermore, Title 2 CFR Section 215.34 requires that the equipment records contain the location and serial number.

Condition: During our testing of the Health Center's equipment inventory we noted the following:

- The equipment records lacked evidence of timely reconciliation to the most recent physical inventory.
- Two out of ten equipment items purchased with federal funds during fiscal year 2014 were not physically tagged and the equipment records did not contain the location and serial numbers as of November 12, 2014.

Effect: The Health Center's equipment inventory records do not demonstrate compliance with the cost principles and administrative requirements established by Title 2 CFR part 220 and Title 2 CFR section 215.34.

Cause: Health Center personnel indicated that many items may have been moved without the necessary documentation and are sometimes found during subsequent departmental physical inventories. For new equipment, the agency was not updating its equipment information in a timely manner.

Recommendation: The University of Connecticut Health Center should ensure that its equipment records are complete and the physical inventory of equipment should be reconciled in a manner that demonstrates the timeliness and completeness of the physical inventory.

Agency Response: "We agree with this finding.

UConn Health continues to implement improvements to our capital asset tracking process. During this audit period, significant efforts were made to reconcile older equipment records, which did take some focus away from normal inventory procedures.

The two pieces of equipment referenced above have already been tagged and entered into our asset system with the required information. We are working on improvements to the capital equipment acquisition process, including additional training to end user departments to ensure that they are aware of the special requirements for ordering, receiving, tagging and tracking capital assets, and refining the way that our asset tagging staff is notified of equipment orders."

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, 2014:

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
Bristol Technical Education Center	00992770
Bullard-Havens Technical High School	01149600
E.C. Goodwin Technical High School	00927700
Eli Whitney Technical High School	00730000
Howell Cheney Technical High School	02245300
Norwich Technical High School	01184300
Platt Technical High School	02565000
Vinal Technical High School	01169700
W.F. Kaynor Technical High School	02300000
Windham Technical High School	00731100

2014-650 Activities Allowed or Unallowed - Federal Work-Study Payments

Federal Work-Study Program (CFDA #84.033)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

Criteria: Title 34 Code of Federal Regulations Section 675.16(a)(6) states that an institution may pay a student after the student's last day of attendance only for Federal Work-Study (FWS) compensation earned while he or she was in attendance at the institution.

Condition: From a test of eight students with FWS awards that separated from the University of Connecticut, we noted three students who withdrew from the university were paid a total of $87 in FWS compensation for work performed after their effective dates of withdrawal. Upon our identification of these charges in August 2014, the university replaced the FWS charges with non-federal student labor funds.

Effect: Three students were paid a total of $87 from FWS funds that they were not eligible to receive.

Cause: These students had a retroactive withdrawal date which was effective prior to the date the FWS funds were earned.

Recommendation: The University of Connecticut should implement procedures to monitor that students are not paid with Federal Work-Study funds after the student's withdrawal date.

Agency Response: "We agree with this finding."

2014-651 Cash Management

Federal Pell Grant Program (CFDA #84.063)
Federal Direct Student Loans (CFDA #84.268)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

Criteria: Title 34 Code of Federal Regulations (CFR) Section 668.162(b)(3) states that an institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds.

Title 34 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 one instance in which, due to a federal Pell Grant (Pell) program adjustment made on September 24, 2013, excess cash of $5,550 was on hand for 26 calendar days from September 24, 2013 through October 20, 2013, for Award #P063P121228.

During our review of cash management at Central Connecticut State University (CSU), we noted the following exceptions:

- Due to a Pell drawdown made on January 29, 2014, cash that exceeded the one percent tolerance of between $4,488,803 and $1,043,635 was on hand for four business days from January 29, 2014 through February 4, 2014 (Award #P063P130064).
- Due to five Pell program adjustments made during June 5, 2014 through June 12, 2014, excess cash of between $2,753 and $11,276 was on hand for thirteen calendar days from June 5, 2014 through June 16, 2014(Award #P063P130064).
- Due to federal Direct Student Loans (Direct Loan) program drawdowns made during September 12, 2013 through September 26, 2013, excess cash of between $17,416,250 and $806,250 was on hand for 25 calendar days from September 12, 2013 through October 7, 2013(Award #P268K140064).
- Due to a Direct Loan program drawdown made on January 29, 2014, cash that exceeded the one percent tolerance of between $14,467,694 and $14,454,906 was on hand for four business days from January 29, 2014 through February 4, 2014 (Award #P268K140064).
- Due to Direct Loan program adjustments made on November 11, 2013 and December 20, 2013, excess cash of between $2,228 and $2,421 was on hand for 60 calendar days from November 11, 2013 through January 9, 2014 (Award # P268K130064).

During our review of cash management at Western Connecticut State University, we noted that due to Pell award adjustments made on October 22, 2012 and October 29, 2013, excess cash of between $24,345 and $529 was on hand for ten days from October 22, 2013 through October 31, 2013 (Award #P063P131214).

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, Central Connecticut State University and Western Connecticut State University should comply with the cash management provisions stipulated in Title 34 Code of Federal Regulations 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."

Western CSU: "We agree with this finding."

2014-652 Student Eligibility – Cost of Attendance

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loan – 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: 2013-2014

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 includes 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 EFC 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 test of 36 students selected for student eligibility testing at the University of Connecticut (UConn), we noted one instance in which the COA budget was not accurate. In this instance, we noted that a student with need was awarded and disbursed a subsidized federal Direct Student Loans (Direct Loan) of $3,053, when she should have been awarded a subsidized Direct Loan of $3,500. Upon our discovery, the university adjusted the student's subsidized Direct Loan amount to $3,500.

From a test of 20 students selected for student eligibility testing at Central Connecticut State University (CSU), we noted one instance in which the COA budget was not accurate. In this instance, the student was classified based upon half-time enrollment. The student's actual enrollment was three quarter-time for the fall semester and full-time for the spring semester.

Effect: *UConn:* A student was not awarded a subsidized Direct Loan for the full amount she was eligible for. The university corrected this error on July 18, 2014 after we brought it to their attention.

Central CSU: The COA budget was understated, which could potentially affect the financial aid awarded.

Cause: *UConn:* We were informed that the condition occurred due to an error by financial aid staff.

Central CSU: Controls in place did not identify that the student's enrollment was adjusted from part-time to full-time for the spring semester.

Recommendation: The University of Connecticut should establish internal controls to ensure that financial aid staff properly determines student subsidized loan eligibility when a financial aid package is manually processed. Central 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."

2014-653 Student Eligibility – Federal Supplemental Educational Opportunity Grants

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

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 was made at multiple institutions for the fiscal year ended June 30, 2013. We had identified a number of students that were ineligible to receive FSEOG, as these students did not receive a federal Pell Grant in the same award year.

Criteria: Title 34 Code of Federal Regulations (CFR) Section 676.10 establishes the particular eligibility requirements for a student to receive FSEOG. One of these requirements is that an institution shall select students with the lowest Expected Family Contribution (EFC) who will also receive Pell in that year.

Condition: *Western CSU:* We noted that one out of 70 students received an FSEOG award that the student was not eligible for because that student did not also receive a Pell award in the same award year.

Charter Oak State College and Quinebaug Valley CC: We noted certain students who demonstrated Pell Grant eligibility, with the lowest EFC, were not awarded FSEOG funds as their Institutional Student Information Reports were processed later than eligible students with a higher EFC.

Charter Oak State College: It was also noted that the college's FSEOG awarding policy excludes students who are enrolled less than half-time

Effect: *Western CSU:* The student's total FSEOG award was $250. Upon our discovery, the university rescinded the ineligible FSEOG award.

Charter Oak State College and Quinebaug Valley CC: These institutions' policies for awarding FSEOG were not in compliance with federal regulations.

Cause: *Western CSU:* The university's automated system allowed FSEOG to be disbursed to a student who was not disbursed a federal Pell Grant.

Charter Oak State College: The college's policy was to award the FSEOG on a first-come, first-serve basis and not based on the entire award year. In addition, the college's packaging philosophy excluded students that were less than half-time.

Quinebaug Valley CC: The college's policy was to award the FSEOG on a first-come, first-serve basis to those students who were also Pell eligible without any regard to the student's EFC.

Recommendation: Western Connecticut State University should award and disburse Federal Supplemental Educational Opportunity Grants in accordance with the requirements stipulated in Title 34 Code of Federal Regulations Section 676.10. Charter Oak State College and Quinebaug Valley Community College should ensure that their policies for awarding Federal Supplemental Educational Opportunity Grants are in accordance with federal regulations.

Agency Response: *Western CSU:* "We agree with this finding. Upon discovery, the university rescinded the ineligible award."

Charter Oak State College: "We agree with this finding."

Quinebaug Valley CC: "We agree with this finding."

2014-654 Matching

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

Background: In our Statewide Single Audit covering the fiscal year ended June 30, 2013, we noted that the nonfederal share of the Federal Supplemental Educational Opportunity Grants (FSEOG) awards was not deposited at the same time the federal funds were deposited. Due to the timing of when this finding was brought to the University of Connecticut's attention, the first drawn down for the 2013-2014 fiscal year was already drawn down.

Criteria: The 2013-2014 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: Match amounts during the audited period were not consistent with federal regulations. 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 posted to the accounting system on August 21, 2013. A subsequent drawdown adjustment was posted on December 18. 2013. The university's match of the funds was posted to the FSEOG account on January 31, 2014.

Effect: The university was not in compliance with federal regulations related to the matching of FSEOG funds.

Cause: Established federal policies and procedures were not adhered to.

Recommendation: The University of Connecticut should establish internal controls to comply with the federal regulations of the Federal Supplemental Educational Opportunity Grants program relating to the matching requirements.

Agency Response: "We agree with this finding."

2014-655 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 – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

Criteria: The instructions for completing the FISAP are contained in the *Instructions Booklet for Fiscal Operations Report for 2013–2014 and Application to Participate for 2015–2016 (FISAP*).

Condition: We reviewed the FISAP at the University of Connecticut (UConn) and noted the following:

- The total number of undergraduate and graduate/professional students was reported as 23,371 and 7,959, respectively. The university omitted two part-time medical students in the number of graduate/professional students reported. Postsecondary students enrolled in at least one undergraduate or graduate course creditable toward a certificate and/or listed in the school's catalog, who were not in a degree academic career per the student administration system, were not reported in these enrollment figures. Upon our discovery, the university submitted a FISAP correction. However, all 2,385 non-degree students were erroneously included in the undergraduate field on the FISAP edit, which was submitted on December 15, 2014. The university subsequently determined that 717 of the non-degree students should have been included in the graduate/professional field and that the undergraduate and graduate/professional students should have been reported as 25,039 and 8,678, respectively.

- The total tuition and fees for undergraduate and graduate/professional students was reported as $343,595,230 and $124,938,817, respectively. We noted various errors in the amounts reported, including an understatement of $10,000,000 professional tuition and fees for the university's medical students. Upon our discovery, the university submitted a FISAP correction, and revised its procedures, reporting $331,179,707 and $144,976,850 for undergraduate and graduate/professional tuition and fees. However, tuition and fees for all non-degree students was erroneously included in the graduate field, and certain non-FISAP item types were included on the FISAP edit submitted on December 15, 2014. The university subsequently revised its program and determined that the amount of tuition and fees for undergraduate and graduate/professional students should have been reported as $334,258,285 and $140,714,322, respectively.
- The total expended for state grants and scholarships to undergraduates was reported as $3,325,373. The supporting documentation for the amount was $3,280,373. Upon our discovery, the university submitted a FISAP correction.
- The number of students for whom jobs were located or developed was reported as 593. The supporting documentation for this amount was 599. Upon our discovery, the university submitted a FISAP correction.
- The total earnings of the students for whom jobs were located or developed were reported as $3,960,000. The supporting documentation for this amount was $3,964,464. Upon our discovery, the university submitted a FISAP correction.
- The number of students in community service employment was reported as 240. The supporting documentation for this number was 225. This condition was self-identified by the school; the college submitted a FISAP correction.

We reviewed the FISAP at Central Connecticut State University (CSU) and noted the following:

- The total number of students enrolled as undergraduate and graduate/professional for the 2013-2014 award year was reported as 11,498 and 3,158, respectively. The supporting documentation from the university's enrollment records for these fields was 11,255 and 3,024, respectively. Upon our discovery, the university submitted a FISAP correction.
- The total number of dependent undergraduate students with an "automatic" zero estimated family contribution was reported as 573. The supporting documentation for the amount was 574. Upon our discovery, the university submitted a FISAP correction.

- The total cumulative amount of Federal Perkins Loan Program (FPL) funds cancelled for death/disability was reported as 95. The supporting documentation from the university's FPL service provider reports a total of 96. Upon our discovery, the university submitted a FISAP correction.
- The total Federal Work-Study Program (FWS) funds transferred to and spent in Federal Supplemental Educational Opportunity Grant (FSEOG) was reported as 0. The supporting documentation for this amount was reported as $226. Upon our discovery, the university submitted a FISAP correction.
- The total 2012-2013 FSEOG funds carried forward and spent in 2013-2014 was reported as $352. The supporting documentation for this amount was reported as $1,752. Upon our discovery, the university submitted a FISAP correction.
- The total 2013-2014 FSEOG funds carried forward and spent in 2014-2015 was reported as $16,554. The supporting documentation for this amount was reported as $17,306. Upon our discovery, the university submitted a FISAP correction.
- The 2014-2015 FWS funds carried back and spent in 2013-2014 was reported as $3,768. The supporting documentation for this amount was reported as $3,904. Upon our discovery, the university submitted a FISAP correction.
- The 2012-2013 FWS funds carried back and spent in 2013-2014 was reported as $29,861. The supporting documentation for this amount was reported as $29,951. Upon our discovery, the university submitted a FISAP correction.
- The number of FWS students in community service employment was reported as 27. The supporting documentation for this amount was reported as 28. Upon our discovery, the university submitted a FISAP correction. However, during the FISAP correction the field was erroneously updated to 25.
- The amount of the federal share of community service employment was reported as $20,070. The supporting documentation for this amount was reported as $28,057. Upon our discovery, the university submitted a FISAP correction.
- The amount of the nonfederal share of community service employment was reported as $6,756. The supporting documentation for this amount was reported as $9,352. Upon our discovery, the university submitted a FISAP correction.
- The amount of the federal share of earned compensation for FWS students employed as reading tutors of children or employed in family literacy activities was reported as $2,004. The supporting documentation for this amount was reported as $1,905. Upon our discovery, the university submitted a FISAP correction.
- The total amount of earned compensation for FWS students employed as reading tutors of children or employed in family literacy activities was

reported as $2,672. The supporting documentation for this amount was reported as $2,541. Upon our discovery, the university submitted a FISAP correction.

- The amount of the federal share of earned compensation for FWS students employed as mathematics tutors of children was reported as $10,907. The supporting documentation for this amount was reported as $10,674. Upon our discovery, the university submitted a FISAP correction.
- The total amount of earned compensation for FWS students employed as mathematics tutors of children was reported as $14,543. The supporting documentation for this amount was reported as $14,232. Upon our discovery, the university submitted a FISAP correction.
- The total amount of FWS funds and the distribution of program recipients did not match the supporting documentation for many different income ranges. Upon our discovery, the university submitted a FISAP correction.

We reviewed the FISAP at Southern CSU and noted the following:

- The total federal Pell Grant Program (Pell) expenditures amount reported on the edited FISAP, submitted December 18, 2014, was $12,552,886. The final cumulative expenditures for the 2013-2014 award year recorded in G5 was $12,557,425.
- The number of students enrolled as independent undergraduate with baccalaureate degrees for the award year 2013-2014 did not match the supporting documentation for many different income ranges.
- The total cumulative number of borrowers with FPL Loan principal collected was reported as 9,307. The supporting documentation from the university's FPL service provider reports a total of 9,497.
- The total cumulative number of borrowers with FPL principal canceled for volunteer service was reported as 4. The supporting documentation from the university's FPL service provider reports a total of 5.
- The total cumulative amount of borrowers with FPL principal canceled for law enforcement and corrections officer service was reported as 24. The supporting documentation from the university's FPL service provider reports a total of 25.
- The total cumulative amount of borrowers with FPL principal canceled for nurse/medical technician service was reported as 29. The supporting documentation from the university's FPL service provider reports a total of 32.
- The total cumulative amount of borrowers with FPL principal canceled for pre-K or child care program staff member service was reported as 1. The supporting documentation from the university's FPL service provider reports a total of 2.
- The total cumulative amount of borrowers with FPL principal adjustments for other was reported as 408. The supporting documentation from the university's FPL service provider reports a total of 414.

We reviewed the FISAP at Western CSU and noted the following:

- The total cumulative amount of Institutional Capital Contribution deposited to the fund was reported as $912,652. The supporting documentation from the university's accounting records for this field was $912,527. Upon our discovery, the university submitted a FISAP correction.
- The administrative cost allowance was reported as $321,307. The supporting documentation for this amount was $309,234. Upon our discovery, the university submitted a FISAP correction.
- The collection costs were reported as $195,669. The supporting documentation for this amount was $207,617. Upon our discovery, the university submitted a FISAP correction.
- The earned compensation for FWS students employed as reading tutors of children or employed in family literacy activities amount was reported as $34,460. The supporting documentation for this amount was $30,551. Upon our discovery, the university submitted a FISAP correction.
- The total number of unduplicated program recipients was reported as 299. The supporting documentation for this field was 298. Upon our discovery, the university submitted a FISAP correction.

We reviewed the FISAP at Three Rivers Community College (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 $794,514.
- The total cumulative amount of FPL principal assigned to and accepted by the United States was reported as $161,486 which agrees with the college's service provider records. The college's accounting system presents $102,948 reported as loans assigned.
- The total cumulative amount of FPL interest income on loans was reported as $182,137, which agrees with the college's service provider records. The college's accounting system has $133,561 reported.
- The total cumulative amount of FPL other income was reported as $95,831. The college's accounting system presents a total of $117,090; whereas the college's service provider presents a total of $35,789.
- 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 administrative cost allowance was reported as 0. The supporting documentation for this amount presents a total of $7,422.

- The collection costs were reported as 0. The supporting documentation for this amount appears to be $8,944.
- The total cumulative amount of FPL loan principal and interest assigned to and accepted by the United States was reported as $237,138, which is in agreement with the FPL service provider. The college's accounting system presents a total of $130,426.
- The number of borrowers in default more than 5 years, as of June 30, 2014, was reported as 18. The supporting documentation from the college's FPL service provider reports a total of 16.

We reviewed the FISAP at Quinebaug Valley CC and noted the following:

- The total number of students enrolled as undergraduate for the 2013-2014 award year was reported as 2,572. The supporting documentation from the college's enrollment records for this field was 2,571. Upon our discovery, the college submitted a FISAP correction.
- The total number of dependent undergraduate students was reported as 718. The supporting documentation for this amount was 717. Upon our discovery, the college submitted a FISAP correction.
- The total amount of the federal share of community service earned compensation was reported as $6,841. The supporting documentation for this amount was $6,852. Upon our discovery, the college submitted a FISAP correction.
- The earned compensation for FWS students employed as reading tutors of children or employed in family literacy activities amount was reported as $2,142. The supporting documentation for this amount was $2,249. Upon our discovery, the college submitted a FISAP correction.

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. Graduate students receiving state grants of $45,000 were included in the amount expended for state grants and scholarships to undergraduate students. Additionally, the university decided to use the data for enrollment and tuition and fees from a program that was created within a short period of time prior to the deadline date of December 15, 2014, for FISAP edit corrections to be submitted.

Central CSU: 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.

Southern CSU: The university did not follow the established instructions for completing the FISAP.

Western CSU and Quinebaug Valley CC: The majority of the conditions appear to be clerical data entry errors.

Three Rivers CC: The FPL account information was not reconciled with the FPL service provider reports. Unreconciled differences have been carried forward. Several of the conditions appear to be clerical data entry errors.

Recommendation: The University of Connecticut, state universities, and community colleges 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. The University of Connecticut should make necessary corrections to the FISAP data submitted for award year July 1, 2013 through June 30, 2014, to the total number of students, and the amount of tuition and fees that were reported, as necessary. Central Connecticut State University should also submit a revised 2012-2013 Fiscal Operations Report to correct entries that differ from the 2013-2014 FISAP for 2012-2013 funds carried forward and spent in 2013-2014 in the FSEOG and FWS programs. Southern Connecticut State University and Three Rivers Community College should make necessary corrections to the FISAP data submitted for 2013-2014.

Agency Response: *UConn:* "We agree with this finding."

Central CSU: "We agree with this finding."

Southern CSU: "We agree with this finding."

Western CSU: "We agree with this finding. The university has corrected all items and the FISAP was re-submitted."

Three Rivers CC: "We agree with this finding."

Quinebaug Valley CC: "We agree with this finding."

2014-656 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: 2013-2014

Background:	When disbursing federal Pell Grant (Pell) funds, entities must report certain disbursement records through the Common Origination and Disbursement (COD) System.
Criteria:	The Department of Education's Electronic Announcement 2013-2014 Deadline Dates for Reports and Other Records, posted date July 8 2013, listed deadlines for institutions to submit information to Federal Student Aid's COD System. Institutions must submit COD Pell Grant and Direct Loan disbursement information no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported disbursement. The 2013-2014 Federal Student Aid Handbook states, "An institution must submit Federal Pell Grant…disbursement records no later than 15 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement."
Condition:	From a sample of 12 students who were selected for Return of Title IV Funds testing at Central Connecticut State University, we noted one instance in which the Pell disbursement transmission to the COD system was submitted ten days late. From a sample of ten students who were selected for Return of Title IV Funds testing at Quinebaug Valley Community College, we noted two instances in which the Pell disbursement transmission to the COD system was submitted one day 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:	Central Connecticut State University and Quinebaug Valley Community College should review their procedures to ensure compliance with the federal regulations related to the timely submission and/or resolution of federal Pell Grant payment data.
Agency Response:	*Central CSU:* "We agree with this finding." *Quinebaug Valley CC:* "We agree with this finding."

2014-657 Special Tests: Verification

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loan – 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: 2013-2014

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 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 30 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 one instance in which the parent's amount of income tax paid on the tax return did not agree with the reported amount on the ISIR.

From a sample of 28 students selected for verification testing at Housatonic Community College (CC), we noted one instance in which the college completed the verification process when there was conflicting tax information provided on the IRS tax forms. Upon our discovery, the college made attempts to reconcile the conflicting information. After unsuccessful attempts to resolve the matter, the college reversed the student's aid on December 22, 2014.

From a sample of ten students selected for verification testing at Quinebaug Valley CC, we noted one instance in which the student's adjusted gross income on the tax return did not agree with the reported amount on the ISIR.

Effect: These institutions were not in compliance with verification requirements.

Eastern CSU: In both instances identified, the students' Expected Family Contribution (EFC) amount and awards were not affected.

Western CSU: The student's EFC amount and award was affected. The overpayment of federal Pell awards to the student was $900. Upon our discovery, the university processed an adjustment to the Pell program.

Housatonic CC: In this instance of conflicting tax information, the verification process should not have been completed until the tax data was updated.

Quinebaug Valley CC: In this instance, the student's EFC amount and award was not affected.

Cause: Established verification procedures were not followed.

Recommendation: The state universities and community colleges should review their procedures to ensure compliance with the federal regulations pertaining to verification.

Agency Response: *Eastern CSU:* "We agree with this finding."

Southern CSU: "We agree with this finding."

Western CSU: "We agree with this finding."

Housatonic CC: "We agree with this finding."

Quinebaug Valley CC: "We agree with this finding."

2014-658 Special Tests: Return of Title IV Funds – Policy Issues

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loan – 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: 2013-2014

Criteria: Title 34 Code of Federal Regulations (CFR) Section 668.22 provides guidance regarding the treatment of Title IV funds when a student withdraws from an institution.

Per Dear Colleague Letter (DCL) GEN-04-03, if a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

DCL GEN-11-14 provides additional guidance on the Return of Title IV Funds regulations stipulated in 34 CFR Section 668.22 regarding the treatment of Title IV HEA program funds when a student withdraws from the summer payment period, or a program in which classes do not span the entire length of the payment period.

Condition: The University of Connecticut (UConn) identified 26 students who received Title IV aid and did not have any passing grades in the academic year. We noted that in two instances the university did not follow its academic engagement procedures for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal. Upon our discovery, the university applied its procedures and performed a Return of Title IV Fund calculation and returned an aggregate of $7,583 to the federal Direct Student Loans program. We also noted that the university did not determine the withdrawal date for the students identified with no passing grades within 30 days after the end of the payment period for the fall semester.

Quinebaug Valley Community College’s (CC) Return of Title IV Funds policies are not consistent with the federal regulations. The college’s policy states “Withdrawal during the first two weeks of any semester will result in cancellation of all financial aid.” The federal regulations state that a student begins earning Title IV funds on his or her first date of attendance.

Quinebaug Valley CC 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.

Quinebaug Valley CC: The assurance that students received the correct amount of Title IV assistance is lessened because the college's policy was to remove all charges and aid for those students who withdraw during the first two weeks of the semester and during the summer.

Cause: *UConn:* Verification of academic engagement was not initiated by the Office of Student Financial Aid Services for two students due to an issue with the query. We were informed the query has since been addressed. The fall semester verification of academic engagement process was not initiated until 66 days after the end of the payment period, which prohibited the university from being able to determine the withdrawal date within the timeliness requirements.

Quinebaug Valley CC: The college's Return of Title IV Funds calculation methodology was not consistent with the federal regulations. The college 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 review its procedures to ensure compliance with the federal regulations 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. Quinebaug Valley Community College should review its procedures to ensure compliance with the federal regulations contained in Title 34 Code of Federal Regulations Section 668.22 governing the treatment of Title IV funds when a student withdraws. Quinebaug Valley Community College should develop procedures for conducting Return of Title IV Fund calculations during the summer payment period.

Agency Response: *UConn:* "We agree with this finding."

Quinebaug Valley CC: "We agree with this finding."

2014-659 Special Tests: Return of Title IV Funds

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loan – 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: 2013-2014

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: We selected ten students for Return of Title IV Funds testing at the University of Connecticut (UConn), we noted the following:

- One student's federal Pell Grant post-withdrawal disbursement was overstated by $68 as the Pell disbursed amount was incorrect. Upon our discovery, the university returned $68 to the federal Pell Grant program.
- One student's federal Direct Student Loans (Direct Loan) was included in the Return of Title IV Funds calculation as aid that could have been disbursed even though the student did not sign a promissory note. This error caused the university to refund $212 less than required to the federal Pell Grant program. Upon our discovery, the university returned $212 to the federal Pell Grant program. However, due to the error and the subsequent correction, these funds were returned 119 days after the 45-day deadline for the return of funds.

Twelve students were selected for Return of Title IV Funds testing at Central Connecticut State University (CSU). We noted one instance in which the university used the incorrect withdrawal date in performing the return of funds calculation.

Five students were selected for Return of Title IV Funds testing at Eastern CSU. We noted one instance in which the university did not return $39 to the Federal Perkins Loan Fund as determined in the Return of Title IV Funds calculation. Upon our discovery, the university returned the funds to the Federal Perkins Loan Fund.

Six students were selected for Return of Title IV Funds testing at Southern CSU. We noted the following:

- In one instance, the Return of Title IV Funds calculation was incorrect. As a result of the incorrect calculation, the university under-returned

$1,372 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 funds within the timeliness requirements of the federal regulations. The delay was 125 days.

Ten students were selected for Return of Title IV Funds testing at Western CSU. We noted the following:
- In four instances, the Return of Title IV Funds calculations were incorrect. As a result of the incorrect calculations, the university under-returned $18 to the Direct Loan program. The university also over-returned $2,185 to the Direct Loan program, $2,736 to the Perkins Loan Program, and an aggregate of $1,296 to the federal Pell Grant Program.
- In one instance, a student's federal Direct Loan was included in the Return of Title IV Funds calculation as aid that could have been disbursed even though the student did not sign a promissory note prior to withdrawal. This error caused the university to disburse $930 of Direct Loans that the student was ineligible to receive. Upon our discovery, the university returned $930 to the Direct Loan program.
- In three instances, the university did not complete a Return of Title IV Funds calculation in a timely manner, which prohibited the return of funds within the timeliness requirements of the federal regulations. The delays ranged from 12 to 68 days.

Subsequent to our review, Western CSU reported that they reviewed all Return of Title IV Funds calculations performed for the spring 2014 semester. This review identified six additional instances in which the Return of Title IV Funds were incorrect and had an effect on student awards. The university determined that an aggregate amount of $103 was under-returned to the Direct Loan program, which they subsequently returned on December 15, 2014.

Five students were selected for Return of Title IV Funds testing at Norwalk CC. We noted two instances in which the Return of Title IV Funds were incorrect. As a result of the incorrect calculations, the college under-returned $68 and over-returned $123 to the Pell Program.

Subsequent to our review, Norwalk CC reported that they reviewed all 98 of their Return of Title IV Funds calculations that they performed for award year 2013-2014. This review identified two additional instances in which the Return of Title IV Funds was incorrect. As a result of the incorrect calculations, the college under-returned an aggregate of $293 to the Pell Program, which they ultimately returned on January 5, 2015.

Norwalk CC reviewed this process and found that the computer program was not including bookstore charges after a set date. The college implemented a new procedure, which now includes a manual review of all charges to assure Return of Title IV Funds calculations are accurately performed.

Five students were selected for Return of Title IV Funds testing at Three Rivers Community College (CC). We noted one instance in which the Return of Title IV Funds was incorrect. As a result of the incorrect calculation, the college under-returned $49 to the Pell Program. Upon our discovery, the college returned the funds to the Pell Program.

Effect: These institutions were not in compliance with the federal regulations governing the Return of Title IV Funds.

Cause: *UConn:* In the first instance, erroneous enrollment information was used to determine the Pell award. In the second instance, the university included a Direct Loan in its return calculation as "aid that could have been disbursed" for a student who did not sign a promissory note.

Central CSU: It appears that the incorrect withdrawal date was the result of a data entry error.

Eastern CSU and Three Rivers CC: Established procedures were not followed.

Southern CSU: In the first instance, 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. In the second instance, we were informed that the financial aid office did not receive notification of the on-line withdrawal in a timely manner.

Western CSU: The university's Return of Title IV Funds calculation methodology was not consistent with the federal regulations, as follows:

- In four of the instances noted, the Return of Title IV Funds calculation was performed using the incorrect number of days in the enrollment period. In all of these instances, the students withdrew in the spring 2014 semester. In two of the four instances noted, the university used the incorrect amount of institutional charges in their return calculations. In one of these instances, the university used the incorrect withdrawal date.
- In one instance, the university included a Direct Loan in its return calculation as "aid that could have been disbursed" for a student who did not sign a promissory note.

It is unknown why the university did not complete the Return of Title IV Funds calculation in a timely manner.

Norwalk CC: The college's Return of Title IV Funds calculation methodology was not consistent with the federal regulations. The college used the incorrect amount of institutional charges in the return calculations.

Recommendation: The University of Connecticut, state universities, and community colleges should review their procedures to ensure compliance with the federal regulations contained in Title 34 Code of Federal Regulations Section 668.22 governing the treatment of Title IV funds when a student withdraws.

Agency Response: *UConn:* "We agree with this finding."

Central CSU: "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."

Norwalk CC: "We agree with this finding."

Three Rivers CC: "We agree with this finding."

2014-660 Special Tests: Enrollment Reporting

Federal Perkins Loan– 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: 2013-2014

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 accurately 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: We selected 12 students that separated from the University of Connecticut (UConn) and noted one instance in which the student's enrollment information, as reported to the National Student Loan Data System (NSLDS), was not accurate. In this instance, the student's effective date of withdrawal was incorrectly reported.

We selected ten students that separated from Central Connecticut State University (CSU) and noted two instances in which the students' enrollment information, as reported to the NSLDS, was not accurate. In both instances, the student's effective date of withdrawal was incorrectly reported. In one instance, reporting the incorrect withdrawn date caused a delay in reporting the student's correct enrollment status to the NSLDS. Upon our discovery, the university processed adjustments to these students' effective withdrawal dates.

We selected ten students that separated from Western CSU and noted two instances in which the students' enrollment information, as reported to the NSLDS, was not accurate. In both instances, the student's enrollment status was reported as an approved leave of absence when the students should have been reported as withdrawn.

We selected ten students that separated from Three Rivers Community College (CC) and noted one instance in which the student's enrollment information, as reported to the NSLDS, was not accurate. The student's enrollment status was reported as less-than-half-time when the student should have been reported as withdrawn.

Effect: *UConn, Western CSU and Three Rivers CC:* Enrollment information was not provided to the NSLDS for certain students in an accurate manner.

Central CSU: Enrollment information was not provided to the NSLDS for certain students in a timely and/or accurate manner.

Cause: *UConn*: The graduate school used the date they processed the leave of absence/withdrawal as the date of the status change rather than using the effective date of the change.

Central CSU, Western CSU and Three Rivers CC: Established procedures for reporting enrollment changes were not followed.

Recommendation: The University of Connecticut, Central Connecticut State University, Western Connecticut State University 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."

Western CSU: "We disagree with this finding. The university did correctly report the leave of absence status of the students at the time that the enrollment reports were sent to NSLDS."

Three Rivers CC: "We agree with this finding."

Auditors' Concluding Comments: *Western CSU:* In both of these instances noted, the student's original leave of absence request exceeded the 180 day maximum allowed to qualify as an approved leave of absence. If a student does not qualify for an approved leave of absence, the status for enrollment reporting purposes to the NSLDS should be reported as withdrawn.

2014-661 Special Tests: Student Loan Repayments

Federal Perkins Loan – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

Criteria: Title 34 Code of Federal Regulations (CFR) Section 674.31(b)(2) states that repayment begins nine months after the borrower ceases to be at least a half-time regular student at the institution.

Title 34 CFR Section 674.42(b) requires an institution to conduct exit counseling with the borrower either in person, by audiovisual presentation, or electronically before the student ceases to be enrolled on at least a half-time basis. If a borrower withdraws or fails to complete an exit counseling session, the institution must provide the exit counseling material to the borrower within 30 days after learning that the borrower did not complete the exit counseling.

Condition: We selected ten borrowers at the University of Connecticut (UConn) who entered repayment during the audited period and noted the following:

- In two instances the borrower's conversion to repayment was untimely. An incorrect separation date was used, which resulted in a three-month delay to the repayment process.
- In seven instances in which the university was aware that the borrower was graduating, exit counseling was not conducted before the end of the semester. The exit counseling was conducted between 24 and 94 days after the end of the semester.

- In one instance in which the university was aware that the borrower ceased to be at least half-time, exit counseling was not conducted within 30 days after learning that the borrower ceased to be at least half-time.

We selected ten borrowers at Central Connecticut State University (CSU) who entered repayment during the audited period and noted five instances in which the borrower's conversion to repayment was incorrect. In three instances, this resulted in a four-month delay to the repayment process. In two instances, the borrowers were put into repayment status earlier than required, by two months and five months, respectively.

We selected ten borrowers at Eastern CSU who entered repayment during the audited period and noted the following:

- In one instance, 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.
- In three instances in which the university was aware that the borrower was graduating, exit counseling was not conducted before the date of graduation. In all three instances, the change in the borrowers' enrollment status was reported to the university's service provider six to 37 days after the graduation date. In each of these instances, the borrowers were not provided the exit counseling package and repayment schedule in a timely manner.

We selected ten borrowers at Western CSU who entered repayment during the audited period and noted the following:

- In one instance in which the university was aware that the borrower was graduating, exit counseling was not conducted before the date of graduation. In this instance, the change in the borrowers' enrollment status was reported to the university's service provider 34 days after the graduation date. The borrower was not provided the exit counseling package and repayment schedule in a timely manner.
- In one instance the borrower's conversion to repayment was untimely. The change in the borrower's enrollment status was reported to the university's service provider 67 days after the student withdrew from the university.

Effect: These institutions were not in compliance with federal due diligence requirements.

Cause: *UConn:* The university's procedures are not in compliance with the federal regulations governing repayment and exit counseling.

Central CSU: During the majority of the audited period, the university's procedures for reporting the separation date of unofficial withdrawals was not consistent with federal regulations. The university informed us that they modified their procedures, effective April 30, 2014, to follow the federal guidelines by listing the separation date of a student who unofficially withdraws as the last date of attendance.

Eastern CSU and Western CSU: Established reporting procedures were not followed.

Recommendation: The University of Connecticut should ensure that policies and procedures regarding Perkins Loans repayments and exit counseling are in compliance with federal regulations. The state universities should ensure that policies and procedures regarding changes in the enrollment status of Perkins Loan recipients are reported to the loan service provider in an accurate and timely manner.

Agency Response: *UConn:* "We agree with the finding."

Central CSU: "We agree with the finding."

Eastern CSU: "We agree with the finding."

Western CSU: "We agree with the finding."

2014-662 Special Tests: Student Loan Repayments - Cancellations

Nurse Faculty Loan Program (NFLP) (CFDA #93.264)
ARRA – Nurse Faculty Loan Program (ARRA-NFLP) (CFDA #93.408)
Federal Award Agency: United States Department of Health and Human Services
Award Year: 2013-2014

Criteria: The Nurse Faculty Loan Program (NFLP) is authorized by Title VIII of the Public Health Service Act, Section 846A (42 U.S.C. 297n-1), as amended by the Patient Protection and Affordable Care Act, Public Law 111-148, Section 5311. Section 846A(c)(3) of the Public Health Service Act authorizes the lending school to cancel up to 85 percent of the NFLP loan. Funding Opportunity Announcement Number HRSA-13-189 provides other information regarding the cancellation provision. The borrower is required to submit an *NFLP Request for Postponement of Installment Payment* form 30 days before the initial 9-month grace period, and annually thereafter, in lieu of payment, 30 days before the expiration date of the initial request for postponement each year of employment. After the end of each complete year of employment, the borrower must submit a *NFLP Request for Partial Cancellation Form* to the school. The NFLP loan bears interest on the unpaid balance at the rate of 3 percent per annum beginning 3 months after the borrower graduates from the program.

Condition: We selected five students at the University of Connecticut with a federal loan cancellation during the audited period, one of whom had an NFLP and American Recovery and Reinvestment Act (ARRA-NFLP) loan cancellation. We noted the following for this borrower:

- The interest on the amount of the unpaid balance upon completion of her first year of full-time employment was not cancelled on her NFLP and ARRA-NFLP loans.
- 20 percent of the principal and interest on the amount of the unpaid balance upon completion of her second year of full-time employment was not cancelled on her NFLP loan.
- The NFLP interest cancellation for the third year of full-time employment was incorrectly calculated.

Upon our discovery, the university contacted its loan service provider, who corrected the errors on December 1, 2014, and January 14, 2015.

Additionally, not all forms were properly completed and/or submitted as required by the borrower and the school.

Effect: The borrower's loans were not properly cancelled, which misstated the remaining balance to be paid by the borrower and due the university.

If forms requesting cancellation are not submitted by the borrower within the timeframes established or properly completed, the university will not be able to cancel the amount of the loan principal and interest authorized and the amounts of the loan cancellation in a timely manner. Additionally, if the loan cancellation amounts are not properly completed by the university, the borrower will be provided with inaccurate information on their copy of the form.

Cause: Established federal cancellation procedures were not followed. Service provider memo records indicate that the borrower had questions concerning filling out the NFLP loan cancellation paperwork.

Recommendation: The University of Connecticut should ensure that policies and procedures regarding Nurse Faculty Loan Program (NFLP) cancellations are in compliance with federal regulations. Additionally, the university should review all borrowers NFLP and ARRA-NFLP loan cancellations made to date to ensure that they were properly processed.

Agency Response: "We agree with the finding."

2014-663 Special Tests: Student Loan Repayments – Default

Federal Perkins Loan – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

Criteria: Title 34 Code of Federal Regulations (CFR) Section 674.42(c) requires that an institution must contact a federal Perkins Loan borrower with a nine-month grace period at the 90-day, 150-day and 240-day point of the grace period.

Title 34 CFR 674.43(f) requires that if the borrower does not respond to the final demand letter within 30 days from the date it was sent, the institution shall attempt to contact the borrower by telephone before beginning collection procedures.

Condition: We selected three borrowers at Eastern Connecticut State University (CSU) whose loan went into default during the audited period and noted three instances in which the university did not contact the borrower by telephone 30 days after the final demand letters were sent and before beginning the collection procedures. Upon our discovery, the university contacted the service provider, who then performed the telephone calls.

We selected three students at Western CSU whose loans went into default during the audited period and noted one instance in which one of the required contact letters was not sent to the borrower as required by 34 CFR Section 674.42(c).

Effect: In the absence of completing the federal due diligence requirements, the likelihood that the institutions may not collect outstanding loan funds is increased.

Cause: *Eastern CSU:* Due to a processing error by the university's service provider, these telephone calls were not being performed.

Western CSU: Established due diligence procedures were not followed.

Recommendation: Eastern Connecticut State University and Western Connecticut State University should have policies and procedures in place to ensure that the Perkins Loan due diligence requirements are being performed in accordance with federal regulations.

Agency Response: *Eastern CSU:* "We agree with this finding."

Western CSU: "We agree with this finding."

2014-664 Special Tests: Borrower Data Transmission and Reconciliation

Federal Direct Student Loans (CFDA #84.268)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

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: Western 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.

Effect: The absence of sufficient evidence to support the monthly reconciliation lessens the assurance that the reconciliation is complete and accurate.

Cause: The responsibility of performing the monthly reconciliation was handled by an employee that was new to this task. It appears the employee was not adequately trained in this area.

Recommendation: Western Connecticut State University should strengthen internal controls over the Direct Loan reconciliation process and ensure that the monthly reconciliations performed are sufficiently documented.

Agency Response: "We agree with this finding."

2014-665 Institutional Eligibility

Federal Direct Student Loans (CFDA #84.268)
Federal Award Agency: United States Department of Education
Award Year: 2013-2014

Background: Per the 2013-2014 Federal Student Aid Handbook, to participate in the Federal Student Aid programs, a school must apply to and receive approval from the United States Department of Education. The Sixth-Year diploma is not a degree but is generally recognized as an academic credential beyond the master's degree. In general, the school's eligible non-degree programs are specifically named on the *Eligibility and Certification Approval Report*. Per Office of Management and Budget (OMB) Form No. 1845-0012, Application for Approval to Participate in Federal Student Financial Aid Programs, Section E, an institution is required to provide information for each educational program that it is requesting to be eligible to participate in federal student financial aid programs that will be provided as of the date of the application or that will be provided during the current award year.

Criteria: Per Title 34 Code of Federal Regulations Section 668.14(a)(1), an institution may participate in any Title IV, Higher Education Act (HEA) program, other than the Leveraging Educational Assistance Partnership and National Early Intervention Scholarship and Partnership programs, only if the institution enters into a written program participation agreement with the Secretary, on a form approved by the Secretary. A program participation agreement provides for the initial and continued participation of an eligible institution in any Title IV, HEA program upon compliance with the provisions of this part, the individual program regulations, and any additional conditions specified in the program participation agreement that the Secretary requires the institution to meet.

Condition: The University of Connecticut (UConn) did not include its Sixth-Year Graduate Certificate programs, for which federal aid was offered, on its application to participate in the federal student financial aid programs. The Program Participation Agreement (PPA) for UConn, effective August 17, 2011, with an expiration date of June 30, 2014, did not include the Sixth-Year programs.

Effect: The university offered federal aid to students enrolled in Sixth-Year Graduate Certificate programs that were not included on the university's PPA. The university reported that 70 students enrolled in Sixth-Year Graduate Certificate programs received Direct Loans of $868,964; Grad PLUS loans of $154,800; Federal Perkins Loans of $10,000; and Federal Work-Study of $3,000 during our audited year.

Cause: The university's procedures for students enrolled in Sixth-Year Graduate Certificate programs were to classify these students as 2nd Master's Degree students. The two students that received Federal Perkins Loans and/or Federal Work-Study completed master's degree programs and were admitted to Sixth-Year Graduate Certificate programs in fall 2013.

Recommendation: The University of Connecticut should ensure its procedures are in compliance with federal requirements governing eligible non-degree programs for participation in the federal student financial aid programs. The university should obtain approval from the United States Department of Education for authorization to award federal aid to Sixth-Year Graduate Certificate program students. The university should contact the United States Department of Education regarding resolution of this finding.

Agency Response: "We agree with this finding."

STATE DEPARTMENT OF AGING

2014-700 Subrecipient Monitoring – Identification of Federal Award Information

Nutrition Services Incentive Program (CFDA #93.053) – Non Major Program
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: 13AACTNSIP and 14AACTNSIP

Criteria: Uniform administrative requirements codified as Title 2 Code of Federal Regulations Part 200.331 (formerly OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D – Section 400 (d)) states that a pass-through entity is responsible for identifying to a subrecipient federal award information such as Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and award year.

Condition: Our review of expenditures at the State Department of Aging disclosed that two subrecipients which received Nutrition Services Incentive Program subawards were not provided with all the required federal award information.

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

Cause: It appears to have been an oversight that some subrecipients were not provided all the required federal award information.

Recommendation: The State Department of Aging should ensure that all subrecipients are provided federal award information as required by federal administrative grant requirements.

Agency Response: “We agree with this finding. The corrective action that has been completed is the amending of the above subrecipient contracts to include this required CFDA federal award information.”

DEPARTMENT OF HOUSING

2014-725 Allowable Costs/Cost Principles – Housing Assistance Payments

Section 8 Housing Choice Vouchers (CFDA #14.871)
Federal Award Agency: United States Department of Housing and Urban Development
Award Years: Federal Fiscal Years 2012-2013 and 2013-2014
Federal Award Numbers: ACC CT 901 VO

Background: The federal Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Vouchers program provides rental assistance to help very low-income families afford decent, safe and sanitary rental housing. Public housing agencies (PHA) authorized to administer the programs locally make housing assistance payments (HAP) directly to landlords, on behalf of eligible families, for the lease of suitable rental housing that meets program requirements. If the cost of utilities is not included in the total rental amount to the owner, the PHA will provide for the cost based on a developed utility allowance schedule.

In Connecticut, the state Department of Housing is designated as the PHA and administers the program statewide with a contracted vendor.

Criteria: Title 2 Code of Federal Regulations (CFR) Part 225, Cost Principles for State, Local, and Indian Tribal Governments, Appendix A, provides that to be allowable under federal awards, costs must be necessary and reasonable for the proper and efficient performance and administration of federal awards and must be adequately documented.

Title 24 CFR Part 982 Subpart K provides that the PHA shall pay a monthly HAP on behalf of a family that is equal to the lesser of either, the payment standard for the family or the gross rent, minus the total tenant payment.

Title 24 CFR Part 5 Subpart F provides HUD Section 8 program requirements for determining family income and calculating total tenant payments using documentation from third party verifications.

Title 24 CFR Part 982 Section 516 requires the PHA to conduct a reexamination of family income and composition at least annually and to obtain and document in the tenant file third party verifications of reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income, or must document why third party verification was not available. At the effective date of a reexamination, the PHA must make appropriate adjustments in the HAP.

Title 24 CFR Part 982 Section 517 requires the PHA to maintain a utility allowance schedule for all tenant-paid utilities, which must be determined based on the typical cost of utilities and services paid by energy-conservative households that occupy housing of similar size and type in the same locality. The PHA must review its schedule each year and must revise its allowances for a utility category, as necessary. At reexamination, the PHA must use the current utility allowance schedule.

Condition: A total of 76,551 HAP transactions amounting to $66,841,522 were made during the fiscal year ended June 30, 2014. A review of 60 HAP transactions totaling $47,190 disclosed the following:

- In one case, the miscalculation of family income and the use of a utility allowance amount that was not supported by the current utility allowance schedule resulted in a HAP overpayment of $215 for the tested benefit month. Further review noted overpayments for four months totaling $860 during the audited period until the appropriate adjustment was made to the monthly HAP at the effective reexamination date of May 1, 2014.
- In one case, the miscalculation of family income resulted in a HAP overpayment of $32 for the tested benefit month. Further review noted overpayments for three months totaling $96 during the audited period and that monthly overpayments continued until the appropriate adjustment was made to the monthly HAP at the effective reexamination date of December 1, 2014.
- In one case, the use of a utility allowance amount that was not based on the current utility allowance resulted in a HAP overpayment of $17 for the tested benefit month. Further review noted overpayments of $102 for six months during the audited period until the appropriate adjustment was made to the monthly HAP at the effective reexamination date of February 1, 2014.
- In one case, the improper determination of family income including double counting of wages, the inclusion of adoption assistance payments that were no longer received, and the incorrect amount of social security benefits received resulted in a HAP underpayment of $301 for the tested benefit month. Further review noted underpayments for four months totaling $1,204 during the audited period until the appropriate adjustment was made to the monthly HAP at the effective reexamination date of February 1, 2014.
- In one case, the improper inclusion in family income of wages for a full-time student 18 years old or older resulted in a HAP underpayment of $12 for the tested benefit month. Further review noted underpayments for four months totaling $48 during the audited period until the appropriate adjustment was made to the monthly HAP at the effective reexamination date of June 1, 2014.
- In one case, the incorrect amount of an exclusion from family income for public assistance benefits received resulted in an underpayment of $1 for

the tested benefit month. Further review noted underpayments for 10 months totaling $10 during the audited period until the appropriate adjustment was made to the monthly HAP at the effective reexamination date of May 1, 2014.

Effect: Errors related to income determinations and utility allowance amounts resulted in total HAP overpayments of $264 and underpayments of $314 for the tested benefit months. Further reviews disclosed errors amounting to overpayments of $1,058 and underpayments of $1,262 for the fiscal year ended June 30, 2014.

Cause: Incorrect HAP amounts were made due to clerical errors and oversights by the PHA.

Recommendation: The Department of Housing and its contracted vendor should ensure that housing assistance payments are properly calculated and based on amounts that are supported by third-party verifications and a current utility allowance schedule.

Agency Response: "The Department of Housing agrees with the finding. Human error made by the contracted vendor contributed to the miscalculations. However, once identified by the department, corrections were made. The Department of Housing will continue to review HAP payments for accuracy and make corrections as appropriate."

OFFICE OF THE CHIEF STATE'S ATTORNEY

2014-750 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 2012-2013 and 2013-2014
Federal Award Numbers: 1301CT5050 and 1401CT5050

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

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

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

Condition: We reviewed the quarterly SF-425 reports for the MFCU and noted the following exceptions, as of June 30, 2014:

- The federal share of expenditures on line 10e is overstated $7,258.
- The unobligated balance of federal funds on line 10h is understated $7,258.
- The total recipient share required and the recipient share of expenditures on line 10i and 10j are overstated $2,419.
- The federal share of indirect costs reported on line 11f is overstated $620.

Effect: The filed SF-425 reports did not accurately reflect the cash on hand, the federal share of expenditures, the unobligated federal share, the state share of expenditures and the indirect costs during the audited period.

Cause: The MFCU inaccurately calculated the fringe benefits. The query used in its calculation included fringe benefits for an employee that left the unit at the end of the fiscal year ended June 30, 2013.

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

Agency Response: "We agree with the recommendation. We are in the process of correcting these errors, and have been in contact with our Federal Grant Manager regarding these issues. We are re-filing Final Revised/Amended SF-425 reports for Federal Fiscal Year 2014. In the future, we will add an additional level of supervisory review to our filings of our Federal Financial Reports."