State of Connecticut Single Audit Report

For the Fiscal Year Ended June 30, 2015

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

STATE OF CONNECTICUT

Single Audit Report

For the Year Ended June 30, 2015

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
JOHN C. GERAGOSIAN 210 CAPITOL AVENUE ROBERT M. WARD
HARTFORD, CONNECTICUT 06106-1559

March 30, 2016

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, 2015.

This report on that audit complies with state audit requirements and with those audit requirements placed upon the state as a condition of expending more than $9,160,000,000 in federal financial assistance during the fiscal year ended June 30, 2015. 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, 2015.

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

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

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, 2015, 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:

Government-wide Financial Statements

- 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, two percent of the net position and eight percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, Connecticut Community Colleges, Connecticut Airport Authority, Bradley International Airport Parking Facility, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 58 percent of the assets, 32 percent of the net position and 32 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units;

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 97 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 58 percent of the assets, 32 percent of the net position and 32 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 Health Insurance Exchange, 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, 2015, and the respective budgetary comparison for the General Fund and the Transportation Fund, and the respective changes in financial position and where applicable, cash flows 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 Notes 23 and 25 to the basic financial statements, in the 2015 fiscal year the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement revises accounting and financial reporting for pensions by state and local government employers. As a result of the implementation of GASB Statement No. 68 the State reported a restatement for a change in accounting principle by a net reduction of its beginning net position for governmental funds totaling $25,552,318,000. The amounts reported for ending net position reflect the newly required net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to the State's participation in defined benefit retirement systems. Our opinions are not modified in respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, the pension plans schedules and information and the other post-employment benefits schedule, as listed in the accompanying 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 and statistical sections 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 January 29, 2016, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2015, State of Connecticut Comprehensive Annual Financial Report* 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

January 29, 2016
State Capitol
Hartford, Connecticut

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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, 2015. 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 $38.1 billion (reported as net position deficit). Of this amount, $46.8 billion reported as unrestricted net position deficit while $11.5 billion is restricted for specific uses or invested in capital assets.

Net position deficit of governmental activities decreased by $2.1 billion and net position of business-type activities increased by $718.2 million. Component units reported an increase of $111.4 million from June 30, 2014.

As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions,* the State recorded $2,360.8 billion deferred outflows of resources, $24,568.3 billion net pension liability, and $1,423.3 billion deferred inflows of resources for the primary government. As explained in Note 22 this was the primary reason for a $25.6 billion adjustment to the beginning unrestricted net position in fiscal year 2015.

Fund:
The governmental funds reported combined ending fund balance of $2.1 billion, an increase of $0.1 million in comparison with the prior year. Of this total fund balance, $190.5 million represents nonspendable fund balance, $2.1 billion represents restricted fund balance, $585.5 million represents committed fund balance, and $22.3 million represents assigned fund balance. A negative $801.9 million unassigned fund balance offsets these amounts. This deficit, which belongs primarily to the General Fund, increased by $66.9 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Account (Rainy Day Fund) ended the fiscal year with a balance of $406.0 million.

The Enterprise funds reported net position of $5.5 billion at year-end, an increase of $718.2 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 $57.3 billion for governmental activities at year-end, of which $22.4 billion was bonded debt.

Total long-term debt was $2.1 billion for business-type activities at year-end, of which $1.6 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 2015. 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 (RSI)

Following the basic financial statements are budgetary comparison schedules for major and nonmajor funds with legally adopted budgets. In addition, within the RSI there is a reconciliation schedule for budgetary vs. GAAP basis of accounting. The RSI also 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 decreased $2.7 billion or 6.6 percent. In comparison, last year the combined net position deficit increased $1.8 billion or 16.9 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014*	2015	2014	2015	2014
ASSETS						
Current and Other Assets	$ 4,566	$ 4,274	$ 4,104	$ 3,753	$ 8,670	$ 8,027
Capital Assets	13,031	12,540	4,151	3,781	17,182	16,321
Total Assets	17,597	16,814	8,255	7,534	25,852	24,348
Deferred Outflows of Resources	2,461	99	16	21	2,477	120
LIABILITIES						
Current Liabilities	4,149	3,665	829	728	4,978	4,393
Long-term Liabilities	55,311	56,031	1,926	2,029	57,237	58,060
Total Liabilities	59,460	59,696	2,755	2,757	62,215	62,453
Deferred Inflows of Resources	1,423	-	17	17	1,440	17
NET POSITION						
Net Investment in Capital Assets	4,958	5,777	3,449	3,169	8,407	8,946
Restricted	1,885	1,795	1,154	1,068	3,039	2,863
Unrestricted	(47,668)	(50,494)	896	544	(46,772)	(49,950)
Total Net Position (Deficit)	$ (40,825)	$ (42,922)	$ 5,499	$ 4,781	$ (35,326)	$ (38,141)

*Restated for comparative purposes

The net position deficit of the State's governmental activities decreased $2.1 billion (4.9 percent) to $40.8 billion during the current fiscal year. As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the State recorded $2,360.8 billion deferred outflows of resources, $24,568.3 billion net pension liability, and $1,423.3 billion deferred inflows of resources for the primary government.

Total invested in capital assets net of related debt was $5.0 billion (buildings, roads, bridges, etc.) and $1.9 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $47.7 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 $9.5 billion to finance various municipal grant programs (e.g., school construction) and $2.2 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of $36.5 billion, which are partially funded or not funded by the State (e.g., net pension liability and OPEB obligations and compensated absences).

Net position of the State's business-type activities increased $718.2 million (15.0 percent) to $5.5 billion during the current fiscal year. Of this amount, $3.4 billion was invested in capital assets and $1.2 billion was restricted for specific purposes, resulting in unrestricted net positions of $0.9 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

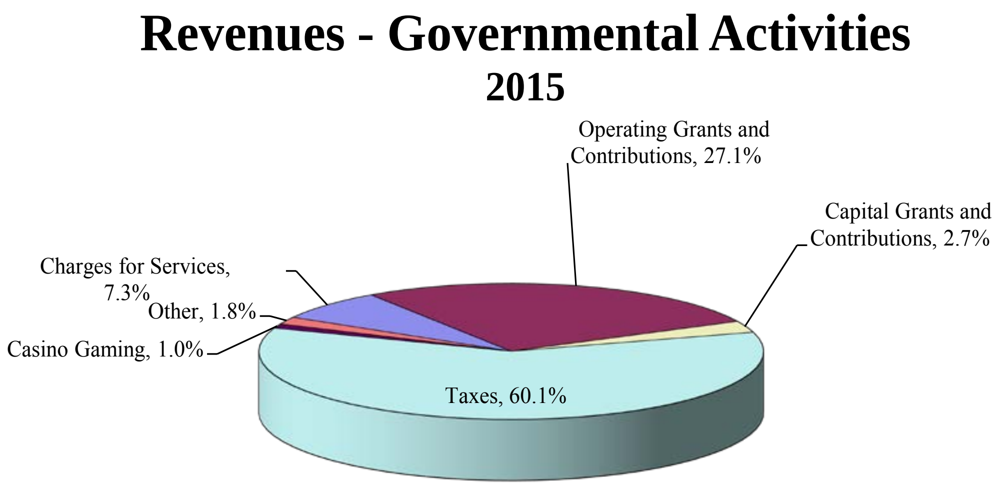
Changes in net position for the years ended June 30, 2015 and 2014 were as follows:

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

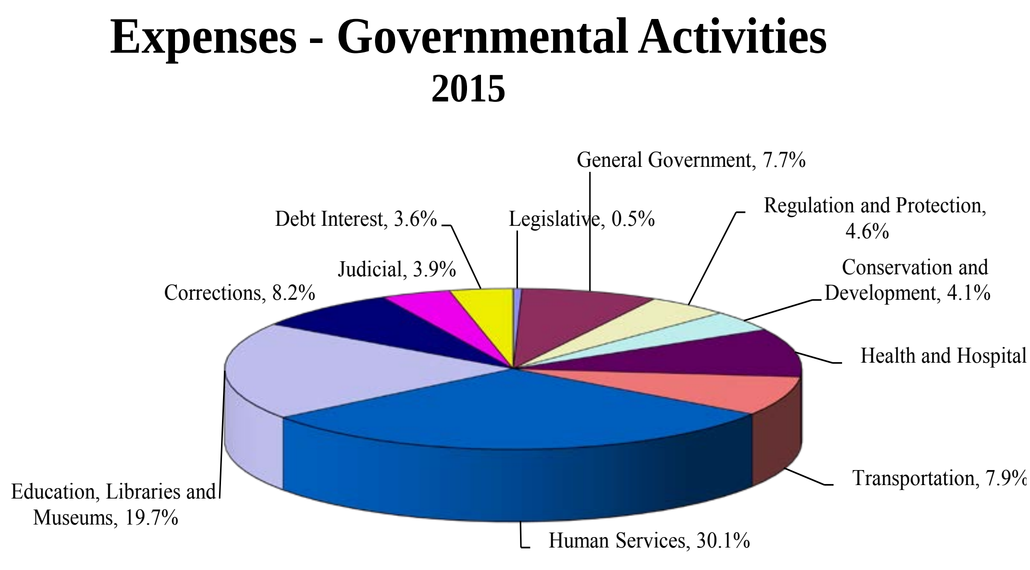
	Governmental Activities		Business-Type Activities		Total		% change
	2015	2014*	2015	2014	2015	2014*	15-14
REVENUES							
Program Revenues							
Charges for Services	$ 1,902	$ 1,726	$ 2,600	$ 2,546	$ 4,502	$ 4,272	5.4%
Operating Grants and Contributions	7,096	6,497	676	780	7,772	7,277	6.8%
Capital Grants and Contributions	717	610	33	28	750	638	17.6%
General Revenues							
Taxes	15,707	15,257	-	-	15,707	15,257	2.9%
Casino Gaming Payments	268	280	-	-	268	280	-4.3%
Lottery Tickets	320	320	-	-	320	320	0.0%
Other	141	224	12	13	153	237	-35.4%
Total Revenues	26,151	24,914	3,321	3,367	29,472	28,281	4.2%
EXPENSES							
Legislative	108	123	-	-	108	123	-12.2%
General Government	1,713	2,060	-	-	1,713	2,060	-16.8%
Regulation and Protection	1,028	905	-	-	1,028	905	13.6%
Conservation and Development	922	997	-	-	922	997	-7.5%
Health and Hospital	2,172	2,624	-	-	2,172	2,624	-17.2%
Transportation	1,762	1,985	-	-	1,762	1,985	-11.2%
Human Services	6,736	8,273	-	-	6,736	8,273	-18.6%
Education, Libraries, and Museums	4,396	4,638	-	-	4,396	4,638	-5.2%
Corrections	1,820	2,143	-	-	1,820	2,143	-15.1%
Judicial	874	1,005	-	-	874	1,005	-13.0%
Interest and Fiscal Charges	797	922	-	-	797	922	-13.6%
University of Connecticut & Health Center	-	-	2,155	2,050	2,155	2,050	5.1%
State Universities	-	-	781	716	781	716	9.1%
Connecticut Community Colleges	-	-	538	514	538	514	4.7%
Employment Security	-	-	751	1,060	751	1,060	-29.2%
Clean Water	-	-	35	40	35	40	-12.5%
Other	-	-	69	73	69	73	-5.5%
Total Expenses	22,328	25,675	4,329	4,453	26,657	30,128	-11.5%
Excess (Deficiency) Before Transfers	3,823	(761)	(1,008)	(1,086)	2,815	(1,847)	
Transfers	(1,726)	(1,548)	1,726	1,548	-	-	
Special Item	-	31	-	-	-	31	
Increase (Decrease) in Net Position	2,097	(2,278)	718	462	2,815	(1,816)	
Net Position (Deficit) - Beginning (as restated)	(42,922)	(40,644)	4,781	4,319	(38,141)	(36,325)	
Net Position (Deficit) - Ending	(40,825)	(42,922)	5,499	4,781	(35,326)	(38,141)	-7.4%

*Restated for comparative purposes

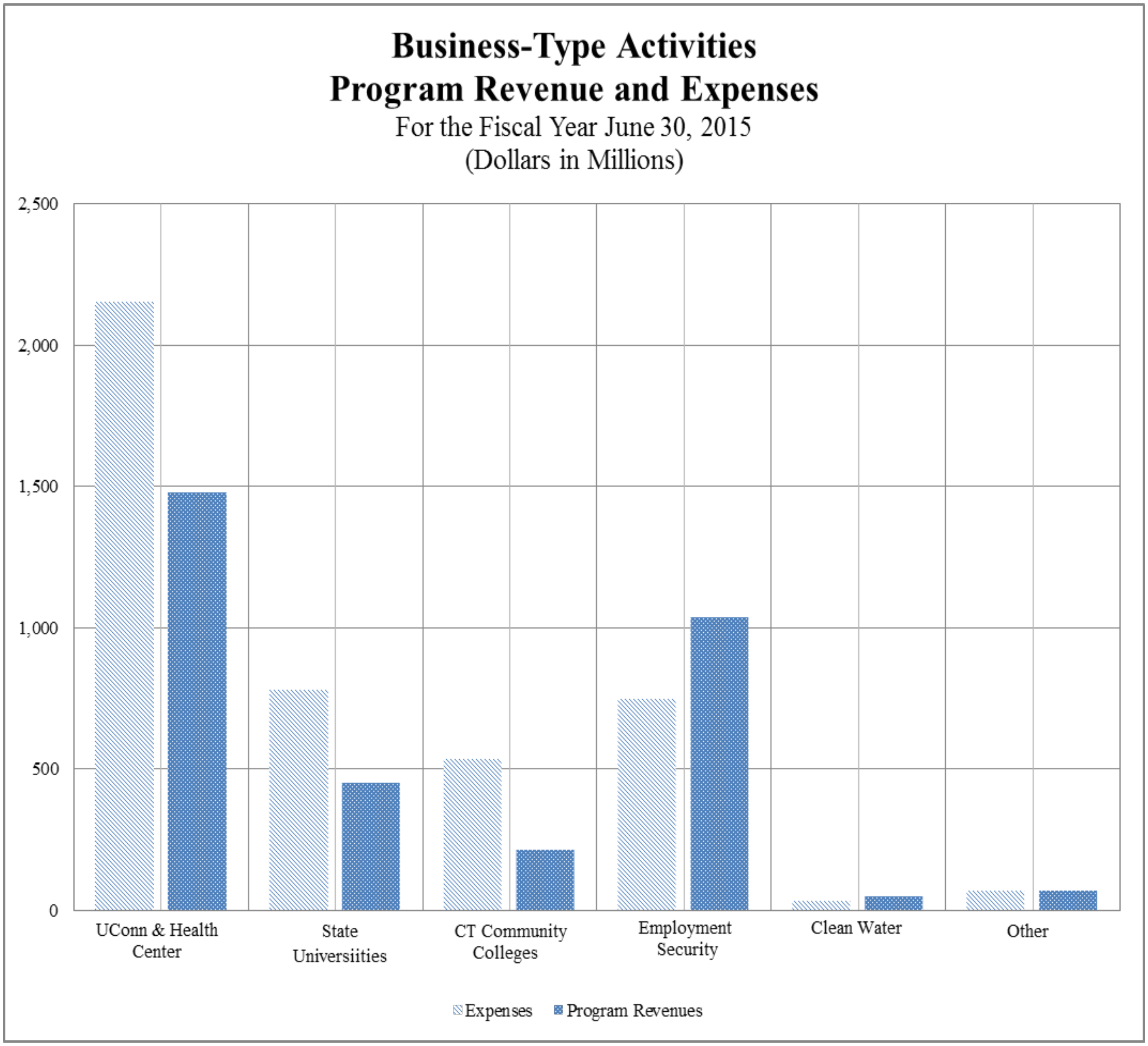
GOVERNMENTAL ACTIVITIES
The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.2 billion, or 5.0 percent. This increase is primarily due to an increase of $599 million from operating grants and contributions.



The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by $3.3 million, or 13.0 percent. The decrease is mainly attributable to decreased spending in human services.



NET POSITION OF BUSINESS-TYPE ACTIVITIES
Net position of business-type activities increased by $718.2 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 remained steady at $3.3 billion, while total expenses decreased 2.8 percent to $4.3 billion. In comparison, last year total revenues decreased 10.1 percent, while total expenses decreased 4.7 percent. The decrease in total expenses of $124 million was due mainly to a decrease in Employment Security expenses of $309.0 million or 29.2 percent. Although, total expenses exceeded total revenues by $1,008 million, this deficiency was reduced by transfers of $1,726 million, resulting in an increase in net position of $718.2 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 $2,109.4 million, an increase of $12.3 million over the prior year ending fund balances. Of the total governmental fund balances, $2,113 million represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $190.5 million represents fund balance that is non-spendable; $607.8 million represents fund balance that is committed or assigned for specific purposes. A negative $801.9 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 $189.8 million, an increase of $148.7 million in comparison with the prior year. Of this total fund balance, $603.4 million represents non-spendable fund balance or committed for specific purposes, leaving a deficit of $793.2 million in unassigned fund balance.

At the end of fiscal year 2015, General Fund revenues were 3.2 percent, or $553.4 million, higher than fiscal year 2014 revenues. This change in revenue results from increases of $747 million primarily attributable to taxes ($525.4 million) and federal grants and aid ($221.6 million). These increases were offset by decreases of $193.6 million primarily attributable to licenses, permits, and fees ($57.2 million), casino gaming payments ($11.9 million), charges for services ($4.7 million), fines, forfeits, and rents ($78.9 million), and other revenue ($40.9 million).

At the end of fiscal year 2015, General Fund expenditures were 2.1 percent, or $344.6 million, higher than fiscal year 2014. This was primarily attributable to increases in education, corrections, and judicial of $535.6 million, $41.5 million, and $38.7 million, respectively. Net other financing sources and uses decreased by $903.6 million, which is primarily due to bonds not being issued in fiscal year 2015.

Debt Service Fund

At the end of fiscal year 2015, the Debt Service Fund had a fund balance of $668.4 million, all of which was restricted, an increase of $.9 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of $257.3 million at the end of fiscal 2015. Of this amount, $29.4 million was in nonspendable form and $227.9 million was restricted or committed for specific purposes. Fund balance increased by 30.7 million during the current fiscal year.

At the end of fiscal year 2015, Transportation Fund revenues decreased by $21.1, or 1.5 percent, and expenditures increased by $52.7 million, or 6.2 percent. The decreased revenue is primarily due to a decrease in taxes.

Restricted Grants and Accounts Fund

At the end of fiscal year 2015, the Restricted Grants and Accounts Fund had a fund balance of $84.8 million, all of which was restricted for specific purposes, an increase of $39.1 million in comparison with the prior year.

Total revenues were 14.2 percent, or $796.4 million, higher than in fiscal year 2014. Overall, total expenditures were 6.8 percent, or $417.9 million, higher than fiscal year 2014.

Grant and Loan Programs

As of June 30, 2015, the Grant and Loan Programs Fund had a fund balance of $753.0 million, all of which was restricted for specific purposes, an increase of $284.5 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 $30.9 billion, an increase of $544.8 mmillion when compared to the prior year ending net position.

Budget Highlights-General Fund

The revised State budget as adopted for Fiscal Year 2015 was anticipating a small surplus of $0.4 million dollars on gross General Fund appropriations of $17.8 billion. By the end of the fiscal year, a General Fund deficit of $113.2 million had emerged from operations. In accordance with state law, a transfer from the State's Budget Reserve Fund was made to cover this deficit, which decreased the total reserve balance in the fund to $406.0 million.

As Fiscal Year 2015 progressed, it became clear that the General Fund would not reach the budgeted revenue targets. By the end of the fiscal year, revenues were $176.2 million short of the original budget projection. In an attempt to eliminate General Fund deficit projections for Fiscal Year 2015, the Governor implemented three deficit mitigations plans over the course of the fiscal year and implemented other cost cutting initiatives. These measures proved insufficient to completely eliminate a fiscal year-end deficit, but they did substantially lessen that deficit.

The State experienced significant job growth throughout Fiscal Year 2015. However, suppressed wage growth during the fiscal year significantly constrained the growth in major state revenue sources. By the end of Fiscal Year 2015, weekly wages in Connecticut were growing by less than 2 percent. Considering the level of job growth that the State was experiencing, wage growth was expected to approach 5 percent. As a result of the wage drag on overall State economic growth, General Fund revenue in Fiscal Year 2015 grew by just 1.6 percent.

As discussed above, significant expenditures controls were implemented in an attempt to keep the budget in balance. General Fund spending in Fiscal Year 2015 was held to a growth rate of 2.6 percent. In the six fiscal years following the large Fiscal Year 2009 General Fund deficit, spending growth in the General Fund has averaged 2.5 percent per year. This compares to average annual General Fund spending growth of 7.3 percent in the four years leading up to that large deficit.

Twenty-six appropriation line-items in the budget account for 87 percent of General Fund spending. In order to control the growth in General Fund spending during the Fiscal Year 2009 to 2015 period, actual dollar reductions were made over the period in several of these large line-items (comparing spending in Fiscal Year 2009 to spending in Fiscal Year 2015). Some notable reductions between those fiscal years included a cut of $155.8 million in higher education operating support, a decline of $148.0 million in state employee payroll expense, and a decrease of $84.8 million in the Department of Children and Families residential board and care program. During that six year period, the largest dollar increases were an additional $516.1 million to fund the State Employees Retirement System, an increase of $498.9 million in Medicaid spending, and $444.8 million more to fund the Teachers' Retirement system. It is important to note that the vast majority of funding to the retirement systems is for individuals that have already retired. These obligations were incurred over many decades, but were not fully funded. These have now become fixed state costs. Pension reforms have substantially lowered pension costs for new hires.

Some of the spending trends listed above were reversed between Fiscal Year 2014 and Fiscal Year 2015. General Fund spending for Medicaid declined $103.7 million during the period as federal Medicaid spending increased by

16.4 percent. The state employee General Fund payroll expense grew by $105.5 million as wage increases that had been eliminated in past years were reinstituted and critical positions were filled. Higher education operations also experienced a $31.5 million increase during Fiscal Year 2015.

Fiscal Year 2015 recorded $13.9 billion in Fiscal Year 2015 operating activity that fell outside the General Fund. The majority of this activity was in the Special Revenue Funds group. These are funds that have dedicated revenue sources to support their programs. This fund category includes federally supported programs, the operating activities of the universities, and the Transportation Fund. Federal grants grew by 10.6 percent in Fiscal Year 2015 over the prior fiscal year. This equates to $545.8 million in additional federal spending. The largest federal increase was in Medicaid. This caused the special revenue fund group to grow by 9.8 percent to total $11.5 billion in Fiscal Year 2015.

The Transportation Fund ended Fiscal Year 2015 with a positive fund balance of $180.1 million. Spending increased by 4.5 percent during Fiscal Year 2015 and totaled $1.3 billion. Since 2009, Transportation Fund spending has grown by an average of 2.7 percent a year.

Capital project spending grew by 12.5 percent between Fiscal Year 2014 and Fiscal Year 2015 to total $1.7 billion. Since 2009, the average annual growth in capital spending has been 6.3 percent. This is consistent with growth in the private sector use of debt financing as companies took advantage of historically low interest rates.

Within the Required Supplemental Information Section of this report, there is a reconciliation of Fiscal Year 2015 General Fund operations for the accrual budgetary basis of accounting and the accounting basis used within the fund financial statements in this report. In Fiscal Year 2014, a new budgetary accrual approach was developed with the intention of eliminating the growth in the annual General Fund negative unassigned fund balance contained in this report.

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, 2015 totaled $17.2 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 decrease in the State's investment in capital assets for the fiscal year was $539.5 million.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and land of $292 million and depreciation expense of $917.6 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	
	2015	2014	2015	2014	2015	2014
Land	$ 1,709	$ 1,687	$ 68	$ 68	$ 1,777	$ 1,755
Buildings	2,505	2,234	2,868	2,706	5,373	4,940
Improvements Other Than Buildings	156	158	166	171	322	329
Equipment	62	72	332	325	394	397
Infrastructure	4,934	4,924	-	-	4,934	4,924
Construction in Progress	3,665	3,465	717	511	4,382	3,976
Total	$ 13,031	$ 12,540	$ 4,151	$ 3,781	$ 17,182	$ 16,321

Additional information on the State's capital assets can be found in Note 9 of this report.

Long-Term Debt - Bonded Debt

At the end of the current fiscal year, the State had total debt outstanding of $23.9 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	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	$ 16,403	$ 15,282	$ -	$ -	$ 16,403	$ 15,282
Transportation Related bonds	4,090	3,771	-	-	4,090	3,771
Revenue Bonds	-	-	1,357	1,213	1,357	1,213
Long-Term Notes	520	581	-	-	520	581
Premiums and Deferred Amounts	1,417	1,195	111	84	1,528	1,279
Total	$ 22,430	$ 20,829	$ 1,468	$ 1,297	$ 23,898	$ 22,126

The State's total bonded debt increased by $1.8 million (8.0 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 July 2015, the State had a debt incurring margin of $3.6 billion.

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

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2015	2014*	2015	2014	2015	2014*
Net Pension Liability	$ 26,171	$ 27,773	$ -	$ -	$ 26,171	$ 27,773
Net OPEB Obligation	8,983	7,763	-	-	8,983	7,763
Compensated Absences	499	513	186	167	685	680
Workers Compensation	651	620	-	-	651	620
Federal Loan Payable	-	-	103	434	103	434
Other	150	129	351	302	501	431
Total	$ 36,454	$ 36,798	$ 640	$ 903	$ 37,094	$ 37,701

*Restated for comparative purposes

The State's other long-term obligations decreased by $607 million (1.6 percent) during the fiscal year. This decrease was due mainly to a decrease in the net pension liability (Governmental activities) of $1.6 million or 5.8 percent. Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

Economic Outlook and Next Year's Budget

At this writing, Connecticut has recovered all of its private sector recessionary job losses and is continuing to add private sector employment. The State needs to reach the 1,713,000 job level to enter a full nonfarm employment expansionary phase. This will require an additional 13,300 nonfarm jobs. Connecticut's nonfarm jobs recovery is 69 months old and is averaging 1,532 new jobs per month since February 2010.

Connecticut has been growing jobs at fairly typical recovery rate; however workers' wage growth has been below normal recovery levels. There are some early signs that wage increases may be accelerating slightly. Wages increased by less than 2 percent in Fiscal Year 2015. Current trends point to Connecticut wage growth of better than 3 percent. Wage Growth in the United States averaged 6.3 percent from 1960 until 2015, reaching an all-time high of 13.8 percent in January of 1979 and a record low of -5.77 percent in March of 2009. Historically, Connecticut wages have increased at a faster pace than the national average.

Connecticut, like most other states, has a revenue structure that is dependent on rising wages and the related increases in consumer spending. As wages have been slow to recover, Connecticut's revenue base has experienced lower than expected growth. As job expansion continues in the State and as wage acceleration takes hold, Connecticut's recent budget pressures will abate. Exactly when solid wage gains will emerge is as uncertain as it is vital to the State's budgetary health.

Looking forward it is also important to note that Connecticut's economy is dependent on the national economy, which is dependent on world events. Global economic activity has constrained domestic growth. China's economy (2nd largest in the world) has been slowing. In response, its central bank cut interest rates in hopes of boosting growth. Less oil demand from China as the economy slowed has produced a sharp drop in oil prices as well as coal and other commodities. These falling prices have negatively impacted the stock market.

The cheaper oil has damaged oil exporting economies such as Brazil and Russia, in addition to many Middle Eastern producers. The European economy has struggled to grow at all, advancing at an annual pace of less than 2 percent.

All of these economic trends will impact future Connecticut budgets. The Governor is required to submit a balanced budget for Fiscal Year 2017 in February 2016. Currently, the Fiscal Year 2016 budget is facing the same slow growth in revenue that was experienced in Fiscal Year 2015. Cost controls are in place to avoid ending Fiscal Year 2016 with a budget deficit.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

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

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Basic Financial Statements

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Statement of Net Position

June 30, 2015
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 1,227,870	$ 651,813	$ 1,879,683	$ 249,984
Deposits with U.S. Treasury	-	135,027	135,027	-
Investments	112,895	69,222	182,117	424,485
Receivables, (Net of Allowances)	2,135,861	862,641	2,998,502	124,557
Due from Primary Government	-	-	-	6,976
Inventories	48,172	10,655	58,827	5,916
Restricted Assets	-	221,928	221,928	1,101,604
Internal Balances	(343,797)	343,797	-	-
Other Current Assets	7,400	38,743	46,143	15,391
Total Current Assets	3,188,401	2,333,826	5,522,227	1,928,913
Noncurrent Assets:				
Cash and Cash Equivalents	-	461,671	461,671	-
Due From Component Units	36,035	-	36,035	-
Investments	-	62,451	62,451	197,445
Receivables, (Net of Allowances)	672,973	835,108	1,508,081	519,297
Restricted Assets	668,426	405,445	1,073,871	4,494,718
Capital Assets, (Net of Accumulated Depreciation)	13,031,241	4,151,445	17,182,686	798,602
Other Noncurrent Assets	-	5,084	5,084	60,092
Total Noncurrent Assets	14,408,675	5,921,204	20,329,879	6,070,154
Total Assets	17,597,076	8,255,030	25,852,106	7,999,067
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	3,361	-	3,361	104,894
Unamortized Losses on Bond Refundings	96,600	12,873	109,473	71,902
Related to Pensions	2,360,827	-	2,360,827	7,162
Other Deferred Outflows	-	3,253	3,253	88
Total Deferred Outflows of Resources	2,460,788	16,126	2,476,914	184,046
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	861,512	328,515	1,190,027	118,980
Due to Component Units	6,976	-	6,976	-
Due to Primary Government	-	-	-	36,035
Due to Other Governments	313,861	757	314,618	-
Current Portion of Long-Term Obligations	1,970,995	180,854	2,151,849	415,872
Amount Held for Institutions	-	-	-	320,224
Unearned Revenue	18,417	226,630	245,047	-
Medicaid Liability	539,059	-	539,059	-
Liability for Escheated Property	395,617	-	395,617	-
Other Current Liabilities	43,119	92,633	135,752	48,832
Total Current Liabilities	4,149,556	829,389	4,978,945	939,943
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	55,310,129	1,925,859	57,235,988	4,795,607
Total Noncurrent Liabilities	55,310,129	1,925,859	57,235,988	4,795,607
Total Liabilities	59,459,685	2,755,248	62,214,933	5,735,550
Deferred Inflows of Resources				
Related to Pensions	1,423,296	-	1,423,296	5,176
Other Deferred Inflows	-	16,902	16,902	-
Total Deferred Inflows of Resources	1,423,296	16,902	1,440,198	5,176
Net Position				
Net Investment in Capital Assets	4,957,690	3,448,779	8,406,469	526,892
Restricted For:				
Transportation	155,031	-	155,031	-
Debt Service	615,961	4,508	620,469	31,238
Federal Grants and Other Accounts	71,892	-	71,892	-
Capital Projects	54,315	288,105	342,420	102,499
Grant and Loan Programs	766,375	-	766,375	-
Clean Water and Drinking Water Projects	-	698,818	698,818	-
Bond Indenture Requirements	-	-	-	964,616
Loans	-	3,742	3,742	-
Permanent Investments or Endowments:				
Expendable	-	-	-	96,702
Nonexpendable	107,696	13,578	121,274	339,807
Other Purposes	113,627	145,706	259,333	70,057
Unrestricted (Deficit)	(47,667,704)	895,770	(46,771,934)	310,576
Total Net Position (Deficit)	$ (40,825,117)	$ 5,499,006	$ (35,326,111)	$ 2,442,387

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

Statement of Activities

For The Fiscal Year Ended June 30, 2015

(Expressed in Thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services, Fees, Fines , and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	$ 107,629	$ 3,421	$ -	$ -
General Government	1,712,498	711,050	55,453	-
Regulation and Protection	1,028,126	643,620	166,585	-
Conservation and Development	921,859	96,616	157,295	-
Health and Hospitals	2,172,348	81,127	145,307	-
Transportation	1,761,500	53,719	-	717,358
Human Services	6,736,623	127,999	5,886,389	-
Education, Libraries, and Museums	4,396,212	39,951	535,993	-
Corrections	1,820,490	12,121	136,207	-
Judicial	873,879	132,633	12,645	-
Interest and Fiscal Charges	796,727	-	-	-
Total Governmental Activities	22,327,891	1,902,257	7,095,874	717,358
Business-Type Activities:				
University of Connecticut & Health Center	2,154,599	1,200,847	253,176	25,412
State Universities	781,238	379,797	64,847	7,395
Connecticut Community Colleges	538,036	102,444	111,951	-
Employment Security	750,573	821,694	218,384	-
Clean Water	35,125	25,960	15,125	-
Other	69,099	68,936	12,935	-
Total Business-Type Activities	4,328,670	2,599,678	676,418	32,807
Total Primary Government	$ 26,656,561	$ 4,501,935	$ 7,772,292	$ 750,165
Component Units				
Connecticut Housing Finance Authority (12/31/14)	$ 177,765	$ 193,068	$ -	$ -
Connecticut Lottery Corporation	1,149,379	1,144,031	-	-
Connecticut Airport Authority	94,586	89,918	-	13,136
Other Component Units	405,039	339,479	38,315	72,001
Total Component Units	$ 1,826,769	$ 1,766,496	$ 38,315	$ 85,137

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
$ (104,208)	$ -	$ (104,208)	$ -
(945,995)	-	(945,995)	-
(217,921)	-	(217,921)	-
(667,948)	-	(667,948)	-
(1,945,914)	-	(1,945,914)	-
(990,423)	-	(990,423)	-
(722,235)	-	(722,235)	-
(3,820,268)	-	(3,820,268)	-
(1,672,162)	-	(1,672,162)	-
(728,601)	-	(728,601)	-
(796,727)	-	(796,727)	-
(12,612,402)	-	(12,612,402)	-
-	(675,164)	(675,164)	-
-	(329,199)	(329,199)	-
-	(323,641)	(323,641)	-
-	289,505	289,505	-
-	5,960	5,960	-
-	12,772	12,772	-
-	(1,019,767)	(1,019,767)	-
(12,612,402)	(1,019,767)	(13,632,169)	-
-	-	-	15,303
-	-	-	(5,348)
-	-	-	8,468
-	-	-	44,756
-	-	-	63,179
8,186,946	-	8,186,946	-
687,347	-	687,347	-
4,167,054	-	4,167,054	-
1,735,788	-	1,735,788	-
846,062	-	846,062	-
83,868	-	83,868	-
267,986	-	267,986	-
118,988	-	118,988	-
319,700	-	319,700	-
22,091	11,638	33,729	46,937
-	-	-	-
-		-	1,259
(1,726,281)	1,726,281	-	-
14,709,549	1,737,919	16,447,468	48,196
2,097,147	718,152	2,815,299	111,375
(42,922,264)	4,780,854	(38,141,410)	2,331,012
$ (40,825,117)	$ 5,499,006	$ (35,326,111)	$ 2,442,387

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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 106.

Balance Sheet
Governmental Funds

June 30, 2015
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 200,780	$ 345,968	$ 298,848	$ 372,073	$ 1,217,669
Investments	-	-	-	-	-	112,895	112,895
Securities Lending Collateral	-	-	-	-	-	7,192	7,192
Receivables:							
Taxes, Net of Allowances	1,220,173	-	44,312	-	-	-	1,264,485
Accounts, Net of Allowances	373,208	-	7,866	12,827	14,345	23,204	431,450
Loans, Net of Allowances	3,419	-	-	32,522	466,646	170,386	672,973
From Other Governments	185,564	-	-	243,583	-	4,631	433,778
Interest	-	1,267	29	-	-	-	1,296
Other	-	-	-	-	-	1	1
Due from Other Funds	48,739	-	1,267	44	4	254,056	304,110
Due from Component Units	33,843	-	-	2,192	-	-	36,035
Inventories	14,595	-	29,351	-	-	-	43,946
Restricted Assets	-	668,426	-	-	-	-	668,426
Total Assets	$ 1,879,541	$ 669,693	$ 283,605	$ 637,136	$ 779,843	$ 944,438	$ 5,194,256
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 345,779	$ -	$ 23,256	$ 211,059	$ 13,176	$ 69,380	$ 662,650
Due to Other Funds	324,116	1,267	-	2,565	28	304,252	632,228
Due to Component Units	-	-	-	6,976	-	-	6,976
Due to Other Governments	304,707	-	-	9,154	-	-	313,861
Unearned Revenue	11,407	-	-	-	-	7,010	18,417
Medicaid Liability	223,769	-	-	315,290	-	-	539,059
Liability For Escheated Property	395,617	-	-	-	-	-	395,617
Securities Lending Obligation	-	-	-	-	-	7,192	7,192
Other Liabilities	35,926	-	-	-	-	-	35,926
Total Liabilities	1,641,321	1,267	23,256	545,044	13,204	387,834	2,611,926
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	428,069	-	3,061	7,286	13,590	20,911	472,917
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	51,123	-	29,351	-	-	-	80,474
Permanent Fund Principal	-	-	-	-	-	110,068	110,068
Restricted For:							
Debt Service	-	668,426	-	-	-	-	668,426
Transportation Programs	-	-	194,626	-	-	-	194,626
Federal Grant and State Programs	-	-	-	84,806	-	-	84,806
Grants and Loans	-	-	-	-	741,313	-	741,313
Other	-	-	-	-	-	423,762	423,762
Committed For:							
Continuing Appropriations	64,964	-	33,311	-	-	-	98,275
Budget Reserve Fund	406,001	-	-	-	-	-	406,001
Future Budget Years	81,221	-	-	-	-	-	81,221
Assigned To:							
Other	-	-	-	-	11,736	10,594	22,330
Unassigned	(793,158)	-	-	-	-	(8,731)	(801,889)
Total Fund Balances	(189,849)	668,426	257,288	84,806	753,049	535,693	2,109,413
Total Liabilities, Deferred Inflows, and Fund Balances	$ 1,879,541	$ 669,693	$ 283,605	$ 637,136	$ 779,843	$ 944,438	$ 5,194,256

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, 2015

(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 2,109,413
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	4,296,546	
Equipment	2,593,268	
Infrastructure	14,307,362	
Other Capital Assets	5,836,359	
Accumulated Depreciation	(14,059,739)	12,973,796
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 fund		472,917
Deferred Inflows of resources are not reported in the governmental funds:		
Related to pensions		(1,423,296)
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.		53,069
Deferred outflows of resources are not reported in the governmental funds:		
Amount on refunding of bonded debt	96,600	
Related to pensions	2,360,827	2,457,427
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 17).		
Net Pension Liability	(24,568,279)	
Net OPEB Obligation	(8,982,926)	
Worker's Compensation	(651,184)	
Capital Leases	(35,368)	
Compensated Absences	(497,595)	
Claims and Judgments	(75,587)	
Landfill Postclosure Care	(35,185)	(34,846,124)
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	(21,012,352)	
Unamortized Premiums	(1,417,172)	
Accrued Interest Payable	(192,795)	(22,622,319)
Net Position of Governmental Activities		$ (40,825,117)

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, 2015
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 14,783,751	$ -	$ 931,149	$ -	$ -	$ -	$ 15,714,900
Licenses, Permits, and Fees	254,257	-	339,818	13,467	1	73,277	680,820
Tobacco Settlement	-	-	-	-	-	118,988	118,988
Federal Grants and Aid	2,132,399	-	12,115	5,593,874	-	74,844	7,813,232
Lottery Tickets	319,700	-	-	-	-	-	319,700
Charges for Services	35,813	-	63,700	-	42	910	100,465
Fines, Forfeits, and Rents	-	-	19,575	-	-	1,246	20,821
Casino Gaming Payments	267,986	-	-	-	-	-	267,986
Investment Earnings (Loss)	856	6,130	818	1,118	5,813	3,122	17,857
Interest on Loans	-	-	-	-	-	41	41
Miscellaneous	159,007	-	4,901	795,232	13,643	136,170	1,108,953
Total Revenues	17,953,769	6,130	1,372,076	6,403,691	19,499	408,598	26,163,763
Expenditures							
Current:							
Legislative	117,251	-	-	3,053	-	575	120,879
General Government	801,461	-	5,594	318,649	699,621	118,470	1,943,795
Regulation and Protection	434,785	-	105,467	415,326	16,579	193,584	1,165,741
Conservation and Development	270,565	-	-	296,531	344,469	143,026	1,054,591
Health and Hospitals	2,245,026	-	-	206,732	11,740	36,335	2,499,833
Transportation	-	-	795,115	767,778	80,328	8	1,643,229
Human Services	3,942,452	-	-	3,798,482	18,358	3,624	7,762,916
Education, Libraries, and Museums	4,465,680	-	-	531,108	39,925	5,255	5,041,968
Corrections	2,041,564	-	-	23,045	2,782	2,272	2,069,663
Judicial	928,110	-	-	19,759	-	50,324	998,193
Capital Projects	-	-	-	-	-	934,452	934,452
Debt Service:							
Principal Retirement	1,151,673	269,845	-	-	-	-	1,421,518
Interest and Fiscal Charges	537,181	190,777	1,002	166,074	4,364	5,537	904,935
Total Expenditures	16,935,748	460,622	907,178	6,546,537	1,218,166	1,493,462	27,561,713
Excess (Deficiency) of Revenues Over Expenditures	1,018,021	(454,492)	464,898	(142,846)	(1,198,667)	(1,084,864)	(1,397,950)
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	1,475,272	1,344,895	2,820,167
Premiums on Bonds Issued	2,234	70,344	-	-	127,549	186,729	386,856
Transfers In	205,864	465,145	47,449	213,894	4,000	87,346	1,023,698
Transfers Out	(1,374,625)	(2,841)	(480,520)	(31,956)	(123,685)	(736,352)	(2,749,979)
Refunding Bonds Issued	95,085	614,125	-	-	-	-	709,210
Payment to Refunded Bond Escrow Agent	(97,132)	(683,398)	-	-	-	-	(780,530)
Capital Lease Obligations	3,036	-	-	-	-	-	3,036
Total Other Financing Sources (Uses)	(1,165,538)	463,375	(433,071)	181,938	1,483,136	882,618	1,412,458
Net Change in Fund Balances	(147,517)	8,883	31,827	39,092	284,469	(202,246)	14,508
Fund Balances (Deficit) - Beginning	(41,192)	659,543	226,539	45,714	468,580	737,939	2,097,123
Change in Reserve for Inventories	(1,140)	-	(1,078)	-	-	-	(2,218)
Fund Balances (Deficit) - Ending	$ (189,849)	$ 668,426	$ 257,288	$ 84,806	$ 753,049	$ 535,693	$ 2,109,413

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, 2015

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$	14,508
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	(2,820,167)		
Refunding Bonds Issued	(709,210)		
Premium on Bonds Issued	(386,856)		(3,916,233)
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	1,421,518		
Payments to Refunded Bond Escrow Agent	780,530		
Capital Lease Payments	5,489		2,207,537
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Activities			(3,036)
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	1,388,215		
Depreciation Expense	(902,620)		
Retirements	(522)		485,073
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.			(2,218)
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	(12,064)		
Increase in Interest Accreted on Capital Appreciation Debt	(15,876)		
Amortization of Bond Premium	154,104		
Amortization of Loss on Debt Refundings	(18,750)		
Decrease in Compensated Absences Liability	14,172		
Increase in Workers Compensation Liability	(31,606)		
Increase in Claims and Judgments Liability	(29,436)		
Decrease in Landfill Liability	566		
' Decrease in Net Pension Obligation	2,559,621		
Pension Cost, Net	1,920,711		
Increase in Net OPEB Obligation	(1,219,865)		3,321,577
Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues decreased by this amount this year.			(12,444)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities.			2,383
Change in Net Position of Governmental Activities		$	2,097,147

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

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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 124.

Statement of Net Position
Proprietary Funds
June 30, 2015
(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	$ 323,769	$ 197,787	$ 82,935	$ 776
Deposits with U.S. Treasury	-	-	-	135,027
Investments	652	68,570	-	-
Receivables:				
Accounts, Net of Allowances	130,802	187,618	14,295	188,585
Loans, Net of Allowances	2,088	4,077	-	-
Interest	-	-	-	-
From Other Governments	-	2,552	-	7,846
Due from Other Funds	199,518	47,254	118,135	625
Inventories	10,655	-	-	-
Restricted Assets	221,928	-	-	-
Other Current Assets	32,598	4,504	1,222	-
Total Current Assets	922,010	512,362	216,587	332,859
Noncurrent Assets:				
Cash and Cash Equivalents	1,429	132,903	-	-
Investments	14,661	35,087	-	-
Receivables:				
Loans, Net of Allowances	10,649	9,075	197	-
Restricted Assets	735	-	-	-
Capital Assets, Net of Accumulated Depreciation	2,300,148	1,175,183	649,126	-
Other Noncurrent Assets	3,430	1,216	-	-
Total Noncurrent Assets	2,331,052	1,353,464	649,323	-
Total Assets	3,253,062	1,865,826	865,910	332,859
Deferred Outflows of Resources				
Unamortized Losses on Bond Refundings	5,200	-	-	-
Other Deferred Outflows	-	3,253	-	-
Total Deferred Outflows of Resources	5,200	3,253	-	-
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	206,726	59,316	41,328	44
Due to Other Funds	17,604	4,131	-	-
Due to Other Governments	-	-	-	757
Current Portion of Long-Term Obligations	70,599	24,160	1,993	-
Unearned Revenue	-	223,751	2,879	-
Other Current Liabilities	72,785	19,420	428	-
Total Current Liabilities	367,714	330,778	46,628	801
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	460,684	369,231	38,035	103,054
Total Noncurrent Liabilities	460,684	369,231	38,035	103,054
Total Liabilities	828,398	700,009	84,663	103,855
Deferred Inflows of Resources				
Other Deferred Inflows	-	16,902	-	-
Total Deferred Inflows of Resources	-	16,902	-	-
Net Position (Deficit)				
Net Investment in Capital Assets	1,789,007	1,016,668	649,126	-
Restricted For:				
Debt Service	-	-	-	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	288,105	-	-	-
Nonexpendable Purposes	13,091	467	20	-
Loans	3,742	-	-	-
Other Purposes	19,395	19,931	106,380	-
Unrestricted (Deficit)	316,524	115,102	25,721	229,004
Total Net Position (Deficit)	$ 2,429,864	$ 1,152,168	$ 781,247	$ 229,004

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
$ 4,105	$ 42,441	$ 651,813	$ 10,201
-	-	135,027	-
-	-	69,222	-
-	7,990	529,290	671
263,916	44,237	314,318	-
7,418	723	8,141	-
-	494	10,892	-
-	-	365,532	6,681
-	-	10,655	4,226
-	-	221,928	-
411	8	38,743	208
275,850	95,893	2,355,561	21,987
251,576	75,763	461,671	-
12,703	-	62,451	-
738,099	77,088	835,108	-
336,071	68,639	405,445	-
-	26,988	4,151,445	57,445
-	438	5,084	-
1,338,449	248,916	5,921,204	57,445
1,614,299	344,809	8,276,765	79,432
7,470	203	12,873	-
-	-	3,253	-
7,470	203	16,126	-
9,837	11,264	328,515	1,905
-	-	21,735	22,343
-	-	757	-
73,802	10,300	180,854	79
-	-	226,630	-
-	-	92,633	-
83,639	21,564	851,124	24,327
806,684	148,171	1,925,859	2,036
806,684	148,171	1,925,859	2,036
890,323	169,735	2,776,983	26,363
-	-	16,902	-
-	-	16,902	-
-	(6,022)	3,448,779	57,445
-	4,508	4,508	-
558,906	139,912	698,818	-
-	-	288,105	-
-	-	13,578	-
-	-	3,742	-
-	-	145,706	-
172,540	36,879	895,770	(4,376)
$ 731,446	$ 175,277	$ 5,499,006	$ 53,069

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

For The Fiscal Year Ended June 30, 2015
(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 $181,094)	$ 1,059,810	$ 353,570	$ 96,760
Assessments	-	-	-
Federal Grants, Contracts, and Other Aid	176,303	45,648	99,965
State Grants, Contracts, and Other Aid	31,931	15,333	9,068
Private Gifts and Grants	44,942	3,866	2,918
Interest on Loans	-	-	-
Other	85,221	23,392	4,155
Total Operating Revenues	1,398,207	441,809	212,866
Operating Expenses			
Salaries, Wages, and Administrative	1,872,989	685,207	473,995
Unemployment Compensation	-	-	-
Claims Paid	-	-	-
Depreciation and Amortization	133,820	60,244	29,191
Other	142,404	24,145	34,850
Total Operating Expenses	2,149,213	769,596	538,036
Operating Income (Loss)	(751,006)	(327,787)	(325,170)
Nonoperating Revenue (Expenses)			
Interest and Investment Income	1,060	1,144	131
Interest and Fiscal Charges	(5,386)	(11,642)	-
Other - Net	55,816	2,835	1,529
Total Nonoperating Revenues (Expenses)	51,490	(7,663)	1,660
Income (Loss) Before Capital Contributions, Grants, and Transfers	(699,516)	(335,450)	(323,510)
Capital Contributions	25,412	7,395	-
Federal Capitalization Grants	-	-	-
Transfers In	1,008,308	389,381	340,942
Transfers Out	-	-	-
Change in Net Position	334,204	61,326	17,432
Total Net Position (Deficit) - Beginning (as restated)	2,095,660	1,090,842	763,815
Total Net Position (Deficit) - Ending	$ 2,429,864	$ 1,152,168	$ 781,247

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

Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
	Business-Type Activities Enterprise Funds			Governmental Activities
$ -	$ -	$ 25,559	$ 1,535,699	$ 54,808
723,263	-	40,045	763,308	-
204,758	-	-	526,674	-
13,626	-	-	69,958	-
-	-	-	51,726	-
-	19,278	2,256	21,534	-
98,431	-	1,076	212,275	118
1,040,078	19,278	68,936	3,181,174	54,926
-	544	20,016	3,052,751	38,016
750,573	-	-	750,573	-
-	-	28,412	28,412	-
-	-	1,143	224,398	14,983
-	747	3,135	205,281	-
750,573	1,291	52,706	4,261,415	52,999
289,505	17,987	16,230	(1,080,241)	1,927
-	8,599	704	11,638	435
-	(33,834)	(4,669)	(55,531)	-
-	6,682	(11,724)	55,138	21
-	(18,553)	(15,689)	11,245	456
289,505	(566)	541	(1,068,996)	2,383
-	-	-	32,807	-
-	15,125	12,935	28,060	-
-	1,031	-	1,739,662	-
(12,790)	-	(591)	(13,381)	-
276,715	15,590	12,885	718,152	2,383
(47,711)	715,856	162,392	4,780,854	50,686
$ 229,004	$ 731,446	$ 175,277	$ 5,499,006	$ 53,069

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Business-Type Activities	
	Enterprise Funds	
	University of Connecticut & Health Center	State Universities
Cash Flows from Operating Activities		
Receipts from Customers	$ 1,066,401	$ 350,825
Payments to Suppliers	(707,048)	(194,896)
Payments to Employees	(1,313,357)	(492,776)
Other Receipts (Payments)	381,654	94,798
Net Cash Provided by (Used in) Operating Activities	(572,350)	(242,049)
Cash Flows from Noncapital Financing Activities		
Proceeds from Sale of Bonds	-	-
Retirement of Bonds and Annuities Payable	-	-
Interest on Bonds and Annuities Payable	-	-
Transfers In	493,908	285,088
Transfers Out	-	-
Other Receipts (Payments)	26,219	5,152
Net Cash Flows from Noncapital Financing Activities	520,127	290,240
Cash Flows from Capital and Related Financing Activities		
Additions to Property, Plant, and Equipment	(382,007)	(160,285)
Proceeds from Capital Debt	250,000	21,241
Principal Paid on Capital Debt	(17,764)	(42,790)
Interest Paid on Capital Debt	(55,306)	(14,064)
Transfer In	307,698	102,176
Federal Grant	-	-
Other Receipts (Payments)	22,359	(242)
Net Cash Flows from Capital and Related Financing Activities	124,980	(93,964)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	-	95,487
Purchase of Investment Securities	(86)	(39,951)
Interest on Investments	1,064	1,142
(Increase) Decrease in Restricted Assets	-	-
Other Receipts (Payments)	-	-
Net Cash Flows from Investing Activities	978	56,678
Net Increase (Decrease) in Cash and Cash Equivalents	73,735	10,905
Cash and Cash Equivalents - Beginning of Year	474,126	319,785
Cash and Cash Equivalents - End of Year	$ 547,861	$ 330,690
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating Income (Loss)	$ (751,006)	$ (327,787)
Adjustments not Affecting Cash:		
Depreciation and Amortization	133,820	60,244
Other	167,379	-
Change in Assets and Liabilities:		
(Increase) Decrease in Receivables, Net	1,849	(15,997)
(Increase) Decrease in Due from Other Funds	-	-
(Increase) Decrease in Inventories and Other Assets	4,863	(1,870)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(129,255)	42,903
Increase (Decrease) in Due to Other Funds	-	458
Total Adjustments	178,656	85,738
Net Cash Provided by (Used In) Operating Activities	$ (572,350)	$ (242,049)

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

Business-Type Activities					Governmental
Enterprise Funds					Activities
Connecticut Community Colleges	Employment Security	Clean Water	Other	Totals	Internal Service Funds
$ 95,996	$ 718,860	$ 91,817	$ 74,457	$ 2,398,356	$ 52,689
(81,043)	-	(747)	(9,294)	(993,028)	(21,832)
(397,095)	-	(443)	(12,806)	(2,216,477)	(10,969)
77,640	(705,294)	(108,469)	(66,554)	(326,225)	20
(304,502)	13,566	(17,842)	(14,197)	(1,137,374)	19,908
-	-	224,483	60,236	284,719	-
-	-	(70,351)	(7,809)	(78,160)	-
-	-	(29,717)	(4,174)	(33,891)	-
290,715	-	661	-	1,070,372	-
-	(12,790)	-	(591)	(13,381)	-
10,310	-	-	(12,030)	29,651	21
301,025	(12,790)	125,076	35,632	1,259,310	21
(18,767)	-	-	(139)	(561,198)	(21,527)
-	-	-	-	271,241	-
-	-	-	-	(60,554)	-
-	-	-	-	(69,370)	-
35,930	-	-	-	445,804	-
-	-	15,125	13,155	28,280	-
(8,299)	-	-	-	13,818	-
8,864	-	15,125	13,016	68,021	(21,527)
-	-	-	-	95,487	-
-	-	-	-	(40,037)	-
134	-	8,860	718	11,918	435
-	-	(108,185)	-	(108,185)	-
-	-	(22,536)	(31,347)	(53,883)	-
134	-	(121,861)	(30,629)	(94,700)	435
5,521	776	498	3,822	95,257	(1,163)
77,414	-	3,607	38,619	913,551	11,364
$ 82,935	$ 776	$ 4,105	$ 42,441	$ 1,008,808	$ 10,201
$ (325,170)	$ 289,505	$ 17,987	$ 16,230	$ (1,080,241)	$ 1,927
29,191	-	-	1,143	224,398	14,983
(8,630)	-	-	-	158,749	-
(3,025)	69,973	(35,829)	633	17,604	(515)
-	93	-	-	93	(1,605)
(1,059)	-	-	(30,366)	(28,432)	(98)
4,191	(330,606)	-	(1,837)	(414,604)	5,216
-	(15,399)	-	-	(14,941)	-
20,668	(275,939)	(35,829)	(30,427)	(57,133)	17,981
$ (304,502)	$ 13,566	$ (17,842)	$ (14,197)	$ (1,137,374)	$ 19,908

Continued

Statement of Cash Flows
Proprietary Funds (Continued)

For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Business-Type Activities	
	Enterprise Funds	
	University of Connecticut & Health Center	State Universities
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and Cash Equivalents - Current	$ 323,769	$ 197,786
Cash and Cash Equivalents - Noncurrent	1,429	132,902
Cash and Cash Equivalents - Restricted	222,663	-
	$ 547,861	$ 330,688
Noncash Investing, Capital, and Financing Activities:		
Proceeds from Refunding Bonds	$ 40,297	
Amortization of Premiums/Discounts net Loss on Debt Refundings	7,885	
Unrealized Gain on Investments	401	
Capital Assets Acquired Through Gifts	16,324	
Loss on Disposal of Capital Assets	(2,332)	
Investment Under Corporated Licensing Agreement	1,440	
Mortgage Proceeds held by Trustee in Construction Escrow	(37,451)	
Accruals of Expenses related to Construction in Progress	2,262	
Fixed Assets included in Accounts Payable		5,526
State Financed Plant Facilities		7,395

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 132
Agency Funds, page 138

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

(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					
Current:					
Cash and Cash Equivalents	$ 108,375	$ -	$ -	$ 357,422	$ 465,797
Receivables:					
Accounts, Net of Allowances	24,936	-	-	1,238	26,174
From Other Governments	1,444	-	-	-	1,444
From Other Funds	1,677	-	-	4,141	5,818
Interest	986	999	-	78	2,063
Investments (See Note 4)	29,541,256	1,004,995	-	-	30,546,251
Inventories	-	-	-	28	28
Securities Lending Collateral	1,860,558	-	-	-	1,860,558
Other Assets	-	15	593	380,734	381,342
Noncurrent:					
Due From Employers	240,962	-	-	-	240,962
Total Assets	31,780,194	1,006,009	593	$ 743,641	33,530,437
Liabilities					
Accounts Payable and Accrued Liabilities	38,320	114	-	$ 45,142	83,576
Securities Lending Obligation	1,860,559	-	-	-	1,860,559
Due to Other Funds	5,836	-	-	-	5,836
Funds Held for Others	-	-	-	698,499	698,499
Total Liabilities	1,904,715	114	-	$ 743,641	2,648,470
Net Position					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	29,524,409	-	-		29,524,409
Other Employee Benefits (Note 15)	351,070	-	-		351,070
Individuals, Organizations, and Other Governments	-	1,005,895	593		1,006,488
Total Net Position	$ 29,875,479	$ 1,005,895	$ 593		$ 30,881,967

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, 2015
(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	$ 613,551	$ -	$ -	$ 613,551
State	2,944,919	-	-	2,944,919
Municipalities	114,281	-	-	114,281
Total Contributions	3,672,751	-	-	3,672,751
Investment Income	909,945	2,248	-	912,193
Less: Investment Expense	(91,853)	(531)	-	(92,384)
Net Investment Income	818,092	1,717	-	819,809
Escheat Securities Received	-	-	41,169	41,169
Pool's Share Transactions	-	83,691	-	83,691
Transfers In	8,313	-	-	8,313
Other	82,084	-	-	82,084
Total Additions	4,581,240	85,408	41,169	4,707,817
Deductions				
Administrative Expense	783	-	-	783
Benefit Payments and Refunds	4,337,817	-	-	4,337,817
Escheat Securities Returned or Sold	-	-	41,819	41,819
Distributions to Pool Participants	-	1,717	-	1,717
Transfer Out	8,313	-	-	8,313
Other	75	-	(635)	(560)
Total Deductions	4,346,988	1,717	41,184	4,389,889
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	234,252	-	-	234,252
Individuals, Organizations, and Other Governments	-	83,691	(15)	83,676
Net Position - Beginning (as restated)	29,641,227	922,204	608	30,564,039
Net Position - Ending	$ 29,875,479	$ 1,005,895	$ 593	$ 30,881,967

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 142.

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Statement of Net Position
Component Units

June 30, 2015

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-14)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	$ -	$ 10,174	$ 70,291	$ 169,519	$ 249,984
Investments	-	10,957	-	413,528	424,485
Receivables:					
Accounts, Net of Allowances	-	31,109	6,118	52,336	89,563
Loans, Net of Allowances	-	-	-	22,436	22,436
Other	-	1,882	-	2,030	3,912
Due From Other Governments	-	-	8,646	-	8,646
Due From Primary Government	-	-	5,874	1,102	6,976
Restricted Assets	699,499	-	3,020	399,085	1,101,604
Inventories	-	-	-	5,916	5,916
Other Current Assets	-	3,490	212	11,689	15,391
Total Current Assets	699,499	57,612	94,161	1,077,641	1,928,913
Noncurrent Assets:					
Investments	-	119,397	-	78,048	197,445
Accounts, Net of Allowances	-	-	-	30,928	30,928
Loans, Net of Allowances	-	-	-	488,369	488,369
Restricted Assets	4,290,903	-	109,002	94,813	4,494,718
Capital Assets, Net of Accumulated Depreciation	3,260	1,180	344,713	449,449	798,602
Other Noncurrent Assets	-	4,986	-	55,106	60,092
Total Noncurrent Assets	4,294,163	125,563	453,715	1,196,713	6,070,154
Total Assets	4,993,662	183,175	547,876	2,274,354	7,999,067
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	85,603	-	19,291	-	104,894
Unamortized Losses on Bond Refundings	69,903	-	1,999	-	71,902
Related to Pensions	-	2,181	-	4,981	7,162
Other	-	-	-	88	88
Total Deferred Outflows of Resources	155,506	2,181	21,290	5,069	184,046
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	21,288	14,715	16,813	66,164	118,980
Current Portion of Long-Term Obligations	379,814	11,255	6,435	18,368	415,872
Due To Primary Government	-	-	2,926	33,109	36,035
Amount Held for Institutions	-	-	-	320,224	320,224
Other Liabilities	-	27,882	1,779	19,171	48,832
Total Current Liabilities	401,102	53,852	27,953	457,036	939,943
Noncurrent Liabilities:					
Pension Liability	-	44,624	57,359	42,919	144,902
Noncurrent Portion of Long-Term Obligations	3,784,019	119,941	142,271	604,474	4,650,705
Total Noncurrent Liabilities	3,784,019	164,565	199,630	647,393	4,795,607
Total Liabilities	4,185,121	218,417	227,583	1,104,429	5,735,550
Other Deferred Inflows					
Unamortized Investment Earnings	-	1,594	2,049	1,533	5,176
Total Deferred Inflows of Resources	-	1,594	2,049	1,533	5,176
Net Position					
Net Investment in Capital Assets	3,260	1,180	211,150	311,302	526,892
Restricted:					
Debt Service	-	-	7,424	23,814	31,238
Bond Indentures	962,516	-	2,100	-	964,616
Expendable Endowments	-	-	-	96,702	96,702
Nonexpendable Endowments	-	-	-	339,807	339,807
Capital Projects	-	-	102,499	-	102,499
Other Purposes	-	(1,838)	-	71,895	70,057
Unrestricted (Deficit)	(1,729)	(33,997)	16,361	329,941	310,576
Total Net Position	$ 964,047	$ (34,655)	$ 339,534	$ 1,173,461	$ 2,442,387

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/14)	$ 177,765	$ 193,068	$ -	$ -
Connecticut Lottery Corporation	1,149,379	1,144,031	-	-
Connecticut Airport Authority	94,586	89,918	-	13,136
Other Component Units	405,039	339,479	38,315	72,001
Total Component Units	$ 1,826,769	$ 1,766,496	$ 38,315	$ 85,137

General Revenues:
Investment Income
Special Item: Change in Net Position
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 (12-31-14)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
$ 15,303	$ -	$ -	$ -	$ 15,303
-	(5,348)	-	-	(5,348)
-	-	8,468	-	8,468
-	-	-	44,756	44,756
15,303	(5,348)	8,468	44,756	63,179
34,410	7,185	127	5,215	46,937
-	-	-	1,259	1,259
34,410	7,185	127	6,474	48,196
49,713	1,837	8,595	51,230	111,375
914,334	(36,492)	330,939	1,122,231	2,331,012
$ 964,047	$ (34,655)	$ 339,534	$ 1,173,461	$ 2,442,387

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Notes to the Financial Statements
June 30, 2015

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, 2014.

Connecticut Airport Authority (CAA)
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).

Materials, Innovation, and Recycling Authority (MIRA)
MIRA is 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.

Connecticut Student Loan Foundation (CSLF)
CSLF was established as a Connecticut State chartered nonprofit corporation established pursuant to State of Connecticut Statue Chapter 187a for the purpose of improving educational opportunity. CSLF is empowered to achieve this by originating and acquiring student loans and providing appropriate service incident to the administration of programs, which are established to improve educational opportunities. CSLF no longer originates or acquires student loans.

In July 2014, CSLF was statutorily consolidated with CHEFA as a subsidiary and became a quasi-public agency of the State of Connecticut.

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 private 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 (CLC)
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, CSLF, 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.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state their financial operations are reported in the state's financial statements using the fund structure prescribed by GASB.

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 10 and 11.

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 13 and 14.

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

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

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

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

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

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

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers taxes and other revenues to be available if the revenues are collected within 60 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 expense 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 2015 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

Budget Reserve Fund ("Rainy Day Fund")

In accordance with Section 4-30a of the Connecticut State Statues, the State maintains a Budget Reserve ("Rainy Day") Fund. Per section 4-30a after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus, and after any required transfers have been made, the surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Moneys shall be expended only when in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary.

Historically, resources from the Rainy Day Fund have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted. Under the provisions of Section 4-30a of the State Statues, a deposit of $248.5 million was transferred during fiscal year 2015 based on fiscal year 2014 surplus. During fiscal year 2016 a withdrawal of $113.2 million will be made to cover the budgetary shortfall in fiscal year 2015.

After the transfer is made to cover the shortfall in fiscal year 2015 the Budget Reserve Fund will have a balance of $406.0 million. Effective February 28, 2003, the amount on deposit cannot exceed 10 percent of the net General Fund appropriations for the current fiscal year.

f. Assets and Liabilities

Cash and Cash Equivalents (see Note 3)

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 3)

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 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 3)

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 government-wide and 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 liability, OPEB obligation, 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.

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. 18.

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 Nonmajor Fund Deficits

The following funds have deficit fund/net position balances at June 30, 2015, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects	
State Facilities	$ 103,418
Transportation	$ 718
Enterprise	
Bradley Parking Garage	$ 25,544

Note 3 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 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, 2015, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Investment Maturities (in years) Less Than 1
Federal Agency Securities	$ 1,476,285	$ 1,476,285
Bank Commercial Paper	350,000	350,000
US Government Guaranteed or Insured	65,295	65,295
Government Money Market Funds	501,170	501,170
Repurchase Agreements	500,000	500,000
Total Investments	$ 2,892,750	$ 2,892,750

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, 2015, the weighted average maturity of the STIF was 37 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, 2015, the amount of STIF's investments in variable-rate securities was $568 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, 2015, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Quality Ratings AAA	AA	A
Federal Agency Securities	$ 1,476,285	$ -	$ 1,476,285	$ -
Bank Commercial Paper	350,000	-	350,000	-
U.S. Government Guaranteed & Insured Securities	65,295	-	65,295	-
Government Money Market Funds	501,170	501,170	-	-
Repurchase Agreements	500,000	-	250,000	250,000
Total Investments	$ 2,892,750	$ 501,170	$ 2,141,580	$ 250,000

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, 2015, 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	$	673,629
Federal Farm Credit Bank	$	457,890
U.S. Bank	$	350,000
Freddie Mac	$	151,386
Merryl Lynch	$	250,000
Fannie Mae	$	193,379
Morgan Stanley	$	250,001
Western Asset	$	251,169
RBC Capital Markets	$	250,000

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):
The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whose long-term debt is rated at least A- and its issuer rating is at least "C", or backed by a letter of credit issued by a Federal Home Loan bank. As of June 30, 2015, $2,065,000 of the bank balance of STIF's deposits of $2,140,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$	1,202,063
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		862,475
Total	$	2,064,538

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 external 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	$ 110,069	$ 652	$ 29,541,256
Other Investments	2,826	68,570	1,004,995
Total Investments-Current	$ 112,895	$ 69,222	$ 30,546,251

As of June 30, 2015, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 198,784	$ 198,784	$ -	$ -	$ -
Asset Backed Securities	191,411	3,902	161,552	15,533	10,424
Government Securities	2,746,047	149,878	1,086,902	617,616	891,651
Government Agency Securities	725,993	122,431	56,503	6,194	540,865
Mortgage Backed Securities	377,930	10,098	61,452	73,195	233,185
Corporate Debt	3,068,331	803,147	998,896	1,005,421	260,867
Convertible Debt	34,542	1,644	13,963	-	18,935
Total Debt Investments	7,343,038	$ 1,289,884	$ 2,379,268	$ 1,717,959	$ 1,955,927
Common Stock	14,406,676				
Preferred Stock	124,880				
Real Estate Investment Trust	309,747				
Business Development Corporation	80,600				
Mutual Fund	820,291				
Limited Liability Corporation	1,157				
Trusts	583				
Limited Partnerships	6,668,284				
Total Investments	$ 29,755,256				

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, 2015, 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	$ 2,235,451	$ 100	$ 138,598	$ 1,269,100	$ 534,650	$ 233,191	$ 59,812	$ -
Aa	492,201	7,500	2,886	334,515	-	14,683	132,617	-
A	641,373	-	1,486	327,413	-	11,067	301,407	-
Baa	799,566	-	109	454,248	-	11,211	333,202	796
Ba	520,267	-	-	82,170	-	-	428,750	9,347
B	840,172	-	-	36,043	-	-	788,159	15,970
Caa	261,361	-	-	40,775	-	-	220,586	-
Ca	12,769	-	-	3,527	-	-	9,242	-
C	940	-	-	-	-	-	940	-
Prime 1	493,856	-	2,672	-	-	4,798	486,386	-
Prime 2	30,391	-	-	-	-	-	30,391	-
Government fixed not rated	202,429	-	-	11,086	191,343	-	-	-
Non Government fixed not rated	187,170	-	-	187,170	-	-	-	-
Not Rated	625,092	191,184	45,660	-	-	102,980	276,839	8,429
	$ 7,343,038	$ 198,784	$ 191,411	$ 2,746,047	$ 725,993	$ 377,930	$ 3,068,331	$ 34,542

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, 2015, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds

				Fixed Income Securities				Equities		
Foreign Currency	Total	Cash	Cash Equivalent Collateral	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred Stock	Real Estate Investement Trust Fund
Argentine Peso	$ 81	$ 81	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	410,838	999	113	89,266	13,020	-	-	288,175	-	19,265
Brazilian Real	279,997	2,492	-	111,328	1,437	-	-	128,965	35,775	-
Canadian Dollar	84,910	145	43	15,550	-	-	-	66,765	-	2,407
Chilean Peso	2,761	-	-	1,660	-	-	-	1,101	-	-
Colombian Peso	31,645	42	-	26,266	4,684	-	-	653	-	-
Croatian Kuna	86	-	-	-	-	-	-	86	-	-
Czech Koruna	4,158	74	-	-	-	-	-	4,084	-	-
Danish Krone	88,349	686	-	1,241	-	-	-	86,422	-	-
Egyptian Pound	6,662	207	-	-	-	-	-	6,455	-	-
Euro Currecny	1,964,783	(1,610)	-	189,222	6,257	(535)	-	1,727,992	29,649	13,808
Hong Kong Dollar	633,515	1,576	-	-	-	-	-	627,957	-	3,982
Hungarian Forint	24,324	-	-	6,341	-	-	-	17,983	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	3,300	-	-	1,612	1,688	-	-	-	-	-
Indonesian Rupiah	96,094	20	-	42,289	6,442	-	-	47,343	-	-
Israeli Shekel	17,565	404	-	-	-	-	-	17,161	-	-
Japanese Yen	1,339,030	4,395	-	58,669	-	-	-	1,270,735	-	5,231
Malaysian Ringgit	84,282	451	-	63,042	-	-	-	20,789	-	-
Mexican Peso	198,235	1,980	-	159,361	4,268	-	-	29,454	-	3,172
Moroccan Dirham	62	-	-	-	-	-	-	62	-	-
New Turkish Lira	201,272	11	-	41,199	-	-	-	159,454	-	608
New Zealand Dollar	110,084	929	-	96,223	-	-	-	12,932	-	-
Nigerian Naira	2,698	-	-	2,698	-	-	-	-	-	-
Norwegian Krone	60,802	1,325	-	14,124	-	-	-	45,353	-	-
Peruvian Nouveau Sol	1,864	-	-	1,864	-	-	-	-	-	-
Philippine Peso	65,375	17	-	3,444	-	-	-	61,914	-	-
Polish Zloty	105,748	81	-	65,666	-	-	-	40,001	-	-
Pound Sterling	1,387,031	1,764	223	200,831	11,298	-	5,805	1,151,938	-	15,172
Romanian Leu	6,293	-	-	6,293	-	-	-	-	-	-
Russian Ruble	26,939	-	-	26,610	329	-	-	-	-	-
Singapore Dollar	91,253	1,344	-	-	-	-	-	83,945	-	5,964
South African Rand	179,454	8	-	80,084	-	-	-	99,362	-	-
South Korean Won	299,880	148	-	-	-	-	-	289,596	10,136	-
Sri Lanka Rupee	78	-	-	-	-	-	-	78	-	-
Swedish Krona	183,098	942	-	6,746	-	-	-	175,410	-	-
Swiss Franc	452,525	(554)	-	-	-	-	-	453,079	-	-
Thailand Baht	114,855	236	-	13,615	-	-	-	101,004	-	-
Uganda Shilling	2,159	-	-	2,159	-	-	-	-	-	-
Uruguayan Peso	3,357	-	-	3,357	-	-	-	-	-	-
	$ 8,565,444	$ 18,195	$ 379	$ 1,330,760	$ 49,423	$ (535)	$ 5,805	$ 7,016,248	$ 75,560	$ 69,609

Derivatives

As of June 30, 2015, the CIFS held the following derivative investments (amounts in thousands):

Derivative Investments	Fair Value
Adjustable Rate Securities	$ 505,870
Asset Backed Securities	191,498
Mortgage Backed Securities	277,288
Collateralized Mortgage Obligations	100,623
TBA's	190,181
Interest Only Securities	740
Options	(306)
Total	$ 1,265,894

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, 2015, the fair value of contracts to buy and contracts to sell was $8.4 billion and $8.3 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, 2015, the CIFS had deposits with a bank balance of $31.0 million which was uninsured and uncollateralized.

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

Other Investments

As of June 30, 2015, 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	$ 21,080	$ -	$ 6,780	$ 14,300	$ -
U.S. Government and Agency Securities	350,209	101,380	10,929	236,776	1,124
Guaranteed Investment Contracts	147,829	11,735	29,830	47,930	58,334
Money Market Funds	8,301	8,301	-	-	-
Total Debt Investments	527,419	$ 121,416	$ 47,539	$ 299,006	$ 59,458
Endowment Pool	11,611				
Corporate Stock	2,850				
Limited Partnership	150				
Total Investments	$ 542,030				

Credit Risk

As of June 30, 2015, 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	$ 21,080	$ 21,080	$ -	$ -
U.S. Government and Agency Securities	261,116	261,116	-	-
Guaranteed Investment Contracts	147,829	35,952	111,877	-
Money Market Funds	8,301	-	-	8,301
Total	$ 438,326	$ 318,148	$ 111,877	$ 8,301

Connecticut State Universities reported $89 million as U.S. Government Securities, these securities have no credit risk therefore, these securities are not included in the above table.

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, 2015, $660,444 of the bank balance of the Primary Government of $664,623 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 55,181
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	605,263
Total	$ 660,444

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-14 and 6-30-15, 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	$ 863	$ -	$ -	$ 863	$ -
Fidelity Funds	6,114	6,114	-	-	-
GNMA & FNMA Program Assets	621,231	-	-	-	621,231
Mortgage Backed Securities	878	-	-	150	728
Municipal Bonds	42,164	201	1,191	1,567	39,205
U.S. Government Agency Securities	928	-	-	-	928
Structured Securities	690	-	-	-	690
Fidelity Tax Exempt Fund	3,333	3,333	-	-	-
Total Debt Investments	676,201	$ 9,648	$ 1,191	$ 2,580	$ 662,782
Annuity Contracts	130,354				
Total Investments	$ 806,555				

The CHFA and the CLC own 83.8 percent and 16.2 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 12-31-14 as follows (amounts in thousands):

Component Units

	Fair	Quality Ratings		
Investment Type	Value	CCC	D	Unrated
Collateralized Mortgage Obligations	$ 863	$ 863	$ -	$ -
Fidelity Tax Exempt Fund	3,333	-	-	3,333
Municipal Bonds	42,164	-	-	42,164
Structured Securities	690	-	690	-
Total	$ 47,050	$ 863	$ 690	$ 45,497

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, 2014, 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 and FNMA 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' Agent is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

During the year, the Agent lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The Agent 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 102 percent of the market value of the domestic loaned securities or 105 percent of the market value of foreign loaned securities.

According to the Agreement, the Agent 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 or 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 $1,866.8 million and $1,826.0 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 23.22 days and an average weighted maturity of 44.83 days.

Note 4 Receivables-Current
As of June 30, 2015, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,393,705	$ -	$ -
Accounts	1,180,329	644,856	89,883
Loans-Current Portion	-	314,318	22,436
Other Governments	434,667	10,892	8,646
Interest	1,296	5,282	599
Other (1)	4,181	2,859	3,313
Total Receivables	3,014,178	978,207	124,877
Allowance for Uncollectibles	(878,317)	(115,566)	(320)
Receivables, Net	$ 2,135,861	$ 862,641	$ 124,557

(1) Includes a reconciling amount of $4,180 million from fund financial statements to government-wide financial statements.

Note 5 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2015 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 584,122	$ -	$ 584,122
Income Taxes	433,141	-	433,141
Corporations	8,823	-	8,823
Gasoline and Special Fuel	-	44,527	44,527
Various Other	323,092	-	323,092
Total Taxes Receivable	1,349,178	44,527	1,393,705
Allowance for Uncollectibles	(129,005)	(215)	(129,220)
Taxes Receivable, Net	$ 1,220,173	$ 44,312	$ 1,264,485

Note 6 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2015, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 30,928
Loans	687,334	840,143	640,935
Total Receivables	687,334	840,143	671,863
Allowance for Uncollec	(14,361)	(5,035)	(152,566)
Receivables, Net	$ 672,973	$ 835,108	$ 519,297

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 $738.1 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 $103.0 million.

Note 7 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2015, 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	$ 668,426	$ -	$ -	$ -	$ 668,426
Total-Governmental Activities	$ 668,426	$ -	$ -	$ -	$ 668,426
Business-Type Activities:					
UConn/Health Center	$ 222,663	$ -	$ -	$ -	$ 222,663
Clean Water	177,238	158,833	-	-	336,071
Other Proprietary	56,077	12,562	-	-	68,639
Total-Business-Type Activities	$ 455,978	$ 171,395	$ -	$ -	$ 627,373
Component Units:					
CHFA	$ 539,457	$ 666,553	$ 3,534,954	$ 99,438	$ 4,840,402
CAA	109,934	-	-	2,088	112,022
Other Component Units	457,168	-	21,787	14,943	493,898
Total-Component Units	$ 1,106,559	$ 666,553	$ 3,556,741	$ 116,469	$ 5,446,322

Note 8 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2015, 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	$ 163,629	$ 182,150	$ -	$ -	$ 345,779
Transportation	12,938	10,318	-	-	23,256
Restricted Accounts	201,486	9,573	-	-	211,059
Grants and Loans	12,071	102	-	1,003	13,176
Other Governmental	62,567	6,813	-	-	69,380
Internal Service	1,047	858	-	-	1,905
Reconciling amount from fund financial statements to government-wide financial statements	-	-	192,795	4,162	196,957
Total-Governmental Activities	$ 453,738	$ 209,814	$ 192,795	$ 5,165	$ 861,512
Business-Type Activities:					
UConn/Health Center	$ 99,494	$ 73,250	$ -	$ 33,982	$ 206,726
State Universities	18,165	38,815	2,336	-	59,316
Other Proprietary	12,734	23,347	11,828	14,564	62,473
Total-Business-Type Activities	$ 130,393	$ 135,412	$ 14,164	$ 48,546	$ 328,515
Component Units:					
CHFA	$ -	$ -	$ 15,169	$ 6,119	$ 21,288
Connecticut Lottery Corporation	2,224	3,231	1,882	7,378	14,715
Connecticut Airport Authority	7,004	4,147	1,284	4,378	16,813
Other Component Units	6,846	-	998	58,320	66,164
Total-Component Units	$ 16,074	$ 7,378	$ 19,333	$ 76,195	$ 118,980

Note 9 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	$ 1,686,533	$ 23,006	$ 522	$ 1,709,017
Construction in Progress	3,465,057	1,130,658	930,875	3,664,840
Total Capital Assets not being Depreciated	5,151,590	1,153,664	931,397	5,373,857
Capital Assets being Depreciated:				
Buildings	4,005,874	378,146	87,319	4,296,701
Improvements Other than Buildings	443,034	21,624	1,632	463,026
Equipment	2,548,252	304,468	116,516	2,736,204
Infrastructure	13,824,648	482,714	-	14,307,362
Total Other Capital Assets being Depreciated	20,821,808	1,186,952	205,467	21,803,293
Less: Accumulated Depreciation For:				
Buildings	1,772,065	107,415	87,319	1,792,161
Improvements Other than Buildings	285,250	22,992	1,632	306,610
Equipment	2,475,882	315,104	116,516	2,674,470
Infrastructure	8,900,576	472,092	-	9,372,668
Total Accumulated Depreciation	13,433,773	917,603	205,467	14,145,909
Other Capital Assets, Net	7,388,035	269,349	-	7,657,384
Governmental Activities, Capital Assets, Net	$ 12,539,625	$ 1,423,013	$ 931,397	$ 13,031,241

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 5,634
General Government	53,264
Regulation and Protection	33,959
Conservation and Development	14,048
Health and Hospitals	13,884
Transportation	666,663
Human Services	1,852
Education, Libraries and Museums	42,467
Corrections	51,891
Judicial	18,958
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	14,983
Total Depreciation Expense	$ 917,603

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 67,788	$ 286	$ 2	$ 68,072
Construction in Progress	510,620	476,775	270,224	717,171
Total Capital Assets not being Depreciated	578,408	477,061	270,226	785,243
Capital Assets being Depreciated:				
Buildings	4,502,086	307,364	22,503	4,786,947
Improvements Other Than Buildings	363,146	10,351	210	373,287
Equipment	968,935	82,540	56,264	995,211
Infrastructure	-	-	-	-
Total Other Capital Assets being Depreciated	5,834,167	400,255	78,977	6,155,445
Less: Accumulated Depreciation For:				
Buildings	1,795,044	139,742	15,556	1,919,230
Improvements Other Than Buildings	191,988	15,123	24	207,087
Equipment	644,339	67,902	49,315	662,926
Total Accumulated Depreciation	2,631,371	222,767	64,895	2,789,243
Other Capital Assets, Net	3,202,796	177,488	14,082	3,366,202
Business-Type Activities, Capital Assets, Net	$ 3,781,204	$ 654,549	$ 284,308	$ 4,151,445

Component Units

Capital assets of the component units consisted of the following as of June 30, 2015 (amounts in thousands):

Land	$ 58,225
Buildings	724,863
Improvements other than Buildings	321,925
Machinery and Equipment	534,498
Construction in Progress	17,558
Total Capital Assets	1,657,069
Accumulated Depreciation	858,467
Capital Assets, Net	$ 798,602

Note 10 State Retirement Systems

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS)-consisting of Tier I (contributory), Tier II (noncontributory) Tier IIA (contributory) and Tier III (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS). The three plans in this note do not issue separate financial statements, nor are they reported as a part of other entities. The financial statements and other required information are presented in Note 12 and in the Required Supplementary Information (RSI) section of the CAFR.

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 non-voting 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.

Special Funding Situation

The employer contributions for the Teachers' Retirement System (TRS) are funded by the State on behalf of the participating municipal employers. Therefore, these employers are considered to be in a special funding situation and the State is treated as a non-employer contributing entity as defined by GASB 68. As a result, the State reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses. Additionally, the autonomous Component Units that benefit from the services provided by employees of the State are considered, as defined by GASB 68 as non-employer contributing entities. As such they report a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of being statutorily required to contribute to SERS.

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	13,011	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 allowances, 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 allowances 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/III 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 allowances 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. 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 allowances 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%	21.0%	5.8%	16.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	18.0%	6.6%	14.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%	9.0%	8.3%	7.0%	8.3%
Real Estate	7.0%	5.1%	7.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	11.0%	7.6%	10.0%	7.6%
Alternative Investment	8.0%	4.1%	8.0%	4.1%	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%	7.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	5.0%	3.9%	14.0%	3.9%
Emerging Market Bond	4.0%	3.7%	5.0%	3.7%	8.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	3.0%	1.0%	5.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%	3.0%	0.4%

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.

***Rate of Return*:** For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 15.6, 15.7, and 13.7 percent for SERS, TRS, and JRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

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%

Deferred Retirement Option Program (DROP)

Section 10-183v of the General 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.

As of June 30, 2015 the balance held for the DROP was not available from the Teachers' Retirement Board.

Discount Rate

The discount rate used to measure the total pension liability was 8.0, 8.5, and 8.0 percent 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 millions):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
SERS Net Pension Liability	$ 19,103	$ 16,014	$ 13,416
TRS Net Pension Liability	$ 12,942	$ 10,141	$ 7,761
JRS Net Pension Liability	$ 199	$ 164	$ 134

GASB Statement 68 Employer Reporting
Employer Contributions

The following table presents the primary government's and component units' contributions recognized by the pension plans at the measurement date June 30, 2014 (amounts in thousands):

	SERS	TRS	JRS	Total
Primary Government	$ 1,257,085	$ 948,540	$ 16,298	$ 2,221,923
Component Units	11,805	-	-	11,805
Total Employer Contributions	$ 1,268,890	$ 948,540	$ 16,298	$ 2,233,728

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the reporting date June 30, 2015, the primary government and component units reported net pension liabilities for the following plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Proportionate Share of the Net Pension Liability		
State Employees' Retirement System	$ 15,865,384	$ 148,982
Net Pension Liability		
Teachers' Retirement System	10,141,454	-
Judicial Retirement System	163,993	-
Total Net Pension Liability	$ 26,170,831	$ 148,982

The primary government's and component units' proportions of the collective net pension liability for the State Employees' Retirement System as of the measurement date June 30, 2014 as follows (amounts in thousands):

	Primary Government	Component Units
State Employees' Retirement System		
Proportion-June 30, 2014	99.07%	0.93%

For the reporting year ended June 30, 2015, the primary government and component units' recognized pension expense for the following pension plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Pension Expense		
State Employees' Retirement System	$ 1,258,138	$ 11,815
Teachers' Retirement System	775,485	-
Judicial Retirement System	9,043	-
Total	$ 2,042,666	$ 11,815

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
State Employees' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ 566,620	$ -	$ 5,322
Employer Contributions Subsequent to Measurement Date	1,358,986	-	12,663	-
Total	$ 1,358,986	$ 566,620	$ 12,663	$ 5,322
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ 856,674		
Employer Contributions Subsequent to Measurement Date	984,110	-		
Total	$ 984,110	$ 856,674		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ -		
Employer Contributions Subsequent to Measurement Date	17,731	-		
Total	$ 17,731	$ -		

The amount reported as deferred outflows of resources related to pensions resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability reported in the following fiscal year. The amount reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

State Employees' Retirement System

Year Ending June 30	Primary Government	Component Units
2016	$ 141,655	$ 1,330
2017	141,655	1,330
2018	141,655	1,330
2019	141,657	1,330
	$ 566,622	$ 5,320

Teachers' Retirement System

Year Ending June 30	Primary Government
2016	$ 214,169
2017	214,169
2018	214,169
2019	214,167
	$ 856,674

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	6/30/14	6/30/14	6/30/14
Inflation	2.75%	3.0%	2.75%
Salary Increases	4.00%-20.00%	3.75%-7.00%	4.75%
Investment Rate of Return	8.00%	8.5%	8.00%

The actuarial assumptions used in the June 30, 2014 SERS and JRS reported mortality rates based on the RP-2000 Mortality Table projected with the scale AA using 15 years for males and 25 years for females, set back 2 and 1 years respectively, for periods after service retirement and 55% (men) and 80% (women) for periods after disability retirement thus providing approximately a 13% margin in the assumed rates.

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.

Changes in Net Pension Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2014 (amounts in thousands):

Total Pension Liability	**SERS**	**TRS**	**JRS**
Service Cost	$ 287,473	$ 347,198	$ 7,539
Interest	1,998,736	2,105,069	26,301
Benefit payments	(1,566,964)	(1,737,144)	(21,668)
Net change in total pension liability	719,245	715,123	12,172
Total pension liability - beginning (a)	25,767,688	25,634,086	339,601
Total pension liability - ending (c)	**$ 26,486,933**	**$ 26,349,209**	**$ 351,773**
Plan fiduciary net position			
Contributions - employer	$ 1,268,890	$ 948,540	$ 16,298
Contributions - member	144,807	261,213	1,641
Net investment income	1,443,391	2,277,550	23,156
Benefit payments	(1,566,964)	(1,737,144)	(21,668)
Other	-	(5,307)	-
Net change in plan fiduciary net position	1,290,124	1,744,852	19,427
Plan net position - beginning (b)	9,182,443	14,462,903	168,353
Plan net position - ending (d)	**$ 10,472,567**	**$ 16,207,755**	**$ 187,780**
Net pension liability - beginning (a)-(b)	**$ 16,585,245**	**$ 11,171,183**	**$ 171,248**
Net pension liability - ending (c)-(d)	**$ 16,014,366**	**$ 10,141,454**	**$ 163,993**

Defined Contribution Plan

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

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed $35.4 million and $.9 million, respectively.

Note 11 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 (MERS) 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 MERS and CPJERS are presented in Note No. 12.

Plan Descriptions and Funding Policy

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

	MERS 6/30/2014	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

MERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Pension plan assets are pooled and the plan assets can be used to pay the pensions of the retirees of any participating employer. 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.

Funding Policy
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.

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.

	MERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	16.0%	5.8%
Developed Non-U.S. Equities	14.0%	6.6%
Emerging Markets (Non-U.S.)	7.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	10.0%	7.6%
Alternative Investment	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%
High Yield Bonds	14.0%	3.9%
Emerging Market Bond	8.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%
Cash	3.0%	0.4%

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.

Net Pension Liability of Participating Employers
The components of the net pension liability for MERS at June 30, 2014 were as follows (amounts in millions):

	MERS
Employers' Total Pension Liability	$ 2,501
Fiduciary Net Position	2,263
Employers' Net Pension Liability	$ 238
Ratio of Fiduciary Net Position to Total Pension Liability	90.48%

Discount Rate
The discount rate used to measure the total pension liability was 8 percent for MERS. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all period 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 MERS, calculated using the discount rate of 8 percent as well as what the net pension liability 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 millions):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
Net Pension Liability	$ 544	$ 238	$ (20)

Net difference between projected and actual investment earnings on pension plan investments
Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. The collective amount of the net difference between projected and actual investment earnings as of June 30, 2014 compared to the plan's expected rate of return of 8 percent was $107,180,000. The first year amortization of $21,436,000 is recognized as pension expense and the remaining amount is shown as a deferred inflow of resources. Each employer's proportional share of these collective amounts is presented on the schedules of pension amounts by employer.

Deferred outflows and deferred inflows of resources
The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows (amounts in thousands):

	Collective Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ 85,744

Amounts recognized in subsequent fiscal years:

2015	$ 21,436
2016	21,436
2017	21,436
2018	21,436

The above amounts do not include the deferred outflows/inflows of resources for employer contributions made subsequent to the measurement date. These amounts should be calculated and recorded by each participating employer.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2014 is as follows (amounts in thousands):

Service Cost	$ 59,763
Interest on the total pension liability	185,379
Member Contributions	(18,998)
Projected earnings on plan investments	(150,628)
Expensed portion of current period differences between projected and actual earnings on plan investments	(21,436)
Other	(13)
Collective Pension Expense	$ 54,067

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 date:

Inflation	3.25%
Salary increase	4.25-11.0%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

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 Statutes. 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.

Funding

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.

Pension Liability

Information concerning the CPJERS total pension liability and significant assumptions used to measure the plans total pension liability, such as inflation, salary changes, discount rates and mortality are available by contacting the State Comptroller's Retirement Division.

Note 12 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. As of June 30, 2015 the Fiduciary Fund financial statements were as follows (amounts in thousands):

Statement of Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	$ 4	$ 8,248	$ 12	$ 4,387	$ -	$ 314	$ 12,965
Receivables:							
Accounts, Net of Allowances	6,159	9,614	8	9,151	4	-	24,936
From Other Governments	-	1,444	-	-	-	-	1,444
From Other Funds	19	3	-	1	-	-	23
Interest	297	638	3	45	2	-	985
Investments	10,662,217	16,109,803	189,523	2,200,632	89,152	1,522	29,252,849
Securities Lending Collateral	681,850	986,457	13,352	154,923	6,559	130	1,843,271
Noncurrent:							
Due From Employers	-	-	-	240,962	-	-	240,962
Total Assets	11,350,546	17,116,207	202,898	2,610,101	95,717	1,966	31,377,435
Liabilities							
Accounts Payable and Accrued Liabilities	$ 41	$ 8,040	$ -	$ -	$ -	$ -	$ 8,081
Securities Lending Obligation	681,850	986,458	13,352	154,923	6,559	130	1,843,272
Due to Other Funds	-	1,656	-	-	17	-	1,673
Total Liabilities	681,891	996,154	13,352	154,923	6,576	130	1,853,026
Net Position							
Held in Trust For Employee							
Pension Benefits	10,668,655	16,120,053	189,546	2,455,178	89,141	1,836	29,524,409
Total Net Assets	$ 10,668,655	$ 16,120,053	$ 189,546	$ 2,455,178	$ 89,141	$ 1,836	$ 29,524,409

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	$ 187,339	$ 228,100	$ 1,791	$ 16,726	$ 235	$ 43	$ 434,234
State	1,371,649	984,110	17,731	-	-	-	2,373,490
Municipalities	-	-	-	113,515	-	-	113,515
Total Contributions	1,558,988	1,212,210	19,522	130,241	235	43	2,921,239
Investment Income	328,107	503,807	5,330	61,584	2,453	26	901,307
Less: Investment Expenses	(33,126)	(50,865)	(539)	(6,217)	(248)	(2)	(90,997)
Net Investment Income	294,981	452,942	4,791	55,367	2,205	24	810,310
Transfer In	-	8,313	-	-	-	-	8,313
Other	244	62,570	-	-	1,370	-	64,184
Total Additions	1,854,213	1,736,035	24,313	185,608	3,810	67	3,804,046
Deductions							
Administrative Expense	783	-	-	-	-	-	783
Benefit Payments and Refunds	1,657,585	1,823,737	22,552	132,670	4,925	-	3,641,469
Other	-	-	-	49	-	-	49
Total Deductions	1,658,368	1,823,737	22,552	132,719	4,925	-	3,642,301
Changes in Net Assets	195,845	(87,702)	1,761	52,889	(1,115)	67	161,745
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year (as restated)	10,472,810	16,207,755	187,785	2,402,289	90,256	1,769	29,362,664
End of Year	$ 10,668,655	$ 16,120,053	$ 189,546	$ 2,455,178	$ 89,141	$ 1,836	$ 29,524,409

Note 13 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. 14.

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	$ 1,513,336	$ 125,620
Interest on Net OPEB Obligation	399,381	36,881
Adjustment to Annual Required Contribution	(371,050)	(44,326)
Annual OPEB Cost	1,541,667	118,175
Contributions Made	546,284	25,145
Increase in net OPEB Obligation	995,383	93,030
Net OPEB Obligation - Beginning of Year	7,006,676	887,838
Net OPEB Obligation - End of Year	$ 8,002,059	$ 980,868

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				
	2015	$ 1,541,667	35.4%	$ 8,002,059
	2014	$ 1,560,006	33.0%	$ 7,006,676
	2013	$ 1,316,612	41.2%	$ 5,961,366
RTHP				
	2015	$ 118,175	21.3%	$ 980,868
	2014	$ 192,851	13.5%	$ 887,838
	2013	$ 179,620	15.1%	$ 720,942

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	23 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. 14.

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, 2014 there were 9 municipalities participating in the plan with a total membership of 591 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 14 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 Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Surviors' Benefits	Total
Assets				
Cash and Cash Equivalents	$ -	$ 95,357	$ 53	$ 95,410
Receivables:				
Accounts, Net of Allowances	-	-	-	-
From Other Funds	(8)	1,662	-	1,654
Interest	-	-	1	1
Investments	260,310	-	28,097	288,407
Securities Lending Collateral	15,430	-	1,857	17,287
Total Assets	$ 275,732	$ 97,019	$ 30,008	$ 402,759
Liabilities				
Accounts Payable and Accrued Liabilit	$ 26,501	$ 3,738	$ -	$ 30,239
Securities Lending Obligation	15,430	-	1,857	17,287
Due To Other Funds	4,163	-	-	4,163
Total Liabilities	46,094	3,738	1,857	51,689
Net Position				
Held in Trust For Other				
Postemployment Benefits	229,638	93,281	28,151	351,070
Total Net Assets	$ 229,638	$ 93,281	$ 28,151	$ 351,070

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

	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 93,277	$ 85,517	$ 523	$ 179,317
State	546,284	25,145	-	571,429
Municipalities	-	-	766	766
Total Contributions	639,561	110,662	1,289	751,512
Investment Income	7,620	156	862	8,638
Less: Investment Expenses	(769)	-	(87)	(856)
Net Investment Income	6,851	156	775	7,782
Other	15,368	2,532	-	17,900
Total Additions	661,780	113,350	2,064	777,194
Deductions				
Administrative Expense	-	-	-	-
Benefit Payments and Refunds	582,157	113,087	1,104	696,348
Transfer Out	-	8,313	-	8,313
Other	26	-	-	26
Total Deductions	582,183	121,400	1,104	704,687
Changes in Net Assets	79,597	(8,050)	960	72,507
Net Position Held in Trust For Other Postemployment Benefits:				
Beginning of Year	150,041	101,331	27,191	278,563
End of Year	$ 229,638	$ 93,281	$ 28,151	$ 351,070

Note 15 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):

2016	$ 40,342
2017	39,253
2018	32,483
2019	31,792
2020	32,096
Thereafter	86,948
Total	$ 262,914

Contingent revenues for the year ended June 30, 2015, were $199 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2015, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2016	$ 92,437	$ 7,721
2017	18,181	6,537
2018	9,308	6,142
2019	14,675	5,674
2020	6,868	4,700
2021-2025	4,337	6,161
2026-2030	-	6,102
2031-2036	-	1,215
Total minimum lease payments	$ 145,806	44,252
Less: Amount representing interest costs		8,884
Present value of minimum lease payments		$ 35,368

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, 2015, were $92.4 million.

Note 16 Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2015, (amounts in thousands):

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Bonds:					
General Obligation	$ 15,281,579	$ 2,736,220	$ 1,615,262	$ 16,402,537	$ 1,212,674
Transportation	3,771,260	731,545	413,265	4,089,540	256,845
	19,052,839	3,467,765	2,028,527	20,492,077	1,469,519
Plus/(Less) Premiums	1,195,127	386,856	164,811	1,417,172	150,488
Total Bonds	20,247,966	3,854,621	2,193,338	21,909,249	1,620,007
Long-Term Notes	580,775	461,610	522,110	520,275	167,690
Other L/T Liabilities: [1]					
Net Pension Liability (Note 11) [2]	27,773,383	4,362,297	5,964,849	26,170,831	-
Net Pension Obligation	2,559,621		2,559,621	-	-
Net OPEB Obligation	7,763,060	1,659,843	439,977	8,982,926	-
Compensated Absences	513,333	32,233	46,562	499,004	42,414
Workers' Compensation	619,578	137,770	106,164	651,184	103,675
Capital Leases	37,820	3,036	5,488	35,368	6,060
Claims and Judgments	46,151	38,576	9,140	75,587	31,149
Landfill Post Closure Care	35,751	8,009	8,575	35,185	-
Liability on Interest Rate Swaps	8,700	-	5,339	3,361	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	39,358,102	6,241,764	9,145,715	36,454,151	183,298
Governmental Activities Long-Term Liabilities [2]	$ 60,186,843	$ 10,557,995	$ 11,861,163	$ 58,883,675	$ 1,970,995

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

2. The beginning totals are restated by the effect of roll-back procedures pertaining to reporting the net pension liability following the guidance of GASB No. 68 as of the June 30, 2014 measurement date.

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Revenue Bonds	$ 1,212,681	$ 265,696	$ 121,598	$ 1,356,779	$ 110,096
Plus/(Less) Premiums and Discounts	84,548	27,731	1,542	110,737	1,486
Total Revenue Bonds	1,297,229	293,427	123,140	1,467,516	111,582
Compensated Absences	166,577	59,666	40,153	186,090	55,533
Federal Loans Payable	433,569	60,606	391,121	103,054	-
Other	301,886	60,423	11,678	350,631	13,719
Total Other Liabilities	902,032	180,695	442,952	639,775	69,252
Business-Type Long-Term Liabilities	$ 2,199,261	$ 474,122	$ 566,092	$ 2,107,291	$ 180,834

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $34.9 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, 2015, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2015	Amounts due within year
Bonds Payable	$ 4,532,155	$ 356,199
Escrow Deposits	189,900	47,520
Closure of Landfills	-	-
Annuities Payable	130,652	11,255
Rate swap liability	183,246	-
Net Pension Liability	148,982	-
Other	30,624	898
Total	$ 5,215,559	$ 415,872

Landfill Closure and Postclosure Care

Public Act 13-247 and section 99 of Public Act 13-184 required the Materials Innovation and Recycling 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). 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.

During the year ended June 30, 2015, all work associated with the closure of the Hartford landfill was completed. DEEP assumed the obligation to reimburse the authority for all postclosure care work for the Hartford landfill upon the landfill being certified as closed. All landfill expense reimbursements paid by DEEP totaled $112,000 in FY2015.

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.

Note 17 Long-Term Notes and Bonded Debt

a. Bond Anticipation Notes

In February 2015 the State issued General Obligation 2015 series A Bond Anticipation Notes (BANS) to restore fund balances in its Capital Project Funds that had fallen below expectations just prior to the completion of a public debt offering one month later. All BANS were retired upon the $400 million issuance of General Obligation 2015 series A bonds on March 13, 2015.

b. 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 at the end of the fiscal year.

Total Economic Recovery and VRO Notes outstanding at June 30, 2015 were $520.3 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, 2015 were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 167,690	$ 18,570	$ 186,260
2017	175,465	9,360	184,825
2018	177,120	3,958	181,078
Total	$ 520,275	$ 31,888	$ 552,163

c. 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, 2015, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2016-2035	1.00-5.75%	$ 2,731,827	$ 870,919
School Construction	2016-2035	1.00-5.750%	4,680,451	5
Municipal & Other Grants & Loans	2016-2035	0.713-5.632%	2,083,597	832,966
Housing Assistance	2016-2031	0.25-5.460%	335,245	203,753
Elimination of Water Pollution	2016-2031	2.91-5.09%	214,914	351,208
General Obligation Refunding	2016-2038	1.50-5.50%	3,384,252	-
GAAP Conversion	2016-2027	1.00-5.00%	560,430	151,500
Pension Obligation	2016-2032	4.55-6.27%	2,230,543	-
Miscellaneous	2016-2034	3.00-5.125%	86,340	41,701
			16,307,599	$ 2,452,052
Accretion-Various Capital Appreciation Bonds			94,938	
		Total	$ 16,402,537	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,212,674	$ 734,445	$ 1,947,119
2017	1,165,498	690,011	1,855,509
2018	1,144,193	643,884	1,788,077
2019	1,078,001	593,026	1,671,027
2020	1,039,125	548,177	1,587,302
2021-2025	4,936,353	2,340,309	7,276,662
2026-2030	3,886,270	1,008,985	4,895,255
2031-2035	1,839,220	176,500	2,015,720
2036-2040	6,265	422	6,687
Total	$ 16,307,599	$ 6,735,759	$ 23,043,358

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, 2015, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure				
Improvements	2016-2034	2.00-5.740%	$ 4,089,540	$ 3,027,462
			4,089,540	$ 3,027,462
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 4,089,540	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 256,845	$ 195,687	$ 452,532
2017	249,260	184,219	433,479
2018	254,900	172,593	427,493
2019	247,795	160,738	408,533
2020	246,625	148,754	395,379
2021-2025	1,207,280	568,070	1,775,350
2026-2030	1,071,840	275,894	1,347,734
2031-2035	554,995	55,203	610,198
	$ 4,089,540	$ 1,761,158	$ 5,850,698

d. 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, 2015, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2015-2030	1.5-5.5%	$ 118,974
State Universities	2015-2036	2.0-6.0%	322,630
Clean Water	2015-2031	1.0-5.0%	799,931
Drinking Water	2015-2028	2.0-5.0.%	82,234
Bradley Parking Garage	2015-2024	6.5-6.6%	33,010
Total Revenue Bonds			1,356,779
Plus/(Less) premiums and discounts:			
Uconn			20,828
Clean Water			80,554
Other			9,355
Revenue Bonds, net			$ 1,467,516

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, 2015, $33.0 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, 2015, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 110,095	$ 58,077	$ 168,172
2017	95,758	55,823	151,581
2018	87,345	51,804	139,149
2019	86,190	48,090	134,280
2020	93,840	44,108	137,948
2021-2025	394,257	160,982	555,239
2026-2030	325,764	75,023	400,787
2031-2035	162,465	15,349	177,814
2036	1,065	21	1,086
Total	$ 1,356,779	$ 509,277	$ 1,866,056

e. Component Units

Component Units' revenue bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2016-2055	0.15-5.50%	$ 3,801,418
CT Student Loan Foundation	2016-2047	0.00-1.671%	312,100
CT Higher Education Supplemental Loan Authority	2016-2036	0.40-5.25%	154,090
CT Airport Authority	2016-2032	%/1 mth libor	129,415
CT Regional Development Authority	2016-2034	1.00-7.00%	89,015
UConn Foundation	2016-2029	1.90-5.00%	25,510
CT Inovations Inc.	2016-2020	4.90-5.25%	2,760
Total Revenue Bonds			4,514,308
Plus/(Less) premiums and discounts:			
CHFA			17,457
CSLF			(874)
CHESLA			1,588
CRDA			(324)
Revenue Bonds, net			$ 4,532,155

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 $2.8 million in General Obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72, a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2014, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $3,222.9 million, $60.5 million, and $385.4 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 $235.6 million per the resolution and $4.6 million per the indenture at 12/31/14. As of December 31, 2014, the Authority has entered into interest rate swap agreements for $807.4 million of its outstanding 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, 2015, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 133,524	$ 105,994	$ 239,518
2017	141,663	105,712	247,375
2018	145,054	103,282	248,336
2019	150,844	99,854	250,698
2020	195,987	107,578	303,565
2021-2025	810,474	427,755	1,238,229
2026-2030	848,182	322,821	1,171,003
2031-2035	905,091	198,362	1,103,453
2036-2040	647,784	102,708	750,492
2041-2045	279,128	73,514	352,642
2046-2050	226,492	29,093	255,585
2051-2055	29,460	5,984	35,444
2056-2060	625	-	625
	$ 4,514,308	$ 1,682,657	$ 6,196,965

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, 2015 were $491.1 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, 2015, were $8,412.2 million, of which $323.5 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, 2015 was $48.8 million. The State may be contingently liable for those bonds that are secured by special capital reserve funds as discussed previously in this section.

f. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of $466.9 million at an average coupon interest rate of 4.77 percent to advance refund $503.9 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 4.83 percent. Although the advance refunding resulted in a $24.7 million accounting loss, the State in effect reduced its aggregate fund level debt service payments by $63.9 million over the next 12 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 $48.7 million.

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.

Additional defeasance occurred during the fiscal year when the State issued General Obligation SIFMA Index bonds and notes totaling $242.4 million at an average coupon variable interest rate of 0.78 percent to advance refund $241.0 million of General Obligation bonds and notes with an average coupon interest rate of 2.4 percent. The resulting cash flow savings on the variable interest rate SIFMA index refunding bonds and notes was $2.2 million.

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, 2015, the outstanding balance of bonds defeased in prior years was approximately $747.7 million.

Note 18 - Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2015, 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	$ (5,340)	Non-current portion of LT Obligation	$ (3,361)	$ 55,620

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, 2015, 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	$	15,620	4/27/2005	6/1/2016	Pay 3.99% receive CPI plus .65%	A3/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%	A3/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	$	55,620				

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, 2015, 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.

Basis Risk
The State's variable-rate bond interest payments are based on the CPI floating rate. As of June 30, 2015 the State receives variable-rate payments from the counterparty based on the same CPI floating rate.

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, 2015, 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		Interest		Interest Rate SWAP, Net		Total
2016	$	15,620	$	1,732	$	945	$	18,297
2017		20,000		1,367		687		22,054
2018		-		690		350		1,040
2019		-		690		350		1,040
2020		20,000		691		349		21,040
	$	55,620	$	5,170	$	2,681	$	63,471

Note 19 Risk Management
The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule 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 6-30-13	$ 587,652	$ 19,889
Incurred claims	135,624	2,435
Paid claims	(103,698)	(449)
Balance 6-30-14	619,578	21,875
Incurred claims	137,770	9,884
Paid claims	(106,164)	(5,009)
Balance 6-30-15	$ 651,184	$ 26,750

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2015, 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	$ -	$ -	$ 44	$ 4	$ 233,274	$ 45,057	$ 17,868	$ 16,401	$ 625	$ 6,681	$ 4,162	$ -	$ 324,116
Debt Service	-	1,267	-	-	-	-	-	-	-	-	-	-	1,267
Restricted Grants & Accounts	2,565	-	-	-	-	-	-	-	-	-	-	6,976	9,541
Grant & Loan Programs	28	-	-	-	-	-	-	-	-	-	-	-	28
Other Governmental	2,069	-	-	-	16,602	154,461	29,386	101,734	-	-	-	-	304,252
UConn	17,604	-	-	-	-	-	-	-	-	-	-	-	17,604
State Universities	4,130	-	-	-	-	-	-	-	-	-	-	-	4,130
Internal Services	22,343	-	-	-	-	-	-	-	-	-	-	-	22,343
Fiduciary	-	-	-	-	4,180	-	-	-	-	-	1,656	-	5,836
Component Units	33,843	-	2,192	-	-	-	-	-	-	-	-	-	36,035
Total	$ 82,582	$ 1,267	$ 2,236	$ 4	$ 254,056	$ 199,518	$ 47,254	$ 118,135	$ 625	$ 6,681	$ 5,818	$ 6,976	$ 725,152

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

Note 21 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)											
Amount transferred from fund(s)	General	Debt Service	Transportation	Restricted Grants & Accounts	Grants & Loan Programs	Other Governmental	UConn	State Universities	Community/ Technical Colleges	Clean Water & DrinkingWater	Fiduciary	Total
General		$ -	$ 41,197	$ 72,611	$ -	$ 61,807	626,807	$ 285,007	$ 287,196	$ -	$ -	$ 1,374,625
Debt Service	-	6,125	6,252	-	-	(9,536)	-	-	-	-	-	2,841
Transportation	-	459,020	-	15,000	-	6,500	-	-	-	-	-	480,520
Restricted Grants & Accounts	31,956	-	-	-	-	-	-	-	-	-	-	31,956
Grants & Loan Programs	123,685	-	-	-	-	-	-	-	-	-	-	123,685
Other Governmental	50,223	-	-	126,283	4,000	15,194	381,501	104,374	53,746	1,031	-	736,352
Employment Security	-	-	-	-	-	12,790	-	-	-	-	-	12,790
Clean Water & Drinking Water	-	-	-	-	-	591	-	-	-	-	-	591
Fiduciary	-	-	-	-	-	-	-	-	-	-	8,313	8,313
Total	$ 205,864	$ 465,145	$ 47,449	$ 213,894	$ 4,000	$ 87,346	$ 1,008,308	$ 389,381	$ 340,942	$ 1,031	$ 8,313	$ 2,771,673

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

Note 22 Restatement of Net Position, Fund Balance Classifications, and Restricted Net Position

Restatement of Net Position

During the fiscal year 2015, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement 68, *Accounting and Financial Reporting for Pensions*

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

GASB Statements 68 and 71 – These Statements create standards for measuring and recognizing liabilities, assets, deferred outflows of resources, deferred inflows of resources, and expenditures for pensions provided to employees of the primary government and its component units. It requires the State to record the State's proportionate share of the net pension liability in the government-wide financial statements and the component unit financial statements.

Governmental activities beginning net deficit was $17.4 billion. Beginning net position of governmental activities was reduced by $25.6 billion on the Statement of Activities as a result of implementing these Statements. See note 11 for further information on pension reporting.

For fiscal year 2015, Component Unit beginning net position was $2.4 billion. As a result of implementing GASB Statements 68 and 71, the beginning net position for the Component Units was reduced $86.6 million on the Statement of Activities resulting in a restated beginning net position of $2.3 billion. This reduction is reported on the Combining Statement of Activities – Component Units as well. The following component units implemented GASB 68 and 71 which resulted in a decrease net position to Connecticut Lottery Corporation of $48.0 million, Connecticut Airport Authority of $54.8 million, Connecticut Innovations, Incorporated of $25.6 million, and Connecticut Green Bank of $14.9 million. The final revision made to Component Units was the addition of the Connecticut Student Loan Foundation as a component unit in fiscal year 2015. This resulted in an increase to Component Unit net position of $56.7 million. The Connecticut Housing Finance Authority (major Component Unit) did not implement GASB 68 and 71 in fiscal year 2015 because it has a fiscal year ending December 31.

During fiscal year 2015, the Municipal Employees' Retirement System (MERS) became aware that employer contributions receivable had not been reported in accordance to GAAP in prior fiscal years. Prior to fiscal year 2015, a receivable for transition liabilities owed to MERS by certain employers that joined the State Rate Pool was not reported.

In the Statement of Changes in Fiduciary Net Position Net Position Held in Trust for Pension Benefits was increased by $226.9 million to reflect the recognition of contributions receivable related to the pre-SLGRP transition liabilities.

Special Items

Special items are significant transactions within the control of management that are either unusual in nature or infrequent in occurrence.

Until 2010, the Connecticut Student Loan Foundation (CSLF) administered the Federal Family Education Loan Program (FFELP) as the State designated guarantee agency. CSLF's responsibilities as a guarantee agency included making claim payments to lenders whose loans it had insured and collecting defaulted loans from borrowers. CSLF transferred its guarantor operations to a third party. CSLF had the right to 50% of collection retention revenues in excess of operating costs on claims paid under the guarantees transferred by CSLF through December 2014.

The Budget Act of 2013 included a provision that reduced the compensation that guaranty agencies receive for rehabilitating a loan from the FFELP beginning July 1, 2014.

Funds which CSLF receive under this special item are restricted and may be used only for the educational purposes as specified and for the benefit of higher educational institutions located in the State and for supporting efforts in the State for the benefit of Connecticut students and their families for college access and completion. Any funds distributed to CSLF are to be distributed on an annual basis within 60 days of the end of each Federal fiscal year by the third party guarantor. Revenue from this special item as of June 30, 2015 was $1,259.

Fund Balance – Restricted and Assigned

As of June 30, 2015 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 56,339	$ -
Environmental Programs	50,146	-
Housing Programs	199,668	-
Employment Security Administration	13,721	-
Banking	14,711	-
Other	89,177	10,594
Total	$ 423,762	$ 10,594

Restricted Net Position

As of June 30, 2015, the government-wide statement of net position reported $3,039 million of restricted net position, of which $278.0 million was restricted by enabling legislation.

Note 23 Related Organizations

The Community Economic Development Fund is a legally separate organization that is related to the State because the State appoints a voting majority of the organization governing board. However, the State's accountability for this organization does not extend beyond making the appointments.

Note 24 New Accounting Pronouncements

In 2015, The State implemented the following statements issued by the Governmental Accounting Standards Board ("GASB").

Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27 (Statement No. 68) – This Statement improves accounting and financial reporting by the State for pension reporting. It also improves information provided by state governmental employers about financial support for pensions that are provided by other entities. 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.

Pension Transition for Contributions Made Subsequent to the Measurement Date (Statement No. 71) – This Statement improves accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions,* concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

Note 25 Commitments and Contingencies

A. Commitments

Primary Government

Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2015, the Departments of Transportation and Construction Services had contractual commitments of approximately $3,689 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $3,129 million.

Clean and drinking water loan programs $652 million.

Various programs and services $3,901 million.

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

Component Units

As of December 31, 2014, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $137.8 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, 2015, the State reported an escheat liability of $395.6 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 $324.3 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 $39 million at June 30, 2015.

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 26 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 2015, the State issued $500 million of General Obligation bonds. The bonds were issued for housing, economic development as well as for other State purposes. The official offering includes 2015 series E $250.0 million nontaxable bonds maturing in 2035 bearing interest rates ranging from 4.0 to 5.0 percent and series B $250.0 million taxable bonds maturing in 2025 bearing interest rates ranging from 1.0 to 3.33 percent.

In October 2015, the State issued $839.8 million of Special Tax Obligation Transportation Infrastructure bonds. The offering includes $700 million of series A which will mature in 2035 bearing interest rates ranging from 3.0 percent to 5.0 percent and $139.8 million of series B refunding bonds maturing in 2027 bearing interest rates ranging from 2.0 to 5.0 percent that will defease other bonds issued at a higher cost.

In December 2015, the State issued $650.0 million of General Obligation bonds. The offering includes $585.0 million of series F, for school construction and other State purposes, which mature in 2034 bearing interest rates ranging from 2.0 to 5.0 percent, and $65.0 million series G "Green Bonds", for water pollution control purposes, which mature in 2035 bearing interest rates ranging from 2.0 to 5.0 percent.

In August 2015 and December 2015, the Connecticut Housing Finance Authority (CHFA) issued Housing Mortgage Finance Program bonds consisting of $160.0 million of series C and $30.1 million of series E bonds respectively, to finance home mortgage loans. Additionally, in May 2015 and in November 2015, CHFA privately placed $35.0 million series B and $75.0 million of series D Housing Mortgage Finance Program refunding bonds with the Federal Home Loan Bank of Dallas. These events occurred after CHFA's fiscal year end of December 31, 2014. In February 2015 CHFA issued $150.0 million series A Housing Mortgage Finance Program bonds, the State added this debt to CHFA's financial statements for fiscal year ending December, 2014.

Required PERS Supplementary Information

Budgetary Comparison Schedule
Required Supplemental Information
General and Transportation Funds

For the Fiscal Year Ended June 30, 2015

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 14,914,700	$ 14,807,500	$ 14,792,350	$ (15,150)
Casino Gaming Payments	278,500	268,000	267,986	(14)
Licenses, Permits, and Fees	256,200	257,600	257,444	(156)
Other	324,400	396,000	390,448	(5,552)
Federal Grants	1,299,600	1,241,200	1,241,244	44
Refunds of Payments	(72,900)	(64,300)	(64,281)	19
Operating Transfers In	443,100	443,300	420,681	(22,619)
Operating Transfers Out	(61,800)	(61,800)	(61,780)	20
Transfer to/from the Resources of the General Fund	76,400	26,200	37,946	11,746
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	17,458,200	17,313,700	17,282,038	(31,662)
Expenditures				
Budgeted:				
Legislative	86,657	86,657	73,563	13,094
General Government	689,334	691,517	661,000	30,517
Regulation and Protection	299,132	307,629	287,252	20,377
Conservation and Development	219,944	221,190	205,811	15,379
Health and Hospitals	1,803,282	1,799,971	1,785,337	14,634
Transportation	-	-	-	-
Human Services	3,050,345	3,131,837	3,095,929	35,908
Education, Libraries, and Museums	5,092,546	5,078,556	5,025,390	53,166
Corrections	1,496,765	1,505,891	1,476,753	29,138
Judicial	601,930	608,268	593,314	14,954
Non Functional	4,337,746	4,246,771	4,215,340	31,431
Total Expenditures	17,677,681	17,678,287	17,419,689	258,598
Appropriations Lapsed	132,105	205,164	-	(205,164)
Excess (Deficiency) of Revenues Over Expenditures	(87,376)	(159,423)	(137,651)	21,772
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	85,920	85,920	85,920	-
Appropriations Continued to Fiscal Year 2016	-	-	(64,964)	(64,964)
Miscellaneous Adjustments	-	3,527	3,527	-
Total Other Financing Sources (Uses)	85,920	89,447	24,483	(64,964)
Net Change in Fund Balance	$ (1,456)	$ (69,976)	(113,168)	$ (43,192)
Budgetary Fund Balances - July 1 (as restated)			171,369	
Changes in Reserves			(20,956)	
Budgetary Fund Balances - June 30			$ 37,245	

The information about budgetary reporting is an integral part of this schedule.

Transportation Fund			
Budget			Variance with Final Budget positive
Original	**Final**	**Actual**	**(negative)**
$ 958,900	$ 916,700	$ 931,116	$ 14,416
-	-	-	-
377,000	388,400	394,908	6,508
5,000	5,800	6,946	1,146
12,100	12,100	12,115	15
(3,200)	(3,900)	(3,871)	29
-	53,800	41,197	(12,603)
(6,500)	(6,500)	(6,500)	-
-	-	-	-
(15,000)	(15,000)	(15,000)	-
1,328,300	1,351,400	1,360,911	9,511
-	-	-	-
7,916	7,344	6,520	824
76,538	76,538	63,869	12,669
-	-	-	-
-	-	-	-
594,037	614,914	592,393	22,521
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
681,587	682,610	659,887	22,723
1,360,078	1,381,406	1,322,669	58,737
11,000	21,468	-	(21,468)
	-		
(20,778)	(8,538)	38,242	46,780
26,340	26,340	26,340	-
-	-	(33,311)	(33,311)
-	-	-	-
26,340	26,340	(6,971)	(33,311)
$ 5,562	$ 17,802	31,271	$ 13,469
		175,115	
		6,971	
		$ 213,357	

Budgetary Comparison Schedule
Required Supplemental Information
Budgeted Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2015

(Expressed in Thousands)

	Workers' Compensation			Banking		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues						
Budgeted:						
Fees, Assessments, and Other Income	$ 27,251	$ 23,779	$ (3,472)	$ 28,800	$ 28,152	$ (648)
Total Budgeted Revenues	27,251	23,779	(3,472)	28,800	28,152	(648)
Expenditures						
Budgeted:						
General Government	677	568	109	-	-	-
Regulation and Protection	24,296	19,571	4,725	22,358	21,272	1,086
Conservation and Development	-	-	-	500	500	-
Health and Hospitals	-	-	-	-	-	-
Human Services	2,184	2,257	(73)	-	-	-
Judicial	-	-	-	5,946	5,690	256
Total Budgeted Expenditures	27,157	22,396	4,761	28,804	27,462	1,342
Excess (Deficiency) of Revenues Over Expenditures	94	1,383	1,289	(4)	690	694
Other Financing Sources (Uses)						
Operating Transfers In (Out)	-	-	-	-	(5,700)	(5,700)
Use of Fund Balance from Prior Years	-	-	-	-	-	-
Prior Year Appropriations Carried Forward	-	1,000	1,000	-	13	13
Appropriations Continued to Fiscal Year 2016	-	(1,000)	(1,000)	-	(845)	(845)
Total Other Financing Sources (Uses)	-	-	-	-	(6,532)	(6,532)
Net Change in Fund Balances	$ 94	1,383	$ 1,289	$ (4)	(5,842)	$ (5,838)
Budgetary Fund Balances - July 1 (as restated)		11,990			19,354	
Changes in Reserves		-			832	
Budgetary Fund Balances - June 30		$ 13,373			$ 14,344	

The information about budgetary reporting is an integral part of this schedule.

Consumer Counsel & Public Utility Control			Insurance		
Final Budget	Actual	Variance	Final Budget	Actual	Variance
$ 25,600	$ 25,605	$ 5	$ 68,345	$ 61,322	$ (7,023)
25,600	25,605	5	68,345	61,322	(7,023)
-	-	-	494	464	30
2,891	2,225	666	35,431	32,037	3,394
24,055	20,948	3,107	-	-	-
-	-	-	31,945	32,018	(73)
-	-	-	475	475	-
-	-	-	-	-	-
26,946	23,173	3,773	68,345	64,994	3,351
(1,346)	2,432	3,778	-	(3,672)	(3,672)
-	-	-	-	18	18
-	-	-	-	-	-
-	1,356	1,356	-	-	-
-	(455)	(455)	-	-	-
-	901	901	-	18	18
$ (1,346)	3,333	$ 4,679	$ -	(3,654)	$ (3,654)
	6,100			7,716	
	(901)			-	
	$ 8,532			$ 4,062	

Continued

Budgetary Comparison Schedule
Required Supplemental Information
Budgeted Nonmajor Special Revenue Funds (Continued)

For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Criminal Injuries Compensation			Mashantucket Pequot and Mohegan Fund		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues						
Budgeted:						
Operating Transfers In	$ -	$ -	$ -	$ 61,780	$ 61,240	$ (540)
Fees, Assessments, and Other Income	3,355	3,646	291	-	-	-
Total Budgeted Revenues	3,355	3,646	291	61,780	61,240	(540)
Expenditures						
Budgeted:						
General Government	-	-	-	61,699	61,699	-
Conservation and Development	-	-	-	-	-	-
Judicial	2,787	2,445	342	-	-	-
Total Budgeted Expenditures	2,787	2,445	342	61,699	61,699	-
Excess (Deficiency) of Revenues Over Expenditures	568	1,201	633	81	(459)	(540)
Other Financing Sources (Uses)						
Operating Transfers In (Out)	-	-	-	-	-	-
Prior Year Appropriations Carried Forward	-	-	-	-	-	-
Appropriations Continued to Fiscal Year 2016	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	$ 568	1,201	$ 633	$ 81	(459)	$ (540)
Budgetary Fund Balances (Deficit) - July 1 (as restated)		1,674			459	
Changes in Reserves		-			-	
Budgetary Fund Balances (Deficit) - June 30		$ 2,875			$ -	

The information about budgetary reporting is an integral part of this schedule.

Regional Market			Soldiers', Sailors', and Marines'		
Final Budget	Actual	Variance	Final Budget	Actual	Variance
$ -	$ -	$ -	$ -	$ -	$ -
1,029	828	(201)	-	-	-
1,029	828	(201)	-	-	-
-	-	-	-	-	-
1,214	1,073	141	312	217	95
-	-	-	-	-	-
1,214	1,073	141	312	217	95
(185)	(245)	(60)	(312)	(217)	95
-	-	-	-	-	-
-	-	-	-	312	312
-	-	-	-	-	-
-	-	-	-	312	312
$ (185)	(245)	$ (60)	$ (312)	95	$ 407
	552			(7,624)	
	-			(312)	
	$ 307			$ (7,841)	

Budgetary vs. GAAP Basis of Accounting
Required Supplemental Information

For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	General Fund	Transportation Fund
Net change in fund balances (budgetary basis)	$ (113,168)	$ 31,272
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	191,680	(4,857)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(213,793)	(793)
Salaries and Fringe Benefits Payable	8,720	563
Increase (Decrease) in Continuing Appropriations	(20,956)	6,971
Fund Reclassification-Bus Operations	-	(1,329)
Net change in fund balances (GAAP basis)	$ (147,517)	$ 31,827

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.

The information about budgetary reporting is an integral part of this schedule.

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
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%
6/30/2015 *	$-	$-	$-	0.0%	$-	0.0%

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%
6/30/2015 *	$-	$-	$-	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%
2015	$125.6	20.0%	$1,513.0	36.1%

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)

Total Pension Liability	**2014 SERS**	**2014 TRS**	**2014 JRS**
Service Cost	$ 287,473	$ 347,198	$ 7,539
Interest	1,998,736	2,090,483	26,301
Benefit payments	(1,563,029)	(1,737,144)	(21,668)
Refunds of contributions	(3,935)	-	-
Net change in total pension liability	719,245	700,537	12,172
Total pension liability - beginning	25,767,688	25,648,672	339,601
Total pension liability - ending (a)	**$ 26,486,933**	**$ 26,349,209**	**$ 351,773**
Plan net position			
Contributions - employer	$ 1,268,890	$ 948,540	$ 16,298
Contributions - member	144,807	261,213	1,641
Net investment income	1,443,391	2,277,550	23,156
Benefit payments	(1,563,029)	(1,737,144)	(21,668)
Refunds of contributions	(3,935)	-	-
Other Changes	-	(5,307)	-
Net change in plan net position	1,290,124	1,744,852	19,427
Plan net position - beginning	9,182,443	14,462,903	168,353
Plan net position - ending (b)	**$ 10,472,567**	**$ 16,207,755**	**$ 187,780**
Ratio of plan net position to total pension liability	39.54%	61.51%	53.38%
Net pension liability - ending (a) -(b)	**$ 16,014,366**	**$ 10,141,454**	**$ 163,993**
Covered-employee payroll	$ 3,487,577	$ 3,831,624	$ 33,386
Net pension liability as a percentage of covered-employee payroll	459.18%	264.68%	491.20%

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

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

JOHN C. GERAGOSIAN | 210 CAPITOL AVENUE | ROBERT M. WARD

HARTFORD, CONNECTICUT 06106-1559

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

Governor Dannel P. Malloy
Members of the General Assembly

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the state's basic financial statements and have issued our report thereon dated January 29, 2016. 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, 2015, 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, 2015.

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

January 29, 2016
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
JOHN C. GERAGOSIAN 210 CAPITOL AVENUE ROBERT M. WARD
HARTFORD, CONNECTICUT 06106-1559

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, 2015. 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 Connecticut Airport Authority, the CT Green Bank, Inc, the Connecticut Health Insurance Exchange (Access Health CT), the Clean Water Fund, and the Drinking Water Fund, which expended $141,034,540 in federal awards, which is not included in the Schedule of Expenditures of Federal Awards, during the year ended June 30, 2015. 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 number 2015-205 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, 2015.

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, 2015.

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 2015-005, 2015-006, 2015-007, 2015-009, 2015-012, 2015-013, 2015-017, 2015-019, 2015-020, 2015-021, 2015-026, 2015-150, 2015-204, 2015-250, 2015-251, 2015-303, 2015-500, 2015-602, 2015-651, 2015-657, 2015-662, 2015-725, and 2015-726. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the State of Connecticut is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Connecticut's internal control over compliance with the 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 2015-006, 2015-009, 2015-017, 2015-200, 2015-204, and 2015-205 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 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-007, 2015-008, 2015-010, 2015-011, 2015-012, 2015-013, 2015-014, 2015-015, 2015-016, 2015-018, 2015-019, 2015-020, 2015-021, 2015-022, 2015-023, 2015-024, 2015-025, 2015-026, 2015-027, 2015-028, 2015-029, 2015-030, 2015-031, 2015-032, 2015-033. 2015-034, 2015-100, 2015-101, 2015-150, 2015-151, 2015-152, 2015-153, 2015-154, 2015-155, 2015-156, 2015-157, 2015-201, 2015-202, 2015-203, 2015-206, 2015-250, 2015-251, 2015-300, 2015-301, 2015-302, 2015-303, 2015-400, 2015-450, 2015-451, 2015-500, 2015-550, 2015-600, 2015-601, 2015-602, 2015-650, 2015-651, 2015-652, 2015-653, 2015-654, 2015-655, 2015-656, 2015-657, 2015-658, 2015-659, 2015-660, 2015-661, 2015-662, 2015-663, 2015-700, 2015-725, 2015-726, 2015-727, 2015-775, 2015-776, and 2015-777 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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Connecticut's basic financial statements. We issued our report thereon dated January 20, 2016, 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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 basic 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

March 30, 2016
State Capitol
Hartford, Connecticut

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Schedule of Expenditures of Federal Awards

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Amounts Passed through to subrecipients
Department of Agriculture			
SNAP Cluster:			
Supplemental Nutrition Assistance Program (See Note 3)	10.551	714,048,914	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	57,080,234	4,055,824
Total SNAP Cluster		771,129,148	4,055,824
Child Nutrition Cluster:			
School Breakfast Program	10.553	27,763,514	26,733,087
National School Lunch Program (See Note 3)	10.555	107,046,731	91,805,246
Special Milk Program for Children	10.556	208,811	208,811
Summer Food Service Program for Children (See Note 3)	10.559	2,790,185	2,628,267
Total Child Nutrition Cluster		137,809,241	121,375,411
UConn - USFA Climate Hub Partnership	10.14-JV-11242306-097	311	
2014 Farm Bill - Producer Education	10.58-0510-4-012 N	3,088	
Plant and Animal Disease, Pest Control, and Animal Care	10.025	198,751	6,404
Emergency Forest Restoration Program	10.102	9,624	
Inspection Grading and Standardization	10.162	625	
Market Protection and Promotion	10.163	52,695	33,435
Specialty Crop Block Grant Program - Farm Bill	10.170	105,433	27,958
Grants for Agricultural Research, Special Research Grants	10.200	18,029	
Small Business Innovation Research	10.212	13,206	
Sustainable Agriculture Research and Education	10.215	48,203	
Higher Education - Institution Challenge Grants Program	10.217	79,767	
Integrated Programs	10.303	99,573	
Homeland Security_Agricultural	10.304	21,483	
Agriculture and Food Research Initiative (AFRI)	10.310	3,000	
Beginning Farmer and Rancher Development Program	10.311	157,657	
Crop Protection and Pest Management Competitive Grants Program	10.329	85,503	
Rural Business Development Grant	10.351	(7)	
Crop Insurance Education in Targeted States	10.458	198,972	33,181
Food Safety Cooperative Agreements	10.479	128,494	
Cooperative Extension Service	10.500	3,198,537	8,012
Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 5)	10.557	45,258,990	11,719,786
Child and Adult Care Food Program	10.558	16,689,396	16,401,144
State Administrative Expenses for Child Nutrition	10.560	2,330,839	
Commodity Supplemental Food Program	10.565	77,423	73,749
Emergency Food Assistance Program (Administrative Costs)	10.568	444,453	442,188
WIC Farmers' Market Nutrition Program	10.572	317,043	
Team Nutrition Grants	10.574	155,066	
Senior Farmers Market Nutrition Program	10.576	82,427	
WIC Grants to States	10.578	442,141	53,654
Child Nutrition Discretionary Grants Limited Availability	10.579	293,726	
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	15,000	15,000
Fresh Fruit and Vegetable Program	10.582	2,712,817	2,638,114
Cooperative Forestry Assistance	10.664	568,698	107,321
Forest Legacy Program	10.676	37,958	
Forest Stewardship Program	10.678	51,810	
Forest Health Protection	10.680	(6,601)	
Environmental Quality Incentives Program	10.912	1,840	
Farm and Ranch Lands Protection Program	10.913	1,177,373	
Wildlife Habitat Incentive Program	10.914	8,347	
Total Department of Agriculture		984,020,079	156,991,181
Department of Commerce			
Advancing Coastal and Marine Spatial Planning in the Northeast: Connecticut Share	11.AG121242	16	
Undersea Platform and Vessel Support Services to Survey Deep-Sea Corals and Sponges in the Gulf of Maine Regio	11.EA-133F-15-SE-0941	7,021	
Dolphin and Turtle Immunology	11.5700-UCONN	136,215	
Economic Development_Support for Planning Organizations	11.302	111,521	
Economic Development_Technical Assistance	11.303	62,065	
Anadromous Fish Conservation Act Program	11.405	336	
Interjurisdictional Fisheries Act of 1986	11.407	2,858	
Sea Grant Support	11.417	161,408	
Coastal Zone Management Administration Awards	11.419	1,788,317	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	25,711	
Unallied Management Projects	11.454	97,500	97,500
Unallied Science Program	11.472	79	
Atlantic Coastal Fisheries Cooperative Management Act	11.474	126,706	
Fisheries Disaster Relief	11.477	(10,670)	
State and Local Implementation Grant	11.549	1,537	
State Broadband Data and Development Grant Program	11.558ARRA	318,927	
Total Department of Commerce		2,829,547	97,500
Department of Defense			
CT 2013 OMK RFA	12.NAFBA1-13-M-0217	(24)	
2014 Connecticut Operation Military Kids	12.NAFBA1-13-M-0310	67,686	
Provision of ROV Services to Inspect and Image Subsea Cable Installation off Norfolk, VA	12.PO# M14-218	5,865	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	29,543	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	16,061,512	
National Guard Challenge Program	12.404	605,516	
Community Economic Adjustment Assistance for Advance Planning & Economic Diversification	12.614	831,269	774,511
Economic Adjustment Assistance for State Governments	12.617	190,014	181,206
Total Department of Defense		17,791,381	955,717

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts: Expenditures	Amounts: Passed through to subrecipients
Department of Housing and Urban Development			
Section 8 Project-Based Cluster:			
Section 8 Housing Assistance Payments Program (See Note 1)	14.195	4,682,337	
Section 8 Moderate Rehab Single Room Occupancy (See Note 1)	14.249	71,792	71,792
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (See Note 1)	14.856	104,735	104,735
Section 8 Housing Choice Vouchers (See Note 1)	14.871	67,971,683	67,971,683
Total Section 8 Project-Based Cluster		72,830,547	68,148,210
Affordable Housing Training for the Hartford-Springfield Knowledge Corridor	14.AG111076	2,409	
Congregate Housing Services Program	14.170	411,552	411,552
Supportive Housing for Persons with Disabilities (See Note 1)	14.181	1,302,538	1,302,538
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	9,174,882	8,775,583
Emergency Solutions Grant Program	14.231	1,725,307	1,725,307
Supportive Housing Program	14.235	14,221	
Shelter Plus Care	14.238	18,749	
Home Investment Partnerships Program	14.239	2,969,725	1,578,323
Housing Opportunities for Persons with AIDS	14.241	311,362	311,362
Continuum of Care Program	14.267	14,525,787	1,518,694
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	14,775,954	4,760,710
Fair Housing Assistance Program-State and Local	14.401	212,457	
Community Challenge Planning Grants and the DOT TIGER II Planning Grants	14.704	218	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	92,115	92,115
Lead Hazard Reduction Demonstration Grant Program	14.905	1,355,788	1,355,788
Total Department of Housing and Urban Development		119,723,611	89,980,182
Department of the Interior			
Fish and Wildlife Cluster			
Sport Fish Restoration Program	15.605	3,319,025	
Wildlife Restoration and Basic Hunter Education	15.611	3,819,832	57,500
Total Fish and Wildlife Cluster		7,138,857	57,500
Sea Turtle Immunology	15.G13PX01122	26,348	
Fish and Wildlife Management Assistance	15.608	(35,672)	
Cooperative Endangered Species Conservation Fund	15.615	23,137	
Clean Vessel Act Program	15.616	1,584,103	1,257,988
Sportfishing and Boating Safety Act	15.622	32,270	30,969
North American Wetlands Conservation Fund	15.623	600,000	600,000
Wildlife Conservation and Restoration	15.625	29	
Landowner Incentive Program	15.633	89,254	
State Wildlife Grants	15.634	593,716	31,747
Research Grants (Generic)	15.650	15,437	
National Fish and Wildlife Foundation	15.663	15,789	
Highlands Conservation Program	15.667	690,100	690,100
National Land Remote Sensing_Education Outreach and Research	15.815	10,517	
Historic Preservation Fund Grants-In-Aid	15.904	690,448	79,144
Outdoor Recreation-Acquisition, Development and Planning	15.916	3,434,903	
Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	15.957	55,874	
Total Department of the Interior		14,965,110	2,747,448
Department of Justice			
JAG Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,335,319	1,068,993
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803ARRA	(16,262)	(16,262)
Total JAG Program Cluster		2,319,057	1,052,731
Law Enforcement Assistance Narcotics and Dangerous Drugs State Legislation	16.002	1,098	
Sexual Assault Services Formula Program	16.017	294,456	287,143
Antiterrorism Emergency Reserve	16.321	4,251,835	4,202,988
Juvenile Accountability Block Grants	16.523	381,026	301,579
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	402,520	304,994
Missing Children's Assistance	16.543	383,096	
Title V Delinquency Prevention Program	16.548	30,000	30,000
State Justice Statistics Program for Statistical Analysis Centers	16.550	1,374	
National Criminal History Improvement Program	16.554	137,644	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	44,812	
Crime Victim Assistance	16.575	5,373,911	4,828,799
Crime Victim Compensation	16.576	903,405	
Edward Byrne Memorial Formula Grant Program	16.579	45,797	
Narcotics Control Discretionary Grant Program	16.580	750,119	177,915
Violence Against Women Formula Grants	16.588	1,797,891	1,217,486
Violence Against Women Formula Grants	16.588ARRA	(24,525)	
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	327,678	295,863
Residential Substance Abuse Treatment for State Prisoners	16.593	115,581	
State Criminal Alien Assistance Program	16.606	710,408	
Juvenile Mentoring Program	16.726	131,930	61,783
Enforcing Underage Drinking Laws Program	16.727	38,647	
DNA Backlog Reduction Program	16.741	353,517	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	84,479	
Support for Adam Walsh Act Implementation Grant Program	16.750	165,281	
Edward Byrne Memorial Competitive Grant Program	16.751	75,692	

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Passed through to subrecipients
Second Chance Act Reentry Initiative	16.812	115,697	
NICS Act Record Improvement Program	16.813	776,485	
John R. Justice Prosecutors and Defenders Incentive Act	16.816	32,319	
Equitable Sharing Program	16.922	296,914	
Total Department of Justice		20,318,144	12,761,281
Department of Labor			
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities (See Note 1)	17.207	8,671,844	360,379
Disabled Veterans' Outreach Program (See Note 1)	17.801	1,567,042	
Local Veterans' Employment Representative Program (See Note 1)	17.804	183,813	
Total Employment Service Cluster		10,422,699	360,379
WIA Cluster:			
WIA/WIOA Adult Program	17.258	7,950,397	7,628,900
WIA/WIOA Youth Activities	17.259	9,032,238	7,636,252
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	35,476	
WIA/WIOA Dislocated Worker Formula Grants	17.278	11,803,851	7,355,443
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281	1,439	
Total WIA Cluster		28,823,401	22,620,595
Labor Force Statistics (See Note 1)	17.002	1,680,635	185,471
Compensation and Working Conditions	17.005	153,769	
Unemployment Insurance (See Note 1 and Note 6)	17.225	812,715,360	
Senior Community Service Employment Program	17.235	814,618	812,871
Trade Adjustment Assistance (See Note 1)	17.245	4,170,937	
H-1B Job Training Grants	17.268	75,920	
Work Opportunity Tax Credit Program (WOTC) (See Note 1)	17.271	152,605	
Temporary Labor Certification for Foreign Workers (See Note 1)	17.273	72,719	
Workforce Investment Act (WIA) National Emergency Grants	17.277	687,469	494,105
Green Jobs Innovation Fund Grants	17.279	1,058,249	991,478
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	8,357,651	
Workforce Innovation Fund	17.283	56,833	
Occupational Safety and Health-State Program	17.503	766,047	
Consultation Agreements	17.504	1,312,756	
Mine Health and Safety Grants	17.600	54,698	
Total Department of Labor		871,376,366	25,464,899
U. S. Department of State			
Academic Exchange Programs - Undergraduate Programs	19.009	319,992	25,474
Public Diplomacy Programs	19.040	65,150	34,478
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	214,417	58,040
Total U. S. Department of State		599,559	117,992
Department of Transportation			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	459,981,669	52,158,440
Highway Planning and Construction	20.205ARRA	174,591	
Recreational Trails Program	20.219	906,160	514,316
Total Highway Planning and Construction Cluster		461,062,420	52,672,756
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	107,167,803	
Federal Transit - Formula Grants	20.507	88,386,302	
Federal Transit - Formula Grants	20.507ARRA	6,894,289	
Total Federal Transit Cluster		202,448,394	0
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	18,783	
Job Access - Reverse Commute Program	20.516	2,268,033	668,049
New Freedom Program	20.521	1,100,027	819,698
Total Transit Services Programs Cluster		3,386,843	1,487,747
Highway Safety Cluster:			
State and Community Highway Safety	20.600	1,695,509	427,490
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	473,649	270,490
Occupant Protection Incentive Grants	20.602	1,500	
Alcohol Open Container Requirements	20.607	5,605,087	2,463,595
Incentive Grant Program to Prohibit Racial Profiling	20.611	359,599	
Incentive Grant Program to Increase Motorcyclist Safety	20.612	82,192	
NHTSA Discretionary Safety Grants	20.614	93,919	51,310
National Priority Safety Programs	20.616	3,229,707	1,009,418
Total Highway Safety Cluster		11,541,162	4,222,303
Title VI and Equity in Public Transportation	20.DTFH6114P00082	9,663	
Airport Improvement Program	20.106	12,121,624	
Highway Training and Education	20.215	6,940	
National Motor Carrier Safety	20.218	1,953,992	
Performance and Registration Information Systems Management	20.231	32,228	
Commercial Driver's License Program Improvement Grant	20.232	267,629	
Safety Data Improvement Program	20.234	34,572	
Commercial Vehicle Information Systems and Networks	20.237	241,646	
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319	20,789,722	
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319ARRA	914,241	

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Passed through to subrecipients
Formula Grants for Rural Areas	20.509	2,038,285	592,721
Clean Fuels	20.519	373,831	
Alternatives Analysis	20.522	2,101,054	
Pipeline Safety Program State Base Grant	20.700	642,564	
University Transportation Centers Program	20.701	8,868	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	121,223	27,500
PHMSA Pipeline Safety Program One Call Grant	20.721	14,041	
National Infrastructure Investments	20.933	1,233,979	
Total Department of Transportation		721,344,921	59,003,027
Department of the Treasury			
Low Income Taxpayer Clinics	21.008	81,114	0
General Service Administration			
Job Discrimination Special Projects Grant	30.002	1,974	
Donation of Federal Surplus Personal Property (See Note 3)	39.003	37,745	
Total General Service Administration		39,719	0
National Aeronautics and Space Administration			
Science	43.001	33,596	
Education	43.008	39,284	
Total National Aeronautics and Space Administration		72,880	0
National Endowment for the Arts			
Promotion of the Arts-Partnership Agreements	45.025	717,479	480,051
National Endowment for the Humanities			
Promotion of the Humanities-Division of Preservation and Access	45.149	148,349	
Promotion of the Humanities_Fellowships and Stipends	45.160	50,400	
Promotion of the Humanities-Teaching and Learning Resources and Curriculum Development	45.162	14,791	
Promotion of the Humanities-Professional Development	45.163	41,130	
Total National Endowment for the Humanities		254,670	0
Institute of Museum and Library Services			
Grants to States	45.310	2,057,587	20,656
National Leadership Grants	45.312	3,250	
Total Institute of Museum and Library Services		2,060,837	20,656
Small Business Administration			
Small Business Development Centers	59.037	1,635,703	244,365
Small Business Adm - Federal and State Technology Partnership Program	59.058	44,846	
State Trade and Export Promotion Pilot Grant Program	59.061	84,831	
Entrepreneurial Development Disaster Assistance	59.064	550,915	274,456
Total Small Business Administration		2,316,295	518,821
Department Of Veterans Affairs			
Veterans State Domiciliary Care	64.014	3,104,345	
Veterans State Hospital Care	64.016	5,811,328	
Burial Expenses Allowance for Veterans	64.101	409,578	
All-Volunteer Force Educational Assistance	64.124	182,715	
Total Department Of Veterans Affairs		9,507,966	0
Environmental Protection Agency			
State Indoor Radon Grants	66.032	266,187	
Ozone Transport Commission	66.033	3,663	
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities-Clean Air Act	66.034	605,783	
State Clean Diesel Grant Program	66.040	49,946	27,246
Congressionally Mandated Projects	66.202	241	
State Public Water System Supervision	66.432	1,134,222	
Long Island Sound Program	66.437	1,157,932	41,500
Water Quality Management Planning	66.454	140,219	39,370
Nonpoint Source Implementation Grants	66.460	626,184	618,687
Regional Wetland Program Development Grants	66.461	193,427	
Beach Monitoring and Notification Program Implementation Grants	66.472	179,194	
Performance Partnership Grants	66.605	10,023,568	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	152,821	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	231,910	
Pollution Prevention Grants Program	66.708	66,077	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	159,753	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	240,780	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	817,222	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	160,377	
State and Tribal Response Program Grants	66.817	939,337	
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	761,403	62,522
Building Capacity to Implement EPA National Guidelines for School Environmental Health Programs	66.953	34,248	
Total Environmental Protection Agency		17,944,494	789,325
Nuclear Regulatory Commission			
Radiation Control Training Assistance and Advisory Counseling	77.001	(690)	0

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Amounts Passed through to subrecipients
Department of Energy			
Tagger Microscope Detector w/ detector-mounted electronics & Active Collimator for Hall D Polarized Photon Beam	81.JSA-13-C0285	35,952	
National Energy Information Center	81.039	18,456	
State Energy Program	81.041	323,577	53,443
Renewable Energy Research and Development	81.087	391	
State Heating Oil and Propane Program	81.138	1,155,087	426,921
Total Department of Energy		1,533,463	480,364
Department of Education			
Special Education Cluster (IDEA) :			
Special Education - Grants to States	84.027	133,549,898	112,607,933
Special Education - Preschool Grants	84.173	4,454,702	3,708,756
Total Special Education Cluster (IDEA)		138,004,600	116,316,689
TRIO Cluster:			
TRIO-Student Support Services	84.042	751,105	
TRIO-Talent Search	84.044	508,174	
TRIO-Upward Bound	84.047	271,963	
TRIO-McNair Post-Baccalaureate Achievement	84.217	219,437	
Total TRIO Cluster		1,750,679	0
Title I, Part A Cluster:			
Title 1 Grants to Local Educational Agencies	84.010	111,104,427	107,670,176
School Improvement Grants Cluster:			
School Improvement Grants	84.377	1,962,257	1,754,532
Adult Education-Basic Grants to States	84.002	5,141,864	3,874,416
Title 1 State Agency Program for Neglected and Delinquent Children & Youth	84.013	1,708,475	
Higher Education-Institutional Aid	84.031	99,979	
Career and Technical Education-Basic Grants to States	84.048	8,722,040	5,803,447
Higher Education- Veterans Education Outreach Program	84.064	605	
Fund for the Improvement of Postsecondary Education	84.116	4,894	
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	29,959,454	
Rehabilitation Long-Term Training	84.129	137,521	
National Institute on Disability and Rehab Research	84.133	11,842	
Rehabilitation Services-Client Assistance Program	84.161	119,600	
Magnet Schools Assistance	84.165	690	
Independent Living-State Grants	84.169	76,756	
Rehabilitation Services-Independent Living Services for Older Individuals Who are Blind	84.177	446,734	
Special Education - Grants for Infants and Families	84.181	4,192,069	
Safe and Drug-Free Schools and Communities National Programs	84.184	483,476	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	361,438	
Bilingual Education	84.195	423,741	
Education for Homeless Children and Youth	84.196	460,929	358,828
Fund for the Improvement of Education	84.215	240	
Centers for International Business Education	84.220	233,086	
Assistive Technology	84.224	204,760	
Program of Protection and Advocacy of Individual Rights	84.240	156,314	
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	108,217	
Twenty-First Century Community Learning Centers	84.287	8,623,511	8,128,805
Education Research, Development and Dissemination	84.305	1,516	
Special Education-State Personnel Development	84.323	987,705	
Special Ed. - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	476,227	
Special Ed. - Tech Assistance and Dissemination to Improve Services for Children with Disabilities	84.326	685,784	
Advanced Placement Program	84.330	338,714	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	2,825,131	
Assistive Technology-State Grants for Protection and Advocacy	84.343	56,782	
Rural Education	84.358	13,000	13,000
English Language Acquisition State Grants	84.365	6,198,965	5,420,442
Mathematics and Science Partnerships	84.366	574,970	554,458
Improving Teacher Quality State Grants	84.367	21,575,669	19,842,617
Grants for State Assessments and Related Activities	84.369	1,451,144	
Statewide Longitudinal Data Systems	84.372	711,802	
Teacher Incentive Fund	84.374	156,541	
College Access Challenge Grant Program	84.378	49,526	
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395ARRA	80,888	41,275
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396ARRA	74,825	
Preschool Development Grants	84.419	211,003	195,000
Total Department of Education (See Also Student Financial Assistance Cluster)		350,970,390	269,973,685
Consumer Product Safety Commission			
CPSC DCP Trade Practice Division Recall Effectiveness Checks	87.E0001	2,465	
CPSC DCP Drug Control Division Pharmacy Inspections	87.E0027	2,400	
CPSA DCP Trade Practices Infant Product Safety Reviews	87.E0034	1,500	
Total Consumer Product Safety Commission		6,365	0
National Archives and Records Administration			
National Historical Publications and Records Grants	89.003	31,655	0

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Amounts Passed through to subrecipients
Department of Health and Human Services			
Medicaid Cluster:			
State Medicaid Fraud Control Units	93.775	1,601,144	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	5,260,567	32,247
Medical Assistance Program	93.778	4,455,760,996	
Medical Assistance Program	93.778ARRA	11,986,552	
Total Medicaid Cluster		4,474,609,259	32,247
CCDF Cluster:			
Child Care and Development Block Grant	93.575	14,074,399	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	36,489,265	
Total CCDF Cluster		50,563,664	0
Aging Cluster:			
Special Programs for the Aging-Title III, Part B-Grants for Support Services and Senior Centers	93.044	5,369,626	5,182,258
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	8,942,977	8,942,977
Nutrition Services Incentive Program (See Note 3)	93.053	1,846,052	1,846,052
Total Aging Cluster		16,158,655	15,971,287
Public Health and Social Services Emergency Fund	93.003	133,281	
Special Programs for the Aging-Title VII, Chapter 3-Prevention of Elder Abuse, Neglect & Exploitation	93.041	70,671	68,671
Special Programs for the Aging-Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individuals	93.042	173,226	11,428
Special Programs for the Aging-Title III Part D-Disease Prevention and Health Promotion Services	93.043	288,973	288,973
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	231,775	226,851
National Family Caregiver Support, Title III, Part E	93.052	2,075,261	2,075,261
Laboratory Training, Evaluation, and Quality Assurance Programs	93.064	57,107	
Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infi	93.065	13,154	
Public Health Emergency Preparedness	93.069	6,532,285	2,502,724
Environmental Public Health and Emergency Response	93.070	781,032	109,887
Medicare Enrollment Assistance Program	93.071	164,929	164,929
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	40,437	
TANF Program Integrity Innovation Grants	93.076	327,663	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Base	93.079	453,124	
Guardianship Assistance	93.090	1,088,590	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	699,197	204,904
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	58,626	
Food and Drug Administration Research	93.103	961,455	
Comprehensive Community Mental Health Services for Children w/SED	93.104	660,385	238,900
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	787	
Maternal and Child Health Federal Consolidated Programs	93.110	303,834	48,624
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	676,132	23,688
Emergency Medical Services for Children	93.127	(16,317)	(19,317)
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	153,204	
Injury Prevention and Control Research and State and Community Based Programs	93.136	510,906	346,081
Protection and Advocacy for Individuals with Mental Illness	93.138	446,603	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	771,852	765,332
Nursing Workforce Diversity	93.178	174,764	
State Capacity Building	93.240	478,923	
Mental Health Research Grants	93.242	50,000	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	8,286,909	2,734,307
Universal Newborn Hearing Screening	93.251	238,979	27,890
Occupational Safety and Health Program	93.262	137,069	
State Grants for Protection and Advocacy Services	93.267	36,957	
Immunization Cooperative Agreements (See Note 3)	93.268	33,595,041	1,127,588
Adult Viral Hepatitis Prevention and Control	93.270	130,465	
Alcohol Research Programs	93.273	31,361	
Substance Abuse and Mental Health Services-Access to Recovery	93.275	908,888	
Drug-Free Communities Support Program Grants	93.276	15,993	
Drug Abuse and Addiction Research Programs	93.279	51,996	
Centers for Disease Control and Prevention-Investigations and Technical Assistance (See Note 3)	93.283	4,543,075	2,484,548
National Public Health Improvement Initiative	93.292	65,573	
State Partnership Grant Program to Improve Minority Health	93.296	166,054	88,495
Small Rural Hospital Improvement Grant Program	93.301	12,056	
National State Based Tobacco Control Programs	93.305	155,154	
Early Hearing Detection and Intervention Information System Surveillance Program	93.314	142,640	
Emerging Infections Program	93.317	14,251	
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	598,667	66,303
State Health Insurance Assistance Program	93.324	603,697	458,785
Behavioral Risk Factor Surveillance System	93.336	17,886	
Nurse Education, Practice Quality and Retention Grants	93.359	419,235	77,552
ACL Independent Living State Grants	93.369	46,644	
Non-ACA/PPHF - Building Capacity of the Public Health System to Improve Population Health through National No	93.424	32,444	
Food Safety and Security Monitoring Project	93.448	82,387	
ACL Assistive Technology	93.464	185,293	
Pregnancy Assistance Fund Program	93.500	1,407,780	982,961
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	8,691,653	8,014,872
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of LT Ca	93.506	1,082,554	
Affordable Care Act – Aging and Disability Resource Center	93.517	807,952	680,150
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	136,612	
ACA: Building Epidemiology, Lab, & Health Info Systems Capacity in the Epidemiology & Lab Capacity for Infectio	93.521	1,628,593	674,584
Building Capacity of the Public Health System to Improve Population Health through National Non-Profit Organizati	93.524	1,614	
PPHF- Community Transformation Grants and National Dissemination and Support for Community Transformation (	93.531	155,416	154,820
Affordable Care Act - Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536	1,604,585	17,775

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Amounts Passed through to subrecipients
Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation	93.538	110,196	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financ	93.539	1,518	
The Patient Protection and Affordable Care Act of 2010 authorizes Coordinated Chronic Disease prevention and Heal	93.544	(29,875)	
Abandoned Infants	93.551	214,308	157,912
Promoting Safe and Stable Families	93.556	2,252,113	1,299,649
Temporary Assistance for Needy Families	93.558	240,264,490	4,278,682
Child Support Enforcement (See Note 7)	93.563	50,107,036	
Refugee and Entrant Assistance-State Administered Programs	93.566	1,673,750	336,000
Low-Income Home Energy Assistance	93.568	72,282,692	70,276,739
Community Services Block Grant	93.569	7,682,238	7,400,466
Refugee and Entrant Assistance-Discretionary Grants	93.576	554,329	532,696
Refugee and Entrant Assistance Targeted Assistance Grants	93.584	174,512	174,512
State Court Improvement Program	93.586	337,621	
Community-Based Child Abuse Prevention Grants	93.590	885,208	411,780
Grants to States for Access and Visitation Programs	93.597	87,357	55,543
Chafee Education and Training Vouchers Program (ETV)	93.599	563,939	
Head Start	93.600	122,851	88,445
The Affordable Care Act Medicaid Adult Quality Grants	93.609	63,434	
Voting Access for Individuals with Disabilities-Grants for Protect and Advocacy Systems	93.618	62,031	
ACA-State Innovation Models: Funding for Model Design and Testing Assistance	93.624	264,007	
Affordable Care Act: Testing Experience and Functional Assessment Tools	93.627	85,751	
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,289,597	174,654
Children's Justice Grants to States	93.643	190,993	10,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,098,506	420,500
Child Welfare Research Training or Demonstration	93.648	156,660	
Adoption Opportunities	93.652	674,630	
Foster Care-Title IV-E	93.658	73,458,266	
Adoption Assistance	93.659	41,782,717	
Social Services Block Grant	93.667	46,642,679	21,647,693
Child Abuse and Neglect State Grants	93.669	268,033	251,369
Child Abuse and Neglect Discretionary Activities	93.670	1,041,074	904,401
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	1,165,368	1,159,649
Chafee Foster Care Independence Program	93.674	1,834,041	1,663,681
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Progra	93.734	207,217	189,335
State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Fund	93.735	214,214	
PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement: Behavioral Risk Factor Surv	93.745	281,743	
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753	8,927	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	881,934	499,007
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	1,324,511	878,015
Children's Health Insurance Program	93.767	21,668,366	
Money Follows the Person Rebalancing Demonstration	93.791	24,141,988	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases	93.815	11,893	
National Bioterrorism Hospital Preparedness Program	93.889	2,040,632	1,392,527
Grants to States for Operation of Offices of Rural Health	93.913	176,913	
HIV Care Formula Grants (See Note 8)	93.917	6,728,115	479,888
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	868,420	536,384
Healthy Start Initiative	93.926	525,648	333,406
Special Projects of National Significance	93.928	20,006	
HIV Prevention Activities-Health Department Based	93.940	3,910,875	1,294,884
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency V	93.943	4,938	
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	927,158	24,000
Assistance Programs for Chronic Disease Prevention and Control	93.945	895,476	317,862
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	87,474	
Block Grants for Community Mental Health Services	93.958	4,725,336	3,941,853
Block Grants for Prevention and Treatment of Substance Abuse	93.959	16,674,165	16,474,683
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	684,139	46,160
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	26,000	
Preventive Health and Health Services Block Grant	93.991	48,826	71,922
Maternal and Child Health Services Block Grant to the States	93.994	4,446,724	1,664,012
Total Department of Health and Human Services (See Student Financial Assistance Cluster)		5,265,622,618	180,039,409
Corporation for National and Community Service			
State Commissions	94.003	326,112	
AmeriCorps	94.006	1,848,427	1,619,270
Program Development and Innovation Grants	94.007	4,900	
Training and Technical Assistance	94.009	49,061	
Volunteers in Service to America	94.013	29,981	
Total Corporation for National and Community Service		2,258,481	1,619,270
Social Security Administration			
Social Security-Disability Insurance	96.001	23,194,144	
Social Security-Work Incentive Planning and Assistance Program	96.008	192,814	
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	84,991	
Total Social Security Administration		23,471,949	0
Department of Homeland Security			
Boating Safety Financial Assistance	97.012	1,499,804	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	163,801	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	8,112,491	6,650,418
Hazard Mitigation Grant	97.039	4,908,468	4,283,076
National Dam Safety Program	97.041	44,767	
Emergency Management Performance Grants	97.042	4,402,201	1,504,885
State Fire Training Systems Grants	97.043	11,593	
Cooperating Technical Partners	97.045	5,127	

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Passed through to subrecipients
Pre-Disaster Mitigation	97.047	136,374	105,798
Emergency Operations Centers	97.052	48,525	48,525
Port Security Grant Program	97.056	962,319	649,894
Homeland Security Grant Program	97.067	9,782,886	6,151,751
Competitive Training Grants	97.068	(1,570)	
National Explosives Detection Canine Team Program	97.072	111,357	
Rail and Transit Security Grant Program	97.075	3,825,487	
Disaster Assistance Projects	97.088	204,388	204,388
Driver's License Security Grant Program	97.089	829,473	
Securing the Cities Program	97.106	69,699	
Severe Repetitive Loss Program	97.110	(51,613)	(51,613)
Total Department of Homeland Security		35,065,577	19,547,122
Miscellaneous Programs			
Oil Company Overcharge Recoveries	99.136	281,343	281,343
Student Financial Assistance Cluster:			
Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	2,500,826	
Federal Work-Study Program	84.033	3,157,923	
Federal Perkins Loan Program-Federal Capital Contributions (See Note 4)	84.038	31,506,296	
Federal Pell Grant Program	84.063	148,975,062	
Federal Direct Student Loans (See Note 4)	84.268	363,619,569	
Teacher Education Assistance for College and Higher Education Grants	84.379	44,802	
Total Department of Education		549,804,478	0
Department of Health and Human Services			
Nurse Faculty Loan Program (See Note 4)	93.264	1,200,245	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantage (See Note 4)	93.342	1,027,397	
Nursing Student Loans (See Note 4)	93.364	19,571	
ARRA - Nurse Faculty Loan Program (See Note 4)	93.408ARRA	171,095	
Total Department of Health and Human Services		2,418,308	0
Total Student Financial Assistance Cluster		552,222,786	0
TOTAL NON RESEARCH AND DEVELOPMENT GRANTS		**9,017,428,109**	**821,869,273**
RESEARCH AND DEVELOPMENT CLUSTER:			
Department of Agriculture			
Agricultural Marketing Service			
Federal-State Marketing Improvement Program	10.156	45,334	
Specialty Crop Block Grant Program - Farm Bill	10.170	119,488	
Total Agricultural Marketing Service		164,822	0
Agricultural Research Service			
Agricultural Research-Basic and Applied Research	10.001	1,201,483	
Animal and Plant Health Inspection Service			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	415,273	
Economic Research Service			
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250	9,737	
Research Innovation and Development Grants in Economic (RIDGE)	10.255	15,771	
Total Economic Research Service		25,508	0
Food and Nutrition Service			
State Administrative Expenses for Child Nutrition	10.560	18,829	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	861,129	
National Food Service Management Institute Administration and Staffing Grant	10.587	12,554	
Total Food and Nutrition Service		892,512	0
Foreign Agricultural Service			
Technical Assistance for Specialty Crops Program	10.604	82,330	0
Forest Service			
Urban and Community Forestry Program	10.675	(2,507)	
Forest Stewardship Program	10.678	64,543	
Forest Health Protection	10.680	32,640	
Total Forest Service		94,676	0
National Institute of Food and Agriculture			
Grants for Agricultural Research, Special Research Grants	10.200	130,014	41,605
Cooperative Forestry Research	10.202	409,311	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	2,096,713	
Animal Health and Disease Research	10.207	21,238	
Higher Education Graduate Fellowships Grant Program	10.210	58,715	
Sustainable Agriculture Research and Education	10.215	40,261	
Biotechnology Risk Assessment Research	10.219	178,948	
Integrated Programs	10.303	303,818	87,744
Homeland Security-Agricultural	10.304	22,935	
Specialty Crop Research Initiative	10.309	123,884	
Agriculture and Food Research Initiative	10.310	2,593,184	444,206
Crop Protection and Pest Management Competitive Grants Program	10.329	2,889	
Cooperative Extension Service	10.500	57,011	
Total Institute of Food and Agriculture		6,038,921	573,555

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Amounts Passed through to subrecipients
Rural Business - Cooperative Service			
Rural Business Enterprise Grants	10.769	3,819	0
Natural Resources Conservation Service			
Soil and Water Conservation	10.902	78,528	
Environmental Quality Incentives Program	10.912	97,715	
Total Natural Resources Conservation Service		176,243	0
Integrating approaches to conservation design across the LCC network in the East	10.14-CR-11242311-038	78,501	
Utilization of GRAS Compounds as Antimicrobial Dip and Coating Treatments for Controlling Listeria	10.DMI #02368	15,586	
Total Department of Agriculture		9,189,674	573,555
Department of Commerce			
National Oceanic and Atmospheric Administration			
Integrated Ocean Observing System (IOOS)	11.012	389,236	
Sea Grant Support	11.417	1,232,826	107,273
Fisheries Development and Utilization Research and Development Grants	11.427	42,333	
Climate and Atmospheric Research	11.431	79,882	
National Oceanic and Atmospheric Administration Cooperative Institutes	11.432	51,653	
Marine Mammal Data Program	11.439	35,996	
Unallied Science Program	11.472	46,615	
Office for Coastal Management	11.473	33,570	5,736
Center for Sponsored Coastal Ocean Research Program	11.478	43,483	
NOAA Programs for Disaster Relief Approp Act- Non-Construction & Construction	11.483	916,054	390,959
Total National Oceanic and Atmospheric Administration		2,871,648	503,968
Evaluation of Immune Functions in Free-ranging Bottlenose Dolphins in Support of Health Assessments	11.EA133F-14-SE3060	289,264	
Total Department of Commerce		3,160,912	503,968
Department of Defense			
Department of the Army, Office of the Chief of Engineers			
Collaborative Research and Development	12.114	28,446	0
Department of the Air Force, Materiel Command			
Air Force Defense Research Sciences Program	12.800	1,465,653	915,382
Department of the Navy, Office of the Chief of Naval Research			
Basic and Applied Scientific Research	12.300	2,435,412	369,670
Department of Defense HIV/AIDS Prevention Program	12.350	606,953	35,467
Total Department of the Navy, Office of the Chief of Naval Research		3,042,365	405,137
Naval Medical Logistics Command			
Naval Medical Research and Development	12.340	23,574	0
U. S. Army Materiel Command			
Basic Scientific Research	12.431	1,418,889	212,470
U.S. Army Medical Command			
Military Medical Research and Development	12.420	933,768	51,489
Office of the Secretary of Defense			
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351	666,617	329,377
National Security Agency			
Language Grants Program	12.900	40,593	
Mathematical Sciences Grants Program	12.901	5,364	
Information Security Grant Program	12.902	53,852	
Total National Security Agency		99,809	0
SCAAN II: Sense-Making Via Collaborative Agents and Activity Networks	12.1004-1880	99,187	
Secure Efficient Cross-domain Protocols	12.201301983-S	18,627	
Agent based Decision Support Concepts for Command and Control	12.201400859-S	27,500	
Secure Efficient Cross-domain Protocols-Phase II	12.201500410-S	10,377	
Assessment Of Reduced Order Modeling Of Flame Extinction In Bluff Body Flames	12.21153 Task # 73	(935)	
Oxidation Modeling in Bond Coatings of Single Crystal Turbine Blades	12.21153 Task #100	415	
Computational Implementation of Phase Field Theories in Finite Element Codes	12.21153 Task #82	(1)	
Carbon Exchanges and Source Attributions in the New River Estuary, NC	12.888-13-16-129-312-0213589	54,584	
CMAS and High Temperature Resistant LaMgAl11O19 TBC Coating Using a Microwave Based Uniform-Melt-Stat	12.AG130711	(7,767)	
Modeling the Combined Effects of Deterministic and Statistical Structure for Optimization of Regional Monitoring	12.FA9453-12-C-0207	87,234	
Modeling and Optimizing Turbines for Unsteady Flow	12.HPCI-UCONN-2014-01	64,053	
Data Fusion and Tracking Algorithms for BMD	12.HQ0147-12-C-6017	100,393	
Development of Innovative Solutions for Hardware Security, and Detection and Prevention of Counterfeit Electronics	12.HQ0147-13-C-6029	71,864	
Optimization of Design and Process Development for Gain Chip	12.N66604-13-P-1036	17,147	
Gain Chip Fabrication in support of Light Weight Aperture Array (LWWA) Program	12.N66604-15-P-0912	10,619	
Impact Point Prediction Research for Short & Medium Range Thrusting Projectiles"	12.PO 4440278825	99,596	
MOCVD of High Performance Complex Oxide Films for Switchable Film Bulk Acoustic Resonators	12.PO# 41950-021913-08	52,937	
The Effect of Wakefulness on Auditory Cued Visual Search	12.PO10164705	30,509	
High Reliability, Low-cost Thermally Integrated Water Gas Shaft (TI-WGS) System Design Development Support	12.PO47665-000	(3,639)	
Thermodynamic Modeling of a Rotating Detonation Engine	12.SB01210	13,376	
Efficient Clutter Suppression and non linear Filtering Techniques for tracking Closely Spaced objects in the presence	12.SC14-5908-1	33,530	

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Passed through to subrecipients
Improving the Life Expectancy of High Voltage Components Using Nanocomposite Surface Solutions	12.SUB140821A	32,406	
Experimental Study of Reacting Jets in Crossflow	12.Task # 110 21153	(411)	
Tracking the Uptake, Translocation, Cycling and Metabolism of Munitions Compounds in Coastal Marine Ecosystem	12.W912HQ-11-C-0051	205,938	
Advanced Proto Gun-launched Extended Munitions Utilizing Manned/Unmanned Projectiles Old title (originally in in	12.343585	(1,503)	
Total Department of Defense		8,695,157	1,913,855
Office of the Director of National Intelligence			
Porous Solid Electrolytes for Advanced Lithium Ion Batteries	13.2014-14081300014	61,066	0
Department of Housing and Urban Development			
Office of Healthy Homes and Lead Hazard Control			
Healthy Homes Production Program	14.913	(293)	0
Department of the Interior			
Fish and Wildlife Service			
Sport Fish Restoration Program	15.605	76,874	
Wildlife Restoration and Basic Hunter Education	15.611	129,534	
State Wildlife Grants	15.634	58,502	
Hurricane Sandy Disaster Relief Activities-FWS	15.677	132,255	42,974
Total Fish and Wildlife Service		397,165	42,974
U.S. Geological Survey			
Assistance to State Water Resources Research Institutes	15.805	161,896	4,822
U.S. Geological Survey - Research and Data Collection	15.808	47,116	
Total U.S. Geological Survey		209,012	4,822
Total Department of Interior		606,177	47,796
Department of Justice			
Office of Juvenile Justice and Delinquency Prevention			
Juvenile Accountability Block Grants	16.523	40,531	
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	82,513	
Total Office of Juvenile Justice and Delinquency Prevention		123,044	0
National Institute of Justice			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	142,711	30,922
Bureau of Justice Assistance			
Congressionally Recommended Awards	16.753	(403)	(403)
Total Department of Justice		265,352	30,519
Department of State			
Bureau of International Security and Nonproliferation			
Global Threat Reduction	19.033	5,901	0
Department of Transportation			
Federal Aviation Administration			
Aviation Research Grants	20.108	74,105	
Air Transportation Centers of Excellence	20.109	2,303	
Total Federal Aviation Administration		76,408	0
Federal Highway Administration (FHWA)			
Highway Planning and Construction	20.205	2,626,928	50,121
Highway Training and Education	20.215	40,472	
Total Federal Highway Administration (FHWA)		2,667,400	50,121
Federal Railroad Administration (FRA)			
Railroad Research and Development	20.313	41,397	0
National Highway Traffic Safety Administration			
State and Community Highway Safety	20.600	0	
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	18,575	
Total National Highway Traffic Safety Administration		18,575	0
Office of the Secretary (OST) Administration Secretariat			
University Transportation Centers Program	20.701	524,895	
Development of Non-Proprietary Ultra-High Performance Concrete for Use in the Highway Bridge Sector	20.AG120015 REF 0492102	(932)	
Improved Prediction Models for Crash Types and Crash Severities	20.HR 17-62	273,197	166,839
Dynamic Impact Factors on Existing Long-span Truss Railroad Bridges	20.SAFETY-25	56,459	
Evaluating Application of Field Spectroscopy Devices to Fingerprint Commonly Used construction Materials	20.SHRP-R-06(B)	(5,125)	
Total Department of Transportation		3,652,274	216,960
National Aeronautics and Space Administration			
Determining Geophysical Impacts on Scatterometer Wind Stress Accuracy	43.11-039	27,822	
Snow and Water: Imaging Spectroscopy for Coasts and Snow Cover	43.1507044	18,764	
FLEX Droplet Flame Extinguishment in Microgravity	43.AAA	10,672	
Evaluation of the Performance of NASA's SOFC-LTA on Methane as Fuel	43.NNC11VE02P	9,727	
Thermogaphic Coating of a Turbine Blade	43.NNC13VI87P	4,029	
Investigation of a Novel Percussive Dynamic Cone Penetrometer for Lunar and Martian Exploration	43.NNX06AC32H	(9,833)	
STTR Phase II: Hydrogen-Based Energy Conservation System	43.NNX13CS13C	60,693	
Data Reduction And Fusion For Remote Diagnostics	43.QSI-DSC-09-003	4,818	
Stable, Long Life Catalysts for PEM Fuel Cells and Electrolyzers	43.SC 55351-6295	5,227	
Flame Stabilization for Reacting Jets in Crossflow	43.Task 114	24,081	
Science	43.001	776,580	13,490

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Amounts Passed through to subrecipients
Aeronautics	43.002	129,318	
Exploration	43.003	9,804	
Education	43.008	51,579	
Total National Aeronautics and Space Administration		1,123,281	13,490
National Endowment for the Humanities			
Promotion of the Humanities-Fellowships and Stipends	45.160	12,861	
Promotion of the Humanities_Research	45.161	9,239	
Promotion of the Humanities-Professional Development	45.163	63	
Promotion of the Humanities Office of Digital Humanities	45.169	13,971	
Total National Endowment for the Humanities		36,134	0
Institute of Museum and Library Services			
National Leadership Grants	45.312	15,825	0
National Science Foundation			
Genome Ambassadors: Promoting Public Understanding of Genomics	47.AG131062	13,720	
Job Embedded Professional Learning Services to Quinebaug Middle College	47.AG150678	10,400	
Engineering Grants	47.041	5,328,869	265,020
Mathematical and Physical Sciences	47.049	2,908,553	793
Geosciences	47.050	1,611,571	40,660
Computer and Information Science and Engineering	47.070	2,565,294	
Biological Sciences	47.074	3,597,547	254,155
Social, Behavioral, and Economic Sciences	47.075	846,081	28,275
Education and Human Resources	47.076	4,347,316	211,226
Polar Programs	47.078	221,961	
Office of International Science and Engineering	47.079	2,569	
Office of Cyberinfrastructure	47.080	79,868	
Trans-NSF Recovery Act Research Support	47.082	157,674	53,198
Trans-NSF Recovery Act Research Support	47.082ARRA	155,644	
Total National Science Foundation		21,847,067	853,327
Small Business Administration			
Small Business Development Centers	59.037	19,661	
Department of Veterans Affairs			
Gender Differences in Addictive Behaviors among Returning Veterans	64.AG110995	9,763	
Environmental Protection Agency			
Office of Water			
Long Island Sound Program	66.437	729,927	82,129
Nonpoint Source Implementation Grants	66.460	38,030	
Total Office of Water		767,957	82,129
Office of Research and Development (ORD)			
Science To Achieve Results (STAR) Research Program	66.509	55,785	
Science To Achieve Results (STAR) Fellowship Program	66.514	27,426	
P3 Award: National Student Design Competition for Sustainability	66.516	38,634	
Total Office of Research and Development (ORD)		121,845	0
Office of the Administrator			
Performance Partnership Grants	66.605	29,001	
Enhancement and Technical Recommendations for the N-Sink Decision Support Tool	66.CON-15-002 DTS2-3V5	56,249	
N-Sink Tool Stakeholder Feedback and Analysis of Scalability	66.DTS-14-002	19,594	
Total Environmental Protection Agency		994,646	82,129
Nuclear Regulatory Commission			
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	36,159	0
Department of Energy			
Evaluation of the Use of an Electrochemical Flow Reactor as a Replacement of the Distillation of 211 At to simplify tl	81.244236	30,063	
Load Forecasting at the Distribution Level in the Face of Distributed Energy Resources	81.3481-4700194558	(15,015)	
Mesoscale Modeling of Coupled Phenomena in Thin Ferroic Films	81.4F-31142	18,567	
Metals Program in Support of Stack Block Durability Testing	81.AG091277	4,514	
Graduate Research Services	81.JSA-07-A0299	3,942	
Dish Dtirling High Performance Thermal Storage	81.PO 1291108	(10,688)	
Graduate Research Services-Andrey Kim	81.PO 14-P0041	29,400	
Evaluating Alumina Forming Austenitic Steels for Solid Oxide Fuel Cell Power System Balance of Plant	81.PO 2601309ARRA	0	
Thermally Integrated Solid State Hydrogen Separator and Compressor Development Support	81.PO 50546-000	36,653	
Subsea High Voltage Direct Current Connectors for Environmentally Safe and Reliable Powering of UDW Subsea Pı	81.PO# 400218130	9,418	
Analysis of Dislocations in BCC Metals	81.PO-1415509	4,550	
Special Studies and Projects in Energy Education and Training	81.045	9,424	
Office of Science Financial Assistance Program	81.049	3,081,240	338,896
University Coal Research	81.057	132,310	
Conservation Research and Development	81.086	164,027	
Renewable Energy Research and Development	81.087	419,409	
Fossil Energy Research and Development	81.089	365,052	122,259
Energy Efficiency and Renewable Energy Info. Dissemination Outreach, Training and Technical Analysis/Assistance	81.117	(8,244)	
Nuclear Energy Research, Development and Demonstration	81.121	15,327	
Industrial Carbon Capture and Storage Application	81.134ARRA	75,971	
Advanced Research Projects Agency-Energy	81.135	399,475	
Total Department of Energy		4,765,395	461,155

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts: Expenditures	Amounts: Passed through to subrecipients
Department of Education			
Office of Postsecondary Education			
Fund for the Improvement of Postsecondary Education	84.116	29,098	
Graduate Assistance in Areas of National Need	84.200	944,781	
Total Office of Postsecondary Education		973,879	0
Office of Elementary and Secondary Education			
Safe and Drug-Free Schools and Communities National Programs	84.184	44,117	
Javits Gifted and Talented Students Education	84.206	196,565	23,740
Mathematics and Science Partnerships	84.366	221,198	
Improving Teacher Quality State Grants	84.367	18,100	
Total Office of Elementary and Secondary Education		479,980	23,740
Institute of Education Sciences			
Education Research, Development and Dissemination	84.305	2,239,451	667,392
Research in Special Education	84.324	1,712,186	743,427
Statewide Longitudinal Data Systems	84.372	28,330	
Total Institute of Education Sciences		3,979,967	1,410,819
Office of Career, Technical and Adult Education			
Career and Technical Education-Basic Grants to States	84.048	4,013	0
Office of Special Education and Rehabilitative Services			
Special Education - Grants to States	84.027	738	
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	11,555	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	(61)	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	1,011,417	304,914
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disab	84.326	15,416	
Special Education_Educational Technology Media and Materials for Individuals with Disabilities	84.327	29,238	
Total Office of Special Education and Rehabilitation Services		1,068,303	304,914
Total Department of Education		6,506,142	1,739,473
Vietnam Education Foundation			
Fellowship Program	85.802	28,000	0
U.S. Election Assistance Commission			
Help America Vote Act Requirements Payments	90.401	414,515	0
Department of Health and Human Services			
Administration for Children and Families			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	203,368	
Abandoned Infants	93.551	80,692	
Promoting Safe and Stable Families	93.556	283,470	
Temporary Assistance for Needy Families	93.558	9,872	
State Court Improvement Program	93.586	42,546	
Community-Based Child Abuse Prevention Grants	93.590	147,694	
Child Abuse and Neglect Discretionary Activities	93.670	240,775	
Total Administration for Children and Families		1,008,417	0
Administration for Community Living			
Affordable Care Act – Aging and Disability Resource Center	93.517	135,472	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	443,574	
Total Administration for Community Living		579,046	0
Centers for Disease Control and Prevention			
Public Health Emergency Preparedness	93.069	26,649	
Occupational Safety and Health Program	93.262	1,106,403	2,400
Centers for Disease Control, Prevention-Investigations and Technical Assist	93.283	141,513	
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	35,562	
HIV Prevention Activities-Health Department Based	93.940	363,422	
Research, Prevention, and Education Programs on Lyme Disease in U. S.	93.942	286,652	
Assistance Programs for Chronic Disease Prevention and Control	93.945	206,676	
Total Centers for Disease Control and Prevention		2,166,877	2,400
Centers for Medicare and Medicaid Services			
Health Care Innovation Awards (HCIA)	93.610	43,055	
ACA-State Innovation Models: Funding for Model Design and Testing Assistance	93.624	9,557	
Medical Assistance Program	93.778	1,035,399	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2,587	
Total Centers for Medicare and Medicaid Services		1,090,598	0
Food and Drug Administration			
Food and Drug Administration - Research	93.103	1,107,814	
Food Safety and Security Monitoring Project	93.448	352,700	
Total Food and Drug Administration		1,460,514	0
Health Resources and Services Administration			
Area Health Education Centers Point of Service Maint. & Enhancement Awards	93.107	470,375	368,188
Maternal and Child Health Federal Consolidated Programs	93.110	113,414	
Preventive Medicine and Public Health Residency Training Program, Integrative Medicine Program, and National C	93.117	3,565	
AIDS Education and Training Centers	93.145	37,852	
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	296,402	132,281
Poison Center Support and Enhancement Grant Program	93.253	198,988	

FEDERAL GRANTOR/PROGRAM TITLE/PASS THROUGH GRANTOR	CFDA/ IDENTIFYING NUMBER	Amounts Expenditures	Passed through to subrecipients
Advanced Education Nursing Traineeships	93.358	342,590	
Nurse Education, Practice Quality and Retention Grants	93.359	71,086	
Affordable Care Act (ACA) Primary Care Residency Expansion Program	93.510	352,552	
Grants for Primary Care Training and Enhancement	93.884	372,967	46,214
HIV Emergency Relief Project Grants	93.914	106,953	52,632
HIV Care Formula Grants	93.917	633,962	
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	(20,033)	
Maternal and Child Health Services Block Grant to the States	93.994	(469)	
Total Health Resources and Services Administration		2,980,204	599,315
National Institutes of Health			
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	1,223,169	129,721
Environmental Health	93.113	1,378,943	240,544
Oral Diseases and Disorders Research	93.121	4,209,639	426,892
NIEHS Superfund Hazardous Substances-Basic Research & Education	93.143	81,766	
Human Genome Research	93.172	2,406,806	1,543,440
Research Related to Deafness and Communication Disorders	93.173	908,888	105,594
Research and Training in Complementary and Integrative Health	93.213	692,995	340,906
National Center on Sleep Disorders Research	93.233	252,280	
Mental Health Research Grants	93.242	5,781,122	1,669,518
Alcohol Research Programs	93.273	4,989,632	612,155
Drug Abuse and Addiction Research Programs	93.279	6,944,316	921,677
Mental Health Research Career/Scientist Development Awards	93.281	136,780	
Mental Health National Research Service Awards for Research Training	93.282	341,480	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	1,466,483	61,504
Minority Health and Health Disparities Research	93.307	166,311	
Trans-NIH Research Support	93.310	89,132	
Research Infrastructure Programs	93.351	865,933	
Nursing Research	93.361	582,151	
National Center for Research Resources	93.389	66,595	
Cancer Cause and Prevention Research	93.393	830,358	61,485
Cancer Detection and Diagnosis Research	93.394	344,781	
Cancer Treatment Research	93.395	978,516	77,005
Cancer Biology Research	93.396	1,066,196	130,293
Cancer Research Manpower	93.398	67,358	
Trans-NIH Recovery Act Research Support	93.701ARRA	(81,380)	
Cardiovascular Diseases Research	93.837	1,016,134	265,890
Lung Diseases Research	93.838	464,261	193,018
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	3,731,916	148,044
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	3,082,960	100,630
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	4,954,471	47,137
Allergy and Infectious Diseases Research	93.855	10,401,981	1,034,977
Microbiology and Infectious Diseases Research	93.856	152,132	0
Biomedical Research and Research Training	93.859	6,360,852	261,549
Child Health and Human Development Extramural Research	93.865	3,469,413	652,730
Aging Research	93.866	3,727,191	1,379,550
Vision Research	93.867	953,893	0
Medical Library Assistance	93.879	433,224	146,217
International Research and Research Training	93.989	9,720	
Total National Institutes of Health		74,548,398	10,550,476
Substance Abuse and Mental Health Services Administration			
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	1,801,870	165,827
Office of the Secretary			
Policy Research and Evaluations Grants	93.239	20,225	
Teenage Pregnancy Prevention Program	93.297	25,646	
National Bioterrorism Hospital Preparedness Program	93.889	127,915	19,500
Total Office of the Secretary		173,786	19,500
System for High-Throughput Proteome Characterization	93.752202	(2)	
Continuous Manufacturing of Liposomal Drug Formulations	93.HHHSF223201310117C	248,131	
Evidence-based Practice Centers (EPC) V	93.HHSA2902015000121	675	
Nhanes Chemosensory Development and Implementation Protocol	93.S8056	69,582	
Development of a Mini-Lyophilzer for Pharmaceutical Product Formulation and Process Development	93.SC62048-1827	163,602	
HHS Programs for Disaster Relief Appropriations Act - Non Construction	93.095	291,593	
Total Department of Health and Human Services		86,583,291	11,337,518
Department of Homeland Security			
Switch Polarity Solvent (SPS) Membrane Studies	97.Contract 00141830	52,590	
Securing Homeland Transportation Systems and Infrastructure: Technology from Universities to Commercial Product	97.HSHQDC-15-J-00033	96,036	
Verification and Validation of the Performance of the Geophysical and Operational System Performance Tool (GOSP	97.99900	35,787	
Centers for Homeland Security	97.061	224,489	(1,887)
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuc	97.077	55,311	
Homeland Security-Related Science, Tech. Engineering and Math (HS STEM) Career Development Program	97.104	202,825	
Total Department of Homeland Security		667,038	(1,887)
Agency for International Development			
USAID Foreign Assistance for Programs Overseas	98.001	396,873	213,479
USAID Development Partnerships for University Cooperation and Dev.	98.012	763,464	440,859
Total Agency for International Development		1,160,337	654,338
TOTAL RESEARCH AND DEVELOPMENT CLUSTER		**149,843,474**	**18,426,196**
TOTAL FEDERAL ASSISTANCE		**9,167,271,583**	**840,295,469**

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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 Voucher* (CFDA #14.871) programs represent the net Annual Contributions Contract subsidy received for the state's fiscal year ended June 30, 2015. 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	714,048,914
10.555	National School Lunch Program	12,355,747
10.559	Summer Food Service Program for Children	10,434
39.003	Donation of Federal Surplus Personal Property	37,745
93.053	Nutrition Services Incentive Program **	0
93.268	Immunization Grants	29,798,272
93.283	Centers for Disease Control & Prevention Investigations & Technical Assistance	1,808

** There was no Nutrition Services Incentive Program assistance 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, 2015	New Loans Processed
84.038	Federal Perkins Loan Program	$ 26,875,531	$3,927,851
93.264	Nurse Faculty Loan Program	1,169,502	460,527
93.342	Health Professions Student Loans	927,927	326,494
93.364	Nursing Student Loans	19,571	0
93.408	ARRA-Nurse Faculty Loan Program	144,512	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	$363,619,569

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 $ 12,998,161 from rebates from infant formula and cereal manufacturers on the sales of formula to participants in the *U.S. Department of Agriculture's WIC program* (CFDA #10.557). The WIC program collected $44,493 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 2015 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, 2015, the state funds expended from the Federal Unemployment Trust Fund amounted to $ 724,357,624. The total expenditures from the federal portion equaled $13,875,454. The $74,093,041 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, 2015, the Department of Social Services expended a total of $50,107,036 (federal share) to accomplish the goals of the *Child Support Enforcement Program* (CFDA #93.563). The state received $14,172,105 of the total expenditures by withholding a portion of various collections received through the process of implementing the *Child Support Enforcement Program*. The other $35,934,931 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 $7,362,077 for the *HIV Care Formula Grants* (CFDA #93.917). The state also expended $18,131,258 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, 2015 a grand total of $20,724,856 was expended. The total amount includes $20,574,621 in ARRA non-research expenditures as well as $150,235 in ARRA research expenditures.

Note 10 – 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 11 – 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.

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note 11 - Pass-through Grants:

NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS

CFDA / IDENTIFYING No.	STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Department of Agriculture				
National Institute of Food and Agriculture				
10.200	UOC	Maine Aquaculture Innovation Center	12-08	7,905
10.200	UOC	Northeastern Regional Aquaculture Center	Z540501	5,389
10.200	UOC	University of New Hampshire	13-082	4,735
10.212	BOR	Biorasis Inc.	1230148	13,206
10.215	UOC	University of Vermont	SNE14-01-29001	48,009
10.215	UOC	University of Vermont	UVM ID 29001	193
10.303	UOC	Cornell University	67850-10222	24,922
10.304	UOC	Cornell University	67826-9915	21,483
10.500	UOC	Auburn University	13-HHP-379816-UCONN	0
10.500	UOC	Kansas State University	S14081	11,943
10.500	UOC	Kansas State University	S15022	8,606
10.500	UOC	Kansas State University	S15052	11,143
10.500	UOC	Pennsylvania State University	5156-UC-USDA-2628	368
10.500	UOC	University of Delaware	36516	8,555
10.500	UOC	University of Missouri	C00048589-2	1,788
10.500	UOC	University of Nebraska	26-6365-0001-359	5,000
10.500	UOC	University of Vermont	26922	23,622
10.500	UOC	University of Vermont	Coordinator13	153,414
10.500	UOC	University of Vermont	SNE13-01	19,480
Total National Institute of Food and Agriculture				369,762
Rural Business-Cooperative Service				
10.351	UOC	Last Green Valley, Inc.	CNP-UCONN	(7)
Total Department of Agriculture				369,755
Department of Commerce				
11.5700-UCONN	UOC	Industrial Economics (IEc)	5700-UCONN	136,215
Department of Defense				
12.PO# M14-218	UOC	MAR Range Services	PO# M14-218	5,865
Department of Housing and Urban Development				
14.AG111076	UOC	Capitol Region Council of Governments	AG111076	2,409
Department of the Interior				
Fish and Wildlife Service				
15.663	UOC	National Fish and Wildlife Foundation	Project 1401.12.032632	15,789
U.S. Geological Survey				
15.815	UOC	America View	AV14-CT01	10,517
Total Department of Interior				26,306
Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
16.726	UOC	National 4-H Council	2012-OJJDP-NMPIII-306	(274)
16.726	UOC	National 4-H Council	2013-JU-FX-0022	100,600
16.726	UOC	National 4-H Council	2014-JU-FX-0025	31,605
Total Department of Justice				131,930
Department of Labor				
Employment Training Administration				
17.259	BOR	Northwest Regional Investment Board	ISY-11-002	363
17.259	BOR	Northwest Regional Investment Board	ISY-14-002	87,446
17.259	BOR	Northwest Regional Investment Board	ISY-15-001	442
17.259	BOR	Northwest Regional Investment Board	ISY-14-002	107,357
17.259	BOR	Northwest Regional Investment Board	OSY-12-002	6,114
17.259	BOR	Northwest Regional Investment Board	OSY-14-002	133,494
17.259	BOR	The Workplace Inc.	WYOU-2012-NCCO/S-001	48,342
17.259	BOR	Northwest Regional Investment Board	OSY-14-002	190,048
17.268	BOR	Northwest Regional Investment Board	H-1B-11-008	20,175
17.268	BOR	The Workplace Inc.	HG-22616-12-60-A-9	55,745
17.283	BOR	Workforce Alliance	SGA-DFA-PY-11-05	56,833
Total Department of Labor				706,357
National Aeronautics and Space Administration				
43.001	BOR	University of Hartford	AGR-1-15-08	6,000
43.001	BOR	University of Hartford	AGR-1-15-08	9,896
43.001	BOR	University of Hartford	AGR-1-15-08	9,950
43.001	UOC	University of Hartford	P-743	7,750
43.008	BOR	University of Hartford	Ltr. 03-28-14	2,575
43.008	ECSU	University of Hartford	NNX12AG64H	500
43.008	ECSU	University of Hartford	NNX12AG64H	3,994
43.008	ECSU	University of Hartford	NNX12AG64H	1,000
43.008	ECSU	University of Hartford	NNX12AG64H	7,191
43.008	ECSU	University of Hartford	NNX12AG64H	9
43.008	CCSU	University of Hartford, Connecticut Space Grant	NNX12AG64H-807 (P - 841)	1,000
43.008	CCSU	University of Hartford, Connecticut Space Grant	NNX12AG64H	3,000
43.008	CCSU	University of Hartford, Connecticut Space Grant	None	10,000
43.008	UOC	University of Hartford	P-801	581
43.008	UOC	University of Hartford	P-802	6,614
43.008	UOC	University of Hartford	P-803	889
43.008	UOC	University of Hartford	P-818	931
43.008	UOC	University of Hartford	P-853	1,000
Total National Aeronautics and Space Administration				72,879

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Environmental Protection Agency					
Office of Air and Radiation					
66.033		BOR	West Virginia University	AGR 10-15-12	3,663
Office of Water					
66.437		UOC	National Fish and Wildlife Foundation	Project 1401.12.032632	14,138
66.437		UOC	New England Interstate Water Pollution Control Com	2013-023	(3,421)
Total Office of Water					10,716
Total Environmental Protection Agency					14,380
Department of Energy					
81.087		BOR	Hudson Valley Community College	AGR 09-20-10	391
Department of Education					
Office of Career, Technical and Adult Education					
84.002		BOR	Education Connection, Foothill Adults & Continuing Ed.	49149	10,554
Office of Postsecondary Education					
84.116		BOR	LaGuardia Community College	#46285L	4,894
Office of Innovation and Improvement					
84.165		CCSU	Hartford Board of Education	USDOE #U165A100064	690
84.374		UOC	New Haven Public Schools	96085257/2548-6084-56680	40,779
84.374		UOC	New Haven Public Schools, CT	Agreement No 96085257	115,762
Total Office of Innovation and Improvement					157,231
Institute of Education Sciences					
84.305		BOR	Research Foundation CUNY	46355-N	1,516
Office of Special Education and Rehabilitative Services					
84.133		SDR	University of Massachusetts Boston	S20100000012109	11,842
84.326		UOC	University of North Carolina, Chapel Hill	5039295	15,810
84.326		UOC	University of Oregon	223561A	(15,705)
84.326		UOC	University of Oregon	224440K	685,680
Total Office of Special Education and Rehabilitation Services					697,627
Office of Elementary and Secondary Education					
84.367		CCSU	National Writing Project	06-CT04-SEED2012	20,000
84.367		UOC	National Writing Project Corporation	Agreement 92-CT01-SEED2012	11,929
Total of Office of Elementary and Secondary Education					31,929
Miscellaneous Programs					
84.395	ARRA	UOC	Providence Public Schools, Providence, RI	2109427-0-PO	80,888
84.396	ARRA	UOC	Ohio State University	6002916/RF01233626	40,662
84.396	ARRA	UOC	Ohio State University	60029196/RF01233626	34,163
Total Miscellaneous Programs					155,713
Total Department of Education					1,059,464
Department of Health and Human Services					
Administration for Children and Families					
93.648		UOC	National Child Welfare Workforce Institute	Subcontract# 14-60/1120721-13-69467	35,624
93.648		UOC	Research Foundation for the State University of NY	1120721-13-69467	121,035
Total Administration for Children and Families					156,660
Food and Drug Administration					
93.103		UOC	National Institute of Pharmaceutical Technology and Ed.	NIPTE-U01-UC-003-2012	19,469
Health Resources and Services Administration					
93.928		DOC	Yale University	5H97HA24963-02	20,006
National Institutes of Health					
93.273		DOC	Yale University	5R01AA018944-04	31,361
93.279		DOC	Yale University	5R01DA030762-05	51,996
Total National Institutes of Health					83,356
Substance Abuse and Mental Health Services Administration					
93.243		BOR	Wheeler Clinic	LTR-3-14-12	2,194
93.243		BOR	Wheeler Clinic	LTR-3-14-12	1,107
93.243		SCSU	Yale University	M15A11966(A10058)	29,366
93.243		DOC	Yale University	1H79TI025889-01	12,930
93.276		CCSU	Clinton Youth & Family Service Bureau	SAMSA #10-SP15833A	15,044
93.276		CCSU	Town Of Southington	DPHS # 1H79SP015686-01	950
93.959		CCSU	Wheeler Clinic	None	4,998
Total Substance Abuse and Mental Health Services Administration					66,589
Total Department of Health and Human Services					346,080
Corporation for National and Community Service					
94.006		UOC	Jumpstart, Inc	830200	110,246
Social Security Administration					
96.009		OPA	National Disability Rights Network	CTOPA	20,767
Department of Homeland Security					
97.106		DPS	NYPD	None	69,699
TOTAL NON RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS					**3,072,743**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
RESEARCH AND DEVELOPMENT PASS-THROUGH GRANTS: (SEE NOTE 2)					
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:					
Department of Agriculture					
Agriculture Marketing Service					
10.170	RD	UOC	University of Florida	UFDSP00010092	1,074
National Institute of Food and Agriculture					
10.200	RD	AES	Texas A&M	2008-34503-19185	69
10.200	RD	AES	Cornell University	62094-9545	101
10.200	RD	AES	Cornell University	67417-9916	0
10.215	RD	AES	Penn State University	4378-CAES-UV-0296	892
10.215	RD	UOC	University of Vermont	GNE14-083-27806	11,243
10.215	RD	UOC	University of Vermont	LNE13-324	10,284
10.215	RD	UOC	University of Vermont	ONE13-179	10,542
10.303	RD	AES	University of Idaho	2013-51102-21015	14,327
10.304	RD	AES	Cornell University	67826-9931	22,935
10.309	RD	AES	Virginia Poly Tech Institute	422179-19756	8,709
10.309	RD	AES	Cornell University	64094-9752	26,821
10.309	RD	AES	University of Mass Amherst	12-007055-A-00	88,355
10.310	RD	AES	University of Georgia	RC293-365/4693928	163
10.310	RD	AES	Colorado State University	G-45001-1	28,524
10.310	RD	UOC	College of William and Mary	718252-712683	11
10.310	RD	UOC	Ohio State University	Subaward No. 60045862	110
10.310	RD	UOC	Purdue University	8000047623-AG	44,777
10.310	RD	UOC	University of California at Davis	Subaward# 201015739-07	205,109
10.310	RD	UOC	University of Nevada	UNR-12-02	2,396
10.310	RD	UOC	Yale University	M10M10477 (M00101)	1,289
10.329	RD	AES	Cornell University	73984-10396	1,082
10.329	RD	AES	Cornell University	73984-10396	1,807
Total National Institute of Food and Agriculture					479,545
Economic Research Service					
10.250	RD	UOC	South Dakota State University	Subaward 3TB428	1,543
10.255	RD	UOC	University of Wisconsin	607K095	15,771
Total Economic Research Service					17,314
Food and Nutrition Service					
10.560	RD	UOC	State Education Resource Center	AG150685	18,829
10.587	RD	UOC	University of Southern Mississippi	USM-GR04592-05	12,554
Total Food and Nutrition Service					31,383
Foreign Agricultural Service					
10.604	RD	AES	California Dried Plum Board	PN-12-27	82,330
Forest Service					
10.678	RD	AES	National Audubon Society	13-DG-1142004-260	23,615
10.DMI #02368	RD	UOC	Dairy Management Inc (DMI)	DMI #02368	15,586
Total Department of Agriculture					650,848
Department of Commerce					
National Oceanic and Atmospheric Administration					
11.012	RD	UOC	Northeastern Regional Association of Coastal Ocean Obser	A002-001	389,236
11.417	RD	UOC	Marine Biological Laboratory	44035	5,261
11.417	RD	UOC	Stony Brook University	67208	16,598
11.417	RD	UOC	University of Washington	Subaward No. 761467	17,002
11.431	RD	UOC	University of Michigan	3002868294	15,465
11.432	RD	UOC	University of Maine	Subaward No. UM-S990	51,653
11.473	RD	UOC	Gulf of Maine Association	AG130184	7,578
11.473	RD	UOC	Rutgers - State University of New Jersey	PO# S1566258	25,991
11.478	RD	UOC	University of Rhode Island	Sub#091811/0003087	43,483
11.483	RD	UOC	New Jersey Marine Sciences Consortium	6306-0005	24,755
11.483	RD	UOC	New York Sea Grant	NA13OAR4830228	34,658
11.483	RD	UOC	Northeastern Regional Association of Coastal Ocean Obser	A003-001	39,296
11.483	RD	UOC	Rutgers - State University of New Jersey	436500 10255 S1961894	258,438
Total Department of Commerce					929,414
Department of Defense					
Department of the Navy, Office Of the Chief Of Naval Research					
12.300	RD	UOC	University Corporation for Atmospheric Research	Z14-12073	320,813
12.300	RD	UOC	University of Southern California Los Angeles	Subaward #49948756	71,469
12.300	RD	UOC	University of Texas at Austin	UTA09-000725	120,547
Total Department of the Navy, Office of the Chief of Naval Research					512,829
Naval Medical Logistics Command					
12.340	RD	UOC	Leidos	P010127189	23,574
Office of the Secretary of Defense					
12.351	RD	UHC	The Pennsylvania State University	4106-UCHC-DTRA-0004	(10,060)
U.S. Army Medical Command					
12.420	RD	UOC	Creare, Inc.	Subcontract No. 75609	70,222
12.420	RD	UOC	University of Pittsburgh	0036974 (410159-1)	2,682
12.420	RD	UOC	Wake Forest University	WFUHS 441059 ER-09	152,935
12.420	RD	UHC	Stevens Institute Of Technology	2102309-01	61,789
Total U.S. Army Medical Command					287,628
U.S. Army Materiel Command					
12.431	RD	UOC	Massachusetts Institute of Technology	5710003138	12,918
12.431	RD	UOC	Northwestern University	SP0025190-PROJ0006752	33,636
12.431	RD	UOC	University of California at Los Angeles	1000 G SA915	4,744
12.431	RD	UHC	Triton Systems, Inc.	2407-12-101148	(1,605)
Total U. S. Army Materiel Command					49,692

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Department of the Air Force, Materiel Command					
12.800	RD	UOC	Optomec	AG141188	5,449
12.800	RD	UOC	University of Michigan	3001890465	2,233
12.800	RD	UOC	University of Texas, Rio Grande Valley	FA9550-12-1-01559-03	25,498
12.800	RD	UOC	University of Wisconsin	575K691	4,139
12.800	RD	UHC	University of Tulsa	14-2-1203439-94802	4,053
Total Department of the Air Force, Materiel Command					41,372
National Security Agency					
12.900	RD	UOC	Creare, Inc	Subcontract No. 71388	40,593
12.343585	RD	UOC	University of Hartford	343585	(1,503)
12.1004-1880	RD	UOC	Aptima, Inc.	1004-1880	99,187
12.201301983-S	RD	UOC	Sonalysts, Inc	201301983-S	18,627
12.201400859-S	RD	UOC	Sonalysts, Inc	201400859-S	27,500
12.201500410-S	RD	UOC	Sonalysts, Inc	201500410-S	10,377
12.21153 Task # 73	RD	UOC	United Technologies-Pratt & Whitney	21153 Task # 73	(935)
12.21153 Task #100	RD	UOC	United Technologies-Pratt & Whitney	21153 Task #100	415
12.21153 Task #82	RD	UOC	United Technologies-Pratt & Whitney	21153 Task #82	(1)
12.888-13-16-12, 9-312-0213589	RD	UOC	RTI International	888-13-16-12, 9-312-0213589	54,584
12.AG130711	RD	UOC	Amastan, LLC	AG130711	(7,767)
12.HPCI-UConn-2014-01	RD	UOC	HyPerComp	HPCI-UConn-2014-01	64,053
12.PO 4440278825	RD	UOC	Ministry of Defense (Israel)	PO 4440278825	99,596
12.PO 47665-000	RD	UOC	Fuel cell Energy, Inc	PO 47665-000	(3,639)
12.PO# 41950-021913-08	RD	UOC	Structured Materials Industries, Inc.	PO# 41950-021913-08	52,937
12.PO10164705	RD	UOC	Leidos	PO10164705	30,509
12.SB01210	RD	UOC	Innovative Scientific Solutions, Inc.	SB01210	13,376
12.SC14-5908-1	RD	UOC	Toyon	SC14-5908-1	33,530
12.SUB140821A	RD	UOC	PolyK Technologies	SUB140821A	32,406
12.Task # 110 21153	RD	UOC	United Technologies-Pratt & Whitney	Task # 110 21153	(411)
Total National Security Agency					522,839
Total Department of Defense					1,468,468
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	(293)
Department of the Interior					
Fish and Wildlife Service					
15.677	RD	UOC	University of Maine	AG141120	55,756
15.677	RD	UOC	University of Maine	UM-S987	25,089
Total Department of Interior					80,845
Department of Justice					
National Institute of Justice Research, Evaluation, and Development Project Grants					
16.560	RD	UOC	University of Arizona	229334	3,914
Department of State					
Bureau of International Security and Nonproliferation					
19.033	RD	UOC	University of Veterinary and Animal Sciences	PGA-P210935	5,901
Department of Transportation					
Federal Aviation Administration (FAA)					
20.109	RD	UOC	Georgia Institute of Technology	RF377-G1	2,303
National Highway Traffic Safety Administration (NHTSA)					
20.601	RD	CCSU	Texas Center for the Judiciary	583EGF7029	18,575
Office of the Secretary (OST) Administration Secretariat					
20.701	RD	UOC	Massachusetts Institute of Technology	5710003188	232,525
20.701	RD	UOC	Massachusetts Institute of Technology	5710003211	1,031
20.701	RD	UOC	Massachusetts Institute of Technology	5710003212	204
20.701	RD	UOC	Massachusetts Institute of Technology	5710003213	19,247
20.701	RD	UOC	Massachusetts Institute of Technology	5710003214	13,935
20.701	RD	UOC	Massachusetts Institute of Technology	5710003457	62,983
20.701	RD	UOC	Massachusetts Institute of Technology	5710003458	36,918
20.701	RD	UOC	Massachusetts Institute of Technology	5710003459	49,473
20.701	RD	UOC	Massachusetts Institute of Technology	No. 5710003188	1,694
20.701	RD	UOC	New England University Transportation Center	5710003805	37,869
20.701	RD	UOC	New England University Transportation Center	5710003806	2,876
20.701	RD	UOC	New England University Transportation Center	Advance	15,878
20.701	RD	UOC	New England University Transportation Center	Sub No 5710003808	55,672
Total Office of the Secretary (OST) Administration Secretariat					530,306
Miscellaneous Programs					
20.AG120015 REF 0492102	RD	UOC	Professional Service Industries	AG120015 REF 0492102	(932)
20.HR 17-62	RD	UOC	NAS/Transportation Research Board	HR 17-62	273,197
20.SAFETY-25	RD	UOC	NAS/Transportation Research Board	SAFETY-25	56,459
20.SHRP-R-06(B)	RD	UOC	NAS/Transportation Research Board	SHRP-R-06(B)	(5,125)
Total Miscellaneous Programs					323,599
Total Department of Transportation					874,782
National Aeronautics and Space Administration					
43.11-039	RD	UOC	University of New Hampshire	11-039	27,822
43.NNX06AC32H	RD	UOC	University of Hartford	NNX06AC32H	(9,833)
43.NNX13CS13C	RD	UOC	Sustainable Innovations	NNX13CS13C	60,693
43.QSI-DSC-09-003	RD	UOC	Qualtech Systems, Inc	QSI-DSC-09-003	4,818
43.SC 55351-6295	RD	UOC	Physical Sciences, Inc	SC 55351-6295	5,227
43.Task 114	RD	UOC	United Technologies-Pratt & Whitney	Task 114	24,081
43.001	RD	UOC	Smithsonian Institution/Smithsonian Environmental Researc	12SUBC-440-0000256377	11,717
43.001	RD	UOC	University of Florida	UF12067/00097232/UFDSP00010599	42,989

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43.001		RD	UOC	University of Hartford	P-754	2,500
43.001		RD	UOC	University of Hartford	PO # 0099583 P-651	279
43.001		RD	UOC	Woods Hole Oceanographic Institution	A100890	7,335
43.001		RD	UOC	Woods Hole Oceanographic Institution	A101127	29,350
43.001		RD	UHC	University of Hartford	NNX12AG64H	4,157
43.002		RD	UOC	University of Illinois	2012-05551-01	129,318
43.008		RD	CCSU	University of Hartford, CT Space Grant Consortium	NNX12AG64H - P530	4,981
43.008		RD	CCSU	University of Hartford, CT Space Grant Consortium	None	14,625
43.008		RD	CCSU	University of Hartford, CT Space Grant Consortium	NNX12AG64H (P-831)	16,246
43.008		RD	SCSU	CT Space Grant Consortium	P830	1,394
43.008		RD	UOC	University of Hartford	P-657	1,243
43.008		RD	UOC	University of Hartford	P-780	13,090
Total National Aeronautics and Space Administration						392,032
National Endowment for the Humanities						
45.161		RD	UOC	East Carolina University	Subaward # A15-0046-S001	9,239
45.169		RD	UOC	George Mason University	E2027441	13,971
Total National Endowment for the Humanities						23,210
Institute of Museum and Library Services						
45.312		RD	UOC	George Mason University	E2033501	15,825
National Science Foundation						
47.AG131062		RD	UOC	Connecticut Science Center	AG131062	13,720
47.AG150678		RD	UOC	Eastconn	AG150678	10,400
47.041		RD	UOC	Advanced Energy Materials	AG151041	4,258
47.041		RD	UOC	Biorasis, Inc	AG120725	(1,184)
47.041		RD	UOC	Clemson University	1695-206-2009743	66,200
47.041		RD	UOC	Sustainable Innovations	AG120737	5,675
47.041		RD	UOC	University of Maine, Machias	AG150003	25,546
47.041		RD	UOC	University of Massachusetts Amherst	08-004807 A 00	(3,177)
47.041		RD	UOC	University of Nevada	UNR-13-02	(390)
47.041		RD	UOC	University of Notre Dame	202508UC	36,303
47.041		RD	UOC	Yale University	C13D11528 (D01897)	76,490
47.049		RD	SCSU	Yale University	C12D11227(D01804)	216,049
47.049		RD	UOC	Rensselaer Polytechnic Institute	A12111	0
47.050		RD	UOC	Conservation International Fund	1000474	7,575
47.050		RD	UOC	Pomona College	6053-2015-4	1,450
47.050		RD	UOC	University of Delaware	35526	183,381
47.050		RD	UOC	Woods Hole Oceanographic Institution	PO# M217258	13,619
47.070		RD	UOC	Rochester Institute of Technology	31251-02	1,947
47.070		RD	UOC	Rochester Institute of Technology	31419-02	10,638
47.074		RD	SCSU	Yale University	C14D11804(D01653)	11,977
47.074		RD	UOC	American Museum of Natural History	10-2010	0
47.074		RD	UOC	Smithsonian Institution/Smithsonian Environmental Researc	12SUBC440-0000250211	8,763
47.074		RD	UOC	University of Colorado at Boulder	Subcontract#1548625	22,140
47.074		RD	UOC	University of Maine	UM-S920	8,681
47.074		RD	UOC	University of Puerto Rico	2014-05	106,849
47.074		RD	UOC	University of Puerto Rico	AG060505	(48,489)
47.074		RD	UOC	University of Puerto Rico	AG120745	24,259
47.074		RD	UOC	University of Virginia	GA10618-137687	1,210
47.074		RD	UOC	University of Virginia	GA11020-142299	25,282
47.075		RD	CCSU	University of Massachusetts Amherst	13-007189B00	39,003
47.075		RD	UOC	Duke University	333-1353	0
47.075		RD	UOC	University of Chicago	FP050648	32,734
47.075		RD	UOC	University of Illinois	2012-06354-01 (A0388)	53,090
47.076		RD	ECSU	Univ of Northern Colorado	DUE-1318964	9,032
47.076		RD	CCSU	Northern Virginia Community College	Subgrant No. 1323283	3,959
47.076		RD	CCSU	New England Board of Higher Education	NSF AWARD #DUE-0903051	5,875
47.076		RD	UOC	American Museum of Natural History	Subaward No 2-2014	108,691
47.076		RD	UOC	University of Massachusetts	12-006782 B	51,346
47.076		RD	UOC	University of Massachusetts Amherst	05-003146 B 10	1,980
47.076		RD	UOC	University of Massachusetts Amherst	13-007380 A 00	340,813
47.076		RD	UOC	University of Massachusetts Amherst	15-008243 A 00	186,279
Total National Science Foundation						1,661,973
Environmental Protection Agency						
Office of Water						
66.437		RD	UOC	National Fish and Wildlife Foundation	1401.12.033050	23,435
66.437		RD	UOC	National Fish and Wildlife Foundation	1401.13.039525	58,435
Total Office of Water						81,870
Office of Research and Development (ORD)						
66.516		RD	UOC	Texas State University	14002-8-1867-2	26,782
Miscellaneous Programs						
66.CON-15-002 DTS2-3V5		RD	UOC	CSS-Dynamac	CON-15-002 DTS2-3V5	56,249
66.DTS-14-002		RD	UOC	CSS-Dynamac	DTS-14-002	19,594
Total Miscellaneous Programs						75,844
Total Environmental Protection Agency						184,496
Nuclear Regulatory Commission						
77.008		RD	UOC	University of Hartford	P-591 303203	36,159
Department of Energy						
81.3481-4700194558		RD	UOC	Alstom Grid	3481-4700194558	(15,015)
81.AG091277		RD	UOC	Rolls Royce, Inc	AG091277	4,514
81.PO 14-P0041		RD	UOC	Jefferson Science Associates, LLC	PO 14-P0041	29,400
81.PO 2601309	ARRA	RD	UOC	United Technologies-Research Center	PO 2601309	0
81.PO 50546-000		RD	UOC	Fuel cell Energy, Inc	PO 50546-000	36,653
81.PO# 400218130		RD	UOC	General Electric Company	PO# 400218130	9,418
81.045		RD	UOC	Sinmat, Inc.	AG120181	9,424
81.049		RD	UOC	HiFunda	AG120179	-6

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81.049		RD	UOC	HiFunda	AG130541	229,960
81.049		RD	UOC	Marine Biological Laboratory	44977	129,105
81.049		RD	UOC	Michigan State University	RC102989A	36,411
81.049		RD	UOC	Princeton University	1700	57,721
81.049		RD	UOC	Proton OnSite	PO 12753	189,041
81.049		RD	UOC	Southwest Sciences, Inc	AG101264	509
81.049		RD	UOC	Sustainable Innovations	AG150387	2,771
81.049		RD	UOC	University of South Carolina	10-1721	47,134
81.049		RD	UOC	Western Michigan University	6646-UCONN-1	543,551
81.049		RD	UOC	Western Michigan University	6981-UCONN-1	12,624
81.057		RD	UOC	University of Massachusetts at Lowell	5.519E+14	23,396
81.087		RD	UOC	Fuelcell Energy, Inc	PO 57048	47,764
81.087		RD	UOC	South Dakota State University	3TA155/Yulia Kuzovkina-Eischen	34,698
81.087		RD	UOC	University of Hawaii	Z975726	336,947
81.089		RD	UOC	Praxair	AG120509	(980)
81.121		RD	UOC	Clemson University	1740-219-2010311	15,327
81.134	ARRA	RD	UOC	Praxair	PO 60010996	75,971
81.135		RD	UOC	Fuelcell Energy, Inc	PO 57047-2	146,599
81.135		RD	UOC	Gas Technology Institute	S491	110,703
81.135		RD	UOC	United Technologies-Research Center	PO 2603144	142,174
Total Department of Energy						2,255,814
Department of Education						
Office of Postsecondary Education						
84.116		RD	UOC	Drexel University	213031-3661	29,098
Institute of Education Sciences						
84.305		RD	UOC	Michigan State University	61-1708UC	96,204
84.305		RD	UOC	Mtelegence	AG130867	1,093
84.305		RD	UOC	SRI International	51-001267	12,049
84.305		RD	UOC	Texas A&M University	02-S140264	93,172
84.324		RD	UOC	University of Oregon	223850B	670
84.324		RD	UOC	University of Tennessee	A12-0612-S003-A01	44,421
Total Institute of Education Sciences						247,608
Office of Special Education and Rehabilitation Services						
84.326		RD	UOC	American Institutes for Research	313000102	15,416
84.327		RD	UOC	Ohio State University	60036894/PO#RF01370554	29,238
Total Office of Special Education and Rehabilitation Services						44,654
Office of Elementary and Secondary Education						
84.367		RD	UOC	National Writing Project Corporation	Agreement 92-CT01-SEED2012	15,221
Total Department of Education						336,581
Department of Health and Human Services						
Administration for Children and Families						
93.092		RD	UHC	Village For Families & Children Inc	90AP2669/01	194,693
93.590		RD	UHC	Friends of Children Trust Fund Inc	052UCH-CTF-01	6,251
93.670		RD	UOC	The Connection, Inc	AG130109	240,775
Total Administration for Children and Families						441,719
Food and Drug Administration						
93.103		RD	UOC	National Institute of Pharmaceutical Technology and Educa	NIPTE-U01-CT-002-2012	(4,240)
93.103		RD	UOC	National Institute of Pharmaceutical Technology and Educa	NIPTE-U01-CT-004-2012	24,168
Total Food and Drug Administration						19,928
Centers for Medicare and Medicaid Services						
93.610		RD	UOC	Yale University	AG140698	43,055
93.779		RD	UHC	Eastern Connecticut Area Agency on Aging Inc	CT LTCOP	1,586
Total Centers for Medicare and Medicaid Services						44,641
Centers for Disease Control and Prevention						
93.262		RD	UOC	University of Massachusetts at Lowell	Preaward	116,909
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000024283/PO#L000139679	7,391
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000027434	8,369
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000027434/L000250487	23,445
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000027434/PO#L000250486	6,689
93.262		RD	UOC	University of Massachusetts at Lowell	S51130000027434/PO#L000250487	8,525
93.262		RD	UHC	University of Massachusetts	S51130000024283	931
93.262		RD	UHC	University of Massachusetts	S51130000024283	4,407
93.262		RD	UHC	University of Massachusetts	S51130000024283	(847)
93.262		RD	UHC	University of Massachusetts	S51130000024283	34,527
93.262		RD	UHC	University of Massachusetts	S51130000024283	(1,552)
93.262		RD	UHC	Northeastern University	500326-78051	22,291
93.262		RD	UHC	University of Massachusetts	S51130000024283	4,621
93.262		RD	UHC	University of Massachusetts	S51130000027434	61,665
93.262		RD	UHC	University of Massachusetts	PO L000250484	275,215
93.262		RD	UHC	University of Massachusetts	PO L000250485	27,787
93.283		RD	UHC	Association of University Centers on Disabilities	11-028	1
Total Centers for Disease Control and Prevention						600,376
National Institutes of Health						
93.077		RD	UOC	Harvard University	114869-5053043	85,564
93.113		RD	UOC	Ciencia, Inc	753103-UConn	4,644
93.113		RD	UOC	Dartmouth College	Subaward No. 1076	171,389
93.113		RD	UOC	Pennsylvania State University	UCTES021762	106,007
93.113		RD	UOC	University of Kansas Medical Center Research Institute	QK850572	1,437
93.113		RD	UOC	University of Minnesota	P004067101	85,740
93.121		RD	UOC	University of California at Los Angeles	1350 G RD915	81,304
93.121		RD	UHC	Trustees of Columbia University in the City of New York	GG006258	(4,556)
93.121		RD	UHC	The Charlotte-Mecklenburg Hospital Authority	G600480	(15,645)
93.121		RD	UHC	The Charlotte-Mecklenburg Hospital Authority	2000203699	298,620

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93.121		RD	UHC	New York University	F7530-01	52,326
93.121		RD	UHC	Regents of the University of California Los Angeles	1350 G SB824	9,039
93.121		RD	UHC	The Charlotte-Mecklenburg Hospital Authority d/b/a Caroli	2000203699	6,344
93.143		RD	UOC	Dartmouth College	1443	80,167
93.143		RD	UOC	Dartmouth College	R154	1,598
93.172		RD	UHC	Regents University Of CA Berkeley	7098853	10,466
93.173		RD	UOC	Drexel University	232584-3684	40,503
93.173		RD	UOC	Stanford University	26366270-50588-B	19,508
93.213		RD	UOC	Massachusetts General Hospital	223108	34,609
93.242		RD	CCSU	Yale University	M14A11861 (A08021)	9,106
93.242		RD	UOC	Public Health Foundation Enterprises (PHFE)	2417.003.001 EPIC	(1,151)
93.242		RD	UOC	Yale University	M14A11668 (A09549)	12,600
93.242		RD	UOC	Yale University	M14A11751 (A09452)	(25,024)
93.242		RD	UOC	Yale University	PREAWARD	(464)
93.242		RD	UHC	Veritas Health Solutions, LLC	2R44MH085350-02	0
93.242		RD	UHC	Northwestern University	610 5264000-60025890 SP0009501	(352)
93.242		RD	UHC	Palo Alto Institute for Research and Education, Inc.	CLO0001-07	192,002
93.242		RD	UHC	The Johns Hopkins University	2002285000	11,470
93.242		RD	UHC	The Johns Hopkins University	2002286234	71,428
93.242		RD	UHC	Northwestern University	60036522	40,452
93.242		RD	UHC	The Johns Hopkins University	2002392365	24,960
93.242		RD	UHC	Northwestern University	60036522	20,931
93.242		RD	UHC	Duke University	2031801	91,033
93.242		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	54246PRJ:1087883	8,066
93.273		RD	CCSU	Yale University	NIH #1R01AA016599-01A2	3,061
93.273		RD	UOC	Brown University	484	8,180
93.273		RD	UOC	Miriam Hospital	PREAWARD	12,848
93.273		RD	UHC	Brown University	PO1 Project	10,749
93.273		RD	UHC	General Hospital Corporation Institute for Health Policy	MGH 219663	0
93.273		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	65685/1009189	128,655
93.273		RD	UHC	Childrens Ctr At SUNY Brooklyn, Inc	69157/UIOAA08401-26	458,401
93.273		RD	UHC	Yale University	MO9A10136	(1,418)
93.279		RD	UOC	Family Health International	PREAWARD	(115)
93.279		RD	UOC	Duke University	2034089	24,157
93.279		RD	UOC	George Washington University	12-S11R	50,850
93.279		RD	UOC	University of Iowa	PREAWARD	63,862
93.279		RD	UOC	Yale University	A07466 (M08A10247)	(124)
93.279		RD	UOC	Yale University	M14A11704 (A08606)	8,926
93.279		RD	UHC	Yale University	M12A11188	54,139
93.279		RD	UHC	Medical University of South Carolina	MUSC 10-090	24
93.279		RD	UHC	Yale University	M10A10351/A08309	67,326
93.279		RD	UHC	Medical University of South Carolina	MUSC 10 090	4,211
93.279		RD	UHC	Medical University of South Carolina	MUSC 10-090	16,996
93.279		RD	UHC	Yale University	M14A11821	56,049
93.279		RD	UHC	Yale University	M15A11968/A10051	452,959
93.279		RD	UHC	Yale University	M14A11821/A09724	18,097
93.279		RD	UHC	University of Texas Medical Branch	11-028	54,596
93.286		RD	UOC	Biorasis, Inc	AG091073	58
93.286		RD	UOC	Physical Sciences, Inc	SC61233-1820	135,694
93.286		RD	UOC	SibTech, Inc.	AG101049	1,348
93.286		RD	UHC	Nanoprobes Incorporated	1 R43EB015845-01	6,295
93.307		RD	UHC	Yale University	M11A11032	166,311
93.310		RD	UHC	Mount Sinai Sch Med NYU Hosp Ctr	MSSM 0255-3761-4609	10,877
93.351		RD	UOC	Ciencia, Inc	743101-UConn	733
93.351		RD	UHC	Yale University	M13A11654 (A09242)	140,479
93.351		RD	UHC	Washington State University	119573_G003331	58,995
93.361		RD	UOC	University of Pittsburgh	0029591 (123132-2)	72,194
93.361		RD	UOC	University of Wisconsin, Milwaukee	153405530	39,314
93.389		RD	UOC	Massachusetts General Hospital	R24RR018934/207916	(1,378)
93.393		RD	UOC	Columbia University	4 (GG008335)	19,378
93.393		RD	UOC	University of Hawaii	KA0063	89,777
93.393		RD	UHC	Rutgers, The State University	UMDNJ R01 CA116399	6,366
93.394		RD	UOC	Brown University	770	24,661
93.394		RD	UOC	Brown University	771	32,893
93.394		RD	UOC	University of California, San Diego	54734388	19,615
93.395		RD	UOC	Physical Sciences, Inc	AG131063	3,583
93.395		RD	UOC	University of California, San Francisco	8762sc	10,160
93.395		RD	UHC	The Hospital of Central Connecticut	27469-121	127
93.395		RD	UHC	The Hospital of Central Connecticut	27469-121	1,813
93.395		RD	UHC	The Hospital of Central Connecticut	27469-121	108
93.395		RD	UHC	New York University	13a10000008101	23,690
93.395		RD	UHC	California Institute Of Technology	21B-1088933	69,998
93.395		RD	UHC	The Hospital of Central Connecticut	27469-121	2,082
93.395		RD	UHC	University of Arizona Foundation	Y560264	60,290
93.701	ARRA	RD	UHC	Scripps Research Institute	TSRI-5-24243	0
93.837		RD	UOC	Brown University	Subaward No: 00000730	56,323
93.837		RD	UOC	University of Georgia	RR376-352/4945956	22,916
93.837		RD	UHC	Nanoprobes Incorporated	1R43HL117473 01	5,688
93.837		RD	UHC	Sibtech, Inc	R43HL105167-01	(2,509)
93.838		RD	UOC	Duke University	2033968	90,531
93.838		RD	UOC	Duke University	2034035	44,440
93.838		RD	UOC	University of Iowa	1001469952	36,735
93.838		RD	UOC	Yale University	M13A11538 (A09237)	(17,091)
93.846		RD	UHC	University of Michigan	3002095783	(9,207)
93.846		RD	UHC	University of Southern California	38321800	(888)
93.846		RD	UHC	The Jackson Laboratory	201997	14,961
93.847		RD	UOC	Biorasis, Inc	AG150112	430
93.847		RD	UOC	Ciencia, Inc	733103-1-UConn	31,099
93.847		RD	UOC	Drexel University	232510	12,572
93.847		RD	UOC	Miriam Hospital	710-9820	33,311
93.847		RD	UOC	University of Melbourne	PREAWARD	91,185
93.847		RD	UOC	Virginia Commonwealth University	PD303771-SC106551	13,129
93.847		RD	UHC	Connecticut Children's Medical Center	14-179296-06	6,671

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
93.847	RD	UHC	Rush University Medical Center	5R01DK089394-05	9,498
93.847	RD	UHC	University of Chicago	FP047431-D	22,500
93.847	RD	UHC	AUST Development, LLC	1R43HL116017-01A	5,976
93.847	RD	UHC	Mercer University	420623-04	(551)
93.853	RD	UHC	Stevens Institute of Technology	2101249-01	0
93.853	RD	UHC	Wesleyan University	5011048139	5,905
93.855	RD	UOC	Family Health International	812/0080.0056	1,939
93.855	RD	UOC	Ciencia, Inc	783102-UCONN	(3)
93.855	RD	UOC	Family Health International	958/0080.0160	1,938
93.855	RD	UOC	University of Alabama, Birmingham	000421524-003	6,968
93.855	RD	UOC	Vanderbilt University	VUMC 38189	7,471
93.855	RD	UHC	Oregon Health & Science University	9006862	(313)
93.855	RD	UHC	Oregon Health & Science University	9006862	78,455
93.855	RD	UHC	Trustees of Dartmouth College	R63/ R01AI114059-01A1	8,705
93.855	RD	UHC	Rutgers, The State University	8172 / 5R01AI094599-05	18,825
93.855	RD	UHC	NovaSterilis	1R43AI112166-01A1	19,312
93.859	RD	UOC	Ciencia, Inc	723205	1,038
93.859	RD	UOC	Duke University	14-NIH-1110	18,050
93.859	RD	UOC	Northwestern University	60029188UC	214,655
93.859	RD	UOC	University of North Carolina, Chapel Hill	Subaward UNC # 5-32099	58,180
93.859	RD	UOC	Virginia Polytechnic Institute and State University	431745-19213	124,026
93.859	RD	UHC	University of Arizona Foundation	72285	7,866
93.859	RD	UHC	University of Arizona Foundation	72285	(1,684)
93.859	RD	UHC	Cell and Molecular Tissue Engineering, LLC	1R43GM103116-01	17,352
93.859	RD	UHC	Regents of the University of Minnesota	N003002801	105,222
93.859	RD	UHC	Virginia Technical University	431519-19801	26,660
93.859	RD	UHC	Worcester Polytechnic Institute	15-210780-00	712
93.865	RD	UOC	Beth Israel Deaconess Medical Center	5P01HD057853-04	250,186
93.865	RD	UOC	CT Childrens Medical Center	13-179330-03	18,554
93.865	RD	UOC	Drexel University	232645	223,818
93.865	RD	UOC	University of Pennsylvania	560147	9,941
93.865	RD	UOC	Yale University	M11A12116 (A08340)	56,391
93.865	RD	UOC	Yale University	M12A11287(A28507)	(11,839)
93.865	RD	UHC	Connecticut Children's Medical Center	13-179330-02	46,788
93.866	RD	UHC	Washington University	14-131 2923103X	2,591
93.866	RD	UHC	Hebrew Rehab Ctr Hebrew Seniorlife	10.10.92253	(59)
93.866	RD	UHC	Hebrew Rehab Ctr Hebrew Seniorlife	10.10.92254	326
93.866	RD	UHC	University of Maryland at Baltimore	SR00002917	501,526
93.867	RD	UOC	LambdaVision	22087577-01	14,394
93.989	RD	UHC	University of North Carolina at Chapel Hill	5-37967	9,720
Total National Institute of Health					6,323,343
Health Resources and Services Administration					
93.110	RD	SCSU	Favor Inc.	None	3,772
93.110	RD	UHC	Mount Sinai Sch Med NYU Hosp Ctr	0253-6541-4609	(756)
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	0253-6543-4609	19,448
93.110	RD	UHC	Organization of Teratology Information Services	1UG4MC27861-01	44,411
93.117	RD	UHC	Griffin Hospital	D33HP26994	3,565
93.145	RD	UHC	University of Massachusetts	WA00120888 ETC05	(169)
93.145	RD	UHC	University of Massachusetts	WA001218317 05 CORE	34,732
93.145	RD	UHC	University of Massachusetts	WA001218317 05 (MAI)	3,289
93.914	RD	UHC	City of Hartford	HHS2014-12R	106,953
93.917	RD	UHC	City of Hartford	HHS2014-12Q	89,368
93.917	RD	UHC	City of Hartford	HHS2014-12Q	65,134
93.917	RD	UHC	Connecticut Children's Medical Center	HHS2015-16R (02&12)	12,030
93.918	RD	UHC	Community Health and Wellness Center of Greater Torringt	CHWC	(20,033)
Total Health Resources and Services Administration					360,436
Substance Abuse and Mental Health Services Administration					
93.243	RD	UOC	Community Mental Health Affiliates, Inc.	AG091064	23,528
93.243	RD	UHC	Community Mental Health Affiliates Inc	H79SM0599584-01	(1,343)
93.243	RD	UHC	Wheeler Clinic	CHCI	17,610
93.243	RD	UHC	Justice Resource Institute Inc	U79SM061283-04	41,280
93.243	RD	UHC	Community Mental Health Affiliates Inc	H79SM0599584 04	13,820
93.243	RD	UHC	Justice Resource Institute Inc	20130664	12,922
93.243	RD	UHC	Community Mental Health Affiliates Inc	H79SM0599584 05	14,728
93.243	RD	UHC	Justice Resource Institute Inc	U79SM061283-01	607
93.243	RD	UHC	Research Triangle Institute	11-312-0210700	86,593
Total Substance Abuse and Mental Health Services Administration					209,746
Office of the Secretary					
93.239	RD	UOC	Institute for Research on Poverty	546K980	18,363
93.239	RD	UOC	University of Wisconsin	456K470	1,862
93.297	RD	UHC	City of Hartford	2014-01-5449-M	10,278
93.297	RD	UHC	City of Hartford	2014-01-5449-H	2,439
93.297	RD	UHC	City of Hartford	2014-01-5449-M	12,930
Total Office of the Secretary					45,871
Miscellaneous Programs					
93.S8056	RD	UOC	Westat	S8056	69,582
93.SC62048-1827	RD	UOC	Physical Sciences, Inc	SC62048-1827	163,602
93.752202	RD	UOC	Ciencia, Inc	752202	(2)
Total Miscellaneous Programs					233,181
Total Department of Health and Human Services					8,279,241
Department of Homeland Security					
97.061	RD	UOC	University of Texas at El Paso	26-3001-81-61	(35,772)
97.077	RD	UOC	Yale University	C12P11266(P00323)	55,311
97.99900	RD	UOC	Mitre Corporation	99900	35,787
Total Department of Homeland Security					55,326

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

CFDA / IDENTIFYING No.		STATE AGENCY	GRANTOR	GRANTOR ID #	AMOUNT EXPENDED
Agency for International Development					
98.001	RD	UOC	Oregon State University	RD011G-E	239,595
98.001	RD	UOC	Virginia Polytechnic Institute and State University	451066-19213	157,278
98.012	RD	UOC	American Council on Education	HED052-9740-ETH-11-01	706,405
98.012	RD	UOC	North Carolina State University	2014-0316-02	14,968
98.012	RD	UOC	University of California at Davis	016258-90	3,107
98.012	RD	UOC	University of Georgia	RC299-430/4942366	9,510
98.012	RD	UOC	University of Georgia	RC710-059/5054806	29,474
Total Agency for International Development					1,160,337
TOTAL RESEARCH PASS-THROUGH RESEARCH GRANTS					**18,414,874**
TOTAL PASS-THROUGH GRANTS					**21,487,617**

Identification of State Agencies:

AES	Agricultural Experiment Station
BOR	Connecticut Community Colleges
CCSU	Central Connecticut State University
ECSU	Eastern Connecticut State University
SCSU	Southern Connecticut State University
DOC	Department of Correction
DPS	Depart of Emerg Srvc & Public Protection
OPA	Office of Protection and Advocacy
SDR	State Department of Rehabilitation
UOC	University of Connecticut
UHC	University of Connecticut Health Center

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Schedule of Findings and Questioned Costs

STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2015
INDEX OF SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Status **Page**

STATUS

A. Material instances of non-compliance with federal requirements

B. Significant deficiencies in the internal control process

C. Material weaknesses of the internal control process

D. Known or likely questioned costs which are greater than $10,000 for a type of compliance requirement for a major program

E. Known questioned costs which are greater than $10,000 for a federal program which is not audited as a major program

F. Circumstances resulting in other than an unqualified opinion unless such circumstances are otherwise reported as an audit finding under code A. above

G. Known fraud affecting a federal award

H. Repeat of a prior year finding

I. Instances resulting from audit follow-up procedures that disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.

J. Material instance of non-compliance with the federal requirements of the major federal program(s) included in the finding that resulted in a qualified opinion on compliance to the particular major federal program(s) that are identified by an asterisk.

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STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2015
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
17.225	Unemployment Insurance
17.258, 17.259 and 17.278	Workforce Investment Act (WIA) Cluster
20.205 and 20.219	Highway Planning and Construction Cluster*
20.500 and 20.507	Federal Transit Cluster*
84.007, 84.033, 84.038, 84.063, 84.268 84.379, 93.264, 93.342, 93.364 and 93.408	Student Financial Assistance Cluster*
84.027 and 84.173	Special Education Cluster
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.044, 93.045 and 93.053	Aging Cluster
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575 and 93.596	Child Care Cluster
93.658	Foster Care-Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.775, 93.777 and 93.778	Medicaid Cluster*
93.917	HIV Care Formula Grants
N/A	Research and Development Cluster*

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

Dollar threshold used to distinguish between Type A and Type B programs: $27,501,815

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

2015-001 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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, 2015. This data included client names and Social Security numbers (SSNs). The payments made on behalf of these clients totaled $7,087,475,528.

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 12,964 clients. The payments made on behalf of these 12,964 clients totaled $46,819,027, of which $23,605,423 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 $94,642, of which $47,815 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. These requirements do not apply to non-qualified aliens seeking medical assistance for the treatment of an emergency medical condition.

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, 12 of the clients were non-qualified aliens who are allowed to receive emergency medical services without a SSN. Further review of the case files of the remaining seven clients, for whom a SSN was required but was not entered into EMS, disclosed that no SSN was ever obtained for four clients and a SSN was provided at the time of application, but was never entered into EMS, for three clients. The four clients for whom no SSN had been obtained received Medicaid benefits between three and ten years. Similar conditions have been noted in the previous nine audits.

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 and a contractor hired to enter client data into EMS.

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

Agency Response: "The Department agrees with this finding. We anticipate that our ability to track missing Social Security numbers will be further enhanced with the implementation of IMPACT, the replacement eligibility system, scheduled for deployment in 2016. In preparation for IMPACT, the Department will be updating missing Social Security numbers in EMS, our legacy eligibility management system. The Department will also issue instructions to staff that reinforce the need to have complete and valid Social Security numbers for each applicant."

2015-002 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

Background: The Department of Social Services (DSS) contracts with a public accounting firm to perform field audits and desk reviews of long-term care facilities

(LTCF). Field audits and desk reviews of inpatient hospitals are performed by DSS.

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. 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 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, 2013 had been subjected to a desk review.

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 nine years.

Although the contracted public accounting firm reported to DSS that three LTCFs did not provide all required financial information for the field audit, DSS established the LTCFs' reimbursement rates without further action.

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. 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 public accounting firm 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 and take action on audit results to ensure that appropriate rates are being paid.

Agency Response: "The Department amended the auditing procedures. Approved State Plan amendment (SPA) 15-003 entirely removed the audit language for inpatient hospitals effective January 1, 2015. The new inpatient regulations include the following audit language in Section 17b-262-911, Documentation and Record Retention:

(d) The department may audit all relevant records and documentation and take any other appropriate quality assurance measures it deems necessary to assure compliance with applicable regulatory and statutory requirements.

In addition, DSS is current in performing hospital desk reviews. Effective January 1, 2015, DSS implemented a new reimbursement methodology using Diagnosis Related Groups (DRGs) and the rates are no longer tied to the Medicaid cost reports therefore the desk review process no longer has an impact on the rates. The period 10/1/14 – 12/31/15 will be the last Medicaid cost report/settlement period and has purposely been delayed for claim run out/reprocessing as it will be the last settlement.

For long-term care facilities, the department contracts with a national public accounting firm to perform audits of long term care and boarding home providers. With more than 1,200 long term care and boarding home providers, the department is unable to audit every facility on a biennial basis. Nursing home rates have been computed based on using the 2011 cost report for the past four years; this eliminates the need to audit every cost reports for the subsequent years that are not used for setting rates. In addition to having audited all of the 2011 cost reports, if a more current year was used to set a rate that cost report is scheduled to be audited. Facilities are primarily chosen for audit based on the risk of misstatement. If a rate is not cost based there is little risk. Therefore, when developing the audit plans, the department focuses on selecting facilities and cost years that have a cost-based rate. Whether or not rates are cost based is determined by yearly legislation or other special circumstances such as a change in ownership. Interim rates are all cost-based. All homes on interim rates due to change of ownership or hardship were included on SFY 2016 audit plan."

Auditors' Concluding Comments:

As of June 30, 2015, DSS was not current in performing hospital desk reviews; only cost reports for inpatient hospitals through the federal fiscal year ended September 30, 2013 had been subjected to a desk review. We were informed on July 28, 2015 that DSS would begin in August 2015 hospital desk reviews for federal fiscal year ended September 30, 2014. Since DSS was delayed in performing hospital desk reviews, our testing was not impacted by State Plan Amendment 15-003. DSS should comply with the auditing procedures in the State Plan that were in effect through December 31, 2014 for corresponding hospital desk reviews.

DSS indicated that facilities are primarily chosen for audit based on the risk of misstatement. We noted that three of 15 long-term care facilities reviewed did not provide financial statements, federal tax returns, and/or year-end adjusting journal entries for the public accounting firm to review. DSS should not establish long-term care facility reimbursement rates without ensuring that proper reviews are completed to reduce the risk of misstatement.

2015-003 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP, 1405CT5ADM, 1505CT5MAP and 1505CT5ADM

Criteria: Title 42 Code of Federal Regulations (CFR) Part 430 Section 30 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 state must submit Form CMS-37, Medicaid Program Budget Report State Estimate of Quarterly Grant Awards, 45 days before the beginning of each quarter and Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, not later than 30 days after the end of each quarter to CMS. The Form CMS-64 is the state's accounting of actual recorded expenditures. CMS computes the Medicaid grant award based on the estimate of expenditures for the ensuing quarter and the amounts by which that estimate is increased or decreased because of an underestimate or overestimate for prior quarters. The grant award authorizes the state to draw federal funds as needed to pay the federal share of Medicaid disbursements.

Title 42 CFR Part 433 Subpart A provides for payments to states on the basis of a federal medical assistance percentage (FMAP) for part of their expenditures for services under the approved Medicaid State Plan. The FMAP for allowable expenditures under the Medicaid program is 50 percent, 75 percent, 90 percent or 100 percent, depending on the type of expenditure. For example, expenditures for the installation of mechanized claims processing and information retrieval systems are reimbursed at 75 percent, family planning expenditures are reimbursed at 90 percent, and expenditures for Medicare Part B premiums for qualifying individuals are reimbursed at 100 percent. The 50 percent FMAP is used for the majority of expenditures. Title 42 CFR Part 457 Section 622(b)(1) provides an enhanced FMAP of 65 percent for expenditures for clients that would be eligible under the Children’s Health Insurance Program and title 42 United States Code Section 1396d(b) provides an enhanced FMAP of 65 percent for breast and cervical cancer expenditures.

Title 42 CFR Part 433 Section 67 provides that the maximum amount of provider-related donations for outstationed eligibility workers that a state may receive without a reduction in federal financial participation (FFP) may not exceed ten percent of a state’s medical assistance administration costs, excluding the costs of family planning activities. When calculating FFP, CMS will deduct, from a state’s quarterly medical assistance expenditures, provider donations for outstationed eligibility workers in excess of such specified limits.

Condition: Our review of Form CMS-64 for the quarter ended March 31, 2015, disclosed that net expenditures were overstated by $746,415 and the net Medicaid federal share was overstated by $373,207 for amounts reported as

Medical Assistance Payments on the Program Summary Sheet for the following lines:

- Line 9A, Collections: Third Party Liability, included collections of ($11,014,515), of which ($5,507,258) was claimed for federal reimbursement under the Medicaid program. The reported amount should have been ($11,082,676), of which ($5,541,338) was attributable to Medicaid.
- Line 9D, Collections: Other, included collections of ($180,285,690), of which ($106,093,317) was claimed for federal reimbursement under the Medicaid program. The reported amount should have been ($180,963,944), of which ($106,432,444) was attributable to Medicaid.

During the performance of other audit testing we noted the following:

For the quarter ended September 30, 2014, the net expenditures on Form CMS-64 were overstated by $690,631 and the net Medicaid federal share was overstated by $345,316 for Medical Assistance Payments on the Program Summary Sheet Line 9D, Collections: Other. The Department of Social Services (DSS) reported collections of ($80,344,391), of which ($49,428,314) was claimed for federal reimbursement under the Medicaid program. The reported amount should have been ($81,035,022), of which ($49,773,630) was attributable to Medicaid. We also noted that donations for outstationed eligibility workers totaling $187,760 were not reported on Form CMS-64 and that DSS could not provide supporting documentation for receivables that were written-off totaling $6,012,314.

For the quarter ended December 31, 2014, the net expenditures on Form CMS-64 were overstated by $820,282 and the net Medicaid federal share was overstated by $410,141 for amounts reported as Medical Assistance Payments on the Program Summary Sheet for the following lines:

- Line 6, Expenditures in this Quarter, included expenditures of $1,934,462,557, of which $1,140,369,596 was claimed for federal reimbursement under the Medicaid program. The reported amount should have been $1,934,552,557, of which $1,140,414,596 was attributable to Medicaid.
- Line 9A, Collections: Third Party Liability, included collections of ($9,869,093), of which ($4,934,547) was claimed for federal reimbursement under the Medicaid program. The reported amount should have been ($10,107,315), of which ($5,053,658) was attributable to Medicaid.
- Line 9D, Collections: Other, included collections of ($72,678,939), of which ($44,183,616) was claimed for federal reimbursement under the

Medicaid program. The reported amount should have been ($73,350,999), of which ($44,519,646) was attributable to Medicaid.

- We also noted that DSS could not provide supporting documentation for cancelled issuances that were claimed totaling ($22,556).

For the quarter ended June 30, 2015, the net expenditures on Form CMS-64 were overstated by $682,428 and the net Medicaid federal share was overstated by $341,239 for amounts reported as Medical Assistance Payments on the Program Summary Sheet for the following lines:

- Line 9A, Collections: Third Party Liability, included collections of ($8,777,615), of which ($4,388,808) was claimed for federal reimbursement under the Medicaid program. The reported amount should have been ($8,814,243), of which ($4,407,122) was attributable to Medicaid.

- Line 9D, Collections: Other, included collections of ($203,528,345), of which ($117,292,857) was claimed for federal reimbursement under the Medicaid program. The reported amount should have been ($204,174,145), of which ($117,615,782) was attributable to Medicaid.

Effect: The federal financial reports prepared for the Medicaid program are not adequately supported. As a result, CMS could be incorrectly computing the grant award which authorizes the state to draw federal funds as needed to pay its federal share of Medicaid disbursements. Our review disclosed that net expenditures were overstated on the Form CMS-64 by $2,939,756. Based on the applicable federal participation rates, DSS overclaimed $1,469,903 in federal reimbursement under the Medicaid program.

If provider donations for outstationed eligibility workers are incorrectly reported on Form CMS-64, CMS may improperly determine whether the state’s federal reimbursement should be reduced. The donations that were not reported on Form CMS-64 during the fiscal year ended June 30, 2015 would not have had an impact on federal reimbursement, because the donation amount did not exceed ten percent of the state’s medical assistance administration costs.

Cause: Some of these conditions were caused by clerical errors that went unnoticed during the supervisory review process. We were unable to determine the cause of some of these conditions because we did not receive requested information.

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

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."

2015-004 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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 each provider is required to submit in order to be an eligible provider in the Medicaid program.

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.

Title 42 CFR Part 455 Section 436 requires the state Medicaid agency to determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of federal databases, including the List of Excluded Individuals/Entities (LEIE) and the Excluded Parties List System (EPLS). The state Medicaid agency must check the LEIE and EPLS no less frequently than monthly.

The Office of Inspector General (OIG) administers the LEIE, which provides information to the public regarding individuals and entities currently excluded from participation in Medicare, Medicaid, and all other federal health care programs. The General Services Administration (GSA) administers the System for Award Management (SAM), which consolidated EPLS and several other federal websites and databases into one system in 2012. SAM contains exclusion actions taken by various federal agencies.

Condition: During the fiscal year ended June 30, 2015, DSS made payments to 9,910 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:

1. DSS did not obtain copies of motor vehicle registrations for 21 vehicles from one transportation provider.

2. DSS was unable to provide us with adequate documentation to support that pre-enrollment or post-enrollment site visits were performed for two transportation providers who are designated as “moderate” categorical risks to the Medicaid program

3. DSS did not check the exclusion status of providers and other applicable persons against the SAM.

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, licensed, or otherwise eligible to participate in the Medicaid program.

Cause:

1. Although DSS obtained a listing of the 21 vehicles and the corresponding registration expiration dates, copies of the actual registrations were not obtained. In addition, the list provided included four vehicles with registrations that were expired and four vehicles without a registration expiration date.

2. We were informed that one transportation provider’s site visit was completed by Medicare on June 10, 2013; however, supporting documentation revealed that the site visit was only ordered on June 10, 2013. It is unknown whether the site visit was conducted. DSS did not follow up to confirm that the site visit was conducted or obtain the results of the site visit. In addition, we were informed that the other transportation provider that we reviewed did not receive a site visit because it was owned by a hospital. However, since the transportation provider and hospital are different provider types, each enrollment should have been evaluated per the respective provider type requirements identified in the Provider Enrollment/Re-enrollment Criteria matrix.

3. We were informed that DSS performs monthly checks of providers against the Medicare Exclusion Database (MED), which is maintained by the Centers for Medicare and Medicaid Services (CMS). However, we noted that the MED only contains the LEIE exclusion actions taken by the OIG. The SAM contains exclusion actions taken by various federal agencies.

Recommendation: The Department of Social Services should establish and implement internal controls to determine the System for Award Management exclusion status of Medicaid providers and should strengthen controls to ensure that providers are enrolled in compliance with Title 42 Code of Federal Regulations Part 455 and the department's Provider Enrollment/Re-enrollment Criteria Matrix.

Agency Response: "The Department disagrees with this finding and believes there is no violation of federal requirements. That said, the Department has initiated an evaluation of the current process to identify potential enhancements to the screening and evaluation of providers."

Auditors' Concluding Comments: The Department of Social Services could not provide evidence that demonstrated compliance with Title 42 Code of Federal Regulations Sections 414, 432, and 436 for all providers in our review.

2015-005 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

Background: Our audit population of fee-for-service payments disclosed that a Social Security number (SSN) was not listed for 12,964 clients who were over three years old. The payments made on behalf of these 12,964 clients totaled $46,819,027, of which $23,605,423 was received in federal reimbursement. We reviewed 25 clients that did not have a SSN listed. The payments made on behalf of these 25 clients totaled $94,642, of which $47,815 was received in federal reimbursement. Of these 25 clients, there were 12 clients who were non-qualified aliens. The payments made on behalf of these 12 clients totaled $78,948, of which $39,487 was received in federal reimbursement.

Criteria: Title 42 United States Code Section 1396b subsection (v) provides that aliens who meet certain requirements will be eligible for Medicaid only if such care and services are necessary for the treatment of an emergency medical condition and such care and services are not related to an organ transplant procedure. The term emergency medical condition means 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. This condition has been noted in the previous six audits.

We reviewed services provided to 12 non-qualified aliens to determine whether the payments were only for emergency medical services as defined by federal statutes. Our review disclosed payments totaling $7,158 that were paid on behalf of six non-qualified aliens for services for non-emergency medical services.

Effect: This resulted in questioned costs totaling $3,579.

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. In addition, DSS erroneously granted Medicaid eligibility to one non-qualified alien for nine months.

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. In addition, the Department of Social Services should strengthen internal controls to ensure that each client who received Medicaid services is eligible for the program according to federal statutes.

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.”

2015-006 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

Background: During the fiscal year ended June 30, 2015, the Department of Social Services (DSS) claimed payments made to fee-for-services providers totaling $7,087,475,528 for federal reimbursement. Of this amount, $4,267,712,804 was received in federal reimbursement. Our review was from an audit population totaling $7,061,206,152. 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 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.

Title 42 United States Code (USC) 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. Section 920 provides that in redetermining eligibility, the agency must review case records to determine whether they contain the beneficiary's SSN or, in the case of families, each family member's SSN.

Title 42 USC Section 1396e-1 requires a state to offer a premium assistance subsidy for qualified employer-sponsored health insurance coverage to individuals who are Medicaid eligible and have access to such coverage if the offering of the subsidy is cost-effective to the state.

Title 42 CFR Part 435 Section 1009 provides that federal reimbursement is not available in expenditures for services provided to individuals under age 65 who are patients in an institution for mental diseases.

Condition: We randomly selected 60 benefit payments totaling $62,886. Of this amount, $31,443 was received in federal reimbursement. Our review disclosed the following:

1. In six cases, the required redeterminations were not performed within the previous 12 months of the service periods tested. There was no indication in the DSS Eligibility Management System that a redetermination was done and there was no redetermination form in the client case files.

2. In two cases, DSS did not verify the SSN of the applicants with SSA.
   a. In one case, a SSN was on file but was not verified with SSA. DSS received an IVES alert identifying that the applicant's name did not match the SSN on file but the alert was not addressed.

   b. In one case, DSS had no SSN on file for the applicant who had received Medicaid benefits for over five years.

3. In one case, DSS was not able to locate the application or redetermination submitted by the applicant that was signed under penalty of perjury.

4. In one case, DSS did not determine whether it would have been cost-effective for the state to provide a premium assistance subsidy for an applicant that had access to enroll in employer-sponsored health coverage.

We also noted that DSS had no procedure to determine whether Medicaid recipients are individuals under age 65 who are patients in an institution for mental diseases.

Effect:

1. 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, we noted questioned costs totaling $1,948, of which $974 was received in federal reimbursement.

2. Without a proper SSN, DSS is not able to use the IEVS to verify eligibility using wage information, as required by federal regulations.

3. DSS was not in compliance with Title 42 CFR Part 435 Sections 907 and 914.

4. Without determining whether providing a premium assistance subsidy for employer-sponsored health coverage is cost-effective, DSS may be incurring additional costs under the Medicaid program that could have been covered by the employer-sponsored health coverage.

In addition, without procedures to determine whether Medicaid recipients are individuals under age 65 who are patients in an institution for mental diseases, DSS may be receiving federal reimbursement for unallowable expenditures.

Cause: DSS could not explain why redeterminations were not completed timely, SSNs were not verified with SSA, IEVS alerts were not resolved, or the cost-effectiveness of the employer-sponsored health coverage was not determined. DSS indicated that the missing eligibility application may have been misfiled. Furthermore, we were informed that DSS does not have a procedure to determine whether Medicaid recipients are patients in institutions for mental diseases.

Recommendation: The Department of Social Services should ensure that each client who receives Medicaid benefits is eligible, that annual redeterminations are performed in a timely manner, and that each factor of the eligibility decision is supported and documented according to federal requirements.

The Department of Social Services should ensure compliance with Title 42 Code of Federal Regulations Part 435 Section 1009 by establishing and implementing procedures that determine whether Medicaid recipients are individuals under age 65 who are patients in an institution for mental diseases.

Agency Response: “The Department agrees with this finding. With the implementation of ConneCT in July 2013, the Department’s modernization project, all documents submitted in support of an application or redetermination are scanned and are available electronically. Original documentation is now readily available through the ConneCT system and that this issue has been addressed.

Additionally, the Department implemented passive renewals as required by the Affordable Care Act. Passive renewal allows for the automatic renewal of Medicaid eligibility without requiring the submission of information from the client when the required information is available to the Department through electronic means. Currently, HUSKY A and HUSKY D clients are renewed this way. Beginning in 2016 with the startup of IMPACT (Integrated Eligibility System), HUSKY C and Medicare Savings Program clients will be renewed this way as well. This will greatly improve redetermination processing and documentation."

2015-007 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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 individual's 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 45 Code of Federal Regulations (CFR) Part 75, Subpart E, 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, 2015, DSS received $88,796 in refunds of Medicare premiums that were coded by MMIS with a non-Medicaid eligibility code. We reviewed 10 of these refunds totaling $12,991, which disclosed that seven of the Medicare premium refunds totaling $11,417 were attributed to Medicare premiums that were paid on behalf of Medicaid eligible clients. We noted that the federal share of the refunds was not returned to CMS.

Effect: The above error resulted in questioned costs totaling $5,709.

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 review 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."

2015-008 Allowable Costs/Cost Principles – Supplemental Inpatient Hospital Payments

Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

Background: The Supplemental Payment program provides additional payments to hospitals that serve a disproportionate number of low-income patients. During the fiscal year ended June 30, 2015, the Department of Social Services (DSS) issued inpatient supplemental payments to 28 hospitals totaling $95,600,000. Of this amount $47,800,000 was received in federal reimbursement.

Criteria: Title 42 Code of Federal Regulation (CFR) Part 447 requires that a Medicaid State Plan provide for payment for inpatient hospital services in conformity with state and federal laws, regulations, and quality and safety standards. The Centers for Medicare and Medicaid Services approved Connecticut's Medicaid State Plan Amendment 13-029, which revises supplemental payments for inpatient hospital services and establishes the methodology to allocate such funding. The methodology requires each eligible hospital's share of the supplemental payment pool be equal to the hospital's pro rata share of the total Medicaid inpatient net revenues of all eligible hospitals in the aggregate. For the purposes of calculating the supplemental payment, "Medicaid inpatient revenues" means payments for Medicaid inpatient hospital services provided in federal fiscal year 2010 to each eligible hospital up to $25 million per year per hospital.

Condition: Our review disclosed that DSS miscalculated the supplemental payment pool and overpaid one hospital $5,778,205, with 27 hospitals being underpaid a corresponding total, ranging from $15,264 to $508,298.

Effect: Qualified hospitals that serve a disproportionate number of low-income patients did not receive equitable supplemental payments. DSS did not comply with CFR 42 Part 447 and Medicaid State Plan Amendment 13-029.

Cause: DSS did not properly apply the allocation methodology for supplemental payments as described in the Medicaid State Plan. Although two hospitals merged in 2012 to form one entity, DSS treated the two hospitals as separate entities and did not limit the total Medicaid inpatient net revenues of the newly formed entity to $25 million.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that supplemental payments for inpatient hospital services are calculated and issued to qualified hospitals in accordance with state and federal laws and regulations, including Connecticut's Medicaid State Plan.

Agency Response: "The distribution of supplemental payments was developed utilizing Medicaid inpatient revenue data from 2010. The exact parameters of the modeling are flexible and not predetermined in statute or regulation. The final distribution methodology treated both the Yale/Saint Raphael and the Danbury/New Milford mergers equally utilizing both hospitals' 2010 Medicaid inpatient revenues as reported. It should be noted that the supplemental payments were designed to distribute the available funding in the most equitable methodology possible. If the Department combined the Yale/Saint Raphael data during the design of the payment methodology, the results of the distribution would have prompted the use of a different upper limit within the distribution model in order to limit the financial impact to the Yale/Saint Raphael system."

Auditors' Concluding Comments: The methodology used to calculate supplemental inpatient hospital payments is predetermined by Medicaid State Plan Amendment 13-029, which limits payments for Medicaid inpatient hospital services to $25 million. The Department of Social Services should not have treated both mergers equally when one hospital's payment for Medicaid inpatient hospital services exceeded $25 million. If the Department of Social Services wishes to change the methodology used to calculate supplemental inpatient hospital payments, it should obtain federal approval from the Centers of Medicare and Medicaid Services.

2015-009 Allowable Costs/Cost Principles – Fee for Service 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

Background: The Department of Social Services (DSS) made fee-for-service payments totaling $6,019,253,018 during the fiscal year ended June 30, 2015. Of this amount, $3,034,881,555 was received in federal reimbursement. We separated the total population into two strata; School Based Child Health (SBCH) and other Medicaid providers. We selected 25 SBCH transactions and 60 other Medicaid provider transactions to review which totaled $46,913. Of this amount, $24,121 was received in federal reimbursement. A summary by strata follows:

Strata	Population Amount	Federal Portion of Population	Transaction Amount	Federal Portion of Transaction
School Based Child Health	$72,150,636	$36,966,326	$26,933	$13,670
Other Providers	5,947,102,382	2,997,915,229	19,980	10,451
Total	$6,019,253,018	$3,034,881,555	$46,913	$24,121

Criteria: Title 45 Code of Federal Regulations Part 75, Subpart E, provides that to be allowable under federal awards, costs should be adequately documented.

Title 20 United States Code Chapter 33, 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 SBCH services that are provided by or through a local education agency (LEA) to students with special needs pursuant to the IEP. Furthermore, 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 22 out of 25 SBCH payments were not supported with sufficient service delivery records or an IEP that covered all the dates of service billed. This resulted in an overclaim of $21,047.

Effect: We noted questioned costs totaling $10,635.

Cause: DSS did not monitor SBCH expenditures for compliance with federal codes and regulations and the Medicaid State Plan.

Recommendation: The Department of Social Services should recoup any improper payments made to Medicaid providers and should strengthen controls to ensure that costs claimed for federal reimbursement under the Medicaid program are adequately documented.

Agency Response: "DSS completed desk reviews of all submitted School Based Child Health program cost reports within the specified timeframes. However, the LEAs are responsible to properly document and submit costs that they have all necessary documentation for support. The Department will begin to conduct random verification checks on claims to ascertain details available at the LEAs. Additionally, Quality Assurance has been suggested to also conduct these compliance audits on the SBCH Program. The Department agrees that any undocumented cost should be recouped and any submitted cost reports should then be reviewed by the LEA to determine if the improper expenditures were included in such a cost report."

2015-010 Special Tests and Provisions – ADP Risk Analysis and System Security Review

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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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

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

Condition: DSS did not perform ADP system security reviews for the EMS, MMIS, or CCSES installations involved in the administration of HHS programs.

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

Cause: DSS has not finalized its plan to perform the reviews of the installations due to other information security project priorities and low staffing levels.

Recommendation: The Department of Social Services should implement procedures to perform automated data processing system security reviews on a biennial basis as required by federal regulations.

Agency Response: "The Department agrees with the finding. The Department will review its processes concerning security reviews of systems involved in the administration of HHS programs."

2015-011 Suspension and Debarment – Medical Providers

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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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

A principal is defined as an officer, director, owner, partner, principal investigator, or other person within an entity, with management or supervisory responsibilities related to a covered transaction. The definition of a principal also includes a consultant or other person, whether or not employed by the participant or paid with federal funds, who is in a position to handle federal funds; is in a position to influence or control the use of those funds; or occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform the covered transaction.

States must verify that participants and principals are not suspended or debarred or otherwise excluded by checking the System for Award Management (SAM) Exclusions, collecting a certification from the person, or adding a clause or condition to the covered transaction with that person.

SAM Exclusions is a United States Government system that is available to the public with the most current information about persons who are suspended, debarred, or otherwise excluded from covered transactions.

Condition: During fiscal year ended June 30, 2015, the Department of Social Services (DSS) made payments to 9,910 medical providers under the Medicaid program. We noted that DSS adds a clause to its medical provider agreements to comply with Title 2 CFR Part 180. We selected 15 medical provider agreements to review for the suspension and debarment clause and noted the following:

- One medical provider agreement did not contain a suspension and debarment clause.

- Fourteen medical provider agreements included a suspension and debarment clause; however, the clause did not specify that the medical provider should examine SAM Exclusions. The clause also did not require that the provider determine the suspension and debarment status for all types of principals, as defined in Title 2 CFR Part 180.

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

Cause: The suspension and debarment clause within the medical provider agreement is incomplete in two regards. The clause instructs providers to examine any potential or current employees, contractors or suppliers for suspension or debarment; however, the clause does not specify an examination of all types of principals as described in the federal regulations. The clause also states that providers should examine the Office of Inspector General's (OIG) List of Excluded Individuals/Entities (LEIE); however, the LEIE only contains the exclusion actions taken by the OIG. The General Services Administration (GSA) administers SAM Exclusions, which contains debarment actions taken by various federal agencies, including exclusion actions taken by the OIG.

Recommendation: The Department of Social Services should strengthen internal controls by amending the suspension and debarment clause within the medical provider agreements to ensure compliance with Title 2 Code of Federal Regulations Part 180.

Agency Response: "The Department agrees with this finding and has taken the appropriate measures to ensure consistent compliance with federal requirements."

2015-012 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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, 2015, DSS claimed for federal reimbursement payments processed by DDS and its fiscal intermediaries totaling $941,377,833. Of this amount $470,775,656 was received in federal reimbursement.

Criteria: Section 1915(c) of the Social Security Act permits states to apply for a waiver, which allows them to offer an array of home and community-based services (HCBS) that an individual needs to avoid institutionalization. The state's Individual and Family Support (IFS) waiver, which is administered by DDS, requires clients to have a written plan of care that is updated annually and states that DSS will meet with DDS management on a quarterly basis to discuss findings and make recommendations to address identified problems.

Title 42 CFR Part 456 Sections 370 and 372 provides that medical and other professional personnel of the Medicaid agency or its designees evaluate each applicant's need for admission into an Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/ID) by conducting medical, psychological, and social evaluations, which must include a recommendation concerning admission. The evaluations must be conducted prior to admission or authorization of payment.

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: We reviewed 40 benefit payments totaling $533,411, of which $266,706 was received in federal reimbursement. Our review disclosed the following:

- One benefit payment for $37,820 was issued for an individual who was not admitted into the ICF/ID program. We further noted that additional benefit payments of $189,100 that were not part of our review were also issued for this individual.

- One benefit payment for $128 was issued for an individual without a written plan of care.

Our prior audit noted that $24 of a $60 claim was unsupported. DDS responded to the finding stating that if documentation supporting the full claim could not be located, the claim would be adjusted within a two-month period and the federal share of overpayments would be returned to CMS. Our current audit disclosed that DDS did not follow up on the prior audit finding and that the federal share of overpayments was not returned to CMS. In addition, DDS determined that the full $60 claim was for services unallowable under Medicaid.

Effect: This resulted in questioned costs totaling $18,974 from the benefit payments reviewed. In addition, we noted additional questioned costs totaling $94,580 that were also attributable to the Medicaid program.

Cause: The errors noted were due to a lack of oversight by DDS and DSS management.

Recommendation: The Department of Social Services and the Department of Developmental Services should strengthen internal controls to ensure that all costs claimed for federal reimbursement under the Medicaid program are allowable, necessary, reasonable, and adequately documented and that appropriate follow-up action is taken for identified problems or weakness in internal controls.

Agency Response: *Response provided by the Department of Developmental Services:*
"We agree with this finding. The Department will retrain the staff that completed the form which initiated the billing.

The Department will take the following steps:

1. DDS Audit Unit will include validity of the individualized plan (IP) by including the date month and year starting with January 2016 billing to the bill file for the fiscal intermediaries (FI) to use to prepare waiver billing.

2. DDS FI Program Manager will work with the FI's to develop a process to hold the IP billing until has been resolved starting with January 2016 billing.

3. FI's will provide DDS FI Program Manager with a copy of the held monthly billing starting with January 2016.

4. DDS will enter IP dates in a timely manner to eCamris and extended the IP if applicable per DDS policy.

The DDS Director of Billing, Rates, and Audits will develop a method to track the follow-up action that is required for identified problems."

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 document services provided."

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 jointly towards DDS and DSS, DSS is ultimately accountable to ensure that all costs claimed for federal reimbursement under the Medicaid program are allowable.

2015-013 Allowable Costs / Cost Principles – Department of Mental Health and Addiction 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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 Mental Health and Addiction Services (DMHAS).

During the fiscal year ended June 30, 2015, DSS claimed for federal reimbursement payments processed by DMHAS totaling $36,913,865. Of this amount $18,457,920 was received in federal reimbursement.

Criteria: Title 45 CFR Part 75 Subpart E provides that to be allowable under federal awards, costs must be adequately documented.

Title 42 CFR Part 447 Section 201 provides that the State Plan must describe the policy and methods to be used in setting payment rates for each type of service included in the state's Medicaid program.

State Plan Attachment 4.19-A establishes the methods and standards for establishing rates for public psychiatric inpatient hospitals operated by DMHAS. Rates are established based on certified cost reports that are submitted by DMHAS to DSS no later than 15 months following the close of the state fiscal year. During the state fiscal year, public psychiatric inpatient hospital claims are based on interim rates. Once cost reports are available, interim rates are compared to the finalized cost report rates and are adjusted in aggregate. This reconciliation will occur within 24 months from the end of the rate year. If it has been determined that an overpayment has been made, DSS shall return the federal share of the overpayment. If the finalized rate exceeds the interim rate, DSS will submit claims to the Centers for Medicare and Medicaid Services for the underpayment.

Condition: We reviewed 25 benefit payments totaling $39,092, of which $19,546 was received in federal reimbursement. Our review disclosed that three benefit payments totaling $1,129 were not adequately supported.

As of the date of our review, November 10, 2015, public psychiatric inpatient hospital rates for the fiscal years ended June 30, 2012 and 2013 have not been finalized and reconciled within 24 months from the end of the rate year.

Effect: There were questioned costs of $565 attributable to the Medicaid program. In addition, DMHAS did not file public psychiatric inpatient hospital cost reports timely and DSS did not reconcile interim rates timely in compliance with the Medicaid State Plan.

Cause: While DMHAS has established procedures to periodically review provider records, DMHAS could not always assure that the providers maintained the required supporting documentation.

The delay in filing cost reports used to establish finalized public psychiatric inpatient hospital rates was attributed to the education and training time associated with both the implementation of a new rate-setting process and the transition to a new electronic health record system.

Recommendation: The Department of Mental Health and Addiction Services and Department of Social Services should strengthen internal controls to ensure that all costs claimed for federal reimbursement under the Medicaid program are allowable and adequately documented.

The Department of Mental Health and Addiction Services and Department of Social Services should strengthen internal controls to ensure compliance with federal regulations and the Medicaid State Plan regarding cost report filings, reconciliations, and cost settlements of interim rates for public psychiatric inpatient hospitals.

Agency Response: *Response provided by the Department of Mental Health and Addiction Services:*
"The DMHAS Healthcare Finance Division (HCF) will utilize the monthly billing and compliance meetings to reiterate with the state operated facilities the importance of maintaining proper supporting documentation for Medicaid reimbursement claims. The HCF will also work with the DMHAS Community Services Division to communicate to the private nonprofit providers the importance of maintaining proper supporting documentation for Medicaid reimbursement claims. Additionally, the HCF will assist in conducting formal Target Case Management training/re-training sessions which will cover the Medicaid requirements for "services provided" documentation. These training/re-training sessions will be completed by the end of FYE 2016 for both state operated and private nonprofit providers.

The HCF coordinated the reconciliation of the interim rate setting process with the Department of Social Services, the Department of Administrative Services and the Office of the State Comptroller. Based on the work completed, the interim inpatient rates for FYE 2014, and forward, will be reconciled and finalized within 24 months from the end of the rate year as required by the State Plan Amendment."

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 DHHAS's responsibility to ensure it has controls in place to properly document services provided."

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 jointly towards DMHAS and DSS, DSS is ultimately accountable to ensure that all costs claimed for federal reimbursement under the Medicaid program are allowable.

2015-014 Allowable Costs / Cost Principles – Targeted Case Management Rates

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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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 Mental Health and Addiction Services (DMHAS).

DMHAS provides Targeted Case Management services to persons with Chronic Mental Illness (TCM-CMI). DSS claims TCM-CMI costs for federal reimbursement under the Medicaid program.

Criteria: Title 42 CFR Part 447 Section 201 provides that the State Plan must describe the policy and methods to be used in setting payment rates for each type of service included in the state's Medicaid program.

State Plan Attachment 4.19-B establishes the methods and standards for establishing TCM-CMI rates. Rates are established based on certified cost reports that are submitted by DMHAS to DSS no later than ten months following the close of the state fiscal year. During the state fiscal year, TCM-CMI claims are based on interim rates. Once costs reports are available, the interim rate is compared to the finalized cost report rate and is adjusted in aggregate. This reconciliation will occur within 24 months of the end of the rate year. If it has been determined that an overpayment has been made, DSS will return the federal share of the overpayment to the Centers for Medicare and Medicaid Services (CMS).

Condition: We reviewed TCM-CMI rate adjustments that occurred or were expected to occur within the fiscal year ended June 30, 2015. We noted that DSS did not reconcile TCM-CMI rates and return the federal share of overpayments to CMS for fiscal year ended June 30, 2013 within 24 months. The reconciliation was processed five months late. The total amount of the overpayment was $5,317,891.

Effect: DSS did not reconcile TCM-CMI interim rates within 24 months in compliance with the Medicaid State Plan and therefore did not return the federal share of overpayments totaling $2,658,946 to CMS in a timely manner.

Cause: We could not determine a cause because DSS did not provide information to our inquiries regarding TCM-CMI rate adjustments.

Recommendation: The Department of Social Services should strengthen internal controls to ensure compliance with federal regulations and the Medicaid State Plan regarding reconciliations and cost settlements of interim rates for Targeted Case Management services to persons with Chronic Mental Illness.

Agency Response: “The TCM-CMI State Plan Amendment #08-009 covered the service dates from July 1, 2008 through current time periods. This SPA was not approved by CMS until February 18, 2015. Therefore, services could not be claimed or reconciled until this SPA was approved. For DMHAS, claims were not processed until this SPA was approved. Therefore, the State was not able to reconcile those interim claims to the SPA approved methodology until the SPA was approved. Once approved, the claims were processed. Going forward, all DMHAS TCM claims will be reconciled within the 24 months as noted in the approved SPA.”

2015-015 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
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 had not been processed in a timely manner and/or who were 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, DSS was supposed to be processing 92 percent of both long-term and non-long-term care applications timely by April 2015.

SNAP:

On March 5, 2012, a class action lawsuit was filed against DSS on behalf of individuals seeking Supplemental Nutrition Assistance Program (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 timely processing of SNAP applications. On May 13, 2013, the court granted the plaintiffs' motion for a permanent injunction to enjoin DSS to process applications 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 2015 disclosed that delays continue to exist in the processing of Medicaid and SNAP applications, as follows:

Medicaid:

Component	**Number ofApplications Received**	**Applications Not Processed Timely**	
		Number	**Percentage**
Non Long-Term Care	24,267	2,376	10%
Long-Term Care	1,876	122	7%
Total:	26,143	2,498	10%

SNAP:

Component	**Number of Applications Received**	**Applications Not Processed Timely**	
		Number	**Percentage**
SNAP Expedited	8,697	1,142	13%
SNAP Regular	7,819	1,220	16%
Total:	16,516	2,362	14%

We noted that, during the fiscal year, the amount of Medicaid non long-term care applications that were not processed timely was as high as 34 percent in a month.

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 benchmarks related to the timely processing of Medicaid non long-term care and SNAP applications.

Cause: Delays in the processing of applications are largely attributed to spikes in both application and renewal volume during open enrollment periods established by the Affordable Care Act.

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

Agency Response: "The Department disagrees with this finding.

As a general matter, the lawsuits made allegations based on circumstances at the time the suits were filed, not the present, and therefore do not accurately reflect the current status of application processing operations. The agency therefore disagrees with the conclusion that the mere existence of lawsuits "indicate the continuous failure of DSS to process applications, determine eligibility and issue benefits in a timely manner." This statement may have been true four years ago at the time the lawsuits were filed, but is not true today.

The agency further disagrees with the implication that it has not implemented procedures to ensure timely application processing and eligibility determinations in accordance with applicable federal regulations, when in fact the agency has done so. Each lawsuit is quite distinct and in a different procedural posture, therefore the agency responses are separated by lawsuit/program.

<u>Medicaid</u>
The Medicaid litigation was resolved by way of the noted settlement agreement. In order to settle the lawsuit, compromises were made that go beyond the requirements of federal law concerning determinations of eligibility. Notably, the Department complies with federal timely processing requirements by determining eligibility within the 45 or 90 day time period that is applicable to the particular applicant, provided that the applicant or a third party does not cause the delay.

Although point-in-time data from the June 2015 Medicaid Application Timeliness Summary is cited in support of the conclusion, the reliance on the cited data is misplaced. In total reliance upon a single data set, a conclusion is reached that (1) fails to note that the agency is largely in compliance with the settlement agreement requirements, (2) fails to account for limitations baked into the reported data based on lawsuit settlement terms rather than the requirements of federal law, including how timeliness is measured and when a delay is excused in accordance with federal law, and (3) relies on a single point in time rather than performance over time to draw a long-term conclusion.

As an initial matter, the data cited in this finding suggests that the Department is required to process 100% of cases within the 45 or 90 day period. This fails to account for applications that are excused from being processed within 45 or 90 days as permitted in federal law. Federal regulations at 42 CFR 435.912(e) explicitly permit eligibility determinations to be made beyond the 45 or 90 day period "when the agency cannot reach a decision because the applicant or an examining physician delays or fails to take a required action, or when there is an administrative or other emergency beyond the agency's control." These excused delays are accounted for in the settlement agreement, in which the stated goal for processing is 92%. Taking 92% as representative of appropriate compliance with the federal requirements, a total of 90.44% timely processing (as indicated in the cited June data) demonstrates that the agency was falling just barely short of the 92% goal in the month of June 2015. Furthermore, in the subsequent three months, the same report shows that the agency achieved 91.13%, 94.05% and 96.05% total Medicaid timeliness. If one were to rely exclusively on this report as the basis for drawing a conclusion, it would be more appropriate to conclude that the agency is routinely approaching or exceeding the 92% threshold established by the settlement agreement.

In addition to the need to account for delays caused by the applicant or a third party, the ultimate timeliness figure reported in the Medicaid Application Timeliness Summary undercounts the agency's actual compliance with federal law because of a compromise made for purposes of settling the lawsuit (as opposed to accurately measuring in accordance with federal requirements). Federal law only requires that an eligibility determination be made within 45 or 90 days. All applicants who apply for Medicaid through the DSS-Access Health CT shared eligibility system (including HUSKY A and D, the vast majority of Medicaid recipients) receive real-time eligibility determinations. Their eligibility is determined in minutes, not days. This is not, however, reflected in the data cited to support the audit conclusions. The report relied upon measures the time it takes to make an eligibility determination and transfer the applicant's data from the DSS-AHCT shared system to the agency's legacy eligibility management system. The second component of that measurement is not part of the federal timeliness requirement.

This distinction is vital, because it explains both the dip in performance noted ("we noted that during the fiscal year the amount of Medicaid non long-term care applications that were not processed timely was as high as 34 percent in a month") and the fact that the agency's actual timely processing rate is even closer to 100% (even though 92% is the settlement agreement requirement). During the month when non long-term-care applications were "not timely processed as high as 34%," the applications were actually being processed in real time through the DSS-Access Health CT system, but the transfer of data to the legacy system was delayed by the noted spike in volume related to Affordable Care Act open enrollment. If the time that it takes to transfer data were excluded from the calculation and all applications made through the DSS-Access Health CT system (all HUSKY A and D applications) were counted as timely processed, the agency's total for timely processing in June 2015 would increase from 90.44% to 97.53%. The latter number reflects compliance with federal law, and does not even take into account those applications that are permissibly delayed beyond 45 or 90 days in accordance with 42 CFR 435.912.

In sum, the agency is (1) regularly approaching or above the compromise benchmark from the settlement agreement using the data from the Medicaid Application Timeliness Summary report, and (2) actually performing substantially better if measured in accordance with the requirements of federal law (as opposed to the terms of the settlement agreement). Procedures to ensure compliance with federal laws regarding timely processing of applications are already in place.

SNAP

The SNAP litigation is still ongoing. Although the audit findings indicate that a permanent injunction was issued, this was in fact a preliminary injunction. The court's preliminary injunction established new requirements for how the agency tracked and reported on SNAP application processing timeliness, including reporting that goes beyond that required by FNS, the federal agency that fully funds and administers the SNAP program.

In order to comply with the preliminary injunction, the agency established a new SNAP Timeliness Report that attempts to capture total performance data each month. This report, while an upgrade over previously existing reports, has proven to be insufficiently accurate and nuanced to be the sole basis for assessing SNAP application processing. The agency has made numerous changes to the report to account for shortcomings in the agency's legacy eligibility management system as well as nuances in federal regulation that affect the measurement of timely processing, but significant data inaccuracies persist. Of greatest importance is that the report overstates the number of expedited applications that are submitted and processed, therefore improperly assigning a 7 day processing period to numerous applications that should be processed under a 30 day standard (and which, in the vast majority of times, are processed within 30 days).

While it is critical to understand that there are significant flaws in the data itself (which almost entirely tend to understate the agency's actual performance), it is also important to understand that federal regulations at 7 CFR 273.2 require some applications to extend beyond the 30 day processing period, and permit some delays beyond 30 days. Therefore the agency will never achieve 100% timeliness within 7 or 30 days, nor will it be able to accurately measure its actual compliance using the data presented in the SNAP Timeliness Report (the data cited in this finding).

The agency believes that the more accurate and appropriate metric for measuring its performance is that used by FNS, the federal agency that funds and administers the SNAP program. FNS requires that all states meet 95% timely processing as measured by its quality control ("QC") reviews. The FNS QC review process determines timeliness by examining case samples, allowing for nuanced assessment of compliance with complex regulations that are not easily represented in system-generated reports (including excused delays). Additionally, the FNS QC metric uses rolling six-month averages, which allows for a superior assessment of performance over time. Since July 2013, approximately the time that the preliminary injunction was entered, DSS has achieved the following processing timeliness as measured by FNS:

Six Month Time Period	FNS Timeliness Rate
July 2013–December 2013	67.36%
October 2013–March 2014	87.01%
January 2014–June 2014	94.81%
April 2014–September 2014	90.90%
July 2014–December 2014	92.61%
October 2014–March 2015	96.24%
January 2015–June 2015	96.58%
March 2015–Sept 2015	99.58%

The 99.58% rate puts Connecticut at 6th in the nation. These numbers demonstrate the significant improvement that the agency has achieved since the lawsuit was filed, as well as the fact that the improvement has been continual and sustained. The agency does not need to implement procedures to ensure timely processing as measured according to federal standards because it is already doing so."

Auditors' Concluding Comments: The application timeliness reports used to comply with the Medicaid settlement agreement and the SNAP preliminary injunction indicated that DSS did not comply with required Medicaid long-term care benchmarks for eight months and non long-term care benchmarks for nine months during the fiscal year ended June 30, 2015 and SNAP benchmarks for the entire fiscal year for both regular and expedited applications. The methodology used to determine the timeliness of application processing was dictated in the Medicaid settlement agreement and the SNAP preliminary injunction. Noncompliance with court documents exposes the state to additional litigation.

2015-016 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

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 Temporary Assistance for Needy Families (TANF) funds, state expenditures for TANF maintenance of effort (MOE), and state expenditures of 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 quarter ended September 30, 2014 disclosed errors with the amounts reported as Federal TANF Expenditures (Column B). The amount reported on Line 6j – Administration was overstated by $209,273 and the amount reported on Line 6k – Systems was overstated by $40,213.

During the performance of other audit testing, we noted errors with the amounts reported as Federal TANF Expenditures (Column B) on the TANF ACF-196 Financial Report submitted for the quarter ended June 30, 2015. Line 6a – Basic Assistance was overstated by $25,354.

Effect: DSS overstated the amount reported by a net total of $278,840. DSS inaccuracies 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 differences between versions of financial reports utilized in preparing the TANF ACF-196.

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: "The Department of Social Services does not agree with the findings of the TANF ACF – 196 Financial Reports for the quarter ended September 30, 2014 as it relates to the Line 6j – Administration and Line 6k – Systems.

Due to Schedule G revisions which occurred subsequent to the September 30, 2014 TANF filing, for the differences in Reported vs. Actual for the quarter ended September 30, 2014, the cost allocation plan (CAP) Admin difference reflects the amount of ($69,343), the CAP CCDF Admin difference reflects the amount of $223,525 and the CAP DP Systems difference in the amount of ($834), for a total new difference of $153,348.

DSS agrees with the finding of the errors with the amounts reported on Federal TANF expenditures (Column B) on the TANF ACF-196 Financial Report submitted for the quarter ended June 30, 2015, Line 6a – Basic Assistance. The final June 2015 Cashbook numbers were not used in this filing which resulted in the overstated amount. This was the end of the State Fiscal Year, although final Cashbook was issued after the TANF QE 06/30/15 filing, this should have been revised. We will make the necessary revision."

Auditors' Concluding Comments: Supporting documentation provided did not agree to quarterly amounts claimed on the TANF ACF-196 for the quarter ended September 30, 2014.

2015-017 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

Criteria: Title 42 United States Code Section 602 provides that a family must meet the state's eligibility requirements as provided in the TANF State Plan.

Section B Part III of the TANF State Plan states that Connecticut's objective criteria for delivery of benefits and determination of eligibility for Temporary Family Assistance include standards of promptness for the determination of eligibility, periodic reviews of eligibility, standards of verification, determination of good cause for not complying with employment services requirements, and treatment and limits on income and resources.

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, 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 State Plan, including records regarding applications and the determination of eligibility.

Title 45 CFR Part 206 Section 10 provides that the state agency shall require a written application, signed under penalty of perjury.

Condition: We randomly selected 60 cash assistance payments totaling $26,425, to review. Payments reviewed were selected from an audit universe of 169,939 benefit payments, totaling $71,189,346, that were issued during the fiscal year ended June 30, 2015, of which $41,500,163 (58 percent) was claimed as direct federal expenditures and $29,689,183 (42 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. Three recipients were not eligible to receive cash assistance payments because their earnings exceeded the limits of the program. This resulted in $1,499 of overpayments. In addition, we noted that one recipient was overpaid an additional $963 in cash assistance payments during the fiscal year ended June 30, 2015.
2. One recipient's cash assistance payment was overstated by $77. In addition, we noted that the recipient was overpaid an additional $308 in cash assistance payments during the fiscal year ended June 30, 2015.
3. DSS was not able to locate one application or redetermination submitted by the applicant that was signed under penalty of perjury.

Effect: This resulted in questioned costs totaling $1,576 from the cash assistance payments reviewed. In addition, we noted additional questioned costs totaling $1,271 during the fiscal year ended June 30, 2015.

Cause:

1. DSS did not properly review and dispose of IEVS alerts that indicated that the recipients had excess income.
2. The calculation error appears to have been an oversight by a DSS eligibility worker.
3. The missing application and redetermination form may have been misfiled.

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: "DSS agrees with this finding. We will communicate the findings with TANF field office staff as a reminder to following proper eligibility processing procedures."

2015-018 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

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, 2015, DSS made payments for 23 POS contracts totaling $4,686,067. Our review of six POS contracts in which DSS made payments totaling $1,376,926 disclosed the following:

1. One POS contract did not include the Pro-Children Act of 1994 provisions or that the sub-grantee shall certify compliance accordingly.
2. Four POS contracts 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 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 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 POS contract 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. An internal form (CIRAS) will be updated to include this requirement and the Contract Manager shall develop a "library" for a quick reference guide along with an "alert notice" to all Contract Administrative Staff calendars as a reminder of TANF requirement confirmation and updates.

For the POS contracts that did not include the provision that funds are not to be used to support lobbying activities, contract administrative and procurement staff will review the grant requirements with program staff to ensure compliance with the TANF Federal Award. An internal form (CIRAS) will be updated to include this requirement and the Contract Manager shall develop a "library" for a quick reference guide along with an "alert notice" to all Contract Administrative Staff calendars as a reminder of TANF requirement confirmation and updates.

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, the reason for the waiver did not comply with Connecticut General Statutes Section 4-215 and should not have been granted.

2015-019 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

Criteria: Title 45 Code of Federal Regulations Part 264 Section 30 provides that if a state agency administering Temporary Assistance to Needy Families (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, 2015 revealed that three sanction notices were not processed in a timely manner by DSS. At the time of our review, we noted that some of the sanction notices had not been processed for as long as six months. DSS continued to issue payments to these assistance units totaling $6,285 during the fiscal year ended June 30, 2015.

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. Procedures have been established to address child support sanction referrals, about a year ago; it came to the attention of Field Operations that referrals were not being processed timely. After careful examination of the issue, we discovered that some critical work items were not given the priority they demanded by our staff. In addition, most of the referrals coming from the support units (i.e., Child Support, Fraud & Recoveries and Quality Control) were not submitted as critical work items; therefore, eligibility staff would have to search for the referrals once they were informed about them or they were processed only when they were attached to other work items belonging to the same case and the eligibility worker was processing that case. We also learned that in most instances Support staff are not submitting the referrals via the ConneCT workflow, electing to walk the referral to Eligibility units/staff within their same office.

ConneCT is designed to have critical work items rise to the top for processing. As we are not using the "Get Work" function in the manner in which it was designed, we (Field Operations) decided (a year ago) to assign designated eligibility staff to retrieve and process all critical work items, daily. We are current with all referrals marked as critical."

2015-020 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

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 Temporary Assistance for Needy Families (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 Correction (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 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, 2015:

Component	Amount
Education and Training	$1,031,702
Addiction Services	2,932,871
Residential Services	10,425,309
Total	$14,389,882

Criteria: Title 45 CFR Part 75 Subpart E 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. Subpart E also requires that to be allowable under federal awards, costs must be adequately documented.

Title 45 CFR Part 75 Section 303 provides that a non-federal entity must establish and maintain effective internal control over a federal award that provides reasonable assurance that the federal award is managed in compliance with federal statutes, regulations, and the terms and conditions of the award.

Good internal controls dictate that timesheets be signed by the employee and approved by a responsible official of the government unit to confirm the hours worked by the employee.

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 expenditures for TANF maintenance of effort, and expenditures of state funds for maintenance of effort 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, 2015. Our review disclosed the following:

- Training costs not related to the TANF program were charged to the Addiction Services Program. This resulted in the amount claimed being overstated by $6,780.

- Residential Services Program expenditures for the quarter ended September 30, 2014 were calculated at an aggregate level rather than at a program level, resulting in the amount claimed being overstated by $69,753.

- We reviewed 36 payroll transactions claimed under the TANF program and disclosed that 2 timesheets were not signed by the employee and one timesheet was not signed by a supervisor.

- We reviewed the duties performed by 13 support staff whose salaries were claimed for TANF reimbursement to determine whether costs were appropriately charged to the TANF program. After speaking with program management, it appears that the costs for 11 of the 13 support staff should not have been entirely charged to TANF because the employees did not work exclusively on the TANF program. Management estimates that Education and Training Program costs charged to the TANF program were overstated by at least $31,210.

Effect: DSS overstated the amount claimed as TANF expenditures for the DOC by at least $107,743. 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: Training costs associated with a ten-week pre-service training were charged to the TANF program because the employee's target job position was TANF reimbursable. However, the pre-service training does not meet the objectives of the TANF program and are therefore not eligible for federal reimbursement.

While DOC calculated Residential Services Program expenditures using program versus aggregate data for the federal fiscal year ended September 30, 2015, DOC did not consider the need to recalculate and adjust the amounts claimed for the quarter ended September 30, 2014 because it was claimed in the prior federal fiscal year.

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.

During the fiscal year, DSS and DOC did not have a written agreement in place detailing the federal program requirements that are applicable for determining claimable TANF expenditures or outlining 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 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, and reporting requirements.

Agency Response: *Response provided by the Department of Correction:*
"The agency agrees with the APA's findings. 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 (DSS) to ensure that DOC's policies and procedures meet the DSS' 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."

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. It is DOC's responsibility to ensure it has controls in place to properly determine allowable TANF costs."

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.

2015-021 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

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 Temporary Assistance for Needy Families (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 Provider Information Exchange (PIE) system (previously called the Programs and Services Data Collection and Reporting System). The PIE system 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 45 CFR Part 75 Subpart E 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, 2015 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 three audits have revealed that the PIE system does not capture the information needed to accurately calculate the eligibility rates and DCF has not implemented procedures outside of the system to collect this information. 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, because 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 $17,603,366 in DCF expenditures which may have been based on inaccurate TANF eligibility rates.

Cause: The PIE system still does not capture the information necessary to accurately calculate the TANF eligibility rate and DCF has not implemented procedures outside of the system to collect this information.

Recommendation: The Department of Children and Families should implement procedures or further enhance the Provider Information Exchange 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:*
"The Department agrees with this finding. Due to state budget constraints, further enhancements of the Provider Information Exchange system are not likely to occur in this fiscal year. DCF and DSS have begun regular meetings to review the claimed programs and are updating the program list in regard to

which TANF purpose they fulfill. Determinations will be made regarding continued claiming of the current list of programs and the possible need for claim adjustments."

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. It is DCF's responsibility to ensure it has controls in place to properly calculate eligible TANF costs."

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.

2015-022 Subrecipient Monitoring – Department of Children and Families

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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

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 Provider Information Exchange (PIE) system (previously called the Programs and Services Data Collection and Reporting System). The PIE system 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 45 CFR Part 75 Subpart E 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 a pass-through entity is responsible for ensuring that an applicant for a sub-award has provided its unique entity identifier (formerly referred to as the 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 three 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 unique entity identifiers as part of the subaward application process or prior to issuing the subaward for five of the 25 subrecipients reviewed.

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 a subrecipient's auditor in determining major federal program coverage and the need for 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 unique entity identifier, 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.

Even though the unique entity identifiers were requested, DCF did not ensure that all subrecipients provided the information during the subaward application process or prior to the issuance of the award.

Recommendation: The Department of Social Services should work with the Department of Children and Families to ensure compliance with federal requirements 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 issuance of the award.

Agency Response: *Response provided by the Department of Children and Families:*
"The Department agrees with this finding. DUNS numbers for contracted providers have been confirmed for all but 5 of 126 providers. DCF has provided information to those providers regarding the requirement to obtain a DUNS number to receive federal funding. On 2/3/16, DSS provided the information on the amounts claimed by service and provider agency for the QE 09/30/15. This information will continue to be provided each quarter. We believe the most efficient way to notify contracted providers will be through an email notification to Chief Fiscal Officers with a link to the information on the DCF website. This notification will be done quarterly with cumulative totals."

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. 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.

2015-023 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

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 Judicial's operations, costs incurred for the Alternative in the Community, Multi-Systemic Therapy, and Court-Based Assessment 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, 2015:

Component	Amount
Alternative in the Community	$2,113,010
Multi-Systemic Therapy	2,850,791
Court-Based Assessment	372,171
Total	$5,335,972

Criteria: Title 2 CFR Part 200 Section 331 states that a pass-through entity is responsible for providing to subrecipients relevant federal award information such as Catalog of Federal Domestic Assistance (CFDA) number and name, federal award identification number, project description, award date, and name of federal awarding agency.

Condition: Our review of Judicial 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 contained the required federal award information such as CFDA number and name, federal award identification number, project description, award date, and name of federal awarding agency.

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 Title 2 Code of Federal Regulations Part 200 Section 331.

Agency Response: *Response provided by the Judicial Branch:*
"We agree with this finding. 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."

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. It is the 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.

2015-024 Subrecipient Monitoring – State Department of Education

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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

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 Department of Education (SDE).

As part of the operations of SDE, costs incurred for pregnancy prevention programs were determined to be eligible for federal TANF reimbursement. During the fiscal year ended June 30, 2015, DSS claimed $33,186,938 in expenditures incurred by SDE for various pregnancy prevention programs.

Criteria: Title 2 CFR Part 200 Section 331 provides that a pass-through entity shall perform the following for the federal awards it makes:

1. Ensure that every subaward is clearly identified to the subrecipient as a subaward, which includes providing the Catalog of Federal Domestic Assistance (CFDA) number and name, federal award identification number, project description, award date, and name of federal awarding agency.

2. Advise subrecipients of all requirements imposed on them by federal statutes, regulations, and the terms and conditions of the federal award, as well as any additional requirements imposed by the pass-through entity.

3. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and ensure that performance goals are achieved. This includes reviewing financial and performance reports required by the pass-through entity.

4. Verify that subrecipients, if required to, have met the audit requirement for the fiscal year.

Condition: Our review of SDE procedures related to monitoring disclosed the following.

1. Subawards were not identified to the subrecipients as a subward. The language used by SDE for federal award identification to subrecipients does not clearly identify federal program requirements or specify that funds are being claimed for federal reimbursement under the TANF program. In addition, SDE provides year-end instructions to subrecipients advising them of federal and state auditing requirements, which incorrectly identified these funds as state awards.

2. Subrecipients were not being monitored for compliance with TANF laws and regulations.

Our review of 10 subrecipients that received TANF subawards confirmed that no TANF expenditures were reported on the subrecipients' schedule of expenditures of federal awards (SEFA). SDE monitored the subrecipients for compliance with state laws and regulations and reviewed state single audit reports for inclusion of program expenditures on the Schedule of Expenditures of State Financial Assistance.

Effect: DSS has decreased assurance that federal funds are used for allowable activities. Subrecipients were not informed that subawards were provided through the TANF program so amounts were not included in the subrecipient's SEFA. The amount of expenditures reported in a SEFA is a key factor for the subrecipient's auditor in determining major program coverage and the completion of a single audit. Therefore, the subrecipients may not meet the single audit reporting requirement.

Cause: DSS has not provided written guidance to SDE outlining SDE's responsibilities for monitoring subrecipients.

Recommendation: The Department of Social Services should work with the State Department of Education to ensure that subawards claimed under the Temporary Assistance for Needy Families program are reported to the subrecipients and that subrecipients are properly monitored.

Agency Response: *Response provided by the State Department of Education:*
"We agree with this finding. As of the time of this response, an MOA is still being drafted between SDE and DSS, to clarify the roles of each agency and the programs that are eligible to be claimed under TANF. The agency will continue to work with DSS to clarify language in an MOA to delineate this activity. Once the MOA is complete, a procedure will be developed that will ensure that subrecipients are made aware of the grants and amounts that are claimed under the TANF grant 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 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. It is SDE'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 SDE and DSS, the state's lead agency is ultimately accountable for the proper use of the federal TANF funds.

2015-025 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
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 Service unearned income files.

Condition: Prior audits of the IEVS have disclosed internal control deficiencies for 19 consecutive years. Our review of three IEVS alert codes displayed on the Department of Social Services (DSS) Eligibility Management System (EMS) disclosed continued deficiencies. During the quarter ended March 31, 2015, 32,935 alerts for the Medicaid, TANF, and SNAP programs were generated. As of January 12, 2016, 30,609 of those alerts had not been investigated, resolved, or removed, as appropriate. Each alert was assigned a specific due date generated by the system that ranged from February 23, 2015 to May 12, 2015.

Our review of 25 alerts generated during the quarter ended March 31, 2015 that remained unresolved as of January 12, 2016 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 March 31, 2015 that had been resolved as of January 12, 2016 disclosed 18 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 receive benefits that they are not eligible to receive since determinations of eligibility and benefit amounts are 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 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."

2015-026 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Number: N/A

Background: The Department of Social Services (DSS) is responsible for processing applications, determining eligibility, and issuing Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) benefits to eligible households. We obtained files from DSS of TANF cash assistance and SNAP benefits issued during the fiscal year ended June 30, 2015. The TANF file contained payments made to 22,366 unique assistance unit (AU) numbers and the SNAP file contained payments made to 316,826 unique 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 32 such TANF AUs for which payments totaled $29,715 and 161 such SNAP AUs for which payments totaled $73,526. Further review was performed on 10 TANF AUs for which payments totaled $11,608 and 15 SNAP AUs for which payments totaled $7,240.

Criteria: Title 2 Code of Federal Regulations (CFR) Part 200 Subpart E provides that to be allowable under federal awards, costs must be necessary and reasonable.

TANF Program Instructions TANF-ACF-PI-2006-03 provides that the state should attempt to recover an overpayment either by recouping it from the recipient through a reduction in the recipient's future payments or by collecting cash repayments from the recipient under a lump sum or periodic repayment plan.

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 10 TANF AUs that received multiple payments for the same amount in a month disclosed two AUs with duplicate payments totaling $853. Our review of 15 SNAP AUs that received multiple payments for the same amount in a month disclosed eight AUs with duplicate payments totaling $1,898. Since DSS had not previously identified these duplicate payments, no attempts have been made to recover the overpayments. During our review, we also noted one SNAP AU that was overpaid by $138 during the service month. It appears DSS was aware of this overpayment but did not establish a claim against the household.

Effect: Our testing disclosed questioned costs totaling $853 for the TANF program and $2,036 for the SNAP program.

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

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

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."

2015-027 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 1401CTSOSR and 1501CTSOSR

Criteria: Title 2 CFR Part 200 Section 331 provides that a pass-through entity shall perform the following for the federal awards it makes:

1. Ensure that every subaward is clearly identified to the subrecipient as a subaward, which includes providing Catalog of Federal Domestic Assistance (CFDA) number and name, federal award identification number, project description, award date, and name of federal awarding agency.

2. Advise recipients of all requirements imposed on them by federal statutes, regulations, and the terms and conditions of the federal award, as well as any additional requirements imposed by the pass-through entity.

3. Monitor the activities of subrecipients as necessary to ensure that the subaward is used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and ensure 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. Verify that subrecipients, if required to, have met the audit requirements for that fiscal year.

Title 2 CFR Part 25 Section 200 provides that a pass-through entity is responsible for ensuring that an applicant for a sub-award has provided its unique entity identifier (formerly referred to as the Dun and Bradstreet Data Universal Numbering System (DUNS] number) as part of its subaward application or prior to award.

Condition: Our review of DSS monitoring procedures consisted of 32 subrecipients including 25 subrecipients of SSBG funding, seven subrecipients of TANF funding, and four subrecipients of LIHEAP funding. Of these subrecipients, one received SSBG and TANF funding, two received SSBG and LIHEAP funding, and one received TANF and LIHEAP funding. Our testing disclosed the following:

- Award Information:

  1. One SSBG subrecipient was not provided with all the required federal award information.

- Monitoring Activities:

  1. Site visits, as provided for in the contracts, were not performed by DSS for 17 subrecipients.

  2. Some financial status, programmatic and statistical, or monitoring reports required by the contracts were not on file or were submitted late for 24 subrecipients.

- Unique Entity Identifier:

  1. Five subrecipients did not provide unique entity identifier to DSS.

Effect: DSS is not meeting its responsibility for monitoring subrecipients that receive SSBG, TANF, and LIHEAP 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 and unique entity identifiers are properly on file.

Recommendation: The Department of Social Services should implement procedures to comply with Title 2 Code of Federal Regulations Part 200 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."

2015-028 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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

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 2013-2014 and 2014-2015
Federal Award Numbers: 1401CTLIEA and 1501CTLIEA

Social Services Block Grant (SSBG) (CFDA #93.667)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 1401CTSOSR and 1501CTSOSR

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.

Condition: We reviewed 15 subawards made during the fiscal year ended June 30, 2015 to determine if they were properly reported to the FSRS. The subawards reviewed included seven SSBG, four TANF, and four LIHEAP subawards from an audit universe of 93 subawards that included 61 SSBG, 22 TANF, and 10 LIHEAP subawards. Our review disclosed that DSS did not report seven SSBG, three TANF, and four LIHEAP subawards in a timely manner. Subawards were reported between one and seven months late.

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

Cause: The above condition was caused by a lack of staffing.

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

Agency Response: “There were cases where the reports were not submitted in a timely manner due to a lack of staffing. To address this, an Associate Accountant was hired in May 2015, toward the end of the period under review in the audit. When this position started, we reviewed USA Spending and reported some obligations that had not been previously reported in order to bring the FFATA reporting up to date. She also updated the FFATA reporting procedures. The Department of Social Services is committed to timely FFATA reporting going forward."

2015-029 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 2013-2014 and 2014-2015
Federal Award Numbers: 1401CTLIEA and 1501CTLIEA

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

Condition: The Department of Social Services (DSS) provides a majority of its Low-Income Home Energy Assistance Program (LIHEAP) funding to subrecipients for program services. Our review disclosed that DSS did not have adequate controls in place to provide reasonable assurance that LIHEAP funds advanced to some of the subrecipients 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 10 of the subrecipients and 25 advances for administrative costs and LIHEAP Assurance 16 case management costs made to nine subrecipients. Our review disclosed that five of the 25 advances for program services and six advances for administrative costs and LIHEAP Assurance 16 case management costs caused the LIHEAP subrecipients to have cash 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 (OCS) agrees partially to the finding. Payments to utility companies are not considered advances as the initial round of payments is not made until January of the program year that started on October 1st for households determined eligible through the end of December. As a result, payments to the utilities are credited to accounts of LIHEAP households for costs that have already incurred for the program year. The benefits for utilities are low and are usually matched with ratepayer funds and customer payments to reduce their arrearages.

OCS maintains that there is adequate segregation of duties as payments are based on subrecipient reports as the fiscal and program staff person review the reports and recommends payment amounts to the OCS Manager who reviews and approves all payments prior to submittal to the Division of Fiscal Services (DFS). The process in DFS also ensures transparency and segregation for the expenditures of these funds.

DSS has increased the frequency in how program payments are made to the subrecipients to reduce the amount indicated as cash on hand. DSS has the responsibility to ensure that the subrecipients have funds in place to pay for fuel deliveries. Payments for administrative and Assurance 16 costs are now made monthly instead of quarterly. "

Auditors' Concluding Comments: During the audited period, all requests for advance payments to subrecipients that were reviewed were prepared and approved by the same staff member who calculates the amount of the advances. Request for payment forms prepared by OCS should be signed by the manager of the unit prior to being submitted to DFS for payment to indicate that the manager has reviewed the payment amount.

2015-030 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 2013-2014 and 2014-2015
Federal Award Numbers: 1401CTSOSR and 1501CTSOSR

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

Condition: The Department of Social Services (DSS) provides a majority of its Social Services Block Grant (SSBG) funding to subrecipients. Our review disclosed that DSS normally advances SSBG funds to subrecipients on a quarterly basis. As a result, those subrecipients could have cash on hand on various occasions throughout the year that exceed their average weekly disbursements. Our review of 25 subrecipient financial reports disclosed that ten 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 agrees with this finding, but does not have the staffing in place to review reports and process payments on a weekly basis to ensure that cash on hand does not exceed the average weekly disbursements. 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. There would also be a burden to the subrecipients if weekly submittal of reports is required."

2015-031 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 2013-2014 and 2014-2015
Federal Award Numbers: 1401CTSOSR and 1501CTSOSR

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, 2015, $16,101,715 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, $4,179,884 was expended by the Department of Housing (DOH) for the administration of programs for homeless individuals, and $2,545,981 was expended by DSS for case management and community services.

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 TANF only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by the U.S. Department of Health and Human Services.

Condition: Our review disclosed that DSS did not have procedures in place to provide reasonable assurance that the portion of TANF funds expended on behalf of the SSBG program was used for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by the U.S. Department of Health and Human Services.

Effect: TANF funds transferred to the SSBG program could have been expended for programs and services that were not allowed. We could not, however, determine the amount of funds that might have been improperly used.

Cause: 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. OEC will amend contract language to ensure clarity about the use of the amount transferred into the SSBG from the TANF program for families whose income is less that 200 percent of the official poverty guideline as revised annually by the U.S. Department of Health and Human Services. OEC will also revise monthly Program Status Reports to capture more specific information about the families served by the SSBG funds."

Response provided by the Department of Children and Families:
"The Department agrees with this finding. The youth for which the funds are received are placed in the Short-term Assessment and Respite programs; the cost of these placements comprise the amount claimed. The family TANF eligibility information and income levels can be accessed by the Revenue Enhancement Division staff through the DSS EMS."

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 has reformed 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 has identified in their contracts the amount of funding in the contract coming from TANF funds. New contract language clearly states 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 documents that all participants are in compliance with the poverty level criteria upon review of individual files. As providers execute these new agreements, they are subject to the corrected requirements."

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 ultimately accountable for the proper use of TANF funds.

2015-032 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 2013-2014 and 2014-2015
Federal Award Numbers: 1401CTSOSR and 1501CTSOSR

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 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, 2015, DOH expended $9,947,589 in SSBG funds that were used to administer various programs for the homeless.

Criteria: Title 45 Code of Federal Regulations (CFR) Part 96 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 Section 331 provides that a pass-through entity shall perform the following for the federal awards it makes:

1. Ensure that every subaward is clearly identified to the subrecipient as a subaward, which includes providing the Catalog of Federal Domestic Assistance (CFDA) number and name, federal award identification

number, project description, award date, and name of federal awarding agency.

2. Advise subrecipients of requirements imposed on them by federal statutes, regulations, and the terms and conditions of the federal award as well as any additional requirements imposed by the pass-through entity.

3. Monitor the activities of subrecipients as necessary to ensure that the subaward is used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and ensure 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. Verify that subrecipients, if required, have met the audit requirements for the fiscal year.

Title 2 CFR Part 25 Section 200 provides that a pass-through entity is responsible for ensuring that an applicant for a sub-award has provided its unique entity identifier (formerly referred to as the 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:

  1. Six subrecipients were not provided with all the required federal award information. In addition, we noted that DOH contracts 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 four subrecipients.

  2. Programmatic and statistical reports required by the contracts were not on file for 11 subrecipients. In addition, two subrecipients' reports were submitted between three days to over one month beyond the deadlines specified by the respective contracts.

3. Financial reports required by the contracts were not on file for two subrecipients. In addition, 11 subrecipients' reports were submitted between three days to over two months beyond the respective deadlines specified by the contracts, and two subrecipients' reports were not signed and dated and the actual submission date could not be determined.

4. Documentation was not on hand to indicate that the financial, programmatic, and statistical reports submitted to DOH were adequately reviewed.

- <u>Audit Requirements:</u>

1. DOH does 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. Three subrecipients' audit reports did not list the federal programs and expenditures of awards made by DOH.

- <u>Unique Entity Identifier:</u>

1. There was no documentation of unique entity identifiers on file for any of the subrecipients.

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

Cause: DOH does 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 unique entity identifiers are properly on file, and to properly monitor the activities of subrecipients. In addition, DSS did not adequately provide DOH with guidance regarding the DOH 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 Code of Federal Regulations Part 200 Section 331 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 has 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 has implemented new contract language for the subcontractors that carry out eligible activities that address the auditor's concerns. Specifically, all CFDA titles and numbers have been added to the contract as well as all DUNS numbers. Federal requirements are clearly spelled out so all subcontractors know their responsibilities.

DOH has implemented new changes related to monitoring all programs. DOH staff responsible for overseeing programmatic monitoring are required to submit a calendar of program monitoring for the entire fiscal year. This calendar ensures that all programs are monitored on an annual basis. In addition to creating a monitoring schedule for all programs, DOH instituted a change for financial monitoring. Specifically, a Grant and Contract Specialist reviews agency quarterly financial reports to determine if programs are properly reporting the spending of state and federal funds. An Accountant also reviews 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 are saved in a shared folder. This allows 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 ultimately accountable for the proper use of the funds provided to other state agencies.

2015-033 Subrecipient Monitoring – 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 2013-2014 and 2014-2015
Federal Award Numbers: 1401CTSOSR and 1501CTSOSR

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, 2015, $16,101,715 of these TANF funds was expended by the Office of Early Childhood (OEC) for child day care services.

Through a memorandum of agreement, effective July 1, 2011, DSS assigned its responsibility for administering the child day care portion of the SSBG program and its existing provider contracts to the State Department of Education (SDE). During July 2013, the SSBG Child Day Care program and the associated administrative responsibility were transferred to OEC, however the responsibility of the monitoring of independent audit reports and the schedules of expenditures of federal awards (SEFA) related to SSBG funding remains with SDE.

Criteria: Title 45 Code of Federal Regulations (CFR) Part 96 Section 31 provides that SSBG grantees and sub-grantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 and the revised Office of Management and Budget (OMB) Circular A-133, and that grantees shall determine whether subgrantees have met the audit requirements of the act and spent federal assistance in accordance with applicable laws and regulations.

Title 2 CFR Part 200 Section 331 provides that a pass-through entity shall perform the following for the federal awards it makes:

1. Ensure that every subaward is clearly identified to the subrecipient as a subaward, which includes providing the Catalog of Federal Domestic Assistance (CFDA) number and name, federal award identification number, project description, award date, and name of federal awarding agency.

2. Advise subrecipients of requirements imposed on them by federal statutes, regulations, and the terms and conditions of the federal award as well as any additional requirements imposed by the pass-through entity.

3. Monitor the activities of subrecipients as necessary to ensure that the subaward is used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and ensure that performance goals are achieved. Contracts between OEC and the subrecipients require the subrecipients to submit various financial,

programmatic, statistical and monitoring reports in order for OEC to monitor the use of federal awards.

4. Verify that subrecipients have met the audit requirements for the fiscal year.

Condition: Our review of OEC procedures related to subrecipient monitoring consisted of testing 15 SSBG subrecipients. Our testing disclosed the following:

- Award Information:

  1. The contract template used during the fiscal year did not contain the required federal award information.

- Monitoring Activities:

  1. On-site monitoring was only performed when an issue or concern arose. Procedures are inadequate to ensure sufficient subrecipient monitoring.

  2. Four subrecipients did not report SSBG expenditures on their SEFA.

  3. One of the subrecipient audits reviewed reported approximately $675,000 less on the SEFA than the amount of the subaward.

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.

If subrecipients are not informed that subaward were provided through SSBG funds, the amount of federal expenditures reported on their SEFAs will be incorrect. The SEFA is a key factor in determining major program coverage. Improper identification of federal expenditures on the SEFA could result in the omission of major federal programs from the federal single audit and subrecipients may not meet the single audit reporting requirements.

Cause: OEC does not have adequate procedures in place to properly monitor the activities of subrecipients and review subrecipient audit reports. 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, adequate policies and procedures have not been developed to ensure that subrecipients are provided with complete federal award information.

Recommendation: The Department of Social Services should work with the Office of Early Childhood to ensure that subawards claimed under the Social Services Block

Grant are reported to subrecipients and that subrecipients are properly monitored.

Agency Response: *Response provided by the Office of Early Childhood:*
"We agree with this finding. OEC staffing levels are not sufficient to conduct ongoing subrecipient monitoring. When the Child Day Care Program is a part of the coordinated system of early care and education, it is anticipated that monitoring will occur as part of the system.

The Agency concurs that a process is to be implemented tracking and reconciling SEFA to expenditure activity reported in CORE-CT. The Office of Early Childhood will implement procedures and contract language that will require subrecipients to report program expenditures on the SEFA within their single state audit.

The Business Office will create and implement internal procedures to track and reconcile single audits by matching expenditures reported in the SEFA to reports generated from CORE-CT for all contracts listed in the Child Day Care website. Reconciliation with differences will be reported to the Office of Internal Audit for further review.

The contract template used for the period covering July 1, 2014 through June 30, 2016, does not contain the required federal award information. We agree with this finding. The required federal award information will be included in the contract amendment for July 1, 2016."

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 ultimately accountable for the proper use of the funds provided to other state agencies.

2015-034 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 2013-2014 and 2014-2015
Federal Award Numbers: 1405CT5MAP and 1505CT5MAP

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 2013-2014 and 2014-2015
Federal Award Numbers: 1402CTTANF and 1502CTTANF

Child Support Enforcement (CFDA # 93.563)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 1404CT4005 and 1504CTCSES

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 2013-2014 and 2014-2015
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 200 Subpart E 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. This 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 agree 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. All corrections/adjustments to appropriately allocate costs to benefitting programs for the Department of Rehabilitation Services (DORS) were made by the completion date of June 30, 2015."

DEPARTMENT OF TRANSPORTATION

2015-100 Equipment and Real Property Management

Highway Planning and Construction (CFDA #20.205)
Federal Award Agency: United States Department of Transportation (Federal Highway Administration (FHWA))
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
State Project Number: DOT01701653PE

Background: On October 1, 2014, the Connecticut Department of Transportation (DOT) requested approval from the Federal Highway Administration (FHWA) to transfer equipment that was acquired with state planning and research federal aid to the University of Connecticut (UConn) for its research and educational use.

On October 9, 2014, DOT received approval from FHWA for the transfer of 16 items of equipment. The equipment was transferred to UConn on October 28, 2014.

Criteria: Title 49 Code of Federal Regulations (CFR) Part 18.32 (b) requires that a state will use, manage, and dispose of equipment acquired under a federal grant in accordance with state laws and procedures and subpart (f)(3) requires that when the equipment is no longer needed, the grantee or subgrantee will request disposition instructions from the federal agency.

The State Property Control Manual requires that form CO-64 (Inter-Unit Transfer of Assets) be completed when an asset is transferred between state agencies. When transferring an asset, an authorized CO-64 is to be initiated by the receiving agency.

Section 4-33a of the General Statutes requires that state agencies promptly notify the Auditors of Public Accounts and the State Comptroller of any losses of state property. The State Property Control Manual requires that form CO-853 (Report of Loss or Damage to State Owned Real and Personal Property) be used for such notification.

Condition: During our test of dispositions of equipment and real property acquired under federal awards we noted the following:

- Upon receiving FHWA approval for the transfer of equipment, the DOT personnel responsible for the equipment requested that the department's Asset Management Division advise them of the steps necessary to transfer the equipment to UConn. The Asset Management Division instructed personnel to remove the tags on the equipment. We were provided with a photocopy of the tags that were removed. The Asset Management Division did not inform personnel that UConn would need to complete form CO-64. Without this form, there is no documentation that UConn actually received the equipment from DOT.

- A form CO-64 dated June 23, 2015, initiated by DOT rather than UConn, indicated that two equipment items purchased for $15,929 were transferred to UConn. The form was not signed by UConn. This form was created by the DOT Asset Management Division during the department's 2015 annual inventory process when DOT identified these two equipment items as not found on previous inventory records. The tags of the two items were not included on the photocopy of tags of items transferred to UConn. These items were not on the FHWA list of approved items for transfer. We were unable to physically locate this equipment at UConn. Despite not knowing the whereabouts of these items, DOT failed to report the items as missing.

Effect: The Department of Transportation was not in compliance with Title 49 CFR part 18.32, Section 4-33a of the Connecticut General Statutes and the State Property Control Manual.

Equipment items purchased with federal grant money are unaccounted for.

Internal controls are compromised when documents are created that may not accurately reflect factual situations.

Cause: The State Property Control Manual procedures were not followed. DOT Asset Management personnel only required that the tags be removed from the equipment that was transferred to UConn. A receiving signature was not obtained.

It appears that the form CO-64 that was produced by DOT was the result of the inability to locate the two items when DOT was taking its 2015 annual physical inventory.

Recommendation: The Connecticut Department of Transportation should ensure that the transfer of federally purchased equipment is in accordance with state laws and procedures. If the department cannot locate the equipment, a loss report should be filed as required by Section 4-33a of the Connecticut General Statutes.

Agency Response: "The department agrees with the finding. Asset Management has updated their procedure manual to ensure the use of the Inter-Unit Transfer of Assets form CO-604; regardless if the receiving agency is on Core-CT, and the form CO-64 must be completed and signed by the receiving agency before the transfer of any personal property. Asset Management worked with the Bureau of Engineering & Construction to complete a CO-853 form for reporting the loss of the two pieces of equipment in question."

2015-101 Special Tests and Provisions - Quality Assurance Program

Highway Planning and Construction (CFDA #20.205)
Federal Award Agency: United States Department of Transportation (Federal Highway Administration (FHWA))
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
State Project Numbers: DOT01020324CN, DOT01350270CN, DOT01710367CN

Background: Project personnel submit a Material Test Report (MAT-100) to the Division of Material Testing (DMT) as materials are used in a project. The initial entries on the MAT-100 are made in SiteManager, a construction management tool, by personnel assigned to the project. Sample size and frequency of sampling for specific materials are defined in the department's Material Testing Manual in the "Schedule of Minimum Requirements for Acceptance Testing." One of the DMT responses to this request for testing may include reviewing documents that pertain to the amount of material used that was specified on the MAT-100.

Criteria: Title 23 Code of Federal Regulations (CFR) 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 be performed by qualified testing personnel employed by the state DOT, or by its designated agent, excluding the contractor.

The department's Material Testing Manual (January 2015), Minimum Schedule for Acceptance Testing, requires a lab test for material designated as number 2998 (Deformed Steel Bars –Epoxy Coated) consisting of a lab test, original materials certificate and certificate test report (LMCT). The lab test is required to be performed by DMT for each 200 tons of material used on the project.

The department's Material Testing Manual (July 2009), Minimum Schedule for Acceptance Testing, requires a test for material designated as number 699 (Pipe–Reinforced Concrete) consisting of a self-certification from the producer (PC-1) supplied for each shipment.

The department's Construction Manual and Article 1.06.07 of the Standard Specifications states that contractors are required to furnish the engineer with any certified test report and materials certificate required by the contract or the engineer. The certified test report should be signed by an authorized agent of the manufacturer of the materials and the signature should be notarized. The materials certificate should be signed by an authorized agent of the vendor and that signature should be notarized. It also states that payment will not be made prior to receipt of a certified test report and materials certificate indicating that the materials meet the contract requirements.

Good internal controls for construction activity require that the certified test reports and materials certificates be received and approved by department personnel at the construction site when materials are shipped or as close as possible to the installation of the materials.

The department's Quality Assurance Manual states that "staff is responsible for updating and maintaining the materials module of the SiteManager Reporting System."

Condition: We selected 10 projects for testing. We found exceptions within two projects and an internal control weakness within another.

DOT01020324CN

SiteManager showed on its Federal Aid/State Aid Report that as of June 15, 2015, the contractor had installed 108,374 pounds of deformed steel bars-epoxy coated. SiteManager indicated on the contract testing deficiency report that only 69,241 pounds were accepted on four different dates by the DMT prior to June 15, 2015. The sample dates appear to be one to two months after the shipment date. This indicates that 39,133 pounds of material did not have a certified test report and material certificate submitted to DMT close to the time the materials were received and installed. It appears that this deficiency was recognized at a later date. The DMT performed a lab test with a sample date of August 25, 2015. The sample tested was for 76,328 pounds according to the contract testing deficiency report. After the August 25, 2015 test, the total amount of material installed was 157,566 pounds and the total amount accepted by the DMT was 145,569.

We also found that the department approved and made payments to the contractor as of June 20, 2015 for the 108,374 pounds of deformed steel bars, even though all the certified test reports and materials certificates were not recorded as received in SiteManager.

After we reported this information to department personnel, a MAT-100 was submitted to DMT for the quantity of 12,954 pounds with a sample date of January 5, 2016. DMT noted it accepted the materials certificate and certified test report on January 20, 2016. This brought the total quantity for acceptance testing to 158,523 pounds. The department noted on the MAT-100 that it was unable to receive hard copies of documents (originals) from the subcontractor who purchased the deformed steel bars as it was no longer in business. The supporting documents for this acceptance provided by the department included certified test reports from the manufacturer that were signed but not notarized. The certified test reports indicate that testing was done on March 16, 2015 and April 9, 2015. The department also provided us with four certificates of compliance from the wholesaler of the deformed steel bars. All four of these certificates were dated September 11, 2015, and were for deformed steel bars with a total quantity of 12,764 (not 12,954) with shipping dates of November 24, 2014 through June 13, 2015. The department also received two certificates of compliance from the provider of the paint for the deformed steel bars that were signed and notarized. These were dated January 30, 2015 and March 20, 2015. These documents also appear to indicate that a request for test results was not done in a timely manner.

DOT01350270CN
The contractor installed 140 (linear foot) of 18 inch R.C. Pipe as of July 31, 2014. Material Test Report (MAT-100) in SiteManager was approved for only 80 linear feet as of that date. When we asked department personnel the reason for the deficiency in testing, we were informed that the PC-1 certificates were at the district office and were not provided to DMT. When we asked for the additional PC-1 certificates, the project manager was unable to provide them for the material.

Payment was made to the contractor on August 21, 2014, for work performed through July 31, 2014, without all the PC-1 certificates on hand.

DOT01710367CN
Testing dates on the MAT-100 were not accurately input into SiteManager. For this project, MAT-100s were all produced on the same day, October 9, 2014. Project personnel provided us with documentation that each sample tested was from a different production day and not all on October 9, 2014.

Effect:

DOT01020324CN
The department may not have the information necessary to recommend acceptance of the material.

At the end of the project, the department mandates that a final materials certificate be issued by the DMT. If there are defective materials that the contractor needs to remove, this could cause the project to not be closed out in a timely manner and the state to incur additional costs if the contractor does not fully accept responsibility for the defective materials.
The value of certified test reports is diminished when not notarized and accepted by department personnel.

DOT01350270CN
We were unable to determine if all the material used for this project conformed to approved specifications since the project manager was unable to provide us with all the PC-1 certificates.

DOT01710367CN
SiteManager does not reflect actual testing dates and the reliability of the data is lessened when data is not accurately entered into the system.

Cause: It appears that the DMT was either not receiving or requesting testing of materials certificates and certified test reports for all projects in a timely manner.

Project personnel are not always recording information properly in SiteManager and not following the department's Material Testing Manual that was approved by the Federal Highway Administration.

Recommendation: The Department of Transportation's project personnel should follow the department's Material Testing Manual for testing and accepting materials used for federal-aid construction projects so that the department is in compliance with federal regulations. The department's records should reflect that certified test reports and materials certifications were accepted as close as possible to the date of the installation of the material.

Agency Response: "We agree with the finding in part. The recommendation to follow the Material Testing Manual is certainly a best practice and a goal for all projects and all material samples. As a practical matter it is unrealistic to require prior approval for thousands of samples, and tens of thousands of inspections. Such a process, if implemented, would unnecessarily delay work progress and project completions. Instead, the department has developed a multi-layered approach to ensure material quality standards are met. This approach is included in each contract via the Standards Specifications and is therefore enforceable upon department contractors before the work is started, during the performance of the work, and after the work is complete.

The department's Standard Specifications have been in place for many years and are subject to review and approval by the Federal Highway Administration. Article 1.06 of the Standards Specifications is devoted entirely to materials, and other Articles that address the contractual remedies for non-conformance. The following generally describes the layered approach to quality of materials and workmanship:

- Article 1.06.01 requires the contractor to provide its anticipated source of supply for each material specified in the contract before the material is delivered to the project. Material suppliers must be reliable and have a history of producing a quality product.

- Article 1.05.09 places the ultimate responsibility for the proper execution of the work on the contractor, regardless of what actions the department takes or the timeliness of those actions.

- Should the contractor not provide the required documentation of material quality, there are contractual remedies the department can exercise to ensure the work is done correctly. For example, Article 1.05.11 addresses removing unauthorized or deficient material and having it replaced at the contractor's expense.

- Article 1.06.02 allows for acceptance by the engineer of non-conforming materials under certain circumstances.

Any deficient or non-conforming testing is routinely reviewed by project and supervisory personnel when contractor payments are processed. Part of the discussion and documentation of project payments includes the status of material testing. The requirements for partial payments to contractors are discussed in Article 1.09.06. At the conclusion of every project, the project closeout process requires documentation of the quality and quantity of materials incorporated into the work. The Final Materials Certificate is not issued until the quality of all materials has been fully documented. The contractor's responsibility for the work will not be terminated until all quality issues have been satisfactorily resolved per Article 1.08.13.

The Office of Construction, the Construction District Offices, and the Division of Materials Testing all take the responsibility for quality assurance of contractor work very seriously. Further, we believe the Materials Testing Manual and Standard Specifications provide adequate protections and remedies to protect the state's interests against poor quality materials being incorporated into the work. These protections and remedies have been reviewed and approved by FHWA as part of the 2015 Stewardship and Oversight Implementation Manual executed between FHWA and the department. These matters will be reviewed and emphasized at the annual inspector training sessions."

Auditors' Concluding Comments:

Materials are a critical component of construction projects. The sooner deficiencies in materials are addressed and identified in a project, the more economical it would be for both the contractor and the state to rectify any deficiency. Other department resources at the project site used to correct the deficiency would not necessarily be reimbursed by the contractor.

Materials used on the project should arrive at the project site with certified test reports and materials certifications that are signed and notarized to ensure the quality of the material before accepting delivery. These documents are required to be submitted by the contractor to the engineer with a copy to the department's inspector at the project site before payment is made to the contractor. Even though the department states the contractor is responsible for the execution of the work, the department's liability is increased when project personnel at the construction site allow materials to be installed that have not been certified and when payment is made indicating acceptance of the material by those approving the invoice.

As mentioned previously on the MAT-100 for DOT01020324CN, the subcontractor went out of business and the department was unable to receive originals of the documents. Quality assurance is diminished when the department delays its acceptance testing of materials that have already been installed.

Projects could be delayed if it is determined at a later date that materials installed were defective.

DEPARTMENT OF LABOR

2015-150 Eligibility – Unemployment Insurance Payments

Unemployment Insurance (UI) (CFDA #17.225)
Federal Award Agency: United States Department of Labor
Award Year: 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.

Condition: We reviewed a sample of 60 unemployment compensation benefit payments totaling $17,575 for compliance with federal eligibility requirements. Our sample was comprised of 60 regular benefit payments totaling $17,279 and one emergency unemployment compensation benefit payment totaling $296. Our sample was randomly selected from an audit universe of 2,299,482 unemployment checks totaling $738,233,077 paid during the state fiscal year ended June 30, 2015.

Our last five statewide single audits have disclosed internal control deficiencies over eligibility. Our review for the fiscal year ended June 30, 2015, disclosed that three transactions, totaling $843, exhibited internal control deficiencies that resulted in one or more of the federal eligibility criteria not being met or being unsupported as follows:

- We were unable to verify one claimant’s weekly attestations to the eligibility requirements, which included being able and available for work and not refusing an offer of suitable work. The department was unable to provide us with the documentation to support the attestations provided by the claimant to the customer service representative. In addition, the attestations were not properly documented on the UI system.

- The department failed to adequately document the reasons why wages earned by two claimants were not considered applicable wages while collecting unemployment compensation, or investigated as potential overpayments.

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 or adequately document the eligibility of unemployment claimants.
Recommendation:	The Connecticut 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.

The call-center staff continues to monitor all procedural requirements in this area even though the EUC program expired December 13, 2013. All issues are addressed and as they occur and there is a review period each quarter to monitor performance."

2015-151 Reporting – ETA 227 Overpayment Detection and Recovery

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

Background: The ETA-227 report provides information on overpayments of intrastate and interstate claims under the state unemployment compensation and federal Unemployment Insurance (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 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 over ten consecutive years. Our review of the ETA 227 Overpayment Detection and Recovery Activity reports for the quarter ended June 30, 2015 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 $518,771.

- EB Receivables Removed at the End of Period (line 312) was underreported by $9,131.

- UI Aging of Benefit Overpayments (Line #502, #503, #504 and #506) was underreported by $1,272.

- UI and EUC Receivables Recovered for Other States (line 321) the Fraud amount was underreported by $12,446 and the Non-Fraud amount was overreported by the same amount.

- EUC non-fraud UCFE/UCX total cases (line #103) UI total of zero cases was underreported by one case.

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. EUC line 103 was incorrect due to an accounting error. Lines 502, 503, 504 and 506 were incorrect due to software errors. EB line 312 and UI/EUC line 321 were incorrectly reported due to programming errors to the department's summary reports.

Recommendation: The Connecticut 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.

The action plan to eliminate older overpayment records that are deemed uncollectible continues. This is an important factor in improving the accuracy of the ETA 227 since many of the older records have data errors that conflict with the accurate completion of the ETA 227 report."

2015-152 Performance Reporting – Trade Activity Participant Report

Unemployment Insurance (UI) (CFDA # 17.225)
Federal Award Agency: United States Department of Labor
Award Year: Federal Fiscal Year 2014-2015
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, 2015, the department reported information regarding 1,157 TAA participants in the TAPR. Audits of the TAPR have disclosed internal control deficiencies for the past three consecutive years. Our current review found that the quarterly training expenditures data element was overstated by $437,177 when compared to the ETA-9130 financial reports prepared for the same quarter.

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.

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

Agency Response: "CTDOL agrees there is a discrepancy between the TAPR report and the ETA-9130 for the quarter ended June 30, 2015. The resolution to this issue will require an internal review of the processes and procedures related to the reporting of Trade financial data. Once the cause(s) of the discrepancies are identified, a plan to correct the problem will be implemented. The actions to determine and fix the issues will begin immediately and we anticipate the corrections to be in place by the next reporting quarter."

2015-153 Special Tests and Provisions – Benefits Accuracy Measurement (BAM)

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

Background: The Unemployment Insurance (UI) Benefit Accuracy Measurement (BAM) system provides the basis for assessing the accuracy of UI payments. It is also a diagnostic tool for the use of federal and state workforce agency staff in identifying errors and their causes and in correcting and tracking solutions to these problems. Representative samples of UI payments and disqualifying ineligibly determinations are drawn and examined intensively to determine whether they were properly administered to claimants and whether these claimants were paid the proper amounts, or appropriately denied. Based on the errors identified and information gathered, states will be able to develop plans and implement corrective actions to ensure accurate administration of state law, rules, and procedures.

Criteria: According to ET Handbook No. 395, 5th Edition, the weekly sample sizes are provided by United States Department of Labor (USDOL) for each state. The annual sample sizes for UI paid clams and three types of denials are fixed by USDOL for the calendar year. For calendar year 2014, the sample allocations for paid clams are 480 cases.

Condition: For calendar year 2014, the department sampled 478 cases although they were required to test 480.

Effect: As the department did not sample the required 480 cases there is less assurance that UI benefits were administered correctly.

Cause: It appears that the sample size was not met due to an oversight.

Recommendation: The Connecticut Department of Labor should institute procedures to ensure that the annual sample sizes are met and all stated criteria for review is completed.

Agency Response: "We agree with this finding. The Agency is required, on the basis of federal standards, to sample 480 paid cases per year. As soon as it was determined that sampling fell short by two cases in 2014, measures were implemented to ensure that this standard is met.

However, it is important to note that the shortfall in 2014 occurred as a result of several conditions. BAM sampling was historically based on a calendar year with the Agency meeting its standard of sampling 480 paid cases. UIPL 25-13 directed the alignment of the BAM program with the Improper Payment Information Act (IPIA) reporting year requirements, which includes payment accuracy estimates for the period July through June of the following year. This resulted in a change to BAM sampling to analyze 480 paid cases for a reporting year. What was not made clear in the UIPL was that BAM not only had to ensure sampling of 480 cases per reporting year, but also still had to maintain sampling of 480 cases per calendar year. The BAM handbook, ET 395, has not been updated since 2009 and does not, therefore, contain guidance on this change.

In addition to this programmatic change, the Agency's BAM unit experienced the loss of key staff within the last five months of 2013. The unit was without a direct supervisor from approximately August 2013 through the end of January 2014. This coincided with the timing and implementation of the guidelines in UIPL 25-13. Immediately upon discovery of the requirement to continue to sample 480 cases for a calendar year, in addition to sampling the same number for a reporting year, the newly appointed BAM supervisor instituted procedures to make certain that the number does not fall below the minimum federal standards.

Case samples are monitored closely by the supervisor on a weekly basis and requested case numbers are adjusted as needed. The Agency's BAM unit now samples more cases than dictated by the federal requirement, per both calendar and reporting year, which is permissible under federal guidelines, to ensure that under sampling does not occur."

2015-154 Special Tests and Provisions – UI Benefit Overpayments

Unemployment Insurance (UI) (CFDA #17.225)
Federal Award Agency: United States Department of Labor
Award Year: 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, or if it is in an incorrect format, (e.g., payroll dates differ from requested format), 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 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, or has received a greater amount of benefits than was due under this chapter, shall be charged with an overpayment of a sum equal to the amount so overpaid, 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 or if returned and completed in an incorrect format. Our review of 15 positive cross-match results revealed that one potential overpayment was not investigated further because the UC-1124 Certificate of Earnings was not returned in the requested date format. In addition, the department did not document that a potential overpayment may have occurred and/or that it was documented on the UC-1124-Certificate of Earnings incorrectly.

Effect:	Overpayments of unemployment compensation may not be recovered if employers fail to respond to Certificate of Earnings requests in the correct format. 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 match if the employer does not return the UC-1124 Certificate of Earnings or in the correct format.
Recommendation:	The Connecticut 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.

The agency is in the process of starting a pilot project in the third quarter of 2016 to further investigate the accuracy and/or the non-receipt of certificate of earning reports from the employers. We consider this as a significant issue that has needed to be addressed for a long period of time."

2015-155 Activities Allowed or Unallowed – Workforce Investment Board 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 Years 2013-2014 and 2014-2015
Federal Award Numbers: AA-24083-13-55-A-9 and AA-25344-14-55-A-9

Background: The Department of Labor enters into contracts with Workforce Investment Boards (WIBs) for the award of Workforce Investment Act (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 WIA funds comply with the Office of Management and Budget Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (formerly 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: As noted in prior audits, contracts with the Workforce Investment Boards have not been executed in a timely manner. Our current review disclosed five contracts with the Workforce Investment Boards for program year 2014 were signed from two days to over five months after the contract service period began.

Effect: Without an executed contract in place, the department could make payments for expenditures that may be for activities that are not allowable.

Cause: The department did not process contracts with the Workforce Investment Boards promptly.

Recommendation: The Connecticut 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: "CTDOL is aware of its issue regarding the timely completion and execution of contract awards to the Workforce Investment Boards. CTDOL has been in the process of strengthening internal controls to execute contracts in a timelier manner. This has included pre-contract planning meetings internally with business management staff and externally with the Workforce Development Boards. New federal financial policies enacted in 2014 included establishing indirect cost rates with each of the five boards. This proved to be a challenging endeavor for CTDOL administration as well as the boards since contract awards were never based on indirect cost budgeting. CTDOL is the process of developing a policy which will address the timeliness of future contracts executed."

2015-156 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 2014, Federal Fiscal Year 2015
Federal Award Number: AA-25344-14-55-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 $84,800 as of June 30, 2015. A review of grant disbursements revealed that the last four disbursements from the Department of Labor to the WIB totaled $205,914. Of the $205,914 disbursed to the WIB, $84,800 had not been expended by the WIB over two weeks after the cash disbursements were made from the Department of Labor.

Further, we were unable to determine if cash advances made to another WIB were made in excess of immediate cash needs as the department was unable to provide documentation regarding the WIB's cash-on-hand balances.

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

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

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

Recommendation: The Connecticut 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.

The Department will continue to ensure compliance with issued policy."

2015-157 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 2012, 2013 and 2014 Federal Fiscal Years 2013, 2014 and 2015
Federal Award Numbers: AA-22926-12-55-A-9, AA-24083-13-55-A-9 and AA-25344-14-55-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.

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 (POP). A final financial closeout report is required to be submitted no later than 90 calendar days after the grant POP.

Condition: Our review of the ETA-9130 financial reports for the quarter ended June 30, 2015, revealed that the Department of Labor understated statewide activity expenditures by $175,647 and administrative expenditures were overstated by $175,647.

The department did not submit a final financial closeout report for grant number AA-22926-12-55-A-9. The period of performance for the grant ended on June 30, 2015.

Effect: Inaccurate financial data was reported on Form ETA-9130.

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

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

Agency Response: "We agree with this finding, The Department has begun the process of strengthening its internal controls. DOL is training a secondary staff member who will be able to complete the closeouts and verify the accuracy of those reports. DOL will also establish an alert system to ensure that the primary and secondary individuals charged with these reports are notified in a timely manner.

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."

DEPARTMENT OF PUBLIC HEALTH

2015-200 Subrecipient Monitoring – Financial and Program Compliance Review - MER

Special Supplemental Nutrition Program for Woman, Infants and Children (WIC) (CFDA #10.557)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 2014IW100344 and 2015IW100344

Criteria: Title 7 Code of Federal Regulations (CFR) Section 246.19(b) states "The State agency shall establish an on-going 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 to resolve program deficiencies, the monitoring of the implementation of corrective action plans, and on-site visits. The results of such actions shall be documented."

"The State agency shall conduct monitoring reviews of each local agency at least once every two years. Such reviews shall include on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater. The State agency may conduct such additional on-site reviews as the State agency determines to be necessary in the interest of the efficiency and effectiveness of the program."

"The State agency must promptly notify a local agency of any finding in a monitoring review that the local agency did not comply with program requirements. The State agency must require the local agency to submit a corrective action plan, including implementation timeframes, within 60 days of receipt of a State agency report of a monitoring review containing a finding of program noncompliance. The State agency must monitor local agency implementation of corrective action plans."

Condition: We reviewed the Department of Public Health's fiscal and programmatic monitoring of its 12 local WIC agencies. The department scheduled six administrative and nutrition reviews, and nine financial reviews. The department did not promptly notify four of the nine local agencies of the findings identified during the on-site financial reviews. The delay ranged from 95 to 245 days after the review.

Effect: Without timely formal notification of findings to local agencies, subsequent corrective action may also be delayed.

Cause: The department has indicated that staffing issues contributed to the condition.

Recommendation: The Department of Public Health should take the necessary steps to ensure that when management evaluation reviews are conducted, any applicable findings are submitted promptly to each local agency in accordance with federal requirements.

Agency Response: “The Department of Public Health (DPH) agrees in part with this finding. The DPH found that when it corrected a previous audit finding to synchronize the coordination of the program and financial reviews of its sub-recipients, delays occurred in sending out the notifications of the results of the fiscal monitoring reviews. The delay was due to a staffing shortage. Since more financial audits were required to be performed than normal, staff prioritized to complete the financial reviews on time as required.

However, notifications were late in being sent to the local agencies. Of special note: there were no instances found in the monitored reviews that indicated that the local agency did not comply with Program requirements. The Federal requirement states that review agencies “must promptly notify local agencies of a finding that it did not comply with program requirements.” Two of the reviews needed minor corrections both of which had no financial impact. All the other reviews passed the DPH review monitoring tests without error. Therefore, while DPH did not send all the notifications to local agencies within a reasonable time, none of the reviews indicated a need for a significant correction or corrective action plan.

The DPH is able to perform the upcoming FY16 Program and Financial Reviews on a coordinated schedule. All notifications in FY16 will be sent to local agencies promptly.”

2015-201 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 Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 2014IW100344 and 2015IW100344

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 in the Statewide WIC Information System (SWIS) for an individual to be certified and receive program benefits.

To be certified for participation in WIC, individuals must meet categorical, residential, and income requirements. The local WIC agency is responsible for documenting this information in the Statewide WIC Information System

(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 the local agency will certify the participant for a maximum of 30 days as long as the participant meets all other eligibility requirements.

To be residentially eligible, individuals must live in the State of Connecticut. Applicants that cannot provide acceptable documentation may self-declare residency and the local agency will certify them for a maximum of 30 days. If the individual meets all other eligibility criteria, the local agency issues one month of checks to the applicant. In SWIS, the documentation allowed for determining residency eligibility varies based on whether the participant is the woman or the child.

It is the role of the Department of Public Health (DPH) to maintain the quality of information in SWIS for accuracy, integrity, standardization and completeness according to the standards establish in the State Plan.

Condition: We obtained data for 89,403 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. As a result, we identified the following:

Income Eligibility:

- We identified 11 participant records that did not have a "proof of income" code listed.
- The field used for income eligibility in SWIS does not require a Medicaid number for individuals determined eligible through Medicaid. The system includes a Public Assistance field that also includes a selection for Medicaid or Family Member on Medicaid. The selection of Medicaid in the Public Assistance field requires the user to input a Medicaid number. However, a selection of Medicaid for income eligibility does not require the user to select a Public Assistance of Medicaid or Family Member on Medicaid. As a result, 379 individuals were determined income eligible through Medicaid without a Medicaid number or a Public Assistance selection of Medicaid or Family Member on Medicaid.

Residential Eligibility:

- We identified 50 participant records in the SWIS that were deemed eligible using documentation that the system should not have allowed for that type of participant based on the definitions within SWIS.

The above conditions were further supported in a November 2015 management evaluation completed by the Food and Nutrition Services (FNS) of the United States Department of Agriculture (USDA) that found local WIC agencies are in need of clarification and guidance on the state agency's certification and eligibility procedures. Specifically, issues were identified in the following areas: determining household size, income assessment in special situations, physical presence criteria in special situations, and general eligibility assessment.

Effect: The data to support eligibility for participation in WIC, as defined in the State Plan, is not complete.

In addition, DPH resources are not used with optimal efficiency, as resources must be used to follow-up with local WIC agencies when necessary fields in SWIS to support eligibility for participants are incomplete.

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.

The Department of Public Health should submit any identified participant records in the Statewide WIC Information System that do not appear to support participant eligibility 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 SWIS system which is presently utilized for the WIC Program is an antiquated data base system that has many disparities which has caused reliability and integrity issues in the WIC Program. The shortcomings of SWIS, as a distributed database, is that it presents difficulty in keeping 100% data integrity when there are 23 locations all with their own data store. This eligibility problem will be effectively resolved with the migration to our new web-based system (CT-WIC) which has only one database used by all agencies.) The new system is expected to be implemented by September 1, 2016."

2015-202 Special Test – Review of Questionable Food Instruments

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA#10.557)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 2014IW100344 and 2015IW100344

Criteria: Title 7 Code of Federal Regulations, Part 246.12(k)(1) states "the State agency must take follow-up action within 120 days of detecting any questionable food instruments or cash value vouchers, suspected vendor overcharges, and other errors and must implement procedures to reduce the number of errors when possible."

Condition: We reviewed the department's follow-up actions on 4,872 questionable food instruments, totaling $279,397, and found the department reviewed and reimbursed 1,108 food instruments (totaling $69,063) outside of the 120-day requirement. Checks were paid between one and 32 days outside of the window.

Effect: The department reimbursed vendors outside of the maximum allowable timeframe.

Cause: The department's follow-up procedures were not sufficient to prevent the department from exceeding the follow-up time frame.

Recommendation: The Department of Public Health should take timely follow-up action on questionable food instruments in accordance with applicable federal guidelines.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. Of those checks reimbursed past the 120 day requirement, 1,007 checks were a result of an influx in reimbursement requests from Stop & Shop stores. These stores had not submitted price increases and the corporate office admitted to waiting until checks were rejected for the organization to know that there had been a price change. During FY15, the Program received this unusual increase of rejected checks to be manually reimbursed, which created a backlog and delay also for the other 101 checks that were submitted by other stores. The Program reimbursed the vendor for the value of these checks ($69,063), in addition to charging a $5 fee per check for reimbursements in accordance with the WIC Vendor Agreement. The Program collected $5,540 in fees that goes back into Program funds. Stop & Shop has been notified that their failure to provide timely price updates has resulted in a backlog of check reimbursements.

A manual process will no longer occur once the new CT-WIC system is operational. Should the situation arise before the new system is operational, additional staff will be assigned to perform duties."

2015-203 Special Test – WIC Enforcement Actions

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA#10.557)
Federal Award Agency: United States Department of Agriculture
Award Year: Federal Fiscal Year 2014- 2015
Federal Award Number: 2015IW100344

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, postdating checks, or providing non-WIC approved food items are documented during the compliance buys. 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) 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."

Condition: We reviewed a selection of 15 WIC vendors including 13 with completed investigations and two identified as not complete but started during the 2015 federal fiscal year.

Of the 13 vendors with completed investigations, 12 had the following issues:

- Three vendors had disqualification letters prepared that remained in draft form and were never sent to the vendor.
- Three vendors had violations significant enough to result in the issuance of disqualification or civil money penalty letters, but no action had been taken.
- Four vendors had disqualification or warning letters sent to them well after the department's required sixty-day turnaround time from the date of the buy to the date the letter should be sent to the vendor.
- The compliance buy activity conducted at two vendors was too dated for the WIC Unit to take effective enforcement action.

Of the two vendors in which the investigations were deemed incomplete by the WIC Unit, one appeared to have sufficient evidence for the department to issue disqualification or civil money penalty letters without further hesitation.

Effect: Vendors with violations identified as a result of compliance investigations have not been disqualified from participation in the WIC Program as required by federal regulations. As a result, the department is not in compliance with federal regulations.

Cause: Our prior audit identified and reported on similar conditions. The corrective actions planned by the department, in response to our prior audit recommendation, were not entirely sufficient to prevent a repetition of those conditions.

Recommendation: When compliance investigations disclose vendor violations, the Department of Public Health should take timely and appropriate enforcement actions against WIC vendors in accordance with federal regulations.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. There has been a delay in implementing a system to address the identification of violations and sanctioning vendors due to multiple staff vacancies. Connecticut is currently piloting its new Management Information System (MIS) which addresses the Program's ability to track key functions and improve program integrity by tracking vendor management activities such as routine monitoring, compliance, violations, sanctions and training.

There is a process in place to ensure that enforcement actions are applied. However this process has been delayed due to shortage of staff in the vendor unit. A Processing Technician has been hired and is starting on February 19, 2016 and we have selected a candidate for the second Processing Technician position. These positions will be primarily responsible for enforcement actions."

2015-204 Cash Management – Expenditure of Rebates

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: April 1, 2014 to March 31, 2015 and April 1, 2015 to March 31, 2016
Federal Award Numbers: X07HA00022-24 and X07HA00022-25

Background: In accordance with a memorandum of agreement (MOA) between the Department of Social Services (DSS) and the Department of Public Health (DPH), procedures have been outlined for receiving and transferring federal funds from DPH to DSS to fund the Connecticut AIDS Drug Assistance Program (CADAP). CADAP is the state's program designed to assist Connecticut residents living with HIV/AIDS pay for federally-approved HIV antiretroviral drugs and drugs which treat HIV disease-related conditions including opportunistic infections.

As part of that MOA, Section 7 – Rebate Process for Federal CADAP Rebates indicates that all manufacturer rebates for all purchases made using funds under the MOA shall be the property of DPH. DSS is to collect all available manufacturer rebates on drug purchases and provide all monies obtained therefrom to DPH. DSS shall maintain a separate tracking system for the cash rebates received as a result of all drug purchases and submit notification to DPH Accounts Payable for the total amount of the rebates. DPH is to invoice DSS for such amount. The MOA infers that this should be a monthly process.

Criteria: Title 2 Code of Federal Regulations (CFR) Section 200.305(b)(5) provides that non-federal entities must disburse funds available from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

Title 31 CFR Section 205.33 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: The DPH did not expend all available rebates prior to drawing down federal funds. For example, after discovering an available rebate balance, the department adjusted $4,478,264 of federal draw down expenditures to available rebate funds in August 2015 (five months after the grant period ended) to clear the available amount. On September 8, 2015, the department refunded to the federal government $2,184,212 in excess draw downs.

Cause: At the time of drawing federal funds to cover program expenditures, the department was unaware that there was an available rebate balance in the custody of DSS.

Effect: The department drew down federal dollars sooner than it was permitted.

Recommendation: The Department of Public Health should design and implement internal controls in order to ensure accurate, complete, and up-to-date tracking of rebate balances and ensure that available rebates are obtained and expended prior to charging federal funds.

Agency Response: "The Department of Public Health (DPH) agrees in part with this finding. Although the DPH receives rebate funds from the Department of Social Services (DSS), DPH does not receive notices of deposits or payments on a monthly basis. The Memorandum of Agreement (MOA) between DPH and DSS stipulates that DSS will issue a check for all rebates for deposit into CORE after month end and then notify DPH of such deposits. Once DPH is notified, it sends DSS an invoice.

DPH is addressing the deposit and notification process with DSS. DSS can only send notices to DPH on a quarterly basis due to the complex processing schedule of the rebate funds. Therefore, DPH will amend the MOA to change the language in the agreement to state that notices to DPH will be sent on a quarterly basis by September 2016."

Auditors' Concluding Comments: Based upon audit information obtained from the fiscal staff at DSS, it appears that the rebate funds are available on a monthly basis. The department should work directly with DSS to ensure that the proper contacts are established, reports are received, and that invoices for the rebate funds are submitted monthly for purposes of cash management.

2015-205 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: April 1, 2014 to March 31, 2015 and April 1, 2015 to March 31, 2016
Federal Award Numbers: X07HA00022-24 and X07HA00022-25

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.

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 a low-income individuals or documentation supporting their State of 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 ultimately responsible for administering the program, did not take the appropriate measures to ensure that DSS ADAP eligibility policies and procedures were adequate.

Recommendation: The Department of Public Health should monitor ADAP eligibility 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 in part with this finding. DPH has made great progress in working with the Department of Social Services (DSS) to rectify the DSS process to verify ADAP eligibility by reviewing supporting documentation. As of 11/2/15, a new process at DSS was developed whereby documentation supporting an applicant's income or residency is collected and reviewed to determine eligibility. DPH has been receiving regular reports from DSS since 11/2/15 in this regard. Revisions to the Memorandum of Agreement are being made and is expected to be finalized by 6/30/16."

2015-206 Subrecipient Monitoring

Special Supplemental Nutrition Program for Woman, Infants and Children (WIC) (CFDA #10.557)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2013-2014 and 2014- 2015
Federal Award Numbers: 2014IW100344 and 2015IW100344
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: April 1, 2014 to March 31, 2015 and April 1, 2015 to March 31, 2016
Federal Award Numbers: X07HA00022-24 and X07HA00022-25

Criteria: Title 31 United States Code Section 7502(f)(2) states that "Each pass-through entity shall… (C) Review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to federal awards provided to the subrecipient by the pass-through entity…"

The Department of Public Health collects and reviews the audits of subrecipients conducted in accordance with Title 2 Code of Federal Regulations section 200 in order to review if prompt and appropriate corrective action has taken place at the subrecipient for any audit findings.

Condition: We examined the department's review of subrecipient audits from 11 local WIC agencies and six HIV subrecipients (fiscal year 2014) that were received during the audit period. The department had not reviewed any of the audits as of December 2015.

Effect: The department did not review for possible audit findings and assess whether prompt or appropriate corrective action has taken place.

Cause: The department has indicated that staffing issues contributed to the condition.

Recommendation: The Department of Public Health should ensure that established procedures for reviews of subrecipient audits are applied consistently and meet the requirements of the applicable federal requirements.

Agency Response: "The Department of Public Health (DPH) agrees with this finding. The DPH has only one staff member who reviews sub-recipient audits. This staff member was heavily involved in training and conducting required WIC fiscal reviews as well as performing the audit function during the time covered by this audit finding. Because of the extraordinary demands of the employee's time during the review period, the audit reviews were delayed. (See Audit Finding #1 in this Findings Report for more information.) Now that the synchronization of the Program and Fiscal review schedule has been resolved, the employee is once again available to perform Sub-recipient audit reviews with no additional duties and is expected to complete the audit reviews in a timely manner."

DEPARTMENT OF CHILDREN AND FAMILIES

2015-250 Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallowable Activities and Federal Claim Systems

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 1402CT1401 and 1502CTFOST

Adoption Assistance – Title IV-E (CFDA #93.659)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 1402CT1407 and 1502CTADPT

Background: The Department of Children and Families (DCF) is responsible for administering the foster care and adoption assistance programs. The department maintains a IV-E eligibility system in which approximately 20 eligibility services workers in the Revenue Enhancement Division (RED) document eligibility determinations for both programs based on the applicable federal eligibility requirements. Based on the results of the determinations, each child is assigned a IV-E eligibility code which indicates their eligibility status. As of July 1, 2014, the department began using a new IV-E eligibility system with expanded codes to accommodate recent changes in the allowability of additional children to be claimed (i.e. individuals aged 18 to 21 years old), and to more clearly track other eligibility requirements, such as adopted children who met the “applicable child” criteria as defined in section 473(e) of the Social Security Act. In addition to the eligibility code, the RED enters the children’s legal status, such as committed to the department or adopted, into the eligibility system.

The department also maintains a case management and payment system called LINK. Payments through the system are made from the DCF board and care checking account on behalf of placed children. Workers at 14 area offices are mostly responsible for establishing the children’s placement (foster or adoptive homes, institutions, child placing agency approved homes) in the system. Maintenance or subsidy payments are automatically sent out each month based on the children’s placement information. Other types of payments are manually entered into LINK by approximately 1,000 area and central office staff. All payments are associated with service codes, each of which is designated as IV-E reimbursable or non-reimbursable. Service codes are grouped into categories that are associated with the applicable program.

The department's federal claim information is primarily compiled from the IV-E eligibility system and LINK. Prior to the quarter ended September 30, 2014, an outside consultant prepared the claiming reports. The logic of the previous claiming system utilized the children's legal status from the IV-E eligibility system to determine the program to which the payments were claimed. The detailed federal claim report combined the children's eligibility status from the IV-E eligibility system with the payments made on their behalf through LINK or other manually entered contract payments made outside of LINK for children placed in institutional settings. If the IV-E eligibility system indicated that the child was eligible and the payment was charged to a service code designated as reimbursable, the payment would be claimed under the program associated with the child's legal status. Beginning with the quarter ended September 30, 2014, the federal claim is based on reports produced in-house. The new claiming logic utilizes the payment's service code category from LINK to determine the program to which the payments are claimed. As in the past, if the IV-E eligibility system indicated that the child was eligible and the payment was charged to a service code designated as reimbursable, the payment would be charged to a federal program. However, the federal program to which the payment is now claimed is not based on the children's legal status but rather the program associated with the payment's service code category. In addition, contract payments made outside of LINK for children placed in institutional settings are now claimed based on the children's placement information and the provider rate tables and associated allowable percentages set up in LINK.

Prior to July 1, 2014, during the transition between the two sets of systems, the department stated that the two IV-E eligibility systems were run concurrently and the applicable IV-E eligibility codes were entered into each system. In addition, from the quarter ended March 31, 2013 through the quarter ended June 30, 2014, to address any flaws in the reporting methodology, DCF ran its in-house claiming reports using information from the new IV-E eligibility system to compare with the claiming reports produced by the outside consultant using the existing IV-E eligibility system.

The submission of the *Form CB-496, Title IV-E Programs Quarterly Financial Report* is required to receive federal reimbursement for the foster care and adoption assistance programs. The maintenance cost claim information described above, along with the administrative and training costs allocated to the programs in accordance with the department's cost allocation plan, is submitted quarterly to the federal Administration of Children and Families.

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 Section 200.403(d) and (g) require that costs must be accorded consistent treatment and must be adequately documented to be allowable under federal awards.

Condition: We reviewed 60 foster care maintenance payments, totaling $97,007, of which $84,237 represented reimbursable costs ($42,119 federal share) for compliance with the federal activities allowed or unallowed and allowable costs/cost principles requirements. The transactions tested were selected from a universe of $63,241,421, of which $31,620,711 was claimed for federal reimbursement during the state fiscal year ended June 30, 2015. We could not determine the number of transactions included in our audit universe.

Our review disclosed that eleven transactions, totaling $31,831 ($15,916 federal share), may 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 DCF to provide therapeutic foster care. The department establishes various per diem rates paid to the CPAs, which 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 eleven instances, a portion of the support or other services costs, totaling $2,899 ($1,449 federal share), may be unallowable. The portion of the payments made during the fiscal year that may contain unallowable costs made on behalf of these eleven children outside of the transactions selected for testing, totaled $25,785 ($12,892 federal share). In addition, one payment of $2,127 ($1,517 federal share) was coded incorrectly resulting in $1,227 ($613 federal share) that is unallowable due to the ineligibility of the child.

Our follow-up to the prior audit finding disclosed that for seven transactions, totaling $28,079 ($14,039 federal share), the department did not adjust its federal claim to account for per diem rates paid to the CPAs that may have included unallowable amounts. The portion of the payments in the state fiscal year ended June 30, 2014 that may contain unallowable costs made on behalf of these seven children both inside and outside of the transactions tested during the prior audit totaled $42,771 ($21,385 federal share). The portion of the payments that continued to be made on behalf of six of the seven children in the state fiscal year ended June 30, 2015, that may contain unallowable costs totaled $10,394 ($5,197 federal share).

In addition, to verify the completeness and accuracy of the department's new federal claiming system, we compared the federal claim detail reports produced from the old and new systems for quarter ending June 30, 2014, which was the last quarter that both systems were run concurrently. Our review found that the reports from the two systems could not be reconciled due to many factors including differences in how the two claiming systems summarize federal program expenditures, differences in how contract payments made outside of LINK are integrated into the claiming systems, and differences in eligibility dates and codes between the two IV-E eligibility systems. Although the department indicated that it could not fully reconcile the data produced by the two systems, the department did not document that the results provided reasonable assurance that the new system was correctly processing federal claim information.

To illustrate the impact of the differences in the logic of the two systems, we noted that the new claiming system had a higher federally reimbursable net maintenance cost by $572,049 ($286,025 federal share) for the quarter ended June 30, 2014 claim, not considering any prior period adjustments.

As a result of the differences found in the June 30, 2014 claim, we performed an analytical review of payments claimed during the state fiscal year ended June 30, 2015. We found 102 transactions, totaling $65,844 ($32,922 federal share), that were incorrectly reimbursed under the foster care program. These transactions were all charged to an adoption assistance service code whose category appears to have been inappropriately associated with the foster care program. Further review found that this type of adoption payment may not be allowable under that program.

Effect: For the eleven transactions we identified as questioned costs totaling $2,899 ($1,449 federal share), and additional payments outside of the transactions selected for testing totaling $25,785 ($12,892 federal share), it appears that a portion of the per diem rates contain unallowable charges. For the additional transaction, we identified questioned costs totaling $1,227 ($614 federal share).

We again question costs identified in our prior audit, totaling $21,385 ($10,692 federal share), for which the department did not adjust its federal claim in the state fiscal year ended June 30, 2015. In addition, we question costs totaling $10,394 ($5,197 federal share) for additional payments made on behalf of the same children during the state fiscal year ended June 30, 2015.

We could not fully verify the completeness and accuracy of the department's new federal claiming system. We are unable to determine if the difference of $572,049 ($286,025 federal share) between the two reporting systems as of June 30, 2014, represents unallowable costs.

Our analytical review of the data in the new federal claiming system for the state fiscal year ended June 30, 2015 identified questioned costs, totaling $65,844 ($32,922 federal share), for unallowed adoption assistance payments charged to the foster care program.

Cause: The department's new claiming process was not adequately designed to accurately identify costs of unallowable services included in certain per diem rates. In the eleven instances, the errors identified involved per diem rates that combined multiple administrative and service categories which included both allowed and unallowed activities under the foster care program. For the additional error, area office staff incorrectly entered the beginning date of service when processing the payment, and because the child was ineligible during part of the service period, part of the payment was incorrectly claimed for federal reimbursement.

At the time of our review, the department's analysis of per diem rates paid to the CPAs had not been completed. Therefore, no adjustment was made in the state fiscal year ended June 30, 2015. Subsequent to our review, the department concluded its analysis, and a reduction to the claim was submitted for the quarter ended September 30, 2015.

Prior to implementing the new federal claiming system, the department did not sufficiently document that complete and accurate data was captured. There are many factors which contribute to the inability to reconcile the information produced from the former and current federal claiming systems including the change in logic for summarizing the claim information, use of a new IV-E eligibility system with expanded codes and differences in dates, and the changes in how contract payments made outside of LINK were entered into the systems. Furthermore, regarding the unallowable adoption transactions charged to the foster care program, it appears that the department did not adequately review the categories associated with the service codes as the categories now dictate the federal program charged.

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 and are in compliance with federal requirements.

Agency Response: "The Department agrees with this finding. IV-E claiming rates for Child Placing Agency providers have been modified to eliminate non-allowable components. The most recent claim (September 2015) has been reduced by an average of $1.1 million per quarter for the previous two years. An error due to miscoding the service period for a payment will be corrected by a manual adjustment of ($1,517) posted to the March 2016 claim.

The auditors noted a difference when comparing the total claiming amounts between the new and old Title IV-E computer systems. The difference is primarily due to automation in the new system that was not available in the old. Placement information and allowable IV-E rates are picked up systematically in the new system. Because the old system relied on manual spreadsheets for these items, they were not always up to date or calculated the same. The results in the new system properly reflect placed children and the rates indicated on the LINK rate table.

The auditors also found that the department was improperly claiming adoption assistance payments after the adoption disrupted. The coding for this service type was modified and all claims have been reversed in the December 2015 IV-E claim."

2015-251 Allowable Costs/Cost Principles, Special Tests and Provisions and Reporting – Payment Rate Setting and Application

Foster Care – Title IV-E (CFDA #93.658)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 1402CT1401 and 1502CTFOST

Background: The Department of Children and Families (DCF) is responsible for administering the Title IV-E Foster Care Program and establishing payment rates for maintenance, administrative and other services costs. The department maintains a case management and payment system called LINK. Payments through the system are made from the DCF board and care checking account on behalf of placed children. Workers at 14 area offices are mostly responsible for establishing the children's placement (foster or adoptive homes, institutions, child placing agency approved homes) in the system. Maintenance payments are automatically sent out each month based on the children's placement information. All payments are associated with service codes, each of which is designated as IV-E reimbursable or non-reimbursable. Service codes are grouped into program categories for claiming and only those designated as foster care are claimed for federal reimbursement under that program.

Criteria:

Title 2 Code of Federal Regulations (CFR) Section 200.403(b), (d) and (g) requires that costs must conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items, be accorded consistent treatment and must be adequately documented to be allowable under federal awards.

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, reasonable travel to the child's home for visitation, and reasonable travel for the child to remain in the school in which the child is enrolled at the time of placement. In the case of institutional care, such term shall include the reasonable costs of administration and operation of such institution as are necessarily required to provide the items described in the preceding sentence. 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 CFR Section 1356.60(a)(1) states that federal financial participation is available for allowable costs in expenditures for foster care maintenance payments. Title 45 CFR Section 1356.60(c) states that federal financial participation is available at the rate of 50 percent for administrative expenditures 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 45 CFR Section 201.5(a)(3) requires that the state submit a quarterly statement of expenditures. The submission of the *Form CB-496, Title IV-E Programs Quarterly Financial Report* (CB-496) to the federal Administration of Children and Families (ACF) is required for the state to receive federal reimbursement for foster care program expenditures. Maintenance payments are federally reimbursed at the applicable state's Federal Medical Assistance Percentage (FMAP). Connecticut's FMAP was

50 percent during the state fiscal year ended June 30, 2015. Administrative costs are federally reimbursed at the Federal Financial Participation (FFP) rate of 50 percent.

Condition: For our testing of the special tests and provisions compliance requirement, we reviewed the rates associated with the 60 foster care maintenance payments, totaling $97,007, of which $84,237 represented federally reimbursable costs ($42,119 federal share), which were randomly selected for our testing of the activities allowed or unallowed and allowable costs/cost principles compliance requirements. The transactions tested were selected from a universe of $63,241,421, of which $31,620,711 was claimed for federal reimbursement, during the state fiscal year ended June 30, 2015. We could not determine the number of transactions included in our audit universe.

Our review disclosed that the per diem rates associated with twelve maintenance payments, totaling $33,671 ($16,835 federal share), contained administrative costs resulting in $20,640 ($10,320 federal share) of this amount being incorrectly claimed as maintenance payments. The portion of the payments reported as administrative costs made on behalf of these twelve children outside of the transactions selected for testing during the state fiscal year ended June 30, 2015, totaled $175,805 ($87,902 federal share). In each case, the payments were made to child placing agencies (CPAs) under contract with DCF to provide therapeutic foster care. The department establishes various per diem rates paid to the CPAs, which include the maintenance payment 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.

In addition to our transaction testing, we performed an analysis of some of the payment rates claimed for federal reimbursement. We reviewed the department's federal claim detail report and identified several categories or types of payment rates that DCF has established. The results of our analysis, related to two categories, are summarized below.

Rates Containing Multiple Cost Components: These payment rates are established by the department to pay the CPAs in support of the therapeutic foster care program. Therapeutic foster care provides additional social, emotional, or psychological support to the foster family. The rates paid are all-inclusive as they contain the maintenance payment for the foster family, administrative costs, and support or other services deemed necessary as documented in the child's care plan. However, all of these payments are being claimed as foster care maintenance payments for federal reimbursement.

Some components of these rates are standard, but many of the rates in this category are child-specific and negotiated and approved at any of the 14 DCF area offices. Rates for standard therapeutic foster care services and negotiated child-specific rates range from $17 to $386 per day. Our review identified $21.5 million in payments claimed as maintenance payments representing over 200 different per diem rates which may include administrative or other services costs. The administrative cost component of these rates should be federally claimed as administrative costs instead of maintenance and any unallowed costs or costs not reviewed for allowability should not be claimed.

Rates for Group Homes and Residential Facilities: These rates are established by the department's rate setting unit using cost reports and time studies to determine an appropriate per diem rate and associated IV-E reimbursable percentage. The rate setting unit enters this information into LINK's provider and claiming rate tables under the appropriate service codes. If providers are not included in the claiming rate table, the payments made to the providers are fully federally reimbursed and are not appropriately reduced for any unallowed costs. We identified $1.1 million in payments made to nine providers who were not in the claiming rate table that appear to have been inappropriately claimed at 100 percent even though the rates contained unallowable types of services, such as intensive medical or therapeutic support services. The per diem rates paid to these providers ranged from $140 to $1,250.

Effect:

Rates Containing Multiple Cost Components: Our transaction testing identified administrative costs of $20,640 ($10,320 federal share), and additional administrative costs outside of the transactions selected for testing, totaling $175,805 ($87,902 federal share), that were incorrectly reported as foster care maintenance payments.

Our additional analysis found that over 200 different standard and/or child-specific rates, totaling $21.5 million ($10.75 million federal share), were claimed for 11 different service descriptions to support the therapeutic foster care program. We were unable to determine all of the administrative costs that were incorrectly claimed as maintenance payments or costs claimed for unallowable services. However, of this amount, for the rates most commonly claimed under several service descriptions totaling $13.6 million, we identified $7,342,716 ($3,671,358 federal share) in administrative costs that were incorrectly reported as foster care maintenance payments and unallowable costs totaling $1,079,811 ($539,906 federal share) as summarized in the table below:

Description and per diem rate most commonly paid	Total claimed in SFY15 at these rates as maintenance payments	Known maintenance component of applicable rate of $55.55/day	Known administrative component of applicable rate of $68.68/day	Unallowable component of applicable rate of $10.10/day*
Relative/Special Study/Therapeutic Foster Care Wrap $134.33	$12,627,960	$5,222,089	$6,456,401	$949,471
CPA Provider Payment $78.78	$1,016,656	n/a – no maintenance costs associated with this rate	$886,315	$130,340
Inappropriately reported/claimed			**$7,342,716**	**$1,079,811**
Appropriately claimed		**$5,222,089**		
Total	**$13,644,616**			

** We deem this portion of the rates unallowable because it represents $10.10 per day that is earmarked by the department to pay for possible IV-E unallowable services such as respite care or counseling and the department does not review the services prior to claiming.*

As demonstrated above, in many instances, the maintenance costs reported to ACF on the CB-496 are overstated and the administrative costs are understated.

Rates for Group Homes and Residential Facilities: We cannot determine the portion of the per diem rate that would not be allowable for the nine providers reviewed, with payments claimed for federal reimbursement totaling $1,103,311 ($551,656 federal share), as the providers' services included intensive medical and other supports that should be further reviewed for allowability.

Cause:

Rates Containing Multiple Cost Components: The department has not established a standardized rate setting process to support its therapeutic foster care program. Workers in 14 DCF area offices negotiate and approve child-specific rate agreements based on the child's individualized care plan. The errors identified were associated with per diem rates calculated that combined multiple administrative and service categories which included both allowed and unallowed activities. These component rates were claimed as foster care maintenance payments. The department's claiming process was not adequately designed to accurately identify the various components of certain per diem rates to ensure that only allowable activities were claimed appropriately as maintenance or administrative costs. The department has indicated that, in these instances, reporting administrative costs as maintenance is acceptable as both types of costs are reimbursed at 50 percent. However, other than for institutions, federal regulations specifically state that administrative costs are not to be included with maintenance costs. Federal program reporting instructions also clearly indicate that these amounts should be reported separately. In addition, based on the department's current practice, a change to the FMAP or FFP rate could result in the incorrect amount being claimed for federal reimbursement.

Rates for Group Homes and Residential Facilities: Effective July 1, 2014, the department implemented a new IV-E claiming system. Proper claiming of group homes and residential facilities is now dependent on the provider being added to the claiming rate table in LINK under the appropriate service code and IV-E allowable percentage. For the nine providers identified, the department did not ensure that the appropriate IV-E allowable percentage was added to the claiming rate table.

Recommendation: The Department of Children and Families should strengthen internal controls to ensure that all amounts claimed for federal reimbursement are consistently treated and adequately supported in accordance with federal requirements.

The Department of Children and Families should establish an internal control process to review the cost components contained in various per diem rates to ensure that all costs are allowable, appropriate and properly claimed for federal reimbursement as maintenance and administrative costs in accordance with federal requirements.

Agency Response: "The Department agrees with this finding. The Department has always reduced IV-E claim amounts for Residential Treatment Centers and Therapeutic Group Homes as these providers also bill a portion of their rate to Title XIX – PNMI. In SFY 2015, the Department established a committee to identify cost components in rates paid to child placing agencies for Therapeutic Foster Care with the intention of identifying items that were not allowable for IV-E funding. The costs were separated into levels and types of allowable costs, with an identified administrative percentage. The result was a reduction in the quarterly IV-E claim for QE 9/30/15 of about $1.1 million per quarter for the previous two years. The $1.1 million amount represents about 7.7% of total eligible contracted therapeutic foster care payments.

Although the Department believes that the vast majority of non-allowable IV-E services are included in RTC and Therapeutic Group Homes, we recognize that other payments may also contain some unallowable amounts. Because the LINK computer system is not capable of identifying and reporting payment components, we are building this capability into a new SACWIS system currently under development. Before the new SACWIS system is implemented, the Department will increase the claim disallowance from 7.7% to 9.0% to reflect an estimate for other unallocated non-allowable amounts. In addition, the Link rate table for these Providers is in process of being updated, and no longer will reflect claiming at 100%."

DEPARTMENT OF EDUCATION

2015-300 Reporting – Federal Funding Accountability and Transparency Act and Subrecipient Monitoring

Special Education- Grants to States (CFDA #84.027)
Federal Award Agency: United States Department of Education
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: H027A130124 and H027A140021

Title I Grants to Local Educational Agencies (CFDA #84.010)
Federal Award Agency: United States Department of Education
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: S010A130007 and S010A140007

Criteria: In accordance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA), prime awardees of federal grants 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.

Title 2 of the Code of Federal Regulation, Part 25, Appendix A states that recipients of federal awards "must notify potential subrecipients that no entity may receive a subaward from [them] unless the entity has provided its unique entity identifier to [them]." Additionally, the recipient of federal awards "may not make a subaward to an entity unless the entity has provided its unique entity identifier."

Condition: In our previous audit, we recommended that SDE establish and implement procedures to ensure collection of DUNS numbers from sub-awardees and complete reporting in FSRS as required by FFATA. Our current audit found that SDE established an online data collection application that requires grantees to either verify the DUNS numbers SDE has on file or submit the DUNS numbers if not available. However, because this application was not created until December, 2015, our review continued to find that the SDE list of its subrecipient DUNS numbers is incomplete.

Effect: SDE is not meeting its responsibility for monitoring subrecipients that receive federal funds. In addition, failure to provide required information regarding sub-awards does not allow users of USASpending.gov access to complete and accurate federal spending information.

Cause: SDE did not have adequate procedures in place to ensure that all required DUNS numbers for subrecipients of federal funds are properly on file. Without this information, the FSRS will not allow reports to be filed as required.

Recommendation: The State Department of Education should comply with Title 2 Code of Federal Regulations, Part 25 concerning its responsibility to obtain DUNS numbers and complete reporting in FSRS as required by FFATA.

Agency Response: "This finding has already been resolved. The agency has implemented a procedure that will collect the required information for FFATA. With the data collection process in place, the agency will be able to file all required reports in FSRS. This process is operated through the Bureau of Grants Management."

2015-301 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 2013-2014 and 2014-2015
Federal Award Numbers: H027A130124 and H027A140021

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 federal awards that provide reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and award terms and conditions. The State Department of Education (SDE), as a non-federal entity procuring property and services under a federal award, must follow the same policies and procedures it uses for procurement with non-federal funds.

Section 4-212, subsection (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" manual, issued by the 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: In our prior audit, we reported that during fiscal year ended June 30, 2013, SDE executed a boilerplate amendment to surrogate parent contracts which eliminated mileage reimbursements and intended to increase service rates; however the corresponding change to increase service rates was not incorporated into the contract amendment.

Our current review found that the prior audit recommendation had not been addressed for the fiscal year ended June 30, 2015. However, SDE told us that it has issued new contracts effective July 1, 2015, which included appropriate amounts and payment schedules.

Our testing of 25 expenditure transactions charged to the Individuals with Disabilities Education Act grant (CFDA #84.027) included twelve payments made to surrogate parents during fiscal year ended June 30, 2015. We identified the following exceptions:

- Eleven transactions were incorrectly paid at the higher rates, rather than the actual contractual service rates.
- One of the payments to a surrogate parent was processed against an expired contract.

Cause: SDE told us that the exclusion of the intended higher service rates and processing of payments against an expired contract were due to clerical errors. SDE lacked sufficient controls and supervisory review of surrogate parent contract amendments and payments.

Documentation of proper authorization for the change to the contract was not obtained prior to making the change.

Effect: Payments against expired contracts could result in charges exceeding the maximum allowed under the contract.

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 overpayments could occur. The twelve surrogate parent contracts we reviewed resulted in eleven payments exceeding their contractual terms by $630 in total.

Recommendation: The State Department of Education should strengthen controls over surrogate parent contracting and payments and ensure payments are always processed against current contracts. Approvals for service rate changes should be properly evidenced and retained. Controls should ensure that payments are made at contractual rates and that supervisory review of contracts, amendments and payments ensure accuracy and compliance.

Agency Response: "We agree with this finding. The Bureau of Fiscal Services has reviewed the contract process for the Surrogate Parent Program and will provide monitoring to the program office to ensure contracts are extended and funded appropriately for the level of activities performed by the contractor. The Bureau of Fiscal Services will also ensure that any payments made are against active contracts with available funds. Contractor invoices will now be approved at the bureau chief level to ensure a supervisory review of the payments.

Written authorization from the program bureau chief will be required before the Bureau of Fiscal Services makes any changes to the contractor service rates. Such written authorization will be maintained in the contract file."

2015-302 Activities Allowed and Allowable Costs – Surrogate Parent Responsibilities

Special Education - Grants to States (CFDA #84.027)
Federal Award Agency: United States Department of Education
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: H027A130124 and H027A140021

Background: The State Department of Education (SDE) 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, the surrogate parent must submit a signed and dated original invoice detailing eligible activities. 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: In our prior audit, we reported that 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 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.

Our current audit testing found that although SDE issued a new Surrogate Parent Procedure Manual, which established control procedures over surrogate parent monitoring, the manual was issued in July, 2015 and the procedures were not implemented during our audit period.

Effect: Inadequate monitoring procedures may not determine if the target child population received the required contracted services. SDE may have paid invoices for services that had not been provided, or were provided for ineligible students.

Cause: During the audit period, SDE did not have policies and procedures in place to ensure that surrogate parents performed the required duties for each child in their caseload.

Recommendation: The State Department of Education should implement controls to ensure that surrogate parents performed the required duties for each child in their caseload. Payments should be based on verified services.

Agency Response: "This audit finding has been resolved with the new Surrogate Parent Procedure Manual, which was adopted in July 2015 and issued to all surrogate parents as part of their new contract."

2015-303 Activities Allowed and Allowable Costs – Insufficient Supporting Documentation

Special Education - Grants to States (CFDA #84.027)
Federal Award Agency: United States Department of Education
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: H027A130124 and H027A140021

Criteria: Funds expended under the Individuals with Disabilities Education Act (IDEA) grants must comply with the purposes established under Title 34 Code of Federal Regulations Part 300.

Section 11-8b of the Connecticut General Statutes states that records shall not be removed, destroyed, mutilated or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules and regulations adopted by the State Library Board. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Good internal controls dictate that the agency is responsible for maintaining records, including supporting documentation to demonstrate that costs claimed have been incurred and the services were provided.

Sound business practices dictate that adequate supporting documentation remains on file for audit purposes and in compliance with record retention policies and is provided upon request.

Condition: Our review of 25 transactions charged to IDEA (CFDA# 84.027) identified two payments that lacked adequate documentation of the services provided to Connecticut Technical High Schools.

One payment for professional development training sessions, totaling \$37,433, included neither training session schedules nor employee certificates of attendance. In addition, SDE employees told us that they utilize ProTraxx software to enroll professional development program participants and track attendance. However, since this software has not been used for all professional development activity, we were unable to confirm whether the activity occurred or the number of people who attended the training sessions.

Another payment for brokered services, totaling \$62,896, lacked timesheets signed by the department heads so we were unable to determine the services were actually delivered.

Effect: In the absence of the adequate supporting documentation, we were unable to determine whether SDE properly verified that services were provided before payments were made. Because we could not be assured that the costs represent allowable charges, we question costs of \$100,329.

Cause: SDE either failed to thoroughly review invoices based on adequate supporting documentation or was unable to provide these records to us.

Recommendation: The State Department of Education should perform sufficient monitoring activities to ensure that the services are provided before payments are made. In addition, the department should ensure that supporting records are maintained for the required period of time for audit purposes and in accordance with its retention schedule and should provide these records upon request.

Agency Response: "We agree with this finding. The State Department of Education will monitor and document all activities to ensure that the services are provided before an invoice is paid. Additionally, the Department ensures that all records are maintained for the required period of time in accordance with the State Records Retention guidelines."

DEPARTMENT OF REHABILITATION SERVICES

2015-400 Special Tests and Provisions – Completion of Individualized Plan for Employment (IPE)

Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA #84.126)
Federal Awarding Agency: United States Department of Education
Award Years: Federal Fiscal Years 2013-2014
Federal Award Number: H126A140007 and H126A140008

Background: The Workforce Innovation and Opportunity Act (WIOA) was signed into law on July 22, 2014. In general, the act took effect on July 1, 2015, the first full program year after enactment and superseded the Rehabilitation Act of 1973. The WIOA included new requirements for the development of an Individualized Plan for Employment (IPE) for each eligible client.

Criteria: 29 USC 722(b)(3)(F) requires that an IPE shall be developed as soon as possible, but not later than 90 days after the date of the eligibility determination, unless the state unit and the eligible individual agree to an extension of that deadline and specify the date by which the IPE shall be completed.

Condition: Our review of ten client files disclosed that two clients had been determined eligible more than 90 days prior and there was no documentation of an agreed-upon extension in their files. At the time of our review on November 25, 2015, one client had been determined eligible for 152 days without an IPE. For the second client, an IPE was completed 274 days late without documentation of an agreed-upon extension date.

We also noted that although the policy manual of the Bureau of Rehabilitation Services requires that the IPE shall be developed within 90 days of determining eligibility and notes that there could be circumstances where a longer period is needed, it has not incorporated a procedure to obtain the eligible client's agreement to an extension of that deadline to a specific date.

Effect: There was non-compliance with federal requirements for the timely completion of individualized plans for employment.

Cause: The WIOA requires a public hearing for any significant revisions to the State Vocational Rehabilitation Program Policies. The Department of Rehabilitation Services is waiting for the United States Department of Education to finalize its WIOA regulations before proceeding to amend its policies. The current policy on issuing an IPE emphasizes care and process, not a specific date. The current policy states: "As a standard, the IPE plan should be developed within 90 days of determining that the individual is eligible and meets the agency's order or selection criteria. There may be circumstances where the period needed is significantly shorter or longer, depending on the nature of the individuals situation. Although staff should make every effort to develop plans in a timely manner, it is most important that plans be developed with care, rather than haste."

Recommendation: The Department of Rehabilitation Services should implement procedures to ensure the timely completion of Individualized Plans for Employment and should document any agreed upon extensions.

Agency's Response: "We agree with this finding and will develop a Corrective Action Plan to implement procedures necessary to ensure compliance with the requirement of completion of Individualized Plans for Employment (IPE) within 90 days after the determination of eligibility or an IPE Extension waiver in the form of written permission from the eligible client to extend the deadline to a specific date by which the IPE must be completed. We have been working diligently on implementing all of the requirements of WIOA, including this new requirement."

DEPARTMENT OF ADMINISTRATIVE SERVICES

2015-450 Allowable Costs/Cost Principles – Billing Rate Development

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: United States Department of Health and Human Services
Awards Years: Federal Fiscal Years 2013-2014 and 2014-2015

Background: The General Services Revolving Fund (GSRF) is an internal service fund used primarily to account for the revenues and expenditures related to fleet operations billed to other state agencies. In the GSRF, the Department of Administrative Services recovers, from state agencies, the purchase price and cost to prepare and maintain vehicles for state use. Those recoveries include an offset for the expected salvage value for the vehicle. The remaining costs are recovered over the life of the vehicle using a cost recovery rate that is part of an approved schedule of rates included in Section II of the approved Statewide Cost Allocation Plan (SWCAP) for the fiscal year ended June 30, 2015.

The Technical Services Revolving Fund (TSRF) is used to account for some of the revenues and expenditures related to the operations of the agency's telecommunication and data processing operations furnished and billed to other state agencies. A significant portion of the telecommunication and data processing expenditures are handled through the General Fund. The revenues and expenditures reported in these funds are listed in Section II of the approved SWCAP for the fiscal year ended June 30, 2015.

Criteria: The Department of Administrative Services (DAS) accounts for billed central services through a variety of funds and operations. Title 2 Part 200 Appendix V(B)(3) of the Code of Federal Regulations (CFR) (formerly Title 2 CFR Part 225 Appendix C (B)(1)) defines billed central services as "central services that are billed to benefitted agencies and/or programs on an individual fee-for-service or similar basis. Typical examples of billed central services include computer services, transportation services, insurance, and fringe benefits."

Title 2 CFR Part 200 Appendix V (A)(1) (formerly Title 2 CFR Part 225 Appendix A (B)(4)) defines a central service cost allocation plan as "documentation identifying, accumulating, and allocating or developing billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies, The costs of these services may be allocated or billed to users."

Since federally-supported awards are administered by the individual operating agencies that are supported by central services reported in the central services cost allocation plan, Title 2 CFR Part 200 Appendix V (A)(1) (formerly Title 2 CFR Part 225 Appendix C (A)(1)) requires that "all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards."

Title 2 CFR Part 225 Appendix B 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 from 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."

When employees work on multiple activities or cost objectives, Title 2 CFR Part 225 Appendix B 8(h)(4) requires that for these employees, "a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation."

Condition: In the GSRF, we reviewed the development of the billed rates for fleet vehicles and the application of the billing rates approved in the SWCAP.

During our examination of the application of the billed rates approved in the SWCAP, we identified that 437 of the 1,667 state police vehicles billed out for June 2015 at rates that did not match the approved rates in the SWCAP. When we requested an explanation for the variance from the department, the department stated that it was the result of a change in the estimated life of the state police vehicles. A formula was used to update the billed rates for state police vehicles in BizNet, the proprietary software used to manage fleet vehicles. When we requested the evidence supporting the approval of these hybrid rates by OPM, or evidence supporting that DAS had tested the hybrid rates for accuracy prior to rolling out the changes to the billed rates, the department was unable to provide this evidence.

In the TSRF, DAS recorded approximately $1,664,000 in revenue from the 10 percent charge that is added to vendor invoices for telecommunication services such as physical phone lines, wireless services, and internet access. A review of the Section II costs outlined in the SWCAP did not identify the 10 percent rate charged to state agencies. When asked, the department was unable to provide the support for the 10 percent rate.

Further audit procedures performed on payroll costs charged to the TSRF identified 16 employees who were charged directly to the fund. Of these 16 employees, seven were supported by another revenue source. For the remaining nine employees charged to the TSRF, the department could not support that the demand for their services would vary based on the demand for all telecommunication services, such as an increase in the use of wireless services, nor could the department provide the require periodic payroll certifications.

For the statewide technological services, we noted similar conditions related to the assignment of the employees to the overhead of mainframe services. For fiscal year 2015, the department assigned 28 employees to the overhead cost pool associated with mainframe services. The assignment of costs for these employees ranged from five to 100 percent of their costs. Of the 28 employees, 17 had 100 percent of their costs assigned to the overhead cost pool, while the 11 other employees had from five to 50 percent of their costs assigned to the overhead cost pool for mainframe services.

The 28 employees worked in functional areas that appeared reasonable for inclusion into overhead. However, in these functional areas only some employees were assigned to overhead, while other employees in the same functional area were excluded completely. As a result, we requested documentation to support the assignment of the costs for the 28 employees to the overhead cost pool for mainframe services. In its response, the department stated that employees were included in overhead based on conversation with directors as to the employees' work function.

During our review of the allocation methodology for statewide technological services, we found that the DAS recorded approximately $339,481 in revenue based on a memorandum of understanding (MOU) executed in 2003 between the Department of Information Technology (DOIT) and the Department of Labor (DOL). The MOU includes a clause that requires that an amendment be executed within 60 days after a transfer of staff in January 2004. The amendment was expected to address among other items, "the establishment of management controls and cost accounting measures, which will ensure that all administrative funds supported by DOL's federal grants, will only be expended under this Memorandum of Understanding for activities which are proper and lawful under each grant." Also, in Appendix A of the MOU, the two parties agreed to the provision of 110 millions of instructions per second (MIPS), which is considered a measure of processor speed. However, the allocation of software and hardware costs for fiscal year 2015 is based on the provision of 225 MIPS. We requested from DAS a copy of any amendments that may have been executed within the past 12 years that updated the MOU. The department was unable to provide us with an amendment. However, other documentation was provided that supported the use of 225 MIPS.

Effect: Without adequate evidence of identifying, accumulating, and allocating costs sufficient to support the established billing rates, the billed costs may not be allowable costs for federal programs. The total effect on federal awards is dependent upon how each affected agency pays for central services.

In the absence of adequate internal controls over system changes, when changes in accounting estimates occur such as changes in depreciable life or salvage value, the department cannot ensure that the GSRF recovers the full allowed costs for the provision of fleet vehicles.

For telecommunications, the $1,664,000 in revenue for fiscal year 2015 from the 10 percent rate on vendor invoices may be considered an overcharge for each agency billed for telecommunication charges.

For statewide technological services, earnings for employees assigned to the overhead cost pool for mainframe totaled approximately $162,000 for the month of January 2015. For the entire fiscal year this could represent as much as $1,944,000 in earnings for employees that are assigned to the overhead cost pool for which DAS lacks the required periodic certifications.

Cause: In regards to the telecommunication rate, DAS stated that it has applied the 10 percent rate to vendor invoices for telecommunication services for several years, and the basis for applying the 10 percent rate has not been evaluated by the department.

The procedures developed by DAS for assigning employees to overhead with a single cost objective do not appear to be sufficient to comply with federal requirements.

In accordance with Public Act 11-51, DOIT was merged with DAS effective July 1, 2011. After DAS became responsible for the MOU, the cause of the absence of an executed amendment updating the management controls, cost accounting measures, and provision of services, is unknown.

Recommendation: The Department of Administrative Services should modify its existing rate setting procedures that establish billed rates for central services to include procedures necessary to ensure compliance with federal regulations. Management should periodically review these procedures and the associated billing rates for ongoing compliance with federal regulations.

Agency Response: "We agree with the recommendation and we are reviewing the existing procedures for potential adjustments."

2015-451 Allowable Costs/Cost Principles – Reconciliation of Revenue to Actual Allowable Costs

Statewide Cost Allocation Plan (SWCAP)
Federal Cognizant Agency: United States Department of Health and Human Services
Awards Years: Federal Fiscal Years 2013-2014 and 2014-2015

Criteria: Title 2 Part 200 Appendix V(B)(3) of the Code of Federal Regulations (CFR) (formerly Title 2 CFR Part 225 Appendix C (B)(1)) defines billed central services as "central services that are billed to benefitted agencies and/or programs on an individual fee-for-service or similar basis. Typical examples of billed central services include computer services, transportation services, insurance, and fringe benefits."

Title 2 CFR Part 200 Appendix V(E)(3)(b)(1) (formerly Title 2 CFR Part 225 Appendix C (G)(1)) requires that each "billed central service activity must separately account for all revenues (including imputed revenues) generated by the service, expenses incurred to furnish the service, and profit/loss."

Title 2 CFR Part 200 Appendix V (G)(4) (formerly Title 2 CFR Part 225 Appendix C (G)(1)) 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: The Department of Administrative Services (DAS) disclosed that it has not adjusted billed rates after reconciling the revenue from its billed central services to the actual costs of providing those services. The department expects to begin adjusting billed rates after reconciling revenues to actual costs for fiscal year 2018.

Effect: Without making an adjustment to billed rates for central services following the reconciliation process, the department is not in compliance with federal regulations and may not prevent recurring over-recovery of actual costs for the provision of central services.

Cause: Prior to the start of fiscal year 2014, the GSRF was a lapsing fund and it was the department's position that lapsing funds could not be reconciled. However, it appears that the department did not understand the federal compliance requirement to annually adjust billed rates for central services.

Recommendation: The Department of Administrative Services should perform reconciliations for all billed central services by comparing revenue to actual allowable costs and adjust billed rates for central services according to this reconciliation. This would ensure a full recovery of actual allowable costs of central services and prevent a recurring over recovery of actual allowable costs of central services.

Agency Response: "We agree in part, DAS does perform reconciliations. We are planning to make adjustments if necessary to the 2018 rates."

UNIVERSITY OF CONNECTICUT

2015-500 Allowable Costs/Cost Principles – Conflict of Interest (University of Connecticut)

Federal Award Agency: National Science Foundation
Award Year: State Fiscal Year Ended June 30, 2015
Research and Development Programs:
Computer and Information Science and Engineering (CFDA #47.070)
Account #5616460 – "TWC: Medium: DoS Attacks and Countermeasures in Underwater Wireless Networks" – CNS-1228936 issued by the National Science Foundation, project period September 1, 2012 through August 31, 2016
Computer and Information Science and Engineering (CFDA #47.070)
Account #5615600 – "Collaborative Research: CI-ADDO-New: Ocean Tune: A Community Ocean Testbed for Underwater Wireless Networks" – CNS-1205665 issued by the National Science Foundation, project period June 1, 2012 through May 31, 2015
Computer and Information Science and Engineering (CFDA #47.070)
Account #5616480 – "NRI-Small: Cooperative Underwater Robotic Networks for Discovery & Rescue" – IIS-1208499 issued by the National Science Foundation, project period September 1, 2012 through August 31, 2016

Criteria: Per the National Science Foundation Proposal and Award Policies and Procedures Guide, Part II – Award & Administrative Guide, each grantee organization employing more than fifty persons is required to maintain and enforce an appropriate written policy on conflicts of interest. Any identified conflicts of interest are to be managed, reduced or eliminated prior to the expenditure of the award funds.

Condition: National Science Foundation funds administered by the University of Connecticut (UConn) were used to purchase 15 specialized acoustic modems from a vendor between April and August of 2013 at a total cost of $253,500. Charges to accounts 5616460, 5615600 and 5616480 were $35,000, $175,000 and $43,500, respectively. The transactions were processed as sole source purchases and were initiated by UConn faculty who had a significant financial interest in such vendor. Three purchase requisitions were involved. Two of the three purchase requisitions, which included the statement "I certify . . . that I have no financial or other beneficial interest in the vendor," were signed by faculty that did, in fact, have an interest in the vendor.

The two faculty members involved stated that they did not read the portion of the sole source justification form they signed that contained a certification that they had no interest in the vendor. They subsequently submitted amended

Significant Financial Interest forms (Significant Financial Interest forms initially completed during the proposal stage of the award process did not disclose their conflicts of interest) that disclosed their conflicts of interest to the University of Connecticut's Sponsored Program Services department prior to the procurement action. However, the Procurement Services department was not notified that this conflict of interest existed.

Effect: The University of Connecticut did not ensure that all conflicts of interest were appropriately managed, reduced or eliminated prior to the expenditure of the award funds for each award.

Cause: Control procedures in place were not adequate to ensure that all concerned parties were notified of this disclosure.

Conclusion: The University of Connecticut reversed the charges to the award accounts for the modems and took steps to improve internal control in response to this incident.

Agency Response: "As outlined in the conclusion section above the University has taken steps to improve internal controls and minimize continued risk in this area. The Financial Conflict of Interest in Research Committee (FCOIRC) was expanded to include broader representation of the campus community, which includes a representative from the Office of Procurement Services. A list of known faculty owned companies is also maintained by the Office of the Vice-President for Research and provided to Procurement Services on a quarterly basis. In addition, Procurement Services has implemented a number of measures in response to this matter. Specifically, for a sole source procurement, the requestor now must certify by both separate initial and signature, not to have a financial or other beneficial interest with the identified vendor. OVPR, FCOIRC and Procurement Services procedures and forms have been updated to reflect these changes."

UNIVERSITY OF CONNECTICUT HEALTH CENTER

2015-550 Equipment and Real Property Management

Federally-Sponsored Research and Development Programs
Federal Award Agency: Various Federal Agencies
Award Year: State Fiscal Year Ended June 30, 2015
Federal Award Numbers: Various

Criteria: Title 2 Code of Federal Regulations (CFR) Part 215.34 (g) and (f)(1)(ix) states that if the recipient has no need for certain equipment items, the recipient shall request disposition instructions from the federal awarding agency. For equipment with a current per-unit fair market value of $5,000 or more, the recipient may retain the equipment for other uses provided that compensation is made to the original federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of federal participation in the cost of the original project or program to the current fair market value of the equipment.

The recipient's property management standards for equipment acquired with federal funds and federally-owned equipment shall include disposition data, including the date of disposal and sales price, or specify the method used to determine current fair market value when a recipient compensates the federal awarding agency for its share.

2 CFR Part 200.313 (d)(3) states that a control system must be developed to ensure adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

Condition: During our testing of the University of Connecticut Health Center (UConn Health) equipment inventory we noted the following exceptions:

One item which may have had a fair market value greater than $5,000 dollars was not presented to the federal awarding agency for disposal instructions prior to disposition. UConn Health does not have an established control process in place which provides adequate documentation that a fair market valuation was performed on federal equipment which has a possible fair market value greater than $5,000 prior to the disposal.

There were 41 federal equipment items disposed of that were classified as either lost, stolen or misplaced and not investigated as required by the federal awarding agency. The original cost of the items ranged from $5,405 to $55,675. We noted three of these items had book value ranging from $111 to

$3,919. During further review, we estimated that seven of these items may have had fair market value greater than $5,000.

Effect: UConn Health's equipment inventory disposal records do not demonstrate compliance with the cost principals and administrative requirements established by 2 CFR Part 215.34 (g) and (f)(1)(ix) and Part 200.313 (d)(3).

Cause: UConn Health was not fully aware of the federal compliance requirement pertaining to disposal of federal equipment.

Recommendation: The University of Connecticut Health Center should ensure that it performs the required fair market valuations on items with an estimated fair market value of $5,000 or more, and contacts the federal awarding agency for disposition instructions on items meeting this threshold. Steps should also be taken to ensure that all safeguards are in place to prevent loss or theft of federal equipment and any missing equipment must be investigated.

Agency Response: "UConn Health followed guidance related to processes for state entities which required we follow existing State guidelines issued by the Comptroller of the State of Connecticut. These guidelines include provisions for tracking of assets, proper disposal, and taking of inventory. After reviewing with the Auditors of Public Accounts, we agree that that the provisions related to Institutions of Higher Education, including provisions over fair value of disposed items funded by Federal Agencies, are also applicable.

In addition, UConn Health will add procedures that establish review criteria for federally funded assets including an evaluation as to their current estimated fair value as required for Institutions of Higher Education. Assets estimated to meet the $5,000 threshold will be held for review and further instruction by the awarding agency as prescribed. We will also continue our efforts to streamline asset reporting and staff education to prevent improper disposals."

CENTRAL CONNECTICUT STATE UNIVERSITY

2015-600 Allowable Costs/Cost Principles – Excess Personnel Costs

Aviation Research Grants (CFDA #20.108)
Federal Award Agency: Department of Transportation
Award Year: State Fiscal Year Ended June 30, 2015
Federal Award Number: 11-G-002

Criteria: Title 2 Code of Federal Regulations (CFR) Section 200.430(h)(2) (formerly Office of Management and Budget Circular A-21) provides that "charges for work performed on federal awards by faculty members during the academic year are allowable at the IBS (institutional base salary) rate." With certain exceptions, "…in no event will charges to federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE (institution of higher education) for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities."

Condition: Central Connecticut State University charged excessive personnel costs to a federal award (CFDA 20.108 Aviation Research Grants, "Non-Linear Finite Element Modeling Guidelines for Aerospace Impact Applications") received from the Department of Transportation's Federal Aviation Administration during the audited period. In particular, the rate of pay that the university paid the program's principal investigator and charged to the grant exceeded the pay rate limit prescribed by Title 2 CFR Section 200.430(h)(2). The code limits such charges to the faculty member's base salary rate. The university compensated the program's principal investigator at a rate of $75 per hour for 240 hours of grant work performed. Accordingly, we noted three salary payments, which totaled $18,000, charged to the program during the audited period. However, the faculty member's base salary rate during the audited period was $68.50 per hour, which should have amounted to $16,440 in base rate gross pay charged to the grant. As such, the university charged at least $1,560 in personnel costs to the grant (excluding related fringe benefit costs) in excess of the employee's base salary rate.

Effect: The university did not comply with the personnel cost limitation set forth in Title 2 CFR Section 200.430(h)(2) with respect to salaries of faculty members charged to federal programs. This led to the charging of excessive, questionable costs to a federal program.

Cause: The university informed us that because the grantor approved the principal investigator's budgeted hourly pay rate, it believed that the salary rate charged to the above program was in compliance with federal regulations.

Recommendation: Central Connecticut State University should cease making personnel charges to the above federal grant at a rate of pay in excess of the principal investigator's base rate of pay in order to adhere to the requirements of Title 2 Code of Federal Regulations Section 200.430(h)(2). Furthermore, the university should work with its grantor to determine if any of these questioned payroll costs should be repaid.

Agency Response: "The university partially agrees with this finding. In submitting the grant, the university requested and received approval for the $75.00 per hour. The grant application included the annual salary and the $75.00 per hour; however, the approval does not make reference to the IBS rate. The university will work with the grantor to determine if any of these costs should be repaid. The university will also continue to review and abide by the Federal regulations and adjust procedures and processes accordingly if applicable."

Auditors' Concluding Comments: Although documentation that the university provided us indicated that the grantor approved the $75 per hour pay rate charged to the program, it is uncertain whether the grantor was aware that this rate exceeded the IBS rate limitation.

2015-601 Allowable Costs/Cost Principles – Time and Effort Reporting Records

Federally-Sponsored Research and Development Programs
Federal Award Agency: Various Federal Agencies
Award Year: State Fiscal Year Ended June 30, 2015
Federal Award Numbers: Various

Criteria: As detailed in Title 2 Code of Federal Regulations Part 200 (formerly Office of Management and Budget Circular A-21), "Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated."

Condition: In our test of payroll costs charged to research and development programs during the audited period, we noted that the university charged a part-time student labor payment, which totaled $696, to the Social, Behavioral, and Economic Sciences program (CFDA 47.075). The university informed us that for this federal program, a department secretary, not the principal investigator (PI), approved part-time employee timesheets on behalf of the PI.

The university further informed us that for part-time employees, it did not complete time and effort reports providing after-the-fact certification identifying the specific federal program worked on. Rather, for part-time workers, the university relied on Core-CT system timesheets, which do not identify the federal programs the employees worked on. The following presents the university's part-time labor charges to federal research and development programs during the fiscal year ended June 30, 2015, which were not supported by a time and effort reporting system:

CFDA #	Program Title	Expenditures
43.008	Education (NASA)	$2,049
47.075	Social, Behavioral, and Economic Sciences	5,090
47.076	Education and Human Resources	458
84.126	Rehabilitation Services_Vocational Rehabilitation Grants	694
93.273	Alcohol Research Programs	1,323
	Total	$9,614

Effect: The university's internal controls were weakened because it did not have an adequate time and effort reporting system in place for part-time employee payroll costs charged to federal programs. As such, the university lacks supporting documentation to confirm that part-time employee salaries and wages were appropriately charged to federal programs. Consequently, the university and federal grantors lack assurance that such charges are accurate and allowable.

Cause: Existing controls were not adequate to prevent this condition.

Recommendation: Central Connecticut State University should implement a time and effort reporting system for part-time employees whose wages are charged to federal programs.

Agency Response: "The university disagrees with this finding.

The university utilizes the State of Connecticut's Core-CT HRMS for all time and attendance records including all part-time student labor. When a principal investigator (PI) utilizes part-time student labor, that PI completes a Student Help Program Certification form and certifies that all charges are to be and will be charged directly to that federal program.

Per university policy, part-time student labor is not allowed to work for more than one supervisor in any given pay period.

When the PI, or the PI's designee on their behalf and authorization of the hours worked, certifies the part-time student labor's time within Core-CT for the specific pay period worked, that time can only be charged to the federal program that the PI knowingly certified.

The regulations contained within the OMB Circular A-21 state:

(10)(b)(2) Criteria for Acceptable Methods
(a) The payroll distribution system will (i) be incorporated into the official records of the institution; (ii) reasonably reflect the activity for which the employee is compensated by the institution; and (iii) encompass both sponsored and all other activities on an integrated basis, but may include the use of subsidiary records. (Compensation for incidental work described in subsection a need not be included.)

(b) The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and F&A cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct or F&A cost activities if other responsible persons make appropriate confirmations.

(g) For systems which meet these standards, the institution will not be required to provide additional support or documentation for the effort actually performed.

The university believes that the State of Connecticut's Core-CT HRMS time reporting system coupled with the university policy contain more than sufficient controls and documentation to comply with OMB A-21 requirements. The university will, though, note the auditor's recommendation and institute a time and effort type reporting form for part-time employees whose wages are charged to federal programs. The effective date for this new process is estimated to be mid-March 2016."

Auditors' Concluding Comments: The university's response states that it will implement a new time and effort reporting system for part-time employees whose payroll costs are charged to federal programs. It appears that the university plans to address the time and effort reporting control concerns noted during our audit.

WESTERN CONNECTICUT STATE UNIVERSITY

2015-602 Allowable Costs/Cost Principles – Time and Effort Reporting Records

Research and Development Programs: Centers for Disease Control and Prevention_ Investigations and Technical Assistance (CFDA 93.283)
Federal Award Agency: United States Department of Health and Human Services
Award Year: State Fiscal Year Ended June 30, 2015
Federal Award Number: 5U50CK000195-04

Criteria: As detailed in Title 2 Code of Federal Regulations Part 200 (formerly Office of Management and Budget Circular A-21), "Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated."

Condition: Our test of payroll costs charged to research and development programs during the audited period included four university payments, which totaled $2,018, for part-time employee salaries and wages charged to the Centers for Disease Control and Prevention -Investigations and Technical Assistance Program (CFDA 93.283). The university informed us that, for part-time employees charged to this program, it did not complete time and effort reports, providing after-the-fact certification identifying the specific federal program worked on. Rather, for part-time workers, the university relied on Core-CT system timesheets, which do not include a certification that employees worked on federal programs.

University accounting records presented part-time labor charges to the Centers for Disease Control and Prevention -Investigations and Technical Assistance program (CFDA 93.283) totaling $22,892 during the fiscal year ended June 30, 2015, which were not supported by a time and effort reporting system.

In addition, for one of the above payments that we tested, which totaled $750, the university could not provide us a timesheet, a time and effort report, or any other documentation supporting after-the-fact acknowledgement that services were provided.

Effect: The university's internal controls were weakened because it did not have an adequate time and effort reporting system in place for part-time employee payroll costs charged to this federal program. As such, the university lacks supporting documentation to confirm that part-time employee salaries and wages were appropriately charged to the program. Consequently, the university and federal grantors lack assurance that such charges are accurate and allowable.

Cause: The university informed us that it incorrectly viewed this grant, which passed from the state Department of Public Health to the university, as a state program rather than a federal program. Therefore, no time and effort reporting system was in place.

It is unknown why there was a lack of supporting documentation for the $750 payment charged to this program.

Recommendation: Western Connecticut State University should take steps to ensure that it implements a time and effort reporting system for all of its federal programs to which part-time employee payroll costs are charged.

Agency Response: "We agree with this finding. Now knowing that the Centers for Disease Control and Prevention Investigations and Technical Assistance grant is considered federally funded, we will require time and effort reports for all payroll expenses related to this grant."

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, 2015:

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 Connecticut Community College	00139800
Norwalk Community College	00139900
Quinebaug Valley Community College	01053000
Three Rivers Community College	00976500
Tunxis Community College	00976400
A.I. Prince Technical High School	00982200
Bristol Technical Education Center	00927700
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

2015-650 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: 2014-2015

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 Central Connecticut State University (CSU), we noted that due to a federal Direct Student Loan Program (Direct Loan) drawdown made on October 28, 2014, excess cash of between $60,000 and $42,808 was on hand for eight calendar days from October 28, 2014 through November 5, 2014 (Award # P268K150064).

During our review of cash management at Eastern CSU, we noted that due to Direct Loan program adjustments made on September 23, 2014 and October 3, 2014, excess cash of $6,946 and $495 was on hand for eight and 13 calendar days, respectively (Award #P268K141231).

During our review of cash management at Southern CSU, we noted the following exceptions:

- Due to several federal Pell Grant Program (Pell) adjustments and drawdowns made during November 13, 2014 through January 7, 2015, excess cash of between $4,951 and $8,696 was on hand for 72 calendar days from November 13, 2014 through January 13, 2015 (Award P063P131225).
- Due to Direct Loan program adjustments made from October 8, 2014 through October 13, 2014, excess cash of between $2,385 and $10,716 was on hand for eight calendar days from October 8, 2014 through October 15, 2014 (Award #P268K141225).
- Due to Direct Loan program adjustments made from October 29, 2014 through November 18, 2014, excess cash of between $4,371 and $11,743

was on hand for 31 calendar days from October 29, 2014 through November 28, 2014 (Award # P268K141225).

- Due to Direct Loan program adjustments made from January 30, 2015 through February 5, 2015, excess cash of between $6,967 and $10,367 was on hand for 28 calendar days from January 30, 2015 through February 26, 2015 (Award # P268K141225).
- Due to Direct Loan program adjustments made on May 8, 2015, excess cash of between $1,178 and $3,158 was on hand for up to 13 calendar days from May 8, 2015 through May 20, 2015 (Award # P268K141225).

During our review of cash management at Northwestern Connecticut Community College (CC), we noted that due to Pell program adjustments made during November 5, 2014 through November 24, 2014, excess cash of between $719 and $6,382 was on hand for 27 calendar days from November 5, 2014 through December 1, 2014 (Award # P063P141220).

Effect: These institutions were not in compliance with federal regulations governing cash management.

Cause: These institutions did not follow established cash management procedures.

Eastern CSU: We were informed that the condition occurred because the university was short staffed during this time period. It was further stated that the Finance Department was involved with a fiscal year-end audit and the Financial Aid Office was preparing for the changes to the student loan origination fee rate.

Northwestern Connecticut CC: We were also informed that the college was having difficulty processing refunds to the federal government during this time-period.

Recommendation: The state universities and Northwestern Connecticut Community College 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: *Central CSU:* "We agree with this finding."

Eastern CSU: "We agree with this finding."

Southern CSU: "We agree with this finding."

Northwestern Connecticut CC: "We agree with this finding. For some time, the United States Department of Education (USDOE) discouraged institutions from returning cash via paper check or Automated Clearing House payments throughout the Account Payable system. At the same time, the State of Connecticut Treasurer's Office was not allowing the colleges to return funds through Auto Debit to the college account by the USDOE. In June 2015, the State Treasurer began allowing the colleges to return funds through the Auto Debit process on G5, the USDOE's Grant Management System, provided the college alerts the Treasurer's Office in advance of such refunds."

2015-651 Student Eligibility

Federal Direct Student Loans (CFDA #84.268)
Federal Award Agency: United States Department of Education
Award Year: 2014-2015

Criteria: Title 34 Code of Federal Regulations (CFR) Section 685.200(a)(1) states that a borrower is eligible to receive federal Direct Student Loans (Direct Loan), if the student is enrolled or accepted on at least a half-time basis in a school that participates in the Direct Loan program.

Title 34 CFR Section 668.164(b)(3) stipulates that an institution may disburse Title IV, Higher Education Act program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

Condition: From ten students selected for testing at the University of Connecticut, an enrollment status of full-time was determined for a graduate student enrolled in some undergraduate courses that would not count toward his degree. These courses were dropped on the last day of the add/drop period after the Direct Loan had disbursed. This graduate student was not eligible to receive a Direct Loan, because his enrollment status was less than half time based on the number of graduate courses he was enrolled in.

Effect: A student was awarded and disbursed an unsubsidized Direct Loan of $10,141 that he was ineligible for. Upon our discovery, the university rescinded the ineligible Direct Loan award.

Cause: We were informed that the condition occurred when an individual who packaged the award thought the undergraduate courses were replacements for graduate program requirements.

Recommendation: The University of Connecticut should establish procedures to ensure that only eligible courses that count toward a student's degree, certificate, or other recognized credential are used to determine enrollment status.

Agency Response: "We agree with this finding."

2015-652 Student Eligibility – Satisfactory Academic Progress

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Work-Study Program (CFDA #84.033)
Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Direct Student Loans (CFDA #84.268)
Teacher Education Assistance for College and Higher Education Grants (CFDA #84.379)
Federal Award Agency: United States Department of Education
Award Year: 2014-2015

Criteria: Title 34 Code of Federal Regulations Section 668.16(e) states for purposes of determining student eligibility for assistance under a Title IV, Higher Education Act Program, an institution must establish, publish and apply reasonable standards for measuring whether a student is maintaining satisfactory academic progress in their educational program.

Central Connecticut State University's Satisfactory Academic Progress (SAP) policy has two component requirements; a minimum cumulative grade point average and a minimum cumulative completion rate of attempted credits. The university's policy requires that a student complete 67.5 percent of their attempted credits.

Condition: From a sample of 20 students selected for student eligibility testing at Central Connecticut State University, we noted two instances in which the university did not follow its SAP policy. In both instances, the students did not did complete 67.5 percent of the attempted credits and were recorded as meeting SAP, when they should have been placed on SAP probation.

Effect: When SAP is not determined correctly, it increases the risk that the university could award financial aid to students who are not eligible.

Cause: We were informed that the condition may have been caused by a coding error in the university's program that calculates SAP.

Recommendation: Central Connecticut State University should review its procedures for calculating and monitoring Satisfactory Academic Progress to ensure that they are consistently applied.

Agency Response: "We agree with this finding."

2015-653 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: 2014-2015

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, 2014. We had identified a number of students that were ineligible to receive FSEOG, because these students did not receive a federal Pell Grant in the same award year.

Criteria: Title 34 Code of Federal Regulations Section 676.10 establishes the particular eligibility requirements for a student to receive FSEOG. One of these requirements is that an institution shall select students with the lowest Estimated Financial Contribution (EFC) who will also receive Pell in that year.

Condition: *Southern CSU:* We noted that two out of 698 students received FSEOG awards that they were not eligible for because they did not also receive a Pell award in the same award year.

Norwalk CC: We noted that one out of 815 students received an FSEOG award that the student was not eligible for because they did not also receive a Pell award in the same award year.

Quinebaug Valley CC: We noted certain students who demonstrated Pell Grant eligibility, with the lowest EFC, were not awarded FSEOG funds as these students' Institutional Student Information Reports were processed later than eligible students with a higher EFC.

Effect: *Southern CSU:* These students' total FSEOG awards were $2,246. Upon our discovery, the university rescinded the ineligible FSEOG awards.

Norwalk CC: The student's total FSEOG award was $200. Upon our discovery, the college rescinded the ineligible FSEOG award.

Quinebaug Valley CC: The college's policy for awarding FSEOG was not in compliance with federal regulations.

Cause: *Southern CSU:* The university's automated system allowed FSEOG to be disbursed to students who were not disbursed a federal Pell Grant.

Norwalk CC: We were informed that the college attempted to cancel the student's award. However, due to the FSEOG fund being locked, the college's disbursement process did not remove the award from the student's account.

Quinebaug Valley CC: During award year 2014-2015, 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 consideration of the student's EFC. We were informed that the college modified its FSEOG awarding policy effective with award year 2015-2016 to be in compliance with federal regulations.

Recommendation: Southern Connecticut State University and Norwalk Community College 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. Quinebaug Valley Community College should ensure that its policy for awarding Federal Supplemental Educational Opportunity Grants is in accordance with federal regulations.

Agency Response: *Southern CSU:* "We agree with this finding."

Norwalk CC: "We agree with this finding."

Quinebaug Valley CC: "We agree with this finding."

2015-654 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: 2014-2015

Criteria: The instructions for completing the Fiscal Operations Report and Application to Participate (FISAP) are contained in the *Instructions Booklet for Fiscal Operations Report for 2014–2015 and Application to Participate for 2016–2017(FISAP*).

Condition: We reviewed the FISAP at the University of Connecticut (UConn) and noted the following:

- The total expenditure for state grants and scholarships made to undergraduates was reported as $4,629,055. The supporting documentation for the expenditure was $4,594,405. Upon our discovery, the university submitted a FISAP correction.

- The total number of independent professional students was reported as 3,264 in the Eligible Aid Applicant Information part of the FISAP. The supporting documentation for this amount was 3,270. Upon our discovery, the university submitted a FISAP correction.

- The expended Federal Work-Study Program (FWS) authorization was reported as $1,266,327 on the FISAP. The supporting documentation for drawdowns in the United States Department of Education's Grant Management System (G5) was $1,279,354.

- The total FWS earnings of the students for whom jobs were located or developed was reported as $3,405,000. The supporting documentation for these earnings was $3,492,042. This condition was self-identified by the school; the university submitted a FISAP correction.

In our Statewide Single Audit covering the fiscal year ended June 30, 2014, we recommended that UConn make corrections to the total number of students, and the amount of tuition and fees that were reported, due to reporting errors in the FISAP data submitted for award year July 1, 2013 through June 30, 2014. The Office of Student Financial Aid Services provided us with a screen print of the FISAP Change Request Confirmation submitted on April 14, 2015. We were informed that the United States Department of Education Campus-Based Program office did not respond to the request, and did not reopen the FISAP to allow for the changes to these fields. Upon our discovery, the university contacted the federal government again and submitted FISAP corrections on December 11, 2015, for the line items below:

- The total number of undergraduate and graduate/professional students was reported as 25,756 and 7,961, respectively. The supporting documentation for these students was 25,039 and 8,678, respectively.

- The total tuition and fees for undergraduate and graduate/professional students was reported as $331,179,707 and $144,976,850, respectively. The supporting documentation for the tuition and fees was $334,258,285, and $140,714,322, respectively.

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 2014-2015 award year was reported as 11,255 and 3,024, respectively. The supporting documentation from the university's enrollment records for these students was 11,359 and 3,040, respectively. Upon our discovery, the university submitted a FISAP correction.

- The number of FWS students in community service employment was reported as 32. The supporting documentation for these students was reported as 27. Upon our discovery, the university submitted a FISAP correction.

- The amount of the federal share of earned compensation for FWS students employed in civic education and participation activities was reported as $13,217. The supporting documentation for this compensation was $10,879. Upon our discovery, the university submitted a FISAP correction.

- The total amount of earned compensation for FWS students employed in civic education and participation activities was reported as $16,522. The supporting documentation for this compensation was $14,505. Upon our discovery, the university submitted a FISAP correction.

We reviewed the FISAP at Northwestern Connecticut Community College (CC) and noted the following:

- The total earned compensation for the FWS program was reported as $43,635. The supporting documentation for the compensation was $46,351. Upon our discovery, the college submitted a FISAP correction.

- The total on-campus earned compensation for FWS was reported as $41,895. The supporting documentation for the compensation was $44,611. Upon our discovery, the college submitted a FISAP correction.

- The total amount of FWS funds and the distribution of program recipients did not match the supporting documentation for several different income ranges. Upon our discovery, the college submitted FISAP corrections.

We reviewed the FISAP at Three Rivers CC and noted the following:

- The total expenditure for state grants and scholarships made to undergraduates was reported as $39,800. The supporting documentation for the expenditure was $41,600. Upon our discovery, the college submitted a FISAP correction.

- The total number of independent undergraduate students was reported as 2,012 in the Eligible Aid Applicant Information part of the FISAP. The supporting documentation for the number of students was 2,011. Upon our discovery, the college submitted a FISAP correction.

- The total amount of Federal Perkins Loan Program (FPL) cash on hand and in depository as of October 31, 2015 was reported as $22,664. The supporting documentation for this amount was $28,664. Upon our discovery, the college researched and adjusted the cash on hand in depository as of October 31, 2015 to $32,351. The college submitted a FISAP correction for this amount on January 11, 2016.

- 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 an amount of $796,364, whereas the college's FPL service provider indicates $794,514.

- The total number of borrowers whose FPL principal assigned to and accepted by the United States was reported as 197. The supporting documentation from the college's FPL service provider reports a total of 195. Upon our discovery, the college submitted a FISAP correction.

- The total cumulative amount of FPL other income was reported as $92,215. The supporting documentation from the college's FPL service provider reports a total of $35,795.

- The total cumulative amount of borrowers for whom FPL loans were assigned due to default or liquidation was reported as 196. The supporting documentation from the college's FPL service provider reports a total of 194. Upon our discovery, the college submitted a FISAP correction.

- The total amount of Federal Supplemental Educational Opportunity Grant (FSEOG) Program funds paid to recipients was reported as $131,847. The supporting documentation for these funds was $132,247. Upon our discovery, the college submitted a FISAP correction.

- The total amount of FSEOG funds and the distribution of program recipients did not match the supporting documentation for many different income ranges. Upon our discovery the college submitted a FISAP correction.

Effect: The FISAP 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:* A newly created university scholarship was included in the amount expended for state grants and scholarships to undergraduate students even though the university has the final decision on which students get the funds. Also, departments inadvertently submitted inaccurate summary information to the office responsible for the submission of the FISAP. Controls were not in place to monitor the information provided prior to data entry.

Central CSU: In the first instance, the university provided enrollment numbers for a different award year. In the other instances, the reasons for the differences were unknown.

Northwestern Connecticut CC: It appears that the majority of the conditions appear to be clerical data entry errors.

Three Rivers CC: The Federal Perkins Loan account information was not reconciled with the FPL service provider reports. Unreconciled differences have been carried forward. Several of the above conditions appear to be clerical data entry errors.

Recommendation: The University of Connecticut, Central Connecticut State University 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 and Three Rivers Community College should make necessary corrections to the FISAP data submitted for award year July 1, 2014 through June 30, 2015. Three Rivers Community College should continue to reconcile its internal records with those records maintained by the college's third-party Federal Perkins Loan service provider.

Agency Response: *UConn:* "We agree with this finding."

Central CSU: "We agree with this finding."

Northwestern Connecticut CC: "We agree with this finding. However, it should be noted that the final date for corrections to the 2014-2015 FISAP report had not been reached at the time of the audit. The FISAP report has since been corrected. The college also questions the materiality of this finding."

Three Rivers CC: "We agree with this finding in part. As reported there were errors that were made when the initial FISAP was sent to the United States Department of Education (USDOE). However, where possible, all of the errors are now corrected and have been accepted."

Auditors' Concluding Comments: *Northwestern Connecticut CC:* The FISAP deadline is October 1, 2015. Our review of the FISAP was conducted in early December 2015. If we did not disclose the errors to the college, the errors may have never been identified and corrected.

Three Rivers CC: The college's disagreement is with the bullets noted in the condition that were not listed as being corrected during the FISAP edit process. The FISAP is electronically reported through the USDOE's eCampus-Based website. There are detailed procedures for making changes to the amounts reported on the FISAP after the close of an award year. The college has indicated that they are unable to make corrections to the total cumulative amount of FPL funds advanced to students, including the number of borrowers. However, the college has not provided us with any formal documentation from the USDOE Campus-Based Programs to confirm that the college cannot make corrections to the data erroneously reported. These same bulleted conditions were noted in our Statewide Single Audits covering the fiscal years ended June 30, 2013 and 2014.

2015-655 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: 2014-2015

Background: When disbursing federal Pell Grant (Pell) funds, entities must report certain disbursement records through the Common Origination and Disbursement (COD) System.

Criteria: The United States Department of Education's Electronic Announcement "2014-2015 Deadline Dates for Reports and Other Records, posted date July 11 2014" lists deadline dates that institutions must submit information to the Federal Student Aid's COD System. Institutions must submit COD Pell Grant and federal Direct Student Loans 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 2014-2015 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 five students who were selected for Return of Title IV Funds testing at Quinebaug Valley Community College, we noted one instance in which the Pell disbursement transmission to the COD system was submitted 26 days late.

Effect: The college was not in compliance with federal requirements related to the timely submission and/or resolution of Pell payment data.

Cause: Established control procedures were not followed.

Recommendation: Quinebaug Valley Community College should review its procedures to ensure compliance with the federal regulations related to the timely submission and/or resolution of federal Pell Grant payment data.

Agency Response: "We agree with this finding."

2015-656 Special Tests: Verification

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Work-Study Program (CFDA # 84.033)
Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)
Federal Pell Grant Program (CFDA # 84.063)
Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2014-2015

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 requiring verification include household size, number of household members who are in college, Supplemental Nutrition Assistance Program

(SNAP) benefits received, child support paid, adjusted gross income, U.S. income taxes paid, education credits, Individual Retirement Account 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 ten students selected for verification testing at the University of Connecticut (UConn), we noted one instance in which the number of persons in the household size the college reported on the verification worksheet did not agree with the reported amounts on the ISIR.

From ten students selected for verification testing at Eastern Connecticut State University (CSU), we noted one instance in which the parent's other untaxed income on the tax return did not agree with the reported amount on the ISIR.

Effect: These universities were not in compliance with verification requirements.

UConn: The student's Expected Family Contribution (EFC) amount and award were affected. The overpayment to the student of federal Pell awards was $850. Upon our discovery, the university processed an adjustment to the Pell program.

Eastern CSU: In this instance, the student's EFC amount was affected but it did not impact the student's award.

Cause: Established verification procedures were not followed.

UConn: The employee in the financial aid office performing the review marked the verification checklist completed, while the required items were not verified.

Eastern CSU: It appears to be a human error by the employee in the financial aid office that had verified the student's file.

Recommendation: The University of Connecticut and Eastern Connecticut State University should review their procedures to ensure compliance with the federal regulations pertaining to verification.

Agency Response: *UConn:* "We agree with this finding; however, the recommendation is already standard operating procedure."

Eastern CSU: "We agree with this finding."

2015-657 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: 2014-2015

Criteria: Title 34 Code of Federal Regulations Section 668.22 provides guidance regarding the treatment of Title IV funds when a student withdraws from an institution.

Per Dear Colleague Letter 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. There is an exception if the institution can document that the student completed the period.

Condition: Twelve students were selected for Return of Title IV Funds testing at the University of Connecticut (UConn). We noted the following:

- Two students who withdrew from the university during the fall 2014 semester did not have a Return of Title IV Funds calculation performed. Per audit calculation, a total of $6,272 should have been returned to the federal Direct Student Loan Program (Direct Loan). Upon our discovery, the university returned the funds to the Direct Loan program. However, due to the error and subsequent correction, the funds were returned 354 and 313 days after the 45-day deadline for the return of funds.

- In one instance, there was a delay of eight days in the return of $1,785 to the Direct Loan program.

Five students were selected for Return of Title IV Funds testing at Central Connecticut State University (CSU). We noted one instance in which the Return of Title IV Funds calculation was incorrect. As a result of the incorrect calculation, the university returned $32 less to the Direct Loan program than what was appropriate. Upon our discovery, the university returned the funds to the Direct Loan program.

Ten students were selected for Return of Title IV Funds testing at Eastern CSU. We noted the following:

- In three instances, the Return of Title IV Funds calculations were incorrect. As a result, the university returned $5,711 less, in aggregate, to the Direct Loan program than what was appropriate. The university also returned $751 more than required to the Direct Loan program. Upon our discovery, the university returned and disbursed the funds to the Direct Loan program.

- In one instance, the university did not send a post-withdrawal notification letter to a student identifying the type and amount of loan funds and explaining to the student that they may accept or decline some or all of the loan funds.

- 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 seven days.

During our review at Eastern CSU for students who received Title IV aid and did not have any passing grades in the academic year, we noted the following:

- Twenty-six instances in which the university did not follow its unofficial withdrawal 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 Return of Title IV Fund calculations and returned an aggregate of $1,314 to the federal Pell Grant (Pell) program, $890 to the Perkins Loan Program, and $58,013 to the Direct Loan program.

- Three instances in which the university did not conduct a Return of Title IV funds calculation for three students that officially withdrew from the fall 2014 semester. In one of these instances, the university returned all of the student's Title IV funds awarded and disbursed during the fall semester. In the other two instances, the university did not return any Title IV funds awarded and disbursed during the fall 2014 semester. Upon our discovery, the university applied its procedures and performed Return of Title IV Fund calculations for two of these students and returned an aggregate of $1,351 to the Pell program, and $4,816 to the Direct Loan program.

Ten students were selected for Return of Title IV Funds testing at Southern CSU. We noted one instance in which the Return of Title IV Funds calculation was incorrect. As a result, the university returned $704 more than required to the Direct Loan program. Upon our discovery, the university provided the student institutional funds.

Five students were selected for Return of Title IV Funds testing at Western CSU. We noted one instance in which the Return of Title IV Funds calculation was incorrect. As a result, the university made a post-withdrawal Direct Loan disbursement for $57 less than required. Upon our discovery, the university disbursed institutional funds to the student.

Five students were selected for Return of Title IV Funds testing at Northwestern Connecticut Community College (CC). We noted three instances in which the Return of Title IV Funds calculations were incorrect. As a result, the college returned $258 less in aggregate to the Pell program, and disbursed $158 less in Pell funds to a student than what was correct. Upon our discovery, the college returned the funds to the Pell program and provided the student with institutional funds.

Effect: These institutions were not in compliance with the federal regulations governing the Return of Title IV Funds.

Cause: *UConn:* Institutional policy and protocol were not followed by certain regional/professional school staff and therefore did not trigger the appropriate action by other university offices.

Central CSU and Southern CSU: The Return of Title IV Funds calculation methodologies for these universities were not consistent with the federal regulations. These universities included the incorrect amount of institutional charges in the Return of Title IV Funds calculation.

Eastern CSU: We were informed that the reassignment of roles, due to staffing changes and insufficient transitional training, led to internal controls and policies not being properly followed.

Western CSU: The university's Return of Title IV Funds calculation methodology was not consistent with the federal regulations. In this instance, the university included the incorrect number of calendar days in the Return of Title IV Funds calculation.

Northwestern Connecticut CC: The college's Return of Title IV Funds calculation methodology was not consistent with the federal regulations. In two of the instances noted, the college included the incorrect amount of institutional charges in the Return of Title IV Funds calculation. In one of the instances noted, the college used the incorrect amount of Pell funds in the calculation as "aid that could have been disbursed".

Recommendation: The University of Connecticut, state universities and Northwestern Connecticut Community College 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. The University of Connecticut and Eastern Connecticut State University should ensure that all staff responsible for collecting information necessary for the Return of Title IV Funds process is adequately trained.

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."

Northwestern Connecticut CC: "We agree with this finding."

2015-658 Special Tests: Enrollment Reporting

Federal Perkins Loans – Federal Capital Contributions (CFDA #84.038)
Federal Pell Grant Program (CFDA #84.063)
Federal Direct Student Loans (CFDA #84.268)
Federal Award Agency: United States Department of Education
Award Year: 2014-2015

Background: The National Student Loan Data System (NSLDS) is the United States Department of Education's central database for federal student aid disbursed under Title IV of the Higher Education Act of 1965, as amended. Among other things, NSLDS monitors the programs of attendance and the enrollment status of Title IV aid recipients.

Criteria: Per Title 34 Code of Federal Regulations Section 685.309(b)(2), changes in enrollment to less-than-half-time, graduated, or withdrawn, must be reported within 30 days. However, if a roster file is expected within 60 days, the data may be provided on that roster file.

The NSLDS Enrollment Reporting Guide outlines the specific enrollment reporting requirements, including the valid enrollment status codes that each institution must use when reporting enrollment changes. A school must correctly report students who have completed a program as "graduated" and not as "withdrawn".

Condition: We selected ten students that separated from Central Connecticut State University (CSU). We noted one instance in which the student's enrollment information, as reported to the NSLDS, was not reported in a timely manner. In this instance, the student withdrew from the university on September 2, 2014 and was subsequently reported as withdrawn to the NSLDS on December 11, 2014.

We selected ten students that separated from Eastern CSU. We noted one instance in which the student's enrollment information, as reported to the NSLDS, was not accurate. In this instance, the student's enrollment status was reported as withdrawn, when the student should have been reported as graduated.

We selected ten students that separated from Northwestern Connecticut Community College (CC), and noted two instances in which the student's enrollment information, as reported to the NSLDS, was not accurate. In both of these instances, the NSLDS was not notified of the various changes to the student's enrollment status after the student, who previously withdrew, returned to the college. In one of the instances, the student's graduation status was never reported to the NSLDS.

Effect: *Central CSU and Northwestern Connecticut CC:* Enrollment information was not provided to the NSLDS for certain students in a timely and/or accurate manner.

Eastern CSU: Enrollment information was not provided to the NSLDS for certain students in an accurate manner.

Cause: *Central CSU:* We were informed that because the Registrar's Office did not have this student's Social Security number in its enrollment records initially, the enrollment status was not transmitted in a timely manner.

Eastern CSU: Established procedures for reporting enrollment changes were not followed.

Northwestern Connecticut CC: We were informed that the college's enrollment reporting service provider experienced data extracting problems related to a software upgrade that caused these students' enrollment information not to be reported to the NSLDS.

Recommendation: Central Connecticut State University, Eastern Connecticut State University, and Northwestern Connecticut Community College should implement procedures to ensure that enrollment status changes are accurately and timely submitted to the National Student Loan Data System in accordance with federal regulations.

Agency Response: *Central CSU:* "We agree with this finding."

Eastern CSU: "We agree with this finding."

Northwestern Connecticut CC: "We disagree with this finding."

Auditors' Concluding Comments: *Northwestern Connecticut CC:* Per the NSLDS Enrollment Reporting Guide and Dear Colleague Letter GEN-12-06, schools are expected to add students that received Title IV aid who do not appear on the school's NSLDS roster to their roster either on their own or through their servicer. In both instances noted, the student received a federal Pell Grant during the semester in which the enrollment was never reported to the NSLDS. Also, it is very important that schools update the enrollment of a student for whom they had previously reported as being enrolled less than half-time. Schools must report to NSDLS an Enrollment Status of "Graduated" when the student has completed their academic program.

2015-659 Special Tests: Student Loan Repayments

Federal Perkins Loan – Federal Capital Contributions (CFDA #84.038)
Federal Award Agency: United States Department of Education
Award Year: 2014-2015

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 without the institution's prior knowledge or fails to complete an exit counseling session, the institution must provide the exit counseling material to the borrower within 30 days.

The 2014-2015 Federal Student Aid (FSA) Handbook states that a Perkins borrower is entitled to an initial grace period of nine consecutive months after dropping below half-time enrollment. If the borrower returns to school on at least a half-time basis before the nine months has elapsed, the initial grace period has not been used. The borrower is entitled to a full initial grace period of nine consecutive months from the date that he or she graduates, withdraws or drops below half-time enrollment again.

The FSA Handbook further states that a grace period is always day specific, an initial grace period begins on the day after the day the borrower drops below half-time enrollment.

Condition: From a sample of ten borrowers at the University of Connecticut (UConn) who entered repayment during the audited period, we noted the following:

- In two 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 31 and 38 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 materials were sent 26 days beyond the 30-day allowable timeframe.

- In two instances, borrowers were put into repayment early. One borrower was put into repayment three months early and only received six months of his entitled nine-month grace period; and one borrower was put into repayment one year early and subsequently placed into student deferment.

- In eight instances, the separation date, grace period end date, and first payment due date was inconsistent. Six of these borrowers had a separation date of May 11, 2014, a grace end date of March 1, 2015, and began repayment on April 1, 2015; and two borrowers had a separation date of May 10, 2014, a grace end date of February 1, 2015, and began repayment on March 1, 2015. The May 10, 2014 separation date should have been used as that was the effective status date reported on the National Student Loan Data System.

We selected ten borrowers at Central Connecticut State University (CSU) who entered repayment during the audited period and noted the following:

- In three instances in which the university was aware that the borrower was graduating, exit counseling was not timely. The exit counseling was conducted 45 and 50 days after the end of the semester.

- In seven instances, the borrower's separation date was reported incorrectly to the service provider, which caused the grace period to be incorrect. In two instances, there were delays to the repayment process of 19 and 98 days. In five instances, the borrowers were put into repayment status nine days early.

We selected ten borrowers at Eastern CSU who entered repayment during the audited period and noted the following:

- In three instances in which the university was aware that the borrower ceased to be at least half-time, exit counseling was conducted between 114 and 125 days beyond the 30 day timeframe.

- In one instance in which the university was aware that the borrower was graduating, exit counseling was conducted 159 days after the end of the semester.

We selected ten borrowers at Southern 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 conducted 24 days after the end of the semester.

- In ten instances, the borrower's separation date was reported incorrectly to the service provider, which caused the grace period to be incorrect. The delays ranged from 14 to 111 days. In two of these instances, there was a delay to the repayment process.

We selected ten borrowers at Western CSU who entered repayment during the audited period and noted five instances in which the university was aware that the borrower was graduating, and exit counseling was not conducted before the date of graduation. The changes in the borrowers' enrollment status were reported to the university's service provider 18 to 44 days after the graduation date. In each of these instances, the borrowers were not provided the exit counseling package and repayment schedule in a timely manner. In two of these instances, the university's service provider had recorded the borrower's incorrect separation date.

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.

University procedures during our audited period were to send an anticipated graduation list to its service provider four weeks into the semester, when the deadline for students to apply for graduation had passed. We were informed that pre-graduation exit counseling was not conducted for those students that self-certified graduation candidate status or when changes were made to the expected graduation term late in the semester.

We were informed that the program used for billing by the university's service provider starts counting the grace period at the beginning of the month following separation, as bills are sent out once a month in order to ensure that the full nine month grace period is provided. The calculations are based on a flag that is set on the school file record. The first payment due date is then one month following the grace period end date. If the flag was not set, then the grace period will begin on the first day of the month of separation.

Central CSU: In the first condition, established reporting procedures were not followed. In the second condition, there were two instances in which the university inadvertently reported the incorrect separation date to its service provider. The other five instances noted in the second condition were the result of the actual separation date being rounded back to the first of the month.

Eastern CSU: In the first condition, the university did not identify that the students had unofficially withdrawn in a timely manner. In the second condition, the student graduated in the summer payment period and had not been identified until the fall graduation report was processed.

Southern CSU: In the first condition, established reporting procedures were not followed. In the second condition, procedures at the time were to not utilize the borrower's actual separation date but instead use the first of the following month as the separation date. In the two instances in which the delay in the repayment process was noted, the university reported the student's last date of attendance incorrectly to their service provider.

Western CSU: Established reporting procedures were not followed.

Recommendation: The University of Connecticut should ensure that policies and procedures regarding Perkins Loan repayments and exit counseling are in compliance with the federal regulations. The state universities should ensure that policies and procedures regarding changes in 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 this finding."

Central CSU: "We agree with this finding."

Eastern CSU: "We agree with this finding."

Southern CSU: "We agree with this finding. In compliance with Title 34 CFR Section 674, Southern CSU has amended its procedures to ensure that the separation date is reported as the day immediately following the last date of at least half-time enrollment, to ensure that the initial grace period and subsequent repayment dates are calculated properly. Per the 2015-2016 FSA Handbook, volume 6, chapter 4, page 6-128, lenders/schools are able to establish standard repayment dates following the conclusion of the grace period (i.e. the first of the subsequent month). Our third party servicer, University Accounting Services, does set the first repayment date as the 1st of the subsequent month following the expiration of the grace period."

Western CSU: "We agree with this finding."

2015-660 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: 2014-2015

Criteria: Title 34 Code of Federal Regulations 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.

The 2014-2015 Federal Student Aid Handbook states that a grace period is always day specific. An initial grace period begins on the day after the day the borrower drops below half-time enrollment.

Condition: We selected ten borrowers at the University of Connecticut whose loan went into default during the audited period and noted the following:

- One instance in which the required 90-day contact letter was not sent to the borrower. It was also noted that the borrower had the incorrect separation date. The borrower's separation date was December 15, 2012; however, the separation date that was recorded by the university's service provider was January 15, 2013.

- Nine instances in which the grace period was inconsistent for borrowers who separated, which caused the required grace letters to be sent untimely. In six of these instances, the university's service provider notified borrowers that their grace period end date was on the first of the month following the actual ending date. In three of these instances, the university's service provider notified the borrowers that their grace end date was the first of the month prior to the actual ending date.

Effect: The university was not in compliance with federal due diligence requirements.

The absence of completing the federal due diligence requirements increases the likelihood that the university may not collect outstanding loans is increased.

In the instances in which the university's service provider notified borrowers that their grace period end date was on the first of the month following the actual ending date, the grace letters were generally sent late. In the instances in which the university's service provider notified the borrowers that their grace end date was the first of the month prior to the actual grace ending date, the grace letters were sent early.

Cause: The first required contact letter to one borrower selected in our sample was not sent due to this student being separated late.

We were informed that the program used for billing by the university's service provider starts counting the grace period at the beginning of the month following separation, as bills are sent out once a month in order to ensure that the full nine-month grace period is provided. The calculations are based on a flag that is set on the school file record. The first payment due date is then one month following the grace period end date. If the flag is not set, then the grace period will begin on the first day of the month of the separation.

Recommendation: The University of Connecticut should ensure that policies and procedures regarding Perkins Loans due diligence requirements are being performed in accordance with federal regulations.

Agency Response: "We agree with this finding."

2015-661 Special Tests: Borrower Data Transmission and Reconciliation

Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2014-2015

Background: When disbursing federal Direct Student Loans Program (Direct Loan) 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: During our review of Eastern Connecticut State University's (CSU) records supporting the monthly Direct Loan reconciliation, we noted the following:

- There was no evidence to support that a monthly Direct Loan reconciliation was performed for the month of September.
- The university did not perform a timely reconciliation for the month of November. The reconciliations for the months of November and December were both performed at the same time on January 15, 2015.
- The university did not maintain sufficient evidence to identify the reason and resolution for positive and negative balances of ending cash for the month of March.

During our review of Western CSU's records supporting the monthly Direct Loan reconciliation, we noted that the university did not complete the reconciliations timely for the months of August, September and October. All three of these reconciliations, including the month of November, were performed at the same time on December 23, 2014.

Northwestern Connecticut Community College (CC) did not maintain sufficient evidence to identify the reason and resolution for positive and negative balances of ending cash of its monthly Direct Loan reconciliations. Furthermore, the reconciliations on file did not document when or by whom they were performed.

Effect: These institutions were not in full compliance with the federal regulations governing the Direct Loan program.

Eastern CSU and Northwestern Connecticut CC: The absence of sufficient evidence to support a monthly reconciliation lessens the assurance that the reconciliation is complete and accurate.

Cause: *Eastern CSU:* We were informed that the first two conditions occurred during a period of transition among personnel handling this task.

Western CSU: We were informed that the delay in performing these reconciliations was the result of problems associated with a software update. Upon resolution of the software issues, the university completed the past due reconciliations.

Northwestern Connecticut CC: We were informed that the college followed established procedures to identify the monthly variances but it did not document and resolve the reconciling items.

Recommendation: Eastern Connecticut State University and Northwestern Connecticut Community College should strengthen internal controls over the Direct Loan reconciliation process and ensure that the monthly reconciliations performed are sufficiently documented. Western Connecticut State University should strengthen internal controls over the Direct Loan reconciliation process and ensure that the monthly reconciliations are conducted timely.

Agency Response: *Eastern CSU:* "We agree with this finding."

Western CSU: "We agree with this finding."

Northwestern Connecticut CC: "We agree with this finding."

2015-662 Special Tests: Institutional Eligibility

Federal Work-Study Program (CFDA # 84.033)
Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)
Federal Direct Student Loans (CFDA #84.268)
Federal Award Agency: United States Department of Education
Award Year: 2014-2015

Background: Per the 2014-2015 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 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 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 conditions 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 and disbursed, on its application to participate in the federal student financial aid programs. The Program Participation Agreement (PPA) for UConn, effective October 7, 2014 with an expiration date of June 30, 2017, did not include these Sixth-Year programs.

In our Statewide Single Audit covering the fiscal year ended June 30, 2014, we noted the same condition. In that report, we disclosed that the university reported that 70 students enrolled in Sixth-Year Graduate Certificate programs received federal Direct Student Loans (Direct Loan) of $868,964; Grad PLUS loans of $154,800; Federal Perkins Loans of $10,000; and Federal Work-Study of $3,000 during the fiscal year ended June 30, 2014.

Subsequent to this condition being disclosed, UConn has been working diligently with the United States Department of Education regarding resolution of this matter. As of December 1, 2015, the university has returned the prior-year questioned costs associated with the Federal Perkins Loans and the Federal-Work-Study award that was cancelled.

Effect: The university offered federal aid to students enrolled in Sixth-Year Graduate Certificate programs that were not included on the university's PPA. We identified 63 students enrolled in Sixth-Year Graduate Certificate programs that received total Direct Loans of $918,975 during the current 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.

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 Unites States Department of Education for authorization to award federal aid to Sixth-Year Graduate Certificate program students. The university should continue to work with the United States Department of Education regarding the resolution of this finding.

Agency Response: "We agree with this finding."

2015-663 Special Tests: Written Arrangements

Federal Supplemental Educational Opportunity Grants (CFDA #84.007)
Federal Work-Study Program (CFDA # 84.033)
Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)
Federal Pell Grant Program (CFDA # 84.063)
Federal Direct Student Loans (CFDA # 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2014-2015

Background: If an enrolled student is unable to complete required classes at the host institution, an approved consortium agreement may be used to allow the student to take the required course(s) at another eligible institution and retain financial aid.

Criteria: Title 34 Code of Federal Regulations Section 668.5(d)(3) states the institution that calculates and disburses a student's Title IV, Higher Education Act program assistance must take into account all the hours in which the student enrolls at each institution that apply to the student's degree or certificate when determining the student's enrollment status and cost of attendance.

Condition: During our review of ten consortium agreements at the University of Connecticut, we noted four instances in which a student's incorrect enrollment status was reported to the National Student Loan Data System (NSLDS).

Effect:	Inaccurate enrollment information was sent to the NSLDS, which effected these students' enrollment reporting status.
Cause:	The university did not have procedures in place to include the credit hours in which students were enrolled at another institution under an approved consortium agreement when reporting enrollment information to the NSLDS.
Recommendation:	The University of Connecticut should implement procedures to ensure that applicable consortium agreement credits are accounted for in determining student's enrollment status. Additionally, the university should ensure that enrollment information reported to the National Student Loan Data System is timely and accurate, in accordance with federal regulations.
Agency Response:	"We agree with this finding."

STATE DEPARTMENT OF AGING

2015-700 Subrecipient Monitoring

Special Programs for the Aging-Title III, Part B-Grants for Support Services and Senior Centers (CFDA #93.044)
Special Programs for the Aging-Title III, Part C-Nutrition Services (CFDA #93.045)
Nutrition Services Incentive Program (CFDA #93.053)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: 14AACTT3SS, 14AACTT3CM, 14AACTT3HD, 14AACTNSIP, 15AACTT3SS, 15AACTT3CM, 15AACTT3HD and 15AACTNSIP

Background: Effective January 1, 2013, the State Department of Aging was designated as the State Unit on Aging pursuant to Section 17a-301a of the Connecticut General Statutes. The Department of Aging replaced the Department of Social Services as the contracting agency with the fivw area agencies on aging as reflected in contract amendments

Criteria: Uniform administrative requirements codified as Title 2 Code of Federal Regulations 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 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.

Condition: The State Department on Aging reviews subrecipient audit reports filed on the Connecticut Office of Policy and Management's Electronic Audit Reporting System (EARS). Our testing disclosed the following:

1. The State Department on Aging's review of subrecipient audits is not formally documented.

2. One of five area agencies on aging's federal OMB Circular A-133 audit reports for the fiscal years 2013 and 2014 were not obtained by the State Department on Aging for review. These reports were also not posted on EARS.

3. The State Department on Aging did not issue a management decision on a reported audit finding for one area agency on aging for fiscal year 2014, and did not have procedures in place to ensure that the subrecipient took timely and appropriate corrective action to address the audit finding. The finding concerned grant reports that were not always filed timely.

Effect: The State Department on Aging is not meeting its responsibility as the pass-through entity for monitoring subrecipients that expend $500,000 or more in federal awards during the subrecipient's fiscal year.

Cause: The State Department on Aging did not have adequate procedures in place to ensure that subrecipients expending $500,000 or more in federal awards during the subrecipient's fiscal year had met the audit requirements of OMB Circular A-133.

Recommendation: The State Department on Aging should revise its 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 to (1) ensure that required audits are completed within nine months of the end of the subrecipient's audit period; (2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensure that the subrecipient takes timely and appropriate action on all audit findings.

Agency Response: "We agree with this finding."

DEPARTMENT OF HOUSING

2015-725 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 2013-2014 and 2014-2015
Federal Award Numbers: ACC CT 901 VO

Background: The federal Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Vouchers (HCV) 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 program 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.

In Connecticut, the state Department of Housing (DOH) is designated as the PHA and administers the program statewide with a contracted vendor.

Criteria: Title 2 Code of Federal Regulations (CFR) Section 200.403 provides that in order to be allowable under federal awards, costs must be necessary and reasonable for the performance of the federal award and allocable thereto, and must conform to any limitations or exclusions set forth in federal cost principles or in the federal award as to types or amount of cost items.

Title 24 CFR Part 5 Subpart F provides HUD Section 8 public housing program requirements for determining family income and calculating tenant rent payments. If the cost of utilities is not included in the tenant rent to the owner, the PHA uses a schedule of utility allowances to determine the amount an assisted family needs to cover the cost of utilities.

Title 24 CFR Part 982 Subpart K describes program requirements concerning the HAP and rent to owner under the HUD Section 8 HCV program. Specifically:

- Section 982.503 requires the PHA to adopt a payment standard schedule that establishes voucher payment standard amounts for each fair market rent (FMR) area in the PHA jurisdiction.
- Section 982.505 provides that the PHA shall pay a monthly HAP on behalf of the family that is equal to the lesser of either the payment standard for the family or the gross rent, minus the total tenant payment. The payment standard in place on the effective date of the HAP contract

remains in place for the duration of the contract term unless the PHA increases or decreases its payment standard. If a payment standard is increased, the higher payment standard is first used in calculating the HAP at the time of the family's regular reexamination. If the PHA lowers its payment standards, the payment standard in effect on the effective date of the HAP contract will remain in effect until the family moves to another unit, has a change in its family size or composition, or until the second annual reexamination after the PHA decreases its payment standard. Decreases in the applicable payment standard due to changes in family size or composition are effective as of the next regular reexamination following the change.

- Section 982.516 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. At the effective date of a reexamination, the PHA must make appropriate adjustments in the HAP.

- Section 982.517 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 82,000 HAP transactions amounting to $71,815,110 were made under the HCV program during the fiscal year ended June 30, 2015. A review of 60 HAP transactions totaling $56,400 disclosed the following:

- In one case, miscalculated wages included in family income resulted in a HAP overpayment of $4 for the tested benefit month. Further review noted overpayments for nine months totaling $36 during the audited period prior to the calculation of a new monthly HAP amount at the effective reexamination date of April 1, 2015.

- In one case, an incorrect amount of Supplemental Security Income included in family income resulted in a HAP underpayment of $27 for the tested benefit month. Further review noted underpayments for eight months totaling $216 during the audited period prior to the calculation of a new monthly HAP amount at the effective reexamination date of March 1, 2015.

- In one case, miscalculated wages included in family income resulted in a HAP underpayment of $13 for the tested benefit month.

- In one case, an incorrect amount of interest income included in family income resulted in a HAP underpayment of $2 for the tested benefit month. Further review noted underpayments for 11 months totaling $22 prior to the calculation of a new monthly HAP amount on July 1, 2015.

- In one case, the use of a payment standard amount that was not based on the current schedule, which was required due to a change in family unit size, resulted in a HAP overpayment of $61 for the tested benefit month. Further review noted overpayments for four months totaling $244 prior to the calculation of a new HAP amount effective November 1, 2014.

- In one case, the use of a utility allowance that was not based on the current schedule resulted in a HAP overpayment of $31 for the tested benefit month. Further review noted overpayments for five months totaling $155 during the audited period prior to the calculation of a new monthly HAP amount effective April 1, 2015.

It should be noted that none of the above exceptions were identified or corrected by the department or its contracted vendor at the time of our review.

Effect: Errors resulted in total HAP overpayments of $96 and underpayments of $42 for the tested benefit months. Further reviews disclosed total errors amounting to overpayments of $435 and underpayments of $251 for the fiscal year ended June 30, 2015.

Cause: Payment errors were made due to clerical errors and inadequate oversight by the PHA and its contracted vendor.

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 current payment standard and utility allowance schedules.

Agency Response: “The Department of Housing agrees with the finding. Human error made by the contracted vendor contributed to the miscalculations. However, once identified corrections were made. The Department of Housing will continue to review HAP payments for accuracy and make corrections as appropriate. The department and its contracted vendor have a detailed quality control process designed to identify and correct these human errors. The department and its contracted vendor will continue to work to improve the quality of work relative to these calculations through this existing quality control process. The cumulative equivalent impact of the errors identified represent less than one-one hundredth of one percent of the program fiscally, and approximately one-tenth of one percent of the program by transaction."

2015-726 Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallowable Activities

Section 8 Housing Choice Vouchers (CFDA #14.871)
Federal Award Agency: United States Department of Housing and Urban Development
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: ACC CT 901 VO

Background: The federal Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Vouchers (HCV) 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. Funds may also be for administrative fees to support the program.

In Connecticut, the state Department of Housing (DOH) is designated as the PHA and administers the program statewide with a contracted vendor.

Criteria: Title 2 Code of Federal Regulations (CFR) Section 200.403 provides that in order to be allowable under federal awards, costs must be necessary and reasonable for the performance of the federal award and allocable thereto, and must conform to any limitations or exclusions set forth in federal cost principles or in the federal award as to types or amount of cost items.

Title 24 CFR Section 982.151 provides that HUD agrees to make payments to the PHA for HAP to owners and for the administrative fee. The PHA agrees to administer the program in accordance with HUD regulations and requirements.

Title 24 CFR Section 982.152 provides that PHA administrative fees may only be used to cover costs incurred to perform administrative responsibilities for the program in accordance with HUD regulations and requirements. HUD may reduce or offset any administrative fee to the PHA if the PHA fails to perform administrative responsibilities correctly or adequately under the program.

Condition: Our review of Section 8 HCV program expenditure activity during the fiscal year ended June 30, 2015, including $5,572,575 in administrative fees, disclosed unallowable charges to the program amounting to $60,344, which consisted of expenses related to another federal program.

Effect: The above errors resulted in questioned costs totaling $60,344.

Cause: Coding errors were made due to staffing turnover, inexperienced assigned staff, and inadequate oversight by the PHA.

Recommendation: The Department of Housing should improve internal controls to ensure that all expenses charged to the Section 8 Housing Choice Vouchers program are necessary, reasonable, and allocable to the federal program.

Agency Response: "The Department of Housing agrees with this finding. The department has already implemented significant changes relative to this finding. Additional staff have been brought on by the department. They have been properly trained in the necessary processes and systems, and internal controls have been strengthened to eliminate these problems."

2015-727 Reporting – Form HUD-52681-B

Section 8 Housing Choice Vouchers (CFDA #14.871)
Federal Award Agency: United States Department of Housing and Urban Development
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Numbers: ACC CT 901 VO

Background: Public Housing Authorities (PHA) authorized under state law to administer the federal Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Vouchers (HCV) program are required to submit Form HUD-52681-B, *Voucher for Payment of Annual Contributions and Operating Statement,* monthly to HUD electronically via the Voucher Management System (VMS). HUD uses this form to monitor the financial and operational performance of the PHA and to determine renewal funding levels. HUD relies on three key line items to determine the reasonableness of the data submitted for the purposes of calculating funding under the program, which include:

- Unit Months Leased
- Housing Assistance Payment (HAP) Expenses
- All Specific Disaster Voucher Programs

In Connecticut, the state Department of Housing (DOH) is designated as the PHA and administers the program statewide with a contracted vendor.

Criteria: Title 24 Code of Federal Regulations (CFR) Section 5.801 requires PHAs that administer the Section 8 HCV program to provide financial information as required by HUD. This financial information must be submitted to HUD in the electronic form designated by HUD and in such form and substance as prescribed by HUD.

Title 24 CFR Section 982.152 provides that HUD may reduce or offset any administrative fee to the PHA if the PHA fails to perform administrative responsibilities correctly or adequately under the program.

The HUD Office of Public and Indian Housing (PIH) issued Notice PIH 2006-03 to remind PHAs administering the Section 8 HCV program to report financial information pursuant to Title 24 CFR Section 5.801 and to notify PHAs of sanctions pursuant to Title 24 CFR Section 982.152 for the failure to comply with reporting requirements. HUD collects leasing and cost information from PHAs through VMS for funding decisions, monitoring, and other funding related factors, therefore, it is imperative that PHAs comply with reporting requirements and timelines for reporting through VMS and ensure that the information submitted is both timely and accurate.

Condition: Our review of the Form HUD-52681-B transmitted to HUD for the months of July 2014 and June 2015 disclosed the following:

- The amount reported as Unit Months Leased for June 2015 was 7,488 while the correct amount was 7,355. This resulted in Unit Months Leased being overstated by 133 units.
- The amount reported as HAP Expenses for June 2015 was $5,971,554 while the correct amount was $6,019,963. This resulted in HAP Expenses being understated by $48,409.

Effect: Inaccurate reporting of leasing and cost information could alter the funding allocations from HUD. In addition, the failure to correctly perform administrative responsibilities could result in a reduction of the PHA's administrative fee.

Cause: Incorrect units and HAP amounts were reported due to clerical errors and inadequate oversight by the PHA and its contracted vendor.

Recommendation: The Department of Housing and its contracted vendor should ensure the accuracy of the amounts reported on the monthly Form HUD-52681-B via the Voucher Management System.

Agency Response: "The Department agrees with this finding. The department has already implemented the necessary changes relative to this finding. Additional staff have been brought on by the department. They have been properly trained in the necessary federal processes and have acquired necessary access to the federal VMS system. In addition, management staff of the contracted vendor has also been given "read" access to the VMS such that additional quality control reviews are being implemented on a monthly basis both by the vendor and department staff."

OFFICE OF EARLY CHILDHOOD

2015-775 Reporting – ACT-696

Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.596)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2014-2015
Federal Award Number(s): 1501CTCCDF

Criteria: States are required to file a quarterly Child Care and Development Fund Financial Report (ACF-696) in accordance with the federal Office of Child Care website instructions. By the end of the liquidation period, the amount reported as quality activities must be at least four percent of the total cumulative expenditures for discretionary, mandatory and matching activities.

Condition: The ACF-696 report filed by the Office of Early Childhood (OEC) for the quarter ended June 30, 2015, understated by $25,076 the portion of discretionary funds categorized as Quality Activities while the portion categorized as direct services was overstated by the same amount. In addition, Maintenance of Effort was overstated by $651,000.

OEC corrected the errors in their submission of the ACF-696 for the federal fiscal year ended September 30, 2015.

Effect: The ACF-696 accurately reported the federal share of expenditures for the quarter ended June 30, 2015. However, the amount reported as Maintenance of Effort was overstated by $651,000.

Cause: It appears as though a clerical error caused the total discretionary funds to be inappropriately allocated between quality activities and direct services.

The OEC uses a formula-driven spreadsheet to assist in the calculation of the amounts to be reported on the ACF-696. The standard formula embedded in the spreadsheet was not able to accommodate an additional unexpected federal allocation. The product of the spreadsheet calculations resulted in the Maintenance of Effort being overstated.

Recommendation: The Office of Early Childhood should establish and implement procedures to ensure that the information used to prepare the ACF-696 report is accurate. The final report should undergo supervisory review prior to submission.

Agency Response: "We agree with this finding. The Agency concurs that each of the errors occurred, however, for separate reasons. The $25,076 understatement of discretionary funds was indeed a clerical error; the report was completed at a time when the two-person Business Office staff within the Agency had transitioned the responsibility of completing the report from one person to the other. The Agency has since developed a step-by-step procedure for completing the quarterly reporting. This procedure does involve the use of a formula driven spreadsheet to assist in calculating the complex requirements of the report. It was designed to handle the expected requirements of the quarterly reporting; however, it does fall short of accommodating every unpredictable scenario that may occur. Enter the second finding of overstating Maintenance of Effort by $651,000; this error was due to a one-time allotment of Federal funding of $325,500. This was an unpredictable and confusing scenario that the Agency controlled as best as it could given the lack of direction from, and confusion that was also experienced by, the Department of Health and Human Services (DHHS). To highlight the rarity of the situation, DHHS had to shut down the Agency's system access after the OEC's quarterly submission so that the system capabilities could be updated to allow for proper reporting of the one-time funding. Of note, the Agency's formula-driven spreadsheet matched the quarterly submission to DHHS before the system update.

In conjunction with the recommendations of the audit findings, the responsibilities of preparing and reviewing the quarterly reporting have been divided between the Associate Fiscal/Administrative Officer and the Fiscal/Administrative Manager."

2015-776 Special Tests and Provisions – Health and Safety Requirements and Criminal Background Checks

Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.596)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Number(s): 1401CTCCDF and 1501CTCCDF

Criteria: Title 45 of the Code of Federal Regulations (CFR) section 98.40 requires the lead agency to certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that childcare providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) 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 (45 CFR section 98.41).

Section 19a-80(c) of the Connecticut General Statues, as amended by Public Act 14-39, states that "The commissioner (of Early Childhood), within available appropriations, shall require each prospective employee of a child day care center or group daycare home in a position requiring the provision of care to a child to submit to state and national criminal history records checks. The criminal history records checks required pursuant to this subsection shall be conducted in accordance with Section 29-17a. The commissioner shall also request a check of the state child abuse registry established pursuant to Section 17a-101k…."

Condition: Our prior Statewide Single Audit noted deficiencies in the processing of background checks for daycare providers. Our current review of the Office of Early Childhood's (OEC) procedures for performing background checks for childcare providers disclosed that providers with criminal backgrounds that would make them ineligible to provide services under Child Care and Development Fund Program are not being detected in a timely manner. The statute, as codified, allows prospective employees to begin employment after submitting background check documentation, but prior to the completion of their background check.

Effect: The current procedure used to process background checks is flawed because it allows ineligible persons to provide childcare. The lack of timely processing of employee background checks could result in people with disqualifying criminal histories working in childcare settings for a significant duration before being completely vetted.

Cause: The OEC does not have a unified monitoring and enforcement system capable of ensuring that all employees entering the childcare system in Connecticut are identified, have received background checks, and had follow-up action in all instances where a background check revealed legal matters of concern.

The office relies on a process that does not provide management with real-time feedback of background check activity. The OEC Child Day Care Unit uses several different systems for tracking and documenting its follow-up activities with respect to background checks.

In the absence of real-time feedback of background check activity, individuals with dangerous charges whose conviction could result in disqualification may not be identified or may not be identified in a timely manner for follow-up.

Recommendation: The Office of Early Childhood should adopt a pre-certification or licensing process for prospective employees of childcare providers.

Agency Response: "We agree with this finding. We are currently proposing a legislative fix to address this issue. The OEC is seeking an amendment to C.G.S. § 19a-80(c) which includes the following language: "No such employee shall have unsupervised access to children in the child care center or group child care home until his or her background check is completed and the Commissioner has deemed the employee eligible to work in such child care facility."

2015-777 Compliance with Federal Encryption Requirements and Access Privileges

Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.596)
Federal Award Agency: United States Department of Health and Human Services
Award Years: Federal Fiscal Years 2013-2014 and 2014-2015
Federal Award Number(s): 1401CTCCDF and 1501CTCCDF

Background: The FBI's Criminal Justice Information Services (CJIS) Division has established audit programs to evaluate compliance with policy requirements associated with access to CJIS systems and information. This National Identity Services (NIS) audit assesses compliance with standards, federal laws and regulations associated with the use, dissemination, and security of national criminal history record information (CHRI); National Crime Prevention and Privacy Compact rules and procedures, and the CJIS Security Policy. The NIS audit is performed every three years and includes entities that receive CHRI for criminal justice purposes.

The May 2015, NIS Audit Report of the Office of Early Childhood (OEC) Unlicensed Provider Unit identified ten areas of concern requiring corrective measures. The OEC was out of compliance in the areas of system administration and dissemination. Areas of concern were noted for reason fingerprinted & purpose codes, applicant notification and record challenge, and security.

The OEC provided responses to the federal findings. We reviewed the findings, responses, and corrective action and determined OEC adequately addressed eight of the ten findings. The OEC has not fully complied with the following findings.

Criteria: The CJIS Security Policy requires agencies to establish appropriate administrative, technical, and physical safeguards to ensure the security and confidentiality of records and protect against any anticipated threats or hazards to their security or integrity.

Any Noncriminal Justice Agency (NCJA) receiving access to either the FBI CJIS or the NIS system shall enter into a signed written agreement with the appropriate signatory authority of the authorized agency providing access. The written agreement shall specify which systems (FBI CJIS or NIS) and services the agency will have access to, and the FBI CJIS Division policies the agency must adhere to.

Condition: The NIS audit report stated, "The unit must confirm that it meets encryption requirements." We interviewed agency staff and were not able to verify if the agency has established the required encryption safeguards.

The NIS audit report noted the OEC was found to be out of compliance with the requirement as it pertains to the Connecticut On-Line Law Enforcement Communication Teleprocessing (COLLECT) system. The lack of an agreement for the NIS system was noted as an area of concern. The NIS audit recommendation stated, "The agency must execute the appropriate agreements for the COLLECT and NIS Systems."

The OEC chief legal counsel is in the process of developing the memorandum of understanding (MOU) between OEC and the Department of Emergency Services and Public Protection (DESPP).

Effect: The failure to establish appropriate safeguards may increase the risk that the security and confidentiality of records will not be properly protected from unauthorized access or use.

The lack of a written agreement may allow the user entity to grant unauthorized access to or use of the system in a manner that conflicts with the FBI CJIS Division policies.

Cause: The OEC did not establish appropriate procedures to ensure the security and confidentiality of records.

Prior to hiring a chief legal counsel, OEC did not have staff with legal expertise to draft a MOU.

Recommendation: The Office of Early Childhood should establish appropriate encryption tools in accordance with the Criminal Justice Information Services Security Policy to ensure the security and confidentiality of records and protect against any anticipated threats or hazards to their security of integrity. Efforts should continue to develop a memorandum of understanding with the Office of Emergency Services and Public Protection.

Agency Response: "We agree with this finding. The COLLECT computer has been encrypted with BIT Locker. Both OEC and DESPP have assigned an attorney to begin working on finalizing the MOU."