



State of Connecticut Single Audit Report

For the Fiscal Year Ended June 30, 2017



AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

STATE OF CONNECTICUT
Single Audit Report
For the Year Ended June 30, 2017

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Letter of Transmittal

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

March 29, 2018

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, 2017.

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 \$9,509,000,000 in federal financial assistance during the fiscal year ended June 30, 2017. This audit was performed in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards for financial audits issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

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, 2017.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John C. Geragosian".

John C. Geragosian
Auditor of Public Accounts

A handwritten signature in black ink, appearing to read "Robert J. Kane".

Robert J. Kane
Auditor of Public Accounts

State of Connecticut
Financial Statements

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

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, 2017, 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 2 percent of the assets, 2 percent of the net position and 8 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, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 56 percent of the assets, 48 percent of the net position and 34 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 97 percent of the revenues of the Transportation Fund;

- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University 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 56 percent of the assets, 48 percent of the net position and 34 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, Connecticut State University System, Connecticut Community Colleges, and the University of Connecticut 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, 2017, 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, the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires the disclosure of tax abatements resulting from agreements that are entered into by the state and agreements that are entered into by other governments that reduce the state's tax revenues. Our opinions are not modified with 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, budgetary comparison schedules, pension plan schedules and information, and the other post-employment benefits schedules, 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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 December 29, 2017, 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, 2017, 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
State Auditor



Robert J. Kane
State Auditor

December 29, 2017
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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, 2017. The information provided here should be read in conjunction with the letter of transmittal in the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide Financial Statements

The State's total net position (deficit) increased \$802 million (or 2.1 percent) as a result of this year's operations. Net position (deficit) of governmental activities increased by \$1.2 billion (or 2.8 percent) and net position of business-type activities increased by \$440 million (or 7.0 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative \$45.4 billion and \$6.7 billion, respectively.

Component units reported net position of \$2.4 billion, an increase of \$46.2 million or 2.0 percent from the previous year. The majority of the net position is attributable to the Connecticut Housing Finance Authority, a major component unit.

Fund Financial Statements

The governmental funds reported combined ending fund balance of \$2.9 billion, an increase of \$1.0 billion in comparison with the prior year. Of this total fund balance, \$195.6 million represents nonspendable fund balance, \$3.2 billion represents restricted fund balance, \$303.5 million represents committed fund balance, and \$6.5 million represents assigned fund balance. A negative \$829.7 million unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund which decreased by \$177.7 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 \$212.9 million.

Tax revenues in the governmental funds decreased \$85.4 million or .05 percent. General fund tax revenues decreased \$135.4 million or .09 percent.

The Enterprise funds reported net position of \$6.7 billion at year-end, an increase of \$440.1 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 \$74.5 billion for governmental activities at year-end, of which \$25.5 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 of 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 – Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities beginning on page 35 together comprise the government-wide financial statements. These 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 of Connecticut

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 them 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 2017. 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, Board of Regents (Connecticut State Universities & 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 – Report the State's Most Significant Funds

The fund financial statements beginning on page 39 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds** – 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

State of Connecticut

Fund, and Grants and Loan Programs Fund, all of which are considered major funds. Data from the other seventeen 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 four individual proprietary funds. Information is presented separately in the proprietary fund statements for the University of Connecticut and Health Center, Board of Regents (Connecticut 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.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages 41 and 43 which reconcile and explain the differences between the amounts reported for governmental activities on the government-wide statements (full accrual basis of accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual basis of accounting, short-term focus). The following are some of the major differences between the two statements.

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is expenditures on the governmental fund statements.
- Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.
- Net Pension Liability and Net OPEB Obligation are included on the government-wide statements, but are not reported on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements, but are deferred inflows of resource on the governmental fund statements.

State of Connecticut

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 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.

Supplementary Information

The combining financial statements for the State's nonmajor governmental, nonmajor enterprise, nonmajor fiduciary funds, and nonmajor discretely presented component units.

Statistical Section

This section provides up to ten years of financial, economic, and demographic information.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position

The combined net position deficit of the State increased \$802 million or 2.1 percent. In comparison, last year the combined net position deficit increased \$2.5 billion or 7.0 percent. The net position deficit of the State's governmental activities increased \$1.2 billion (2.8 percent) to \$45.4 billion during the current fiscal year.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS						
Current and Other Assets	\$ 4,074	\$ 4,674	\$ 2,477	\$ 4,166	\$ 6,551	\$ 8,840
Capital Assets	16,653	13,706	6,888	4,539	23,541	18,245
Total Assets	<u>20,727</u>	<u>18,380</u>	<u>9,365</u>	<u>8,705</u>	<u>30,092</u>	<u>27,085</u>
Deferred Outflows of Resources	11,183	2,656	14	12	11,197	2,668
LIABILITIES						
Current Liabilities	4,716	4,501	691	715	5,407	5,216
Long-term Liabilities	72,236	60,580	1,976	1,714	74,212	62,294
Total Liabilities	<u>76,952</u>	<u>65,081</u>	<u>2,667</u>	<u>2,429</u>	<u>79,619</u>	<u>67,510</u>
Deferred Inflows of Resources	328	83	3	19	331	102
NET POSITION						
Net Investment in Capital Assets	4,568	4,531	4,126	3,794	8,694	8,325
Restricted	2,888	1,977	1,018	1,090	3,906	3,067
Unrestricted	(52,826)	(50,636)	1,565	1,385	(51,261)	(49,251)
Total Net Position (Deficit)	<u>\$ (45,370)</u>	<u>\$ (44,128)</u>	<u>\$ 6,709</u>	<u>\$ 6,269</u>	<u>\$ (38,661)</u>	<u>\$ (37,859)</u>

Total investment in capital assets net of related debt was \$4.6 billion (buildings, roads, bridges, etc.), and \$2.9 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of \$52.8 billion for governmental activities. 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 outstanding of \$18.4 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 \$49.0 billion, which are partially funded or not funded by the State (e.g., net pension liability and OPEB obligations and compensated absences).

State of Connecticut

Net position of the State's business-type activities increased \$440.0 million (7.0 percent) to \$6.7 billion during the current fiscal year. Of this amount, \$4.1 billion was invested in capital assets and \$1.0 billion was restricted for specific purposes, resulting in unrestricted net positions of \$1.6 billion. These resources are not available 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).

Changes in net position for the years ended June 30, 2017 and 2016 were as follows:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% change 17-16</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
REVENUES							
Program Revenues							
Charges for Services	\$ 3,038	\$ 1,998	\$ 2,887	\$ 2,820	\$ 5,925	\$ 4,818	23.0%
Operating Grants and Contributions	7,368	7,179	367	594	7,735	7,773	-0.5%
Capital Grants and Contributions	863	779	1	6	864	785	10.1%
General Revenues							
Taxes	16,141	16,204	-	-	16,141	16,204	-0.4%
Casino Gaming Payments	270	266	-	-	270	266	1.5%
Lottery Tickets	326	335	-	-	326	335	-2.7%
Other	153	207	16	13	169	220	-23.2%
Total Revenues	<u>28,159</u>	<u>26,968</u>	<u>3,271</u>	<u>3,433</u>	<u>31,430</u>	<u>30,401</u>	3.4%
EXPENSES							
Legislative	129	140	-	-	129	140	-7.9%
General Government	2,281	2,545	-	-	2,281	2,545	-10.4%
Regulation and Protection	977	968	-	-	977	968	0.9%
Conservation and Development	1,221	1,104	-	-	1,221	1,104	10.6%
Health and Hospital	2,714	2,772	-	-	2,714	2,772	-2.1%
Transportation	1,594	2,238	-	-	1,594	2,238	-28.8%
Human Services	9,470	9,116	-	-	9,470	9,116	3.9%
Education, Libraries, and Museums	5,185	5,315	-	-	5,185	5,315	-2.4%
Corrections	2,211	2,308	-	-	2,211	2,308	-4.2%
Judicial	1,074	1,135	-	-	1,074	1,135	-5.4%
Interest and Fiscal Charges	878	829	-	-	878	829	5.9%
University of Connecticut & Health Center	-	-	2,310	2,255	2,310	2,255	2.4%
Board of Regents	-	-	1,360	1,363	1,360	1,363	-0.2%
Employment Security	-	-	726	686	726	686	5.8%
Clean Water	-	-	36	38	36	38	-5.3%
Other	-	-	66	67	66	67	-1.5%
Total Expenses	<u>27,734</u>	<u>28,470</u>	<u>4,498</u>	<u>4,409</u>	<u>32,232</u>	<u>32,879</u>	-2.0%
Excess (Deficiency) Before Transfers	425	(1,502)	(1,227)	(976)	(802)	(2,478)	
Transfers	(1,667)	(1,746)	1,667	1,746	-	-	
Increase (Decrease) in Net Position	<u>(1,242)</u>	<u>(3,248)</u>	<u>440</u>	<u>770</u>	<u>(802)</u>	<u>(2,478)</u>	
Net Position (Deficit) - Beginning	(44,128)	(40,880)	6,269	5,499	(37,859)	(35,381)	
Net Position (Deficit) - Ending	<u>(45,370)</u>	<u>(44,128)</u>	<u>6,709</u>	<u>6,269</u>	<u>(38,661)</u>	<u>(37,859)</u>	2.1%

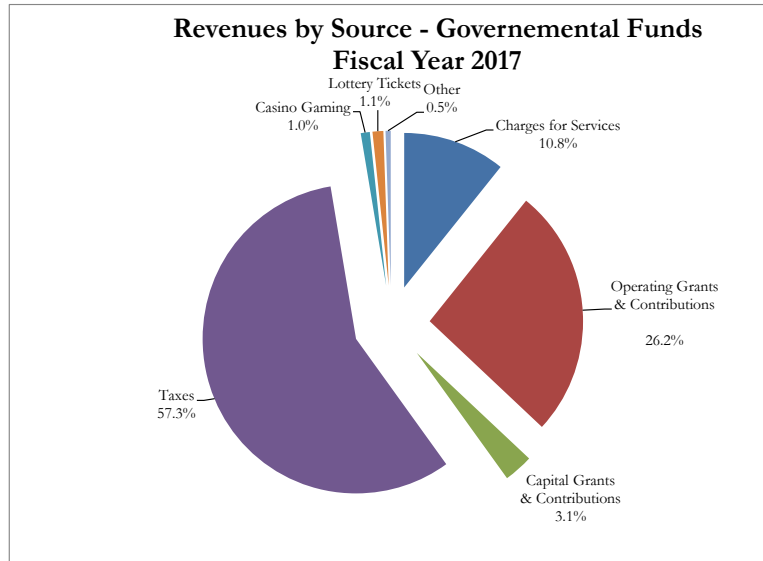
State of Connecticut

Changes in Net Position

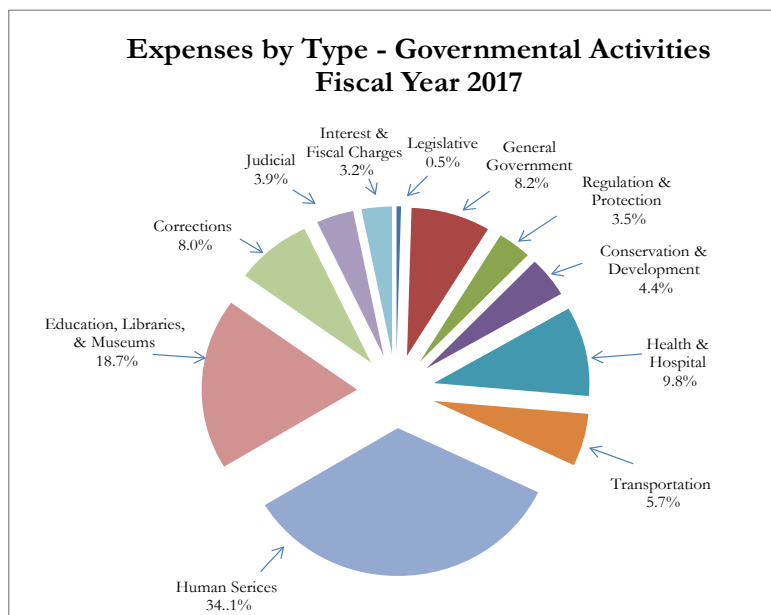
This year the State's governmental activities received 57.3 percent of its revenue from taxes and 29.3 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 60.1 percent and grants and contributions were 29.5 percent of total revenues. Charges for services such as licenses, permits and fees, rents and fines, and other miscellaneous collections comprised 10.8 percent of total revenue in fiscal year 2017, compared to 7.4 percent in fiscal year 2016.

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 4.4 percent. This increase is primarily due to an increase of \$1.0 billion from charges for services.



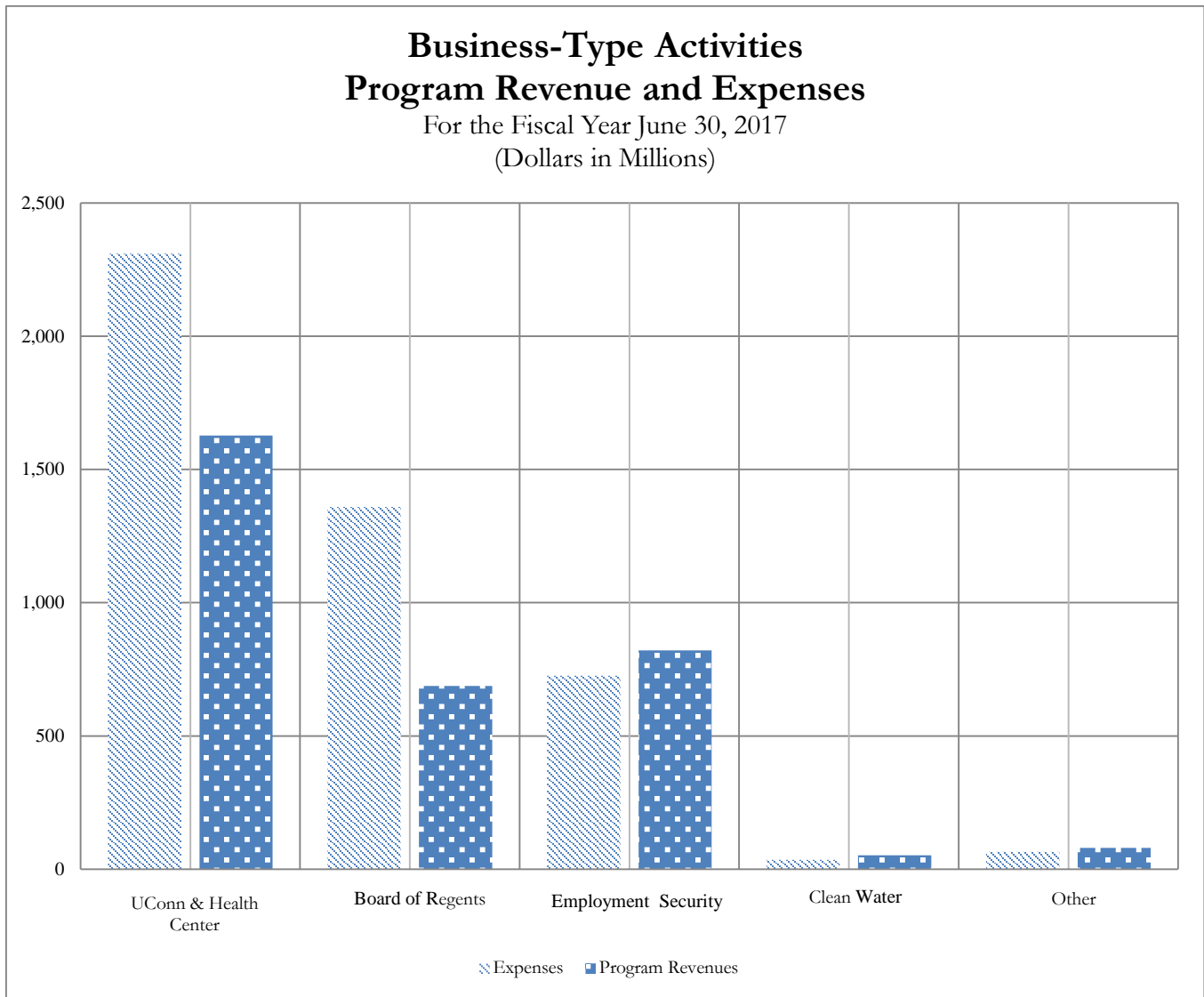
The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by \$736 million, or 2.6 percent. The decrease is mainly attributable to decreased spending in general government.



State of Connecticut

Business-Type Activities

Net position of business-type activities increased by \$440 million during the fiscal year. The following chart highlights the changes in net position for the major enterprise funds.



During the year, total revenues of business-type activities decreased 4.7 percent to \$3.3 billion, while total expenses increased 2.0 percent to \$4.5 billion. In comparison, last year total revenues increased 3.0 percent, while total expenses increased 1.3 percent. The increase in total expenses of \$89 million was due mainly to an increase in University of Connecticut and Health Center expenses of \$55 million or 2.4 percent. Although total expenses exceeded total revenues by \$1.2 billion, this deficiency was reduced by transfers of \$1,667 million, resulting in an increase in net position of \$440 million.

State of Connecticut

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 \$2.9 billion, an increase of \$1.0 billion over the prior year ending fund balances. Of the total governmental fund balances, \$3.2 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation; \$195.6 million represents fund balance that is non-spendable and \$310.0 million represents fund balance that is committed or assigned for specific purposes. A negative \$829.7 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 \$494.4 million, a decrease of \$119.8 million in comparison with the prior year. Of this total fund balance, \$326.7 million represents non-spendable fund balance or committed for specific purposes, leaving a deficit of \$821.1 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Nonspendable fund balance increased by \$1.1 million or 2.0 percent.
- Committed fund balance decreased by \$59.0 million or 17.8 percent. There also was a statutory transfer from the Budget Reserve Fund (Rainy Day Fund) of \$22.7 million; after the transfer the fund ended the year with a balance of \$212.9 million.
- Unassigned fund balance deficit decreased by \$177.7 million.

At the end of fiscal year 2017, General Fund revenues were 1.6 percent, or \$287.1 million, higher than fiscal year 2016 revenues. This change in revenue results from increases of \$456.7 million primarily attributable to federal grants (\$134.9 million), casino gaming payments (\$4.0 million), fines, forfeits, and rents (\$174.0 million), and other revenue (\$143.8 million). These increases were offset by decreases of \$169.6 million primarily attributable to taxes (\$135.4 million), licenses, permits and fees (\$20.6 million), and other revenue (\$13.6 million).

At the end of fiscal year 2017, General Fund expenditures were 1.8 percent, or \$306.1 million, lower than fiscal year 2016. This was primarily attributable to a decrease in health & hospitals of \$532.5 million. Net other financing sources and uses increased by \$48.1 million.

Debt Service Fund

At the end of fiscal year 2017, the Debt Service Fund had a fund balance of \$827.1 million, all of which was restricted, an increase of \$88.9 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of \$182.1 million at the end of fiscal 2017. Of this amount, \$26.9 million was in nonspendable form and \$155.2 million was restricted or committed for specific purposes. Fund balance decreased by \$29.7 million during the current fiscal year.

At the end of fiscal year 2017, Transportation Fund revenues increased by \$42.9 million, or 3.1 percent, and expenditures decreased by \$24.3 million, or 2.6 percent. The increased revenue is primarily due to an increase in licenses, permits, and fees.

Restricted Grants and Accounts Fund

At the end of fiscal year 2017, the Restricted Grants and Accounts Fund had a fund balance of \$428.1 million, all of which was restricted for specific purposes, an increase of \$230.2 million in comparison with the prior year.

Total revenues were 12.7 percent, or \$855.2 million, higher than in fiscal year 2016. Overall, total expenditures were 10.1 percent, or \$685.2 million, higher than fiscal year 2016.

Grant and Loan Programs

As of June 30, 2017, the Grant and Loan Programs Fund had a fund balance of \$843.3 million, all of which was restricted for specific purposes, an increase of \$153.8 million in comparison with the prior year.

State of Connecticut

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 \$34.2 billion, an increase of \$3.3 billion when compared to the prior year ending net position.

Budget Highlights-General Fund

The State budget is formulated during odd-numbered years; the General Assembly generates a two-year (biennial) budget. The process begins with the Executive Branch, when the governor asks the commissioner of each state agency to prepare draft budgets for the following biennium. Over several months the governor's budget office, the Office of Policy and Management (OPM), compiles this information, makes changes as it sees fit, and then works to match the agencies' spending projections with revenue estimates for the same period.

The results, referred to as the 'governor's budget,' is delivered to the General Assembly in a formal address by the governor in early February. The annual budget address often includes policy initiatives, spending proposals, and vehicles through which additional revenue may be generated. In the address, the governor identifies his priorities for the biennium.

Thereafter, the legislature goes through a similar process to determine spending priorities and corresponding revenue requirements. Later in the session, the Appropriations and Finance Committees approve a budget, which is often different from the governor's. Negotiations with the governor's office reconcile the two versions and determine the final budget language and the state's fiscal path for the following two years. Lastly, the budget must be voted on and passed by both the House and Senate and signed into law by the governor.

The General Fund ended Fiscal Year 2017 with a deficit of \$22,696,231. A transfer from the Budget Reserve Fund eliminated the shortfall. The Transportation Fund had an operating deficit of \$45,225,502, which left a positive fund balance of \$97,615,054 at the close of Fiscal Year 2017.

After the transfer to the General Fund, the Budget Reserve Fund has a balance of \$212,886,689. The reserves at the beginning of Fiscal Year 2017 were \$235,582,920.

In evaluating the Fiscal Year 2017 General Fund deficit, some context may be instructive. The revised budget for FY 2017 included appropriation levels that were \$847.2 million lower than the original budget for FY 2017, adopted in Public Act 15-244. The net reductions in the revised budget for FY 2017 were largely driven by underperforming revenue collections as reflected in the April 30, 2016 consensus revenue forecast, the last of FY 2016.

The revised budget for FY 2017 had a negative growth rate of -0.32 percent, comparing the revised appropriations for FY 2017 to actual FY 2016 expenditures. In the end, General Fund FY 2017 expenditures of \$17,763,039,724 came in \$100.9 million below the revised budget plan.

Overall, General Fund expenditures that are classified as fixed costs continued to grow in FY 2017. Fixed costs, as defined by Connecticut General Statutes (CGS) section 2-36(b), include categories such as entitlements, debt service, pension payments and retirement health insurance costs.

Debt service costs, including UCONN 2000 debt, grew by \$103.6 million in FY 2017 compared with the prior year, an increase of 5.7 percent. Retirement health costs rose by \$60.5 million in FY 2017, representing growth of 9.4 percent. Pension contributions, including the State Employee Retirement and Teachers' Retirement Systems, increased by \$64.5 million or 3.1 percent. Medicaid expenditures, the largest line item in the General Fund, grew by only \$16 million in FY 2017, less than one percent over FY 2016.

State of Connecticut

Despite rising fixed costs, year-over-year expenditures declined in FY 2017 by \$158.2 million compared with FY 2016 actuals, a decline of nearly one percent. This was accomplished by more stringent cost controls applied to other types of General Fund spending. Personal services expenditures, the primary appropriation for General Fund employee salaries, decreased by \$155.3 million in FY 2017, a reduction of 6.8 percent. Position reductions in the General Fund also translated into \$32.9 million in lower costs for active employee health insurance and Social Security taxes. Other expenses, which state agencies use for a wide variety of non-salary items, decreased by \$52.4 million, a decline of 10.4 percent. Another notable reduction included General Fund block grants for higher education units, which fell by \$67.5 million or 9.5 percent.

Disappointing revenue performance led to deficit mitigation efforts in the fourth quarter of FY 2017, including allotment reductions and revenue transfers contained in Public Act 17-51. In particular, April tax collections were significantly lower than expected. For the year, Personal Income Tax receipts, the largest single General Fund revenue source, came in \$530.3 million below FY 2017 budget targets and \$193 million below FY 2016 final results. A closer look at the components of the income tax revealed that there was modest growth of 1.3 percent in the withholding portion of receipts compared with the prior year totals. However, despite a rising stock market, the estimated and final payments portion of the income tax came in well below projected levels. Collections for these more volatile components, which are related to capital gains and bonus payments, dropped by 7.8 percent compared with FY 2016. One possible explanation for this trend is that wealthy state residents may be holding off selling assets in anticipation of tax reductions at the Federal level. In addition, investors are relying more heavily on tax efficient vehicles such as Exchange Traded Funds (ETFs), which are designed to minimize taxes on capital gains.

Sales and Use Tax receipts, the second largest General Fund tax category, ended the year \$136.5 million below the budget plan. On a positive note, the Corporations Tax offset some of these revenue shortfalls by coming in \$193.8 million above target in FY 2017. The Inheritance and Estate Tax also over-performed budget projections by \$44.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled \$19.8 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was \$1.6 billion.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and land of \$339.9 million and depreciation expense of \$717.9 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,788	\$ 1,747	\$ 69	\$ 68	\$ 1,857	1,815
Buildings	2,836	2,605	3,385	3,253	6,221	5,858
Improvements Other Than Buildings	127	141	197	184	324	325
Equipment	49	-	344	348	393	348
Infrastructure	5,096	4,613	-	-	5,096	4,613
Construction in Progress	4,988	4,545	877	686	5,865	5,231
Total	<u>\$ 14,884</u>	<u>\$ 13,651</u>	<u>\$ 4,872</u>	<u>\$ 4,539</u>	<u>\$ 19,756</u>	<u>\$ 18,190</u>

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

State of Connecticut

Long-Term Debt - Bonded Debt

At the end of the current fiscal year, the State had total debt outstanding of \$27.1 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		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 18,399	\$ 17,395	\$ -	\$ -	\$ 18,399	\$ 17,395
Transportation Related bonds	5,042	4,520	-	-	5,042	4,520
Revenue Bonds	-	-	1,443	1,271	1,443	1,271
Long-Term Notes	177	353	-	-	177	353
Premiums and Deferred Amounts	1,887	1,672	175	12	2,062	1,684
Total	\$ 25,505	\$ 23,940	\$ 1,618	\$ 1,283	\$ 27,123	\$ 25,223

The State's total bonded debt increased by \$1.9 billion (7.5 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of \$1.0 billion.

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 2017, 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		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability	\$ 37,192	\$ 27,449	\$ -	\$ -	\$ 37,192	\$ 27,449
Net OPEB Obligation	10,450	9,928	-	-	10,450	9,928
Compensated Absences	513	511	193	190	706	701
Workers Compensation	718	684	-	-	718	684
Other	120	147	327	349	447	496
Total	\$ 48,993	\$ 38,719	\$ 520	\$ 539	\$ 49,513	\$ 39,258

The State's other long-term obligations increased by \$10.3 billion (26.1 percent) during the fiscal year. This increase was due mainly to an increase in the net pension liability (Governmental activities) of \$9.7 billion or 35.5 percent. Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

State of Connecticut

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

According to state Department of Labor (DOL) statistics, Connecticut gained 12,200 nonfarm seasonally-adjusted payroll jobs over the course of FY 2017 and had a total of 1,692,800 employed residents as of June 2017. As the fiscal year closed, unemployment stood at 5.0 percent, down one-tenth of a percent from the beginning of the fiscal year. Connecticut had recovered 82.3 percent (98,000 jobs) of the 119,100 seasonally adjusted jobs lost in the Great Recession (March 2008 to February 2010) by the end of the fiscal year.

After mixed results in calendar 2016, the housing market in Connecticut improved during the first six months of 2017. According to Berkshire Hathaway Home Services, sales and prices were up for both single family homes and condominiums in the first quarter of 2017 compared with the same period in 2016. In the second quarter of 2017, Connecticut experienced a 5.7 percent increase in sales volume year-over-year and 9.1 percent decrease in days on the market. Compared with the same period in the prior year, the median price for single family homes increased 3.1 percent and condominiums increased 3.0 percent.

During FY 2017, Connecticut's economy experienced lower levels of growth compared with past recoveries. After advancing at a 2 percent rate in the fourth quarter of 2016, Connecticut's GDP growth slowed to 0.6 percent in the first quarter of 2017, which ranked 37th among all states. Personal income was expanding in Connecticut at an annual rate of just one percent during Fiscal Year 2017. Personal income growth in the second quarter of 2017 was 0.8 percent, which ranked 22nd among U.S. states.

Despite the deep recession of 2008 and the slow pace of recovery, Connecticut continues to be a wealthy state. The Bureau of Economic Analysis reports that in 2016, Connecticut had a per capita personal income (PCPI) of \$69,311. This PCPI ranked 1st in the United States and was 141 percent of the national average of \$49,246. The 2016 PCPI reflected an increase of 1.4 percent from 2015. The 2015-2016 national change was 1.6 percent. In 2006, the PCPI of Connecticut was \$54,191 and ranked 1st in the United States. The 2006-2016 compound annual growth rate of PCPI was 2.5 percent. The compound annual growth rate for the nation was 2.6 percent.

Over the past several decades, the national economy has seen increasing wage disparity between skilled and unskilled workers. Accordingly, Connecticut's high income is partially explained by the educational achievement of its citizens. Almost 22 percent of the state's adult population has a bachelor's degree and nearly 17 percent possess a graduate degree or higher according to the U.S. Census Bureau. This puts Connecticut's national ranking at 8th and 4th respectively in the educational attainment of its adult population.

The state continues to be a leader in technology and innovation within its industries. On a per capita basis, Connecticut ranked 6th among states in research and development spending. The state ranked 8th nationally in patents granted per population. The state's principal industries today produce jet engines and parts, submarines, electronics and electrical machinery, computer equipment, and helicopters, as well as cutting-edge pharmaceuticals (Connecticut ranks 4th in the nation in bioscience patents per capita). Much of Connecticut's manufacturing is for the military.

As in many other states, Connecticut's traditional core sectors are being reshaped by national trends and global competition. Manufacturing's contribution to the state economy as measured by GDP has been cut in half over recent decades. At the end of 1990, total manufacturing payroll employment in the state posted over 290,000 jobs; at the end of 2016, that job total was just over 156,000.

Finance, insurance and real estate (FIRE) is an important industry grouping that in 2016 contributed the highest dollar amount to the state's Real Gross Domestic Product at over one quarter of the total. However, the financial crisis that caused the 2008 recession significantly reduced employment in this sector. Jobs in the financial sector remain approximately 13,000 below the 2008 pre-recession peak. These are some of the highest paying jobs within the state. Over the past ten years in Connecticut, the strongest job gains have been in industries with below average wages. The largest gains have been posted in educational services, health care and social assistance, and accommodation and food services, but wages in these sectors are about 20 percent below the statewide average.

State of Connecticut

Looking forward Connecticut has numerous competitive advantages and challenges in shaping its economy. As discussed in the introductory section above, Connecticut has been steadily regaining jobs that were lost to the 2008 recession. There are also indications of pay gains in many sectors. The state's labor force has the 5th highest productivity rate in the country, which should help sustain higher wages into the future. Connecticut can boast of a high quality of life in attracting and retaining businesses. Connecticut has a ranking of 5th among all states in quality of life measures with the 2nd highest median family income, the 3rd highest overall health of residents, and the 7th lowest rate of property crime.

Connecticut surely has challenges ahead in stabilizing its state budget, improving its transportation system and revitalizing its urban centers to accommodate growing preferences for urban living. Our state is well positioned to create a strong economy moving into the future. The state ranked 8th nationally in its readiness for the "New Economy", which measures knowledge jobs, globalization, the digital economy, and innovation capacity among other factors. The stability of future state budgets is dependent on this economic growth. Job growth, wage growth and capital gains have been dependable indicators of state revenue growth and the resulting budget balance.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3352.

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*BASIC
FINANCIAL
STATEMENTS*

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State of Connecticut

STATEMENT OF NET POSITION

June 30, 2017

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,470,178	\$ 846,008	\$ 2,316,186	\$ 296,688
Deposits with U.S. Treasury	-	482,330	482,330	-
Investments	116,653	77,040	193,693	449,856
Receivables, (Net of Allowances)	2,679,234	646,613	3,325,847	110,001
Due from Primary Government	-	-	-	6,520
Inventories	44,378	12,572	56,950	5,937
Restricted Assets	-	142,418	142,418	1,019,300
Internal Balances	(245,277)	245,277	-	-
Other Current Assets	8,276	25,001	33,277	21,648
Total Current Assets	4,073,442	2,477,259	6,550,701	1,909,950
Noncurrent Assets:				
Cash and Cash Equivalents	-	528,321	528,321	-
Due From Component Units	37,910	-	37,910	-
Investments	-	58,372	58,372	208,037
Receivables, (Net of Allowances)	903,227	999,220	1,902,447	437,300
Restricted Assets	827,125	425,743	1,252,868	4,738,258
Capital Assets, (Net of Accumulated Depreciation)	14,884,431	4,872,356	19,756,787	771,013
Other Noncurrent Assets	83	3,684	3,767	63,507
Total Noncurrent Assets	16,652,776	6,887,696	23,540,472	6,218,115
Total Assets	\$ 20,726,218	\$ 9,364,955	\$ 30,091,173	\$ 8,128,065
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 826	\$ -	\$ 826	\$ 44,569
Unamortized Losses on Bond Refundings	79,122	13,819	92,941	79,527
Related to Pensions	11,103,357	-	11,103,357	84,957
Other Deferred Outflows	-	396	396	55
Total Deferred Outflows of Resources	\$ 11,183,305	\$ 14,215	\$ 11,197,520	\$ 209,108
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 966,482	\$ 392,433	\$ 1,358,915	\$ 108,118
Due to Component Units	6,520	-	6,520	-
Due to Primary Government	-	-	-	37,910
Due to Other Governments	359,059	770	359,829	-
Current Portion of Long-Term Obligations	2,262,093	162,939	2,425,032	193,464
Amount Held for Institutions	-	-	-	216,998
Unearned Revenue	22,312	41,270	63,582	-
Medicaid Liability	632,473	-	632,473	-
Liability for Escheated Property	387,182	-	387,182	-
Other Current Liabilities	80,079	93,580	173,659	62,253
Total Current Liabilities	4,716,200	690,992	5,407,192	618,743
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	72,235,501	1,975,649	74,211,150	5,289,968
Total Noncurrent Liabilities	72,235,501	1,975,649	74,211,150	5,289,968
Total Liabilities	\$ 76,951,701	\$ 2,666,641	\$ 79,618,342	\$ 5,908,711
Deferred Inflows of Resources				
Related to Pensions	\$ 327,673	\$ -	\$ 327,673	\$ 27,766
Other Deferred Inflows	-	3,338	3,338	2,000
Total Deferred Inflows of Resources	\$ 327,673	\$ 3,338	\$ 331,011	\$ 29,766
Net Position				
Net Investment in Capital Assets	\$ 4,568,371	\$ 4,126,277	\$ 8,694,648	\$ 458,330
Restricted For:				
Transportation	83,834	-	83,834	-
Debt Service	754,529	4,508	759,037	7,664
Federal Grants and Other Accounts	421,152	-	421,152	-
Capital Projects	504,776	126,207	630,983	114,613
Grant and Loan Programs	849,411	-	849,411	-
Clean Water and Drinking Water Projects	-	729,809	729,809	-
Bond Indenture Requirements	-	-	-	865,197
Loans	-	2,565	2,565	-
Permanent Investments or Endowments:				
Expendable	-	-	-	99,232
Nonexpendable	112,934	14,970	127,904	436,911
Other Purposes	161,273	139,870	301,143	108,481
Unrestricted (Deficit)	(52,826,131)	1,564,985	(51,261,146)	308,268
Total Net Position (Deficit)	\$ (45,369,851)	\$ 6,709,191	\$ (38,660,660)	\$ 2,398,696

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services, Fees, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 128,659	\$ 4,144	\$ 23	\$ -
General Government	2,281,216	975,905	67,300	-
Regulation and Protection	976,521	860,719	164,789	-
Conservation and Development	1,220,870	79,620	136,339	-
Health and Hospitals	2,713,513	618,482	192,261	-
Transportation	1,593,860	90,663	-	863,002
Human Services	9,470,826	220,670	6,031,992	-
Education, Libraries, and Museums	5,185,450	43,041	620,684	-
Corrections	2,211,201	11,118	137,914	-
Judicial	1,073,970	133,588	16,580	-
Interest and Fiscal Charges	877,822	-	-	-
Total Governmental Activities	27,733,908	3,037,950	7,367,882	863,002
Business-Type Activities:				
University of Connecticut & Health Center	2,310,348	1,355,686	267,290	1,388
Board of Regents	1,360,029	628,345	58,038	-
Employment Security	725,609	799,630	21,424	-
Clean Water	36,234	35,800	8,921	-
Other	66,328	67,202	11,614	-
Total Business-Type Activities	4,498,548	2,886,663	367,287	1,388
Total Primary Government	\$ 32,232,456	\$ 5,924,613	\$ 7,735,169	\$ 864,390
Component Units				
Connecticut Housing Finance Authority (12/31/16)	\$ 204,781	\$ 169,992	\$ -	\$ -
Connecticut Lottery Corporation	1,221,620	1,216,393	-	-
Connecticut Airport Authority	82,733	99,187	-	7,930
Other Component Units	292,357	277,390	45	2,339
Total Component Units	\$ 1,801,491	\$ 1,762,962	\$ 45	\$ 10,269
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				
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 to the Financial Statements are an integral part of this statement.

State of Connecticut

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (124,492)	\$ -	\$ (124,492)	\$ -
(1,238,011)	-	(1,238,011)	-
48,987	-	48,987	-
(1,004,911)	-	(1,004,911)	-
(1,902,770)	-	(1,902,770)	-
(640,195)	-	(640,195)	-
(3,218,164)	-	(3,218,164)	-
(4,521,725)	-	(4,521,725)	-
(2,062,169)	-	(2,062,169)	-
(923,802)	-	(923,802)	-
(877,822)	-	(877,822)	-
(16,465,074)	-	(16,465,074)	-
-	(685,984)	(685,984)	-
-	(673,646)	(673,646)	-
-	95,445	95,445	-
-	8,487	8,487	-
-	12,488	12,488	-
-	(1,243,210)	(1,243,210)	-
(16,465,074)	(1,243,210)	(17,708,284)	-
-	-	-	(34,789)
-	-	-	(5,227)
-	-	-	24,384
-	-	-	(12,583)
-	-	-	(28,215)
8,065,612	-	8,065,612	-
828,100	-	828,100	-
4,226,788	-	4,226,788	-
2,022,836	-	2,022,836	-
907,641	-	907,641	-
90,199	-	90,199	-
269,906	-	269,906	-
123,360	-	123,360	-
326,415	-	326,415	-
29,061	16,357	45,418	74,472
(1,666,956)	1,666,956	-	-
15,222,962	1,683,313	16,906,275	74,472
(1,242,112)	440,103	(802,009)	46,257
(44,127,739)	6,269,088	(37,858,651)	2,352,439
\$ (45,369,851)	\$ 6,709,191	\$ (38,660,660)	\$ 2,398,696

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FUND FINANCIAL STATEMENTS

State of Connecticut

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ -	\$ -	\$ 39,579	\$ 439,477	\$ 292,646	\$ 686,428	\$ 1,458,130
Investments	-	-	-	-	-	116,653	116,653
Securities Lending Collateral	-	-	-	-	-	8,094	8,094
Receivables:							
Taxes, Net of Allowances	1,380,503	-	139,358	-	-	-	1,519,861
Accounts, Net of Allowances	423,986	-	19,530	138,160	6,531	74,305	662,512
Loans, Net of Allowances	3,419	-	-	46,686	557,203	295,919	903,227
From Other Governments	21,853	-	-	464,033	-	8,822	494,708
Interest	-	1,419	236	-	-	-	1,655
Other	-	-	-	-	-	13	13
Due from Other Funds	43,672	-	1,419	270	5	279,441	324,807
Due from Component Units	36,918	-	-	992	-	-	37,910
Inventories	13,255	-	26,906	-	-	-	40,161
Restricted Assets	-	827,125	-	-	-	-	827,125
Total Assets	<u>\$ 1,923,606</u>	<u>\$ 828,544</u>	<u>\$ 227,028</u>	<u>\$ 1,089,618</u>	<u>\$ 856,385</u>	<u>\$ 1,469,675</u>	<u>\$ 6,394,856</u>
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 350,217	\$ -	\$ 31,042	\$ 236,945	\$ 6,650	\$ 95,425	\$ 720,279
Due to Other Funds	356,302	1,419	-	3,360	31	204,905	566,017
Due to Component Units	-	-	-	6,520	-	-	6,520
Due to Other Governments	357,717	-	-	1,342	-	-	359,059
Unearned Revenue	10,263	-	-	-	-	12,049	22,312
Medicaid Liability	256,355	-	-	376,118	-	-	632,473
Liability For Escheated Property	387,182	-	-	-	-	-	387,182
Securities Lending Obligation	-	-	-	-	-	8,094	8,094
Other Liabilities	50,302	-	-	21,683	-	-	71,985
Total Liabilities	<u>1,768,338</u>	<u>1,419</u>	<u>31,042</u>	<u>645,968</u>	<u>6,681</u>	<u>320,473</u>	<u>2,773,921</u>
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	649,686	-	13,835	15,586	6,449	71,982	757,538
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	53,592	-	26,906	-	-	-	80,498
Permanent Fund Principal	-	-	-	-	-	115,072	115,072
Restricted For:							
Debt Service	-	827,125	-	-	-	-	827,125
Transportation Programs	-	-	124,856	-	-	-	124,856
Federal Grant and State Programs	-	-	-	428,064	-	-	428,064
Grants and Loans	-	-	-	-	841,956	-	841,956
Other	-	-	-	-	-	965,495	965,495
Committed For:							
Continuing Appropriations	60,237	-	30,389	-	-	-	90,626
Budget Reserve Fund	212,887	-	-	-	-	-	212,887
Assigned To:							
Grants and Loans	-	-	-	-	1,299	-	1,299
Other	-	-	-	-	-	5,207	5,207
Unassigned	(821,134)	-	-	-	-	(8,554)	(829,688)
Total Fund Balances	<u>(494,418)</u>	<u>827,125</u>	<u>182,151</u>	<u>428,064</u>	<u>843,255</u>	<u>1,077,220</u>	<u>2,863,397</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,923,606</u>	<u>\$ 828,544</u>	<u>\$ 227,028</u>	<u>\$ 1,089,618</u>	<u>\$ 856,385</u>	<u>\$ 1,469,675</u>	<u>\$ 6,394,856</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2017

(Expressed in Thousands)

Total Fund Balance - Governmental Funds \$ 2,863,397

Amounts 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 (see Note 9). These consist of:

Cost of capital assets (excluding internal service funds)	29,942,437	
Less: Accumulated depreciation (excluding internal service funds)	<u>(15,106,922)</u>	
Net capital assets		14,835,515

Some assets such as receivables, are not available soon enough to pay for current period's expenditures and thus, are offset by unavailable revenue in the governmental funds. 757,538

Deferred losses on refundings are reported in the Statement of Net Position (to be amortized as interest expense) but are not reported in the funds. 79,122

Deferred outflows for pensions are reported in the Statement of Net Position but are not reported in the funds (see Note 10). 11,103,357

Long-term debt instruments such as bonds and notes payable, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 16). Also, unamortized debt premiums and interest payable are reported in the Statement of Net Position but are not reported in the funds. These balances consist of:

General obligation bonds payable	(18,398,554)	
Transportation bonds payable	(5,041,840)	
Notes payable	(177,120)	
Unamortized premiums	(1,887,084)	
Accrued interest payable	<u>(239,917)</u>	
Net long-term debt		(25,744,515)

Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 16).

Net pension liability	(37,192,071)	
Net OPEB obligation	(10,450,182)	
Obligations for worker's compensation	(718,016)	
Capital leases payable	(30,900)	
Compensated absences (excluding internal service funds)	(511,386)	
Claims and judgments payable	(51,163)	
Landfill postclosure care	<u>(36,297)</u>	
Total other liabilities		(48,990,015)

Deferred inflows for pensions are reported in the Statement of Net Position but are not reported in the funds (see Note 11).

Pension related		(327,673)
-----------------	--	-----------

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.

	53,423	
Total Net Position - Governmental Activities	<u>\$ (45,369,851)</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	\$ 15,081,933	\$ -	\$ 997,102	\$ 2	\$ -	\$ -	\$ 16,079,037
Licenses, Permits, and Fees	272,860	-	331,109	5,239	-	88,002	697,210
Tobacco Settlement	-	-	-	-	-	123,360	123,360
Federal Grants and Aid	1,992,063	-	12,168	6,158,944	-	67,709	8,230,884
State Grants and Aid	-	-	-	-	-	-	-
Lottery Tickets	326,415	-	-	-	-	-	326,415
Charges for Services	39,146	-	64,403	-	-	1,071	104,620
Fines, Forfeits, and Rents	188,171	-	19,777	-	-	1,000	208,948
Casino Gaming Payments	269,906	-	-	-	-	-	269,906
Investment Earnings	2,332	5,670	3,001	1,406	6,523	10,129	29,061
Interest on Loans	-	-	-	-	-	26	26
Miscellaneous	328,989	34	9,214	1,445,304	25,114	148,234	1,956,889
Total Revenues	<u>18,501,815</u>	<u>5,704</u>	<u>1,436,774</u>	<u>7,610,895</u>	<u>31,637</u>	<u>439,531</u>	<u>28,026,356</u>
Expenditures							
Current:							
Legislative	114,809	-	-	3,512	-	24	118,345
General Government	1,047,920	-	4,583	243,776	541,834	274,813	2,112,926
Regulation and Protection	441,687	-	108,074	162,863	13,919	173,966	900,509
Conservation and Development	245,635	-	4,548	370,448	346,383	162,843	1,129,857
Health and Hospitals	1,696,573	-	-	797,531	79,303	44,712	2,618,119
Transportation	-	-	800,933	746,400	26,441	-	1,573,774
Human Services	4,402,146	-	2,371	4,371,066	2,747	3,552	8,781,882
Education, Libraries, and Museums	4,194,885	-	-	581,632	22,757	2,856	4,802,130
Corrections	2,018,674	-	-	22,497	1,550	2,103	2,044,824
Judicial	918,746	-	-	24,356	-	49,331	992,433
Capital Projects	-	-	-	-	-	998,917	998,917
Debt Service:							
Principal Retirement	1,466,316	270,550	530	-	-	-	1,737,396
Interest and Fiscal Charges	590,212	232,842	627	175,560	3,167	7,377	1,009,785
Total Expenditures	<u>17,137,603</u>	<u>503,392</u>	<u>921,666</u>	<u>7,499,641</u>	<u>1,038,101</u>	<u>1,720,494</u>	<u>28,820,897</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,364,212</u>	<u>(497,688)</u>	<u>515,108</u>	<u>111,254</u>	<u>(1,006,464)</u>	<u>(1,280,963)</u>	<u>(794,541)</u>
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	1,159,573	1,951,627	3,111,200
Premiums on Bonds Issued	-	60,565	-	-	95,248	271,511	427,324
Transfers In	393,645	592,966	6,430	177,420	-	259,864	1,430,325
Transfers Out	(1,640,595)	(7,294)	(548,532)	(58,494)	(94,549)	(745,567)	(3,095,031)
Refunding Bonds Issued	-	761,545	-	-	-	-	761,545
Payment to Refunded Bond Escrow Agent	(499)	(821,209)	-	-	-	-	(821,708)
Capital Lease Obligations	4,174	-	-	-	-	-	4,174
Total Other Financing Sources (Uses)	<u>(1,243,275)</u>	<u>586,573</u>	<u>(542,102)</u>	<u>118,926</u>	<u>1,160,272</u>	<u>1,737,435</u>	<u>1,817,829</u>
Net Change in Fund Balances	<u>120,937</u>	<u>88,885</u>	<u>(26,994)</u>	<u>230,180</u>	<u>153,808</u>	<u>456,472</u>	<u>1,023,288</u>
Fund Balances (Deficit) - Beginning	(614,189)	738,240	211,890	197,884	689,447	620,748	1,844,020
Change in Reserve for Inventories	(1,166)	-	(2,745)	-	-	-	(3,911)
Fund Balances (Deficit) - Ending	<u>\$ (494,418)</u>	<u>\$ 827,125</u>	<u>\$ 182,151</u>	<u>\$ 428,064</u>	<u>\$ 843,255</u>	<u>\$ 1,077,220</u>	<u>\$ 2,863,397</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 1,023,288

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-term debt proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts consist of

Debt issued or incurred:			
Bonds issued		(3,111,200)	
Refunding bonds issued		(761,545)	
Premium on bonds issued		(427,324)	
Principal repayment:			
Principal Retirement		1,736,668	
Payments to refunded bond escrow agent		821,708	
Capital lease payments		5,788	
Net debt adjustments			(1,735,905)

Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Activities

(4,346)

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 (including construction-in-progress)	1,930,500	
Depreciation expense (excluding internal service funds)	(709,388)	
Retirements	(36,131)	
Net capital outlay adjustments		1,184,981

Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which purchases exceeded consumption of inventories.

(3,911)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not recognized in the funds. In the current period, the net adjustments consist of:

Increase in accrued interest	(33,374)	
Increase in interest accreted on capital appreciation debt	(17,945)	
Amortization of bond premium	195,037	
Amortization of loss on debt refundings	(17,676)	
Increase in Net OPEB obligation	(522,231)	
Increase in compensated absences	(1,528)	
Increase in workers compensation	(33,615)	
Decrease in claims and judgments	11,686	
Decrease in landfill postclosure cost	13,136	
Increase in pension liability	(9,732,099)	
Increase in deferred outflows related to pensions	8,219,049	
Increase in employer contributions subsequent to the NPL measurement date	81,476	
Net expense accruals		(1,838,084)

Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.

132396

Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenues (expenses) of internal service funds are included with governmental activities in the Statement of Activities.

(531)

Change in net position - governmental activities \$ (1,242,112)

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2017

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ 472,988	\$ 317,861	\$ 2,200	\$ 4,651	\$ 48,308	\$ 846,008	\$ 12,048
Deposits with U.S. Treasury	-	-	482,330	-	-	482,330	-
Investments	660	76,380	-	-	-	77,040	-
Receivables:							
Accounts, Net of Allowances	143,250	35,836	187,659	-	7,971	374,716	106
Loans, Net of Allowances	2,293	3,627	-	232,648	18,346	256,914	-
Interest	-	-	-	6,372	251	6,623	-
From Other Governments	-	2,654	5,103	-	603	8,360	-
Due from Other Funds	126,793	143,069	856	-	-	270,718	4,980
Inventories	12,572	-	-	-	-	12,572	4,217
Restricted Assets	142,418	-	-	-	-	142,418	-
Other Current Assets	16,718	8,258	-	-	25	25,001	182
Total Current Assets	<u>917,692</u>	<u>587,685</u>	<u>678,148</u>	<u>243,671</u>	<u>75,504</u>	<u>2,502,700</u>	<u>21,533</u>
Noncurrent Assets:							
Cash and Cash Equivalents	-	141,185	-	300,752	86,384	528,321	-
Investments	15,045	34,456	-	8,871	-	58,372	-
Receivables:							
Loans, Net of Allowances	10,591	8,112	-	850,707	129,810	999,220	-
Restricted Assets	1,199	-	-	329,691	94,853	425,743	-
Capital Assets, Net of Accumulated Depreciation	2,934,513	1,913,030	-	-	24,813	4,872,356	48,916
Other Noncurrent Assets	2,981	414	-	-	289	3,684	83
Total Noncurrent Assets	<u>2,964,329</u>	<u>2,097,197</u>	<u>-</u>	<u>1,490,021</u>	<u>336,149</u>	<u>6,887,696</u>	<u>48,999</u>
Total Assets	<u>\$ 3,882,021</u>	<u>\$ 2,684,882</u>	<u>\$ 678,148</u>	<u>\$ 1,733,692</u>	<u>\$ 411,653</u>	<u>\$ 9,390,396</u>	<u>\$ 70,532</u>
Deferred Outflows of Resources							
Unamortized Losses on Bond Refundings	\$ 4,431	\$ -	\$ -	\$ 9,186	\$ 202	\$ 13,819	\$ -
Other Deferred Outflows	-	396	-	-	-	396	-
Total Deferred Outflows of Resources	<u>\$ 4,431</u>	<u>\$ 396</u>	<u>\$ -</u>	<u>\$ 9,186</u>	<u>\$ 202</u>	<u>\$ 14,215</u>	<u>\$ -</u>
Liabilities							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 250,411	\$ 117,588	\$ 2,432	\$ 10,478	\$ 11,524	\$ 392,433	\$ 2,023
Due to Other Funds	20,904	4,098	439	-	-	25,441	12,931
Due to Other Governments	-	-	770	-	-	770	-
Current Portion of Long-Term Obligations	70,684	28,259	-	53,891	10,105	162,939	89
Unearned Revenue	-	41,270	-	-	-	41,270	-
Other Current Liabilities	85,417	8,163	-	-	-	93,580	-
Total Current Liabilities	<u>427,416</u>	<u>199,378</u>	<u>3,641</u>	<u>64,369</u>	<u>21,629</u>	<u>716,433</u>	<u>15,043</u>
Noncurrent Liabilities:							
Noncurrent Portion of Long-Term Obligations	428,201	442,197	-	920,450	184,801	1,975,649	2,066
Total Noncurrent Liabilities	<u>428,201</u>	<u>442,197</u>	<u>-</u>	<u>920,450</u>	<u>184,801</u>	<u>1,975,649</u>	<u>2,066</u>
Total Liabilities	<u>\$ 855,617</u>	<u>\$ 641,575</u>	<u>\$ 3,641</u>	<u>\$ 984,819</u>	<u>\$ 206,430</u>	<u>\$ 2,692,082</u>	<u>\$ 17,109</u>
Deferred Inflows of Resources							
Other Deferred Inflows	\$ 3,338	\$ -	\$ -	\$ -	\$ -	\$ 3,338	\$ -
Total Deferred Inflows of Resources	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,338</u>	<u>\$ -</u>
Net Position (Deficit)							
Net Investment in Capital Assets	\$ 2,380,794	\$ 1,748,685	\$ -	\$ -	\$ (3,202)	\$ 4,126,277	\$ 48,998
Restricted For:							
Debt Service	-	-	-	-	4,508	4,508	-
Clean and Drinking Water Projects	-	-	-	577,031	152,778	729,809	-
Capital Projects	126,207	-	-	-	-	126,207	-
Nonexpendable Purposes	14,483	487	-	-	-	14,970	-
Loans	2,565	-	-	-	-	2,565	-
Other Purposes	34,119	105,751	-	-	-	139,870	-
Unrestricted (Deficit)	469,329	188,780	674,507	181,028	51,341	1,564,985	4,425
Total Net Position	<u>\$ 3,027,497</u>	<u>\$ 2,043,703</u>	<u>\$ 674,507</u>	<u>\$ 758,059</u>	<u>\$ 205,425</u>	<u>\$ 6,709,191</u>	<u>\$ 53,423</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Business-Type Activities					Totals	Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds		Internal Service Funds
Operating Revenues							
Charges for Sales and Services (Net of allowances & discounts \$231,420)	\$ 1,158,573	\$ 483,777	\$ -	\$ -	\$ 27,211	\$ 1,669,561	\$ 53,578
Assessments	-	-	784,745	-	36,299	821,044	-
Federal Grants, Contracts, and Other Aid	184,334	22,560	7,539	-	-	214,433	-
State Grants, Contracts, and Other Aid	25,942	26,211	13,885	-	-	66,038	-
Private Gifts and Grants	57,014	9,267	-	-	-	66,281	-
Interest on Loans	-	-	-	23,361	2,944	26,305	-
Other	103,033	27,143	14,885	-	748	145,809	109
Total Operating Revenues	<u>1,528,896</u>	<u>568,958</u>	<u>821,054</u>	<u>23,361</u>	<u>67,202</u>	<u>3,009,471</u>	<u>53,687</u>
Operating Expenses							
Salaries, Wages, and Administrative	2,086,905	1,222,393	-	579	19,666	3,329,543	34,056
Unemployment Compensation	-	-	725,609	-	-	725,609	-
Claims Paid	-	-	-	-	26,216	26,216	-
Depreciation and Amortization	156,853	95,409	-	-	1,127	253,389	17,890
Other	56,376	31,048	-	-	1,744	89,168	-
Total Operating Expenses	<u>2,300,134</u>	<u>1,348,850</u>	<u>725,609</u>	<u>579</u>	<u>48,753</u>	<u>4,423,925</u>	<u>51,946</u>
Operating Income (Loss)	<u>(771,238)</u>	<u>(779,892)</u>	<u>95,445</u>	<u>22,782</u>	<u>18,449</u>	<u>(1,414,454)</u>	<u>1,741</u>
Nonoperating Revenue (Expenses)							
Interest and Investment Income	3,100	3,852	-	8,097	1,308	16,357	440
Interest and Fiscal Charges	(10,214)	(11,179)	-	(35,655)	(5,870)	(62,918)	-
Other - Net	94,080	117,425	-	12,439	(11,705)	212,239	(462)
Total Nonoperating Revenues (Expenses)	<u>86,966</u>	<u>110,098</u>	<u>-</u>	<u>(15,119)</u>	<u>(16,267)</u>	<u>165,678</u>	<u>(22)</u>
Income (Loss) Before Capital Contributions, Grants, and Transfers	<u>(684,272)</u>	<u>(669,794)</u>	<u>95,445</u>	<u>7,663</u>	<u>2,182</u>	<u>(1,248,776)</u>	<u>1,719</u>
Capital Contributions	1,388	-	-	-	-	1,388	-
Federal Capitalization Grants	-	-	-	8,921	11,614	20,535	-
Transfers In	1,002,324	674,660	-	674	-	1,677,658	-
Transfers Out	-	-	(10,176)	-	(526)	(10,702)	(2,250)
Change in Net Position	319,440	4,866	85,269	17,258	13,270	440,103	(531)
Total Net Position (Deficit) - Beginning	<u>2,708,057</u>	<u>2,038,837</u>	<u>589,238</u>	<u>740,801</u>	<u>192,155</u>	<u>6,269,088</u>	<u>53,954</u>
Total Net Position (Deficit) - Ending	<u>\$ 3,027,497</u>	<u>\$ 2,043,703</u>	<u>\$ 674,507</u>	<u>\$ 758,059</u>	<u>\$ 205,425</u>	<u>\$ 6,709,191</u>	<u>\$ 53,423</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Business-Type Activities					Totals	Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other		Internal Service Funds
Cash Flows from Operating Activities							
Receipts from Customers	\$ 1,167,664	\$ 473,693	\$ 796,894	\$102,726	\$76,068	\$ 2,617,045	\$ 53,931
Payments to Suppliers	(644,599)	(279,864)	-	-	(7,933)	(932,396)	(30,241)
Payments to Employees	(1,450,375)	(911,507)	-	(532)	(12,806)	(2,375,220)	(10,573)
Other Receipts (Payments)	392,898	45,340	(787,855)	(115,470)	(52,643)	(517,730)	138
Net Cash Provided by (Used in) Operating Activities	(534,412)	(672,338)	9,039	(13,276)	2,686	(1,208,301)	13,255
Cash Flows from Noncapital Financing Activities							
Proceeds from Sale of Bonds	27,479	-	-	363,345	49,503	440,327	-
Retirement of Bonds and Annuities Payable	-	-	-	(61,232)	(9,233)	(70,465)	-
Interest on Bonds and Annuities Payable	-	-	-	(32,628)	(6,121)	(38,749)	-
Transfers In	511,205	574,562	-	674	-	1,086,441	-
Transfers Out	-	-	(10,176)	-	(526)	(10,702)	(2,250)
Other Receipts (Payments)	28,227	127,359	(9,122)	(123,126)	(3,401)	19,937	(462)
Net Cash Flows from Noncapital Financing Activities	566,911	701,921	(19,298)	147,033	30,222	1,426,789	(2,712)
Cash Flows from Capital and Related Financing Activities							
Additions to Property, Plant, and Equipment	(455,704)	(68,154)	-	-	-	(523,858)	(11,437)
Proceeds from Capital Debt	322,521	82,293	-	-	-	404,814	-
Principal Paid on Capital Debt	(90,618)	(7,493)	-	-	-	(98,111)	-
Interest Paid on Capital Debt	(50,552)	(13,467)	-	-	-	(64,019)	-
Transfer In	225,603	148,618	-	-	-	374,221	-
Federal Grant	-	-	-	8,921	(93)	8,828	-
Other Receipts (Payments)	54,191	(104,458)	-	-	11,000	(39,267)	-
Net Cash Flows from Capital and Related Financing Activities	5,441	37,339	-	8,921	10,907	62,608	(11,437)
Cash Flows from Investing Activities							
Proceeds from Sales and Maturities of Investments	-	78,300	-	-	-	78,300	-
Purchase of Investment Securities	(1,171)	(124,355)	-	-	-	(125,526)	-
Interest on Investments	2,559	3,581	8,432	8,484	1,315	24,371	440
(Increase) Decrease in Restricted Assets	-	-	-	(130,586)	-	(130,586)	-
Other Receipts (Payments)	-	-	-	(22,557)	(44,399)	(66,956)	-
Net Cash Flows from Investing Activities	1,388	(42,474)	8,432	(144,659)	(43,084)	(220,397)	440
Net Increase (Decrease) in Cash and Cash Equivalents	39,328	24,448	(1,827)	(1,981)	731	60,699	(454)
Cash and Cash Equivalents - Beginning of Year	577,277	434,598	4,027	6,632	47,577	1,070,111	12,502
Cash and Cash Equivalents - End of Year	\$ 616,605	\$ 459,046	\$ 2,200	\$ 4,651	\$48,308	\$ 1,130,810	\$ 12,048
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities							
Operating Income (Loss)	\$ (771,238)	\$ (779,892)	\$ 95,445	\$ 22,782	\$18,449	\$ (1,414,454)	\$ 1,741
Adjustments not Affecting Cash:							
Depreciation and Amortization	208,786	94,688	-	-	1,127	304,601	17,890
Other	124,703	(7,290)	-	-	-	117,413	-
Change in Assets and Liabilities:							
(Increase) Decrease in Receivables, Net	(331)	664	(91,610)	(36,058)	(243)	(127,578)	153
(Increase) Decrease in Due from Other Funds	-	571	3,590	-	-	4,161	200
(Increase) Decrease in Inventories and Other Assets	(1,989)	(1,019)	-	-	(16,040)	(19,048)	29
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(94,343)	19,940	1,756	-	(607)	(73,254)	(6,758)
Increase (Decrease) in Due to Other Funds	-	-	(142)	-	-	(142)	-
Total Adjustments	236,826	107,554	(86,406)	(36,058)	(15,763)	206,153	11,514
Net Cash Provided by (Used In) Operating Activities	\$ (534,412)	\$ (672,338)	\$ 9,039	\$ (13,276)	\$ 2,686	\$ (1,208,301)	\$ 13,255
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets							
Cash and Cash Equivalents - Current	\$ 472,988	\$ 317,861					
Cash and Cash Equivalents - Noncurrent	-	141,185					
Cash and Cash Equivalents - Restricted	143,617	-					
	\$ 616,605	\$ 459,046					
Noncash Investing, Capital, and Financing Activities:							
Proceeds from refunding bonds	\$ 36,960	\$ -					
Amortization of Premiums, Discounts, and net loss on debt refunding's	13,018	-					
Mortgage Proceeds held by Trustee in construction escrow	2,315	-					
Accruals of expenses related to construction in progress	164	5,253					
Equipment acquired by capital lease	2,492	955					
	\$ 54,949	\$ 6,208					

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2017

(Expressed in Thousands)

	<u>Pension & Other Employee Benefit Trust Funds</u>	<u>Investment Trust Fund External Investment Pool</u>	<u>Private- Purpose Trust Fund Escheat Securities</u>	<u>Agency Funds</u>	<u>Total</u>
Assets					
Current:					
Cash and Cash Equivalents	\$ 85,835	\$ -	\$ -	\$ 198,844	\$ 284,679
Receivables:					
Accounts, Net of Allowances	49,150	-	-	10,388	59,538
From Other Governments	580	-	-	-	580
From Other Funds	2,004	-	-	4,149	6,153
Interest	3,017	949	-	69	4,035
Investments (See Note 3)	32,432,137	1,382,076	-	-	33,814,213
Securities Lending Collateral	2,012,619	-	-	-	2,012,619
Other Assets	-	65	1,829	331,635	333,529
Noncurrent:					
Due From Employers	273,875	-	-	-	273,875
Total Assets	<u>\$ 34,859,217</u>	<u>\$ 1,383,090</u>	<u>\$ 1,829</u>	<u>\$ 545,085</u>	<u>\$ 36,789,221</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 49,243	\$ 980	\$ -	\$ 56,589	106,812
Securities Lending Obligation	2,012,619	-	-	-	2,012,619
Due to Other Funds	1,890	-	-	379	2,269
Funds Held for Others	-	-	-	488,117	488,117
Total Liabilities	<u>\$ 2,063,752</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ 545,085</u>	<u>\$ 2,609,817</u>
Net Position					
Restricted for:					
Pension Benefits	\$ 32,157,234	\$ -	\$ -	-	\$ 32,157,234
Other Postemployment Benefits	638,230	-	-	-	638,230
Pool Participants	-	1,382,110	-	-	1,382,110
Individuals, Organizations, and Other Governments	-	-	1,829	-	1,829
Total Net Position	<u>\$ 32,795,464</u>	<u>\$ 1,382,110</u>	<u>\$ 1,829</u>	<u>\$ -</u>	<u>\$ 34,179,403</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Pension & Other Employee Benefit <u>Trust Funds</u>	Investment <u>Trust Fund</u> External <u>Investment Pool</u>	Private- Purpose <u>Trust Fund</u> Escheat <u>Securities</u>	<u>Total</u>
Additions				
Contributions:				
Plan Members	\$ 674,496	\$ -	\$ -	\$ 674,496
State	3,260,947	-	-	3,260,947
Municipalities	70,452	-	-	70,452
Total Contributions	<u>4,005,895</u>	<u>-</u>	<u>-</u>	<u>4,005,895</u>
Investment Income	4,182,031	154,758	-	4,336,789
Less: Investment Expense	(95,067)	(7,015)	-	(102,082)
Net Investment Income	<u>4,086,964</u>	<u>147,743</u>	<u>-</u>	<u>4,234,707</u>
Escheat Securities Received	-	-	31,141	31,141
Pool's Share Transactions	-	4,636	-	4,636
Other	3,716	-	-	3,716
Total Additions	<u>8,096,575</u>	<u>152,379</u>	<u>31,141</u>	<u>8,280,095</u>
Deductions				
Administrative Expense	6,358	-	-	6,358
Benefit Payments and Refunds	4,775,482	-	-	4,775,482
Escheat Securities Returned or Sold	-	-	28,946	28,946
Distributions to Pool Participants	-	147,743	-	147,743
Other	597	-	4,132	4,729
Total Deductions	<u>4,782,437</u>	<u>147,743</u>	<u>33,078</u>	<u>4,963,258</u>
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	3,314,138	-	-	3,314,138
Individuals, Organizations, and Other Governments	-	4,636	(1,937)	2,699
Net Position - Beginning	<u>29,481,326</u>	<u>1,377,474</u>	<u>3,766</u>	<u>30,862,566</u>
Net Position - Ending	<u>\$ 32,795,464</u>	<u>\$ 1,382,110</u>	<u>\$ 1,829</u>	<u>\$ 34,179,403</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2017

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-16)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 19,245	\$ 95,829	\$ 181,614	\$ 296,688
Investments	-	5,651	-	444,205	449,856
Receivables:					
Accounts, Net of Allowances	-	27,354	7,654	41,023	76,031
Loans, Net of Allowances	-	-	-	25,891	25,891
Other	-	1,458	-	1,203	2,661
Due From Other Governments	-	-	5,418	-	5,418
Due From Primary Government	-	-	6,417	103	6,520
Restricted Assets	717,075	-	3,215	299,010	1,019,300
Inventories	-	-	-	5,937	5,937
Other Current Assets	-	4,646	-	17,002	21,648
Total Current Assets	<u>717,075</u>	<u>58,354</u>	<u>118,533</u>	<u>1,015,988</u>	<u>1,909,950</u>
Noncurrent Assets:					
Investments	-	119,050	-	88,987	208,037
Accounts, Net of Allowances	-	-	-	34,335	34,335
Loans, Net of Allowances	-	-	-	402,965	402,965
Restricted Assets	4,525,032	-	121,164	92,062	4,738,258
Capital Assets, Net of Accumulated Depreciation	3,567	865	318,957	447,624	771,013
Other Noncurrent Assets	-	6,680	-	56,827	63,507
Total Noncurrent Assets	<u>4,528,599</u>	<u>126,595</u>	<u>440,121</u>	<u>1,122,800</u>	<u>6,218,115</u>
Total Assets	<u>\$ 5,245,674</u>	<u>\$ 184,949</u>	<u>\$ 558,654</u>	<u>\$ 2,138,788</u>	<u>\$ 8,128,065</u>
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 28,305	\$ -	\$ 16,264	\$ -	\$ 44,569
Unamortized Losses on Bond Refundings	77,774	-	1,753	-	79,527
Related to Pensions	25,240	17,674	22,777	19,266	84,957
Other	-	-	-	55	55
Total Deferred Outflows of Resources	<u>\$ 131,319</u>	<u>\$ 17,674</u>	<u>\$ 40,794</u>	<u>\$ 19,321</u>	<u>\$ 209,108</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 23,252	\$ 9,400	\$ 16,587	\$ 58,879	\$ 108,118
Current Portion of Long-Term Obligations	162,942	6,384	6,960	17,178	193,464
Due To Primary Government	-	-	992	36,918	37,910
Amount Held for Institutions	-	-	-	216,998	216,998
Other Liabilities	-	32,171	6,306	23,776	62,253
Total Current Liabilities	<u>186,194</u>	<u>47,955</u>	<u>30,845</u>	<u>353,749</u>	<u>618,743</u>
Noncurrent Liabilities:					
Pension Liability	69,628	55,669	74,542	53,625	253,464
Noncurrent Portion of Long-Term Obligations	4,241,675	119,515	125,595	549,719	5,036,504
Total Noncurrent Liabilities	<u>4,311,303</u>	<u>175,184</u>	<u>200,137</u>	<u>603,344</u>	<u>5,289,968</u>
Total Liabilities	<u>\$ 4,497,497</u>	<u>\$ 223,139</u>	<u>\$ 230,982</u>	<u>\$ 957,093</u>	<u>\$ 5,908,711</u>
Other Deferred Inflows					
Related to Pensions	\$ 12,834	\$ 3,991	\$ 4,266	\$ 6,675	\$ 27,766
Other Deferred Inflows	-	-	-	2,000	2,000
Total Deferred Inflows of Resources	<u>\$ 12,834</u>	<u>\$ 3,991</u>	<u>\$ 4,266</u>	<u>\$ 8,675</u>	<u>\$ 29,766</u>
Net Position					
Net Investment in Capital Assets	\$ 3,567	\$ 865	\$ 200,260	\$ 253,638	\$ 458,330
Restricted:					
Debt Service	-	-	7,664	-	7,664
Bond Indentures	863,095	-	2,102	-	865,197
Expendable Endowments	-	-	-	99,232	99,232
Nonexpendable Endowments	-	-	-	436,911	436,911
Capital Projects	-	-	114,613	-	114,613
Other Purposes	-	-	-	108,481	108,481
Unrestricted (Deficit)	-	(25,372)	39,561	294,079	308,268
Total Net Position	<u>\$ 866,662</u>	<u>\$ (24,507)</u>	<u>\$ 364,200</u>	<u>\$ 1,192,341</u>	<u>\$ 2,398,696</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF ACTIVITIES
COMPONENT UNITS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Housing Finance Authority (12/31/16)	\$ 204,781	\$ 169,992	\$ -	\$ -
Connecticut Lottery Corporation	1,221,620	1,216,393	-	-
Connecticut Airport Authority	82,733	99,187	-	7,930
Other Component Units	<u>292,357</u>	<u>277,390</u>	<u>45</u>	<u>2,339</u>
Total Component Units	<u>\$ 1,801,491</u>	<u>\$ 1,762,962</u>	<u>\$ 45</u>	<u>\$ 10,269</u>

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

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**Net (Expense) Revenue and
Changes in Net Position**

Connecticut Housing Finance Authority (12-31-16)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
\$ (34,789)	\$ -	\$ -	\$ -	\$ (34,789)
-	(5,227)	-	-	(5,227)
-	-	24,384	-	24,384
-	-	-	(12,583)	(12,583)
(34,789)	(5,227)	24,384	(12,583)	(28,215)
12,397	6,366	624	55,085	74,472
12,397	6,366	624	55,085	74,472
(22,392)	1,139	25,008	42,502	46,257
889,054	(25,646)	339,192	1,149,839	2,352,439
\$ 866,662	\$ (24,507)	\$ 364,200	\$ 1,192,341	\$ 2,398,696

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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), and the Board of Regents. 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.

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.

The following organizations (Connecticut Housing Finance Authority, Materials, Innovation, and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Student Loan Foundation, and Capital Region Development Authority) are reported as component units because the State appoints a voting majority of the organization's governing board and is contingently liable for the portion of the organization's bonded debt that is secured by a special capital reserve fund, or other contractual agreement.

The State appoints a voting majority of the organization's governing board and has the ability to access the resources for the following organizations (Connecticut Innovations, Incorporated and Connecticut Green Bank) therefore, these organizations are reported as component units.

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.

The State's major and nonmajor component units are:

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, 2016.

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. CHESLA is 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 Statute 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, formerly the Capital City Economic Development Authority, markets the major sports, convention, and exhibition venues in the region. CRDA became the successor to, 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 to supersede the 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.

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 State's reporting entity.

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.

When both restricted and unrestricted resources are available for use, the State generally uses restricted resources first, then unrestricted resources as needed. There may be occasions when restricted funds may only be spent in proportion to unrestricted funds spent.

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.

Board of Regents - This fund is used to account for the operations of the State University System & the State Community Colleges which consists of four universities: Central, Eastern, Southern, and Western and 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 grants and 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, 11, and 12.

Other Post-Employment Benefit (OPEB) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the state's other post-employment benefit plans which are described in notes 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. 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Improvements Other than Buildings	10-20 years
Machinery and Equipment	5-30 years
Infrastructure	20-28 years

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.

f. 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.

g. 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.

h. Interfund Activities

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

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

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

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

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

i. Endowments

The University of Connecticut and Health Center designate the University of Connecticut Foundation (a Component Unit of the State) as the manager of the University’s and Health Center’s endowment funds. The Foundation makes spending distributions to the University and Health Center for each participating endowment. The allocation is spent by the University and Health Center in accordance with the respective purposes of the endowments, the policies and procedures of the University and Health Center, and State statutes, and in accordance with the Foundation’s endowment spending policy.

Additional information regarding endowments is presented in the UConn Foundation financial report.

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 3). Pool income is determined based on distributions made to the pool’s participants.

l. Upcoming Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017. The State is currently evaluating the impact this standard will have on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (ARO’s). This Statement is effective for fiscal years beginning after June 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance concerning the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for fiscal years beginning after December 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The purpose of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB

Statements. This Statement is effective for fiscal years beginning after June 15, 2017. The State is currently evaluating the impact this standard will have on its financial statements.

m. 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, 2017, none of which constitutes a violation of statutory provisions (amounts in thousands).

<u>Capital Projects</u>	
Transportation	\$ 718
<u>Enterprise</u>	
Bradley Parking Garage	\$ 18,906

The Transportation deficit will be eliminated in the future by the sale of bonds. Bonds have not been issued in this fund since fiscal year 2008.

The Bradley parking garage is designed to generate cash flows from operations that, after operating and maintenance expenses, are sufficient to service debt and make State and developer payments as well as to provide a return to the State of minimum guarantee payments, both of which are reflected as expenses in the accompanying statement of operations and accumulated deficit.

Note 3

Cash Deposits and Investments

According to GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*”, the State is required 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, 2017, 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	\$ 1,358,486	\$ 1,358,486
Bank Commercial Paper	1,813,698	1,813,698
Government Money Market Funds	90,211	90,211
Repurchase Agreements	700,000	700,000
Total Investments	<u>\$ 3,962,395</u>	<u>\$ 3,962,395</u>

Interest Rate Risk

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, 2017, the weighted average maturity of STIF was 35 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 30 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, 2017, the amount of STIF’s investments in variable-rate securities was \$1,026 million.

Credit Risk

STIF’s policy for managing credit risk is to purchase short-term, high-quality fixed income securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations.

As of June 30, 2017, 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 _m	AA+/A-1+	A/A-1
Federal Agency Securities	\$ 1,358,486	-	\$ 1,358,486	-
Corporate & Bank Commercial Paper	1,813,698	-	1,813,698	-
Government Money Market Funds	90,211	90,211	-	-
Repurchase Agreements	700,000	-	450,000	250,000
Total Investments	<u>\$ 3,962,395</u>	<u>\$ 90,211</u>	<u>\$ 3,622,184</u>	<u>\$ 250,000</u>

Concentration of Credit Risk

STIF reduces its exposure to this risk by insuring that at least 75 percent of fund assets will be invested in securities rated “A-1+” or equivalent. In addition exposure to any single non-governmental issuer will not exceed 5 percent (at the time a security is purchased), exposure to any single money market mutual fund (rated AAA_m) will not exceed 5 percent of fund assets and exposure to money market mutual funds in total will not exceed 10 percent. As of June 30, 2017, 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	\$ 598,333
Federal Farm Credit Bank	\$ 519,248
U.S. Bank	\$ 250,000
Commercial Paper & Corporate Securities	\$ 1,563,698
Merrill Lynch	\$ 250,000
RBC Capital Markets	\$ 450,000

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 certificates of deposit 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, 2017, \$2,506,783 of the bank balance of STIF's deposits of \$2,507,533 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	2,034,558
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		<u>472,225</u>
Total	\$	<u>2,506,783</u>

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	\$ 115,073	\$ 660	\$ 32,432,138
Other Investments	<u>1,580</u>	<u>33,659</u>	<u>1,382,076</u>
Total Investments-Current	<u>\$ 116,653</u>	<u>\$ 34,319</u>	<u>\$ 33,814,214</u>

The CIFS measure and record their investments using fair value measurement guidelines. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The guidelines recognize a three tiered fair value hierarchy, as follows: Level 1: Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and Level 3: Unobservable inputs.

As of June 30, 2017, the CIFS had the following investments (amounts in thousands):

Investments by Fair Value Level	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Cash Equivalents	\$ 283,294	\$ 652	\$ 282,642	\$ -
Asset Backed Securities	254,923	-	254,923	-
Government Securities	3,701,714	1,256,715	2,444,999	-
Government Agency Securities	716,185	-	716,185	-
Mortgage Backed Securities	280,579	-	280,579	-
Corporate Debt	4,037,233	-	3,939,688	97,545
Convertible Securities	51,662	-	51,662	-
Common Stock	15,327,224	15,327,224	-	-
Preferred Stock	77,158	59,691	17,467	-
Real Estate Investment Trust	319,239	273,996	45,243	-
Business Development Corporation	57,625	57,625	-	-
Mutual Fund	228,915	228,915	-	-
Limited Partnerships	<u>522</u>	<u>522</u>	-	-
Total	<u>\$ 25,336,273</u>	<u>\$ 17,205,340</u>	<u>\$ 8,033,388</u>	<u>\$ 97,545</u>
Investments Measured by Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Corporation	1,157	\$ -	Illiquid	N/A
Limited Partnerships	<u>7,230,945</u>	<u>1,868,390</u>	Illiquid	N/A
Total	<u>7,232,102</u>	<u>\$ 1,868,390</u>		
Total Investments in Securities at Fair Value	<u>\$ 32,568,375</u>			

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.

Following is a schedule which provides information about the interest rate risks associated with the CIFS investments. The investments include short-term cash equivalents including certificates of deposit and collateral, long-term investments and restricted assets by maturity in years (amounts in thousands):

Combined Investment Funds					
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	\$ 283,294	\$ 283,294	\$ -	\$ -	\$ -
Asset Backed Securities	254,923	3,421	104,431	104,468	42,603
Government Securities	3,701,714	226,328	1,522,902	856,579	1,095,905
Government Agency Securities	716,185	95,298	53,914	21,968	545,005
Mortgage Backed Securities	280,579	-	63,068	20,777	196,734
Corporate Debt	4,037,233	1,360,182	1,448,361	916,314	312,376
Convertible Debt	51,662	1,157	9,879	12,517	28,109
	<u>\$ 9,325,590</u>	<u>\$ 1,969,680</u>	<u>\$ 3,202,555</u>	<u>\$ 1,932,623</u>	<u>\$ 2,220,732</u>

Credit Risk

The CIFS minimize 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, 2017, 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	\$ 2,614,409	\$ -	\$ 191,963	\$ 1,565,409	\$ 597,362	\$ 180,885	\$ 78,790	\$ -
Aa	612,132	25,000	799	396,492	-	1,623	188,218	-
A	886,351	30,000	90	474,681	-	8,021	373,559	-
Baa	820,964	-	-	454,273	-	69	366,622	-
Ba	742,742	-	-	249,074	-	-	476,819	16,849
B	967,040	-	-	150,063	-	81	812,423	4,473
Caa	439,933	-	-	94,671	-	-	345,005	257
Ca	9,343	-	-	-	-	-	9,343	-
C	5,017	-	-	-	-	-	5,017	-
Prime 1	748,364	10,000	7,876	-	-	-	730,488	-
Prime 2	24,270	-	-	-	-	-	24,270	-
Prime 3	1,803	-	-	-	-	-	1,803	-
Government fixed not rated	130,876	-	-	12,053	118,823	-	-	-
Non Government fixed not rated	304,998	-	-	304,998	-	-	-	-
Not Rated	1,017,348	218,293	54,195	-	-	89,901	624,875	30,084
	<u>\$ 9,325,590</u>	<u>\$ 283,293</u>	<u>\$ 254,923</u>	<u>\$ 3,701,714</u>	<u>\$ 716,185</u>	<u>\$ 280,580</u>	<u>\$ 4,037,232</u>	<u>\$ 51,663</u>

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

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State of Connecticut

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non-U.S. denominated securities, managers are required to limit that investment to a portion of their respective portfolios. As of June 30, 2017, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds										
Foreign Currency	Total	Fixed Income Securities						Equities		Real Estate
		Cash	Cash Equivalent Collateral	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred Stock	Investment Trust Fund
Argentine Peso	\$ 25,554	\$ 737	\$ -	\$ 23,355	\$ 1,462	\$ -	\$ -	\$ -	\$ -	\$ -
Australian Dollar	438,685	499	-	97,525	7,887	-	-	308,418	-	24,356
Brazilian Real	258,328	814	-	107,364	-	(10)	-	143,790	6,370	-
Canadian Dollar	120,512	1,498	-	21,063	-	(46)	-	97,935	-	62
Chilean Peso	18,436	-	-	414	-	-	-	18,022	-	-
Colombian Peso	59,622	1,267	-	58,175	-	-	-	180	-	-
Czech Koruna	18,091	(1)	-	12,539	-	-	-	5,553	-	-
Danish Krone	117,934	120	-	1,281	-	-	-	116,533	-	-
Egyptian Pound	7,447	1,569	-	-	3,724	-	-	2,154	-	-
Euro Currency	2,352,031	4,208	-	246,732	6,902	(26)	-	2,066,018	17,324	10,873
Ghanaian Cedi	2,697	-	-	-	2,697	-	-	-	-	-
Hong Kong Dollar	715,346	1,500	-	-	-	-	-	706,796	-	7,050
Hungarian Forint	73,331	812	-	29,993	-	-	-	42,526	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	4,810	-	-	301	4,509	-	-	-	-	-
Indonesian Rupiah	155,858	613	-	54,874	38,907	-	-	61,464	-	-
Israeli Shekel	36,424	236	-	-	-	-	-	36,188	-	-
Japanese Yen	1,408,203	5,918	-	35,455	-	212	-	1,359,217	-	7,401
Georgian Lari	2,128	-	-	-	2,128	-	-	-	-	-
Malaysian Ringgit	93,381	1,551	-	77,031	-	-	-	14,799	-	-
Mexican Peso	233,226	301	-	185,997	3,631	253	-	43,044	-	-
New Zealand Dollar	143,220	877	-	127,518	-	-	-	14,825	-	-
Nigerian Naira	205	66	-	-	-	-	-	139	-	-
Norwegian Krone	58,529	460	-	6,414	-	-	-	51,655	-	-
Peruvian Nouveau Sol	26,246	-	-	26,246	-	-	-	-	-	-
Philippine Peso	46,125	6	-	1,945	-	-	-	44,174	-	-
Polish Zloty	145,366	67	-	100,204	-	-	-	45,095	-	-
Pound Sterling	1,233,150	2,467	6	240,599	7,083	(61)	3,216	967,734	-	12,106
Romanian Leu	9,502	264	-	9,238	-	-	-	-	-	-
Russian Ruble	57,047	1,331	-	55,591	-	-	-	125	-	-
Singapore Dollar	118,119	454	-	22,029	-	-	-	92,054	-	3,582
South African Rand	193,636	408	-	92,470	-	-	-	100,659	-	99
South Korean Won	453,526	173	-	-	-	-	-	425,915	27,438	-
Sri Lanka Rupee	6,677	-	-	-	6,646	-	-	31	-	-
Swedish Krona	190,501	(44)	-	4,384	-	-	-	186,161	-	-
Swiss Franc	501,035	434	-	-	-	-	-	500,601	-	-
Thailand Baht	147,824	94	-	26,369	-	-	-	121,266	-	95
Turkish Lira	170,169	248	-	57,057	4,031	-	-	108,758	-	75
Uruguayan Peso	3,981	-	-	3,981	-	-	-	-	-	-
	<u>\$ 9,646,904</u>	<u>\$ 28,949</u>	<u>\$ 6</u>	<u>\$ 1,726,144</u>	<u>\$ 89,607</u>	<u>\$ 322</u>	<u>\$ 3,216</u>	<u>\$ 7,681,829</u>	<u>\$ 51,132</u>	<u>\$ 65,699</u>

Derivatives

As of June 30, 2017, the CIFS held the following derivative investments (amounts in thousands):

	2017 Fair Value	2016 Fair Value
Adjustable Rate Securities	\$ 652,183	\$ 581,229
Asset Backed Securities	255,114	153,799
Mortgage Backed Securities	215,946	303,820
Collateralized Mortgage Obligations	64,633	98,208
Forward Mortgage Backed Securities (TBA's)	118,185	41,236
Interest Only	470	423
Options	775	1,281
Total	<u>\$ 1,307,306</u>	<u>\$ 1,179,996</u>

The Inflation Linked Bond Fund held futures with a negative notional cost of (\$198,263 thousand) Also, the Core Fixed Income held futures with a negative notional cost of (\$13,944 thousand). The High Yield Debt Fund held futures with a negative notional cost of (\$16,140 thousand), the Developed Market International Stock held futures with negative notional cost of (\$132,461 thousand).

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, 2017, the fair value of contracts to buy and contracts to sell was \$7.8 billion and \$7.8 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, 2017, the CIFS had deposits with a bank balance of \$89.1 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

The University of Connecticut measures and records its investments using fair value measurement guidelines. These guidelines have a three tiered fair value hierarchy, as follows: Level 1; Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and Level 3: Unobservable inputs. As of June 30, 2017, UConn had the following recurring fair value measurements. (amounts in thousands):

Fair Value Measurements				
Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Cash Equivalents	\$ 426	\$ 426	\$ -	\$ -
Fixed Income Securities	1,771	1,771	-	-
Equity Securities	10,324	9,571	753	-
Partnerships	-	-	-	-
Total	<u>\$ 12,521</u>	<u>\$ 11,768</u>	<u>\$ 753</u>	<u>\$ -</u>
Investments Measured by Net Asset Value (NAV)		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Private Capital Partnerships	\$ 1,422	\$ 476	N/A	N/A
Private Real Estate Partnerships	137	39	N/A	N/A
Natural Resource Partnerships	630	86	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	855	-	N/A	N/A
Other	232	-	N/A	N/A
Total	<u>3,277</u>	<u>\$ 601</u>		
Total Investments in Securities at Fair Value	<u>\$ 15,798</u>			

As of June 30, 2017, the State had other investments and maturities as follows (amounts in thousands):

Investment Type	Other Investments			
	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-5	6-10
State Bonds	\$ 14,338	\$ 290	\$ 12,808	\$ 1,240
U.S. Government and Agency Securities	242,495	97,991	5,364	139,140
Guaranteed Investment Contracts	112,388	9,964	34,809	67,615
Money Market Funds	28,898	28,898	-	-
Total Debt Investments	398,119	\$ 137,143	\$ 52,981	\$ 207,995
Endowment Pool	14,484			
Corporate Stock	1,082			
Other Investments	232			
Total Investments	\$ 413,917			

Credit Risk

As of June 30, 2017, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Investment Type	Other Investments				
	Fair Value	Quality Ratings			
		AA	A	BBB	Unrated
State Bonds	\$ 14,338	\$ 12,758	\$ 1,580	\$ -	\$ -
U.S. Government and Agency Securities	146,224	146,224	-	-	-
Guaranteed Investment Contracts	112,388	14,565	64,488	14,128	19,207
Money Market Funds	28,898	-	-	-	28,898
Total	\$ 301,848	\$ 173,547	\$ 66,068	\$ 14,128	\$ 48,105

Connecticut State Universities reported \$96 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, 2017, \$169,535 of the bank balance of the Primary Government of \$173,349 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 89,379
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	80,156
Total	\$ 169,535

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-16 and 6-30-17, respectively (amounts in thousands):

Investment Type	Major Component Units				
	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	\$ 626	\$ -	\$ -	\$ 626	\$ -
GNMA & FNMA Program Assets	1,268,049	-	-	724	1,267,325
Mortgage Backed Securities	654	-	-	93	561
Money Market	9,825	9,825	-	-	-
Municipal Bonds	53,426	286	1,329	1,748	50,063
STIF	492,323	492,323	-	-	-
Structured Securities	276	-	-	-	276
U.S. Government Agency Securities	870	-	-	-	870
Total Debt Investments	1,826,049	\$ 502,434	\$ 1,329	\$ 3,191	\$ 1,319,095
Annuity Contracts	124,701				
Total Investments	\$ 1,950,750				

The CHFA and the CLC own 93.6 percent and 6.4 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

Interest Rate Risk

CHFA

Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

Credit Risk

CHFA

The Authority's investments are limited by State statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the state's STIF, and other obligations which are legal investments for savings banks in the state. The Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

CHFA's investments were rated as of 12-31-16 as follows (amounts in thousands):

Investment Type	Component Units				
	Fair Value	AAA	Quality Ratings		
			CCC	D	Unrated
Collateralized Mortgage Obligations	\$ 626	\$ -	\$ 626	\$ -	\$ -
Municipal Bonds	53,426	-	-	-	53,426
Money Market	9,825	-	-	-	9,825
STIF	492,323	492,323	-	-	-
Structured Securities	276	-	-	276	-
Total	\$ 556,476	\$ 492,323	\$ 626	\$ 276	\$ 63,251

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, 2016, 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 CIFS are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The CIFS' 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 risk exposure to borrowers because the fair value of the collateral held and the fair value of securities on loan were \$2,020.8 million and \$1,973.3 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed 60 days. At year end, the average duration of the collateral investments was 8.86 days and an average weighted maturity of 53.79 days.

Note 4

Receivables-Current

As of June 30, 2017, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	\$ 1,734,808	\$ -	\$ -
Accounts	1,340,664	480,114	82,676
Loans-Current Portion	-	256,914	25,891
Other Governments	497,534	8,360	5,418
Interest	1,655	4,601	550
Other (1)	392	2,022	2,111
Total Receivables	3,575,053	752,011	116,646
Allowance for Uncollectibles	(895,819)	(105,398)	(6,645)
Receivables, Net	\$ 2,679,234	\$ 646,613	\$ 110,001

(1) Includes a reconciling amount of \$379 thousand from fund financial statements to government-wide financial statements.

Note 5

Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2017 (amounts in thousands):

	Governmental Activities		
	General	Transportation	Total
	Fund	Fund	
Sales and Use	\$ 677,132	\$ -	\$ 677,132
Income Taxes	600,968	-	600,968
Corporations	5,265	-	5,265
Gasoline and Special Fuel	-	139,489	139,489
Various Other	311,954	-	311,954
Total Taxes Receivable	1,595,319	139,489	1,734,808
Allowance for Uncollectibles	(214,816)	(131)	(214,947)
Taxes Receivable, Net	\$ 1,380,503	\$ 139,358	\$ 1,519,861

Note 6

Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2017, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	\$ -	\$ -	\$ 34,335
Loans	914,683	999,489	412,625
Total Receivables	914,683	999,489	446,960
Allowance for Uncollectibles	(11,456)	(269)	(9,660)
Receivables, Net	\$ 903,227	\$ 999,220	\$ 437,300

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 development 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 \$850.7 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.2 percent. At year end, the noncurrent portion of loans receivable was \$100.0 million.

Note 7 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2017, 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	\$ 827,125	\$ -	\$ -	\$ -	\$ 827,125
Total-Governmental Activities	\$ 827,125	\$ -	\$ -	\$ -	\$ 827,125
Business-Type Activities:					
UConn/Health Center	\$ 143,617	\$ -	\$ -	\$ -	\$ 143,617
Clean Water	201,807	127,884	-	-	329,691
Other Proprietary	86,019	8,834	-	-	94,853
Total-Business-Type Activities	\$ 431,443	\$ 136,718	\$ -	\$ -	\$ 568,161
Component Units:					
CHFA	\$ 503,002	\$ 1,323,615	\$ 3,288,519	\$ 126,971	\$ 5,242,107
CAA	121,188	-	-	3,191	124,379
Other Component Units	371,032	-	-	20,040	391,072
Total-Component Units	\$ 995,222	\$ 1,323,615	\$ 3,288,519	\$ 150,202	\$ 5,757,558

Note 8 Current Liabilities

Accounts Payable and Accrued Liabilities

As of June 30, 2017, 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	\$ 133,407	\$ 216,810	\$ -	\$ -	\$ 350,217
Transportation	17,639	13,403	-	-	31,042
Restricted Accounts	224,965	11,981	-	-	236,946
Grants and Loans	4,349	113	-	2,188	6,650
Other Governmental	87,555	7,870	-	-	95,425
Internal Service	914	1,109	-	-	2,023
Reconciling amount from fund financial statements to government-wide financial statements	-	-	239,917	4,263	244,180
Total-Governmental Activities	\$ 468,829	\$ 251,286	\$ 239,917	\$ 6,451	\$ 966,483
Business-Type Activities:					
UConn/Health Center	\$ 129,752	\$ 84,112	\$ -	\$ 36,547	\$ 250,411
Board of Regents	22,912	85,504	2,397	6,776	117,589
Other Proprietary	9,712	-	12,778	1,943	24,433
Total-Business-Type Activities	\$ 162,376	\$ 169,616	\$ 15,175	\$ 45,266	\$ 392,433
Component Units:					
CHFA	\$ -	\$ -	\$ 15,200	\$ 8,052	\$ 23,252
Connecticut Lottery Corporation	7,942	-	1,458	-	9,400
Connecticut Airport Authority	3,850	4,972	1,122	6,643	16,587
Other Component Units	1,902	-	994	55,983	58,879
Total-Component Units	\$ 13,694	\$ 4,972	\$ 18,774	\$ 70,678	\$ 108,118

Note 9**Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not being Depreciated:				
Land	\$ 1,747,636	\$ 76,887	\$ 36,131	\$ 1,788,392
Construction in Progress	<u>4,544,315</u>	<u>1,732,295</u>	<u>1,288,170</u>	<u>4,988,440</u>
Total Capital Assets not being Depreciated	6,291,951	1,809,182	1,324,301	6,776,832
Capital Assets being Depreciated:				
Buildings	4,321,300	346,617	47,494	4,620,423
Improvements Other than Buildings	466,705	9,237	3,293	472,649
Equipment	2,618,191	131,146	127,480	2,621,857
Infrastructure	<u>14,673,328</u>	<u>924,600</u>	<u>-</u>	<u>15,597,928</u>
Total Other Capital Assets at Historical Cost	22,079,524	1,411,600	178,267	23,312,857
Less: Accumulated Depreciation For:				
Buildings	1,716,901	115,417	47,494	1,784,824
Improvements Other than Buildings	325,349	23,502	3,293	345,558
Equipment	2,563,352	137,063	127,480	2,572,935
Infrastructure	<u>10,059,972</u>	<u>441,969</u>	<u>-</u>	<u>10,501,941</u>
Total Accumulated Depreciation	14,665,574	717,951	178,267	15,205,258
Other Capital Assets, Net	<u>7,413,950</u>	<u>693,649</u>	<u>-</u>	<u>8,107,599</u>
Governmental Activities, Capital Assets, Net	<u>\$ 13,705,901</u>	<u>\$ 2,502,831</u>	<u>\$ 1,324,301</u>	<u>\$ 14,884,431</u>

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	\$ 4,897
General Government	21,838
Regulation and Protection	23,426
Conservation and Development	10,722
Health and Hospitals	9,698
Transportation	563,233
Human Services	986
Education, Libraries and Museums	30,220
Corrections	27,661
Judicial	16,707
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	<u>8,563</u>
Total Depreciation Expense	<u>\$ 717,951</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	\$ 68,631	\$ -	\$ 6	\$ 68,625
Construction in Progress	<u>686,070</u>	<u>254,863</u>	<u>63,589</u>	<u>877,344</u>
Total Capital Assets not being Depreciated	754,701	254,863	63,595	945,969
Capital Assets being Depreciated:				
Buildings	5,311,471	297,545	12,705	5,596,311
Improvements Other Than Buildings	403,251	27,378	-	430,629
Equipment	<u>1,042,391</u>	<u>75,327</u>	<u>60,330</u>	<u>1,057,388</u>
Total Other Capital Assets at Historical Cost	6,757,113	400,250	73,035	7,084,328
Less: Accumulated Depreciation For:				
Buildings	2,059,224	163,359	11,437	2,211,146
Improvements Other Than Buildings	218,957	14,607	-	233,564
Equipment	<u>694,936</u>	<u>75,332</u>	<u>57,037</u>	<u>713,231</u>
Total Accumulated Depreciation	2,973,117	253,298	68,474	3,157,941
Other Capital Assets, Net	<u>3,783,996</u>	<u>146,952</u>	<u>4,561</u>	<u>3,926,387</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 4,538,697</u>	<u>\$ 401,815</u>	<u>\$ 68,156</u>	<u>\$ 4,872,356</u>

Component Units

Capital assets of the component units consisted of the following as of June 30, 2017 (amounts in thousands):

Land	\$ 59,475
Buildings	700,310
Improvements other than Buildings	323,185
Machinery and Equipment	582,155
Construction in Progress	17,969
Total Capital Assets	1,683,094
Accumulated Depreciation	912,081
Capital Assets, Net	\$ 771,013

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. Beginning in fiscal year 2018, all new hires to SERS will be in a new Tier IV Hybrid Plan structure. The financial statements and other required information are presented in Note 12 and in the Required Supplementary Information (RSI) section of these financial statements.

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 are elected by teacher membership and five public members are 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.

a. Plan Descriptions and Funding Policy

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

	SERS	TRS	JRS
	6/30/2016	6/30/2016	6/30/2016
Inactive Members or their			
Beneficiaries receiving benefits	48,191	36,065	250
Inactive Members Entitled to but			
not yet Receiving Benefits	1,412	2,085	3
Active Members	50,019	50,877	204

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. Employees in the new Tier IV Hybrid Plan will be required to contribute 3 percent more than Tier II employees into the defined benefit 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.

b. 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, 2016.

Asset Class	SERS		TRB		JRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	25.0%	5.8%	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	20.0%	6.6%	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%	9.0%	8.3%	9.0%	8.3%
Real Estate	7.0%	5.1%	5.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	10.0%	7.6%	11.0%	7.6%
Alternative Investment	8.0%	4.1%	8.0%	4.1%	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%	13.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	2.0%	3.9%	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%	4.0%	3.7%	4.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	6.0%	1.0%	5.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%	4.0%	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, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 14.3 percent, 14.4 percent, and 13.0 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 as of the measurement June 30, 2016 were as follows (amounts in millions):

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Total Pension Liability	\$ 33,617	\$ 29,840	\$ 434
Fiduciary Net Position	10,654	15,595	190
Net Pension Liability	<u>\$ 22,963</u>	<u>\$ 14,245</u>	<u>\$ 244</u>
Ratio of Fiduciary Net Position to Total Pension Liability	31.69%	52.26%	43.76%

Deferred Retirement Option Program (DROP)

Section 10-183v of the General Statute 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, 2017 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 6.9, 8.0, and 6.9 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 6.9, 8.0 and 6.9 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%	Current	1%
	Decrease in	Discount	Increase in
	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
SERS Net Pension Liability	\$ 27,250	\$ 22,963	\$ 19,395
TRS Net Pension Liability	\$ 17,574	\$ 14,245	\$ 11,431
JRS Net Pension Liability	\$ 290	\$ 244	\$ 204

*c. 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, 2016 (amounts in thousands):

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>	<u>Total</u>
Primary Government	\$ 1,484,817	\$ 975,578	\$ 18,259	\$ 2,478,654
Component Units	16,988	-	-	16,988
Total Employer Contributions	<u>\$ 1,501,805</u>	<u>\$ 975,578</u>	<u>\$ 18,259</u>	<u>\$ 2,495,642</u>

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

As of the reporting date June 30, 2017, the primary government and component units reported net pension liabilities for the following plans administered by the State as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
Proportionate Share of the Net Pension Liability		
State Employees' Retirement System	\$ 22,703,172	\$ 259,752
Net Pension Liability		
Teachers' Retirement System	14,245,051	-
Judicial Retirement System	243,845	-
Total Net Pension Liability	<u>\$ 37,192,068</u>	<u>\$ 259,752</u>

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, 2016 as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
State Employees' Retirement System		
Proportion-June 30, 2016	98.87%	1.13%

For the reporting year ended June 30, 2017, the primary government and component units' recognized pension expense for the following pension plans administered by the State as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
Pension Expense		
State Employees' Retirement System	\$ 2,467,116	\$ 24,002
Teachers' Retirement System	1,553,474	-
Judicial Retirement System	34,629	-
	<u>\$ 4,055,219</u>	<u>\$ 24,002</u>

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2017, 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	\$ 711,943	\$ -	\$ 8,146	\$ -
Difference Between Expected and Actual Experience	630,684	-	7,216	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	-	7,994	27,815
Change in Assumptions	4,047,825	-	46,312	-
Employer Contributions Subsequent to Measurement Date	1,525,310	-	16,988	-
Total	<u>\$ 6,915,762</u>	<u>\$ -</u>	<u>\$ 86,656</u>	<u>\$ 27,815</u>
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 1,206,422	\$ -		
Difference Between Expected and Actual Experience	-	320,621		
Change in Assumptions	1,888,199	-		
Employer Contributions Subsequent to Measurement Date	1,012,162	-		
Total	<u>\$ 4,106,783</u>	<u>\$ 320,621</u>		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 13,075	\$ -		
Difference Between Expected and Actual Experience	-	7,052		
Change in Assumptions	48,573	-		
Employer Contributions Subsequent to Measurement Date	19,164	-		
Total	<u>\$ 80,812</u>	<u>\$ 7,052</u>		

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	Component
	Government	Units
2017	\$ 1,127,260	\$ 8,673
2018	1,127,258	8,673
2019	1,268,627	10,290
2020	1,161,976	9,052
2021	725,151	5,166
	<u>\$ 5,410,272</u>	<u>\$ 41,854</u>

Teachers' Retirement System		
Year Ending June 30	Primary	
	Government	
2017	\$ 509,415	
2018	509,417	
2019	723,584	
2020	543,234	
2021-2022	488,350	
	<u>\$ 2,774,000</u>	

Judges' Retirement System		
Year Ending June 30	Primary	
	Government	
2017	\$ 16,495	
2018	16,493	
2019	18,462	
2020	3,146	
2021	-	
	<u>\$ 54,596</u>	

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/2016	6/30/2016	6/30/2016
Inflation	2.50%	2.75%	2.50%
Salary Increases	3.5%-19.5%	3.25%-6.50%	4.50%
Investment Rate of Return	6.90%	8.0%	6.90%

The actuarial assumptions used in the June 30, 2016 SERS and JRS reported mortality rates based on the RP-2014 Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females for periods after service retirement and dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for periods after disability.

The actuarial assumptions used in the June 30, 2016 TRS actuarial report were based on RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

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, 2016 (amounts in thousands):

Total Pension Liability	SERS	TRS	JRS
Service Cost	\$ 322,114	\$ 419,616	\$ 8,508
Interest	2,105,947	2,228,958	28,251
Benefit Changes	-	-	-
Difference between expected and actual experience	772,762	(375,805)	(9,380)
Changes of assumptions	4,959,705	2,213,190	64,604
Benefit payments	(1,729,181)	(1,738,131)	(22,994)
Refunds of Contributions	(7,098)	-	-
Net change in total pension liability	6,424,249	2,747,828	68,989
Total pension liability - beginning (a)	27,192,467	27,092,095	364,614
Total pension liability - ending (c)	\$ 33,616,716	\$ 29,839,923	\$ 433,603
Plan fiduciary net position			
Contributions - employer	\$ 1,501,805	\$ 975,578	\$ 18,259
Contributions - member	135,029	293,493	1,831
Net investment income	(100)	(18,473)	1,440
Benefit payments	(1,729,181)	(1,738,131)	(22,994)
Other	77,859	(37,648)	1,680
Net change in plan fiduciary net position	(14,588)	(525,181)	216
Plan net position - beginning (b)	10,668,380	16,120,053	189,542
Plan net position - ending (d)	\$ 10,653,792	\$ 15,594,872	\$ 189,758
Net pension liability - beginning (a)-(b)	\$ 16,524,087	\$ 10,972,042	\$ 175,072
Net pension liability - ending (c)-(d)	\$ 22,962,924	\$ 14,245,051	\$ 243,845

d. 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 \$36.5 million and \$56.2 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.

a. Plan Descriptions and Funding Policy

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

	MERS 6/30/2016	CPJERS 12/31/2015
Retirees and beneficiaries		
receiving benefits	7,102	336
Terminated plan members entitled		
to but not receiving benefits	1,335	149
Active plan members	9,373	371
Total	<u>17,810</u>	<u>856</u>
Number of participating employers	191	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.

b. 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.

Asset Class	MERS	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

*c. GASB Statement 68 Employer Reporting**Net Pension Liability of Participating Employers*

The components of the net pension liability for MERS at June 30, 2016 were as follows (amounts in millions):

	<u>MERS</u>
Employers' Total Pension Liability	\$ 2,840
Fiduciary Net Position	<u>2,507</u>
Employers' Net Pension Liability	<u>\$ 333</u>
Ratio of Fiduciary Net Position to Total Pension Liability	88.29%

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):

	<u>1%</u> <u>Decrease in</u> <u>Rate</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase in</u> <u>Rate</u>
Net Pension Liability	\$ 681	\$ 333	\$ 40

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):

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>
Municipal Employees Retirement System	
Difference Between Expected and Actual Experience	\$ 40,035
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>157,150</u>
	<u>\$ 197,185</u>

Amounts recognized in subsequent fiscal years:

<u>Year Ending June 30</u>	<u>MERS</u>
2017	\$ 44,762
2018	44,762
2019	66,197
2020	<u>41,464</u>

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, 2016 is as follows (amounts in thousands):

Service Cost	\$ 67,126
Interest on the total pension liability	206,064
Expensed portion of current-period difference between expected and actual experience in the total pension liability	10,292
Member Contributions	(24,019)
Projected earnings on plan investments	(179,274)
Expensed portion of current period differences between projected and actual earnings on plan investments	32,305
Other	(6,063)
Recognition of beginning deferred outflows of resources as pension expense	2,165
Collective Pension Expense	<u>\$ 108,596</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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).

d. 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, 2017 the Fiduciary Fund financial statements were as follows (amounts in thousands):

Statement of Fiduciary Net Position (thousands)							
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	\$ 10,434	\$ 5,631	\$ 59	\$ 2,637	\$ 17	\$ 352	\$ 19,130
Receivables:							
Accounts, Net of Allowances	14,976	10,965	32	15,809	4	-	41,786
From Other Governments	-	580	-	-	-	-	580
From Other Funds	119	6	-	19	-	1	145
Interest	892	1,964	12	141	6	-	3,015
Investments	11,955,375	17,126,802	210,022	2,441,303	95,048	1,798	31,830,348
Securities Lending Collateral	741,682	1,024,750	15,844	184,213	7,508	154	1,974,151
Noncurrent:							
Due From Employers	-	-	-	273,875	-	-	273,875
Total Assets	\$ 12,723,478	\$ 18,170,698	\$ 225,969	\$ 2,917,997	\$ 102,583	\$ 2,305	\$ 34,143,030
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 19	\$ 9,732	\$ -	\$ -	\$ 4	\$ -	\$ 9,755
Securities Lending Obligation	741,682	1,024,750	15,844	184,213	7,508	154	1,974,151
Due to Other Funds	-	1,890	-	-	-	-	1,890
Total Liabilities	\$ 741,701	\$ 1,036,372	\$ 15,844	\$ 184,213	\$ 7,512	\$ 154	\$ 1,985,796
Net Position							
Held in Trust For Employee							
Pension Benefits	\$ 11,981,777	\$ 17,134,326	\$ 210,125	\$ 2,733,784	\$ 95,071	\$ 2,151	\$ 32,157,234
Total Net Assets	\$ 11,981,777	\$ 17,134,326	\$ 210,125	\$ 2,733,784	\$ 95,071	\$ 2,151	\$ 32,157,234

Statement of Changes in Fiduciary Net Position (thousands)							
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	\$ 132,557	\$ 288,251	\$ 1,689	\$ 27,377	\$ 254	\$ 44	\$ 450,172
State	1,542,298	1,012,162	19,164	-	-	-	2,573,624
Municipalities	-	-	-	69,807	-	-	69,807
Total Contributions	1,674,855	1,300,413	20,853	97,184	254	44	3,093,603
Investment Income	1,544,980	2,251,063	25,021	290,445	11,541	232	4,123,282
Less: Investment Expenses	(35,118)	(51,168)	(569)	(6,618)	(262)	(5)	(93,740)
Net Investment Income	1,509,862	2,199,895	24,452	283,827	11,279	227	4,029,542
Other	-	1,679	-	524	1,469	2	3,674
Total Additions	3,184,717	3,501,987	45,305	381,535	13,002	273	7,126,819
Deductions							
Administrative Expense	674	-	-	-	-	-	674
Benefit Payments and Refunds	1,855,687	1,962,533	24,899	155,407	5,180	-	4,003,706
Other	371	-	39	-	-	-	410
Total Deductions	1,856,732	1,962,533	24,938	155,407	5,180	-	4,004,790
Changes in Net Assets	1,327,985	1,539,454	20,367	226,128	7,822	273	3,122,029
Net Position Held in Trust For							
Employee Pension Benefits:							
Beginning of Year (as restated)	10,653,792	15,594,872	189,758	2,507,656	87,249	1,878	29,035,205
End of Year	\$ 11,981,777	\$ 17,134,326	\$ 210,125	\$ 2,733,784	\$ 95,071	\$ 2,151	\$ 32,157,234

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). This year the State adapted the Governmental Accounting Standards Board Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.

The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions. The Teachers' Retirement Board administers the Retired Teachers' Healthcare Plan. None of these plans issue stand alone statements, however, financial statements for these plans are presented in Note No. 14.

a. Plan Descriptions and Funding Policy

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

	<u>SEOPEBP</u>	<u>RTHP</u>
	<u>6/30/2017</u>	<u>6/30/2016</u>
Inactive Members or their		
Beneficiaries receiving benefits	70,776	40,160
Inactive Members Entitled to but		
not yet Receiving Benefits	484	2,085
Active Members	53,101	50,877

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.

Funding Policy

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 10-183t of the General Statutes.

Funding Policy

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.

b. 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 State Employee OPEB Plan. Plan assets are managed primarily through assets 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, 2017.

Asset Class	SEOPEBP		RTHP	
	Target Allocation	Long-Term	Target Allocation	Expected 10 year
		Expected Real Rate of Return		Geometric Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	0.00%	4.39%
Small/Mid U.S. Equities	0.0%	0.0%	0.00%	4.74%
Non U.S. Equities - Developed	18.0%	6.6%	0.00%	4.86%
Non U.S. - Emerging Markets	9.0%	8.3%	0.00%	6.19%
Real Estate	7.0%	5.1%	0.00%	4.11%
Hedge Funds	0.0%	0.0%	0.00%	3.18%
Commodities	0.0%	0.0%	0.00%	1.78%
Infrastructure	0.0%	0.0%	0.00%	4.34%
Private Equity	11.0%	7.6%	0.00%	6.91%
Alternative Investment	8.0%	4.1%	0.00%	0.00%
Fixed Income (Core)	8.0%	1.3%	0.00%	1.22%
Long Duration Bonds	0.0%	0.0%	0.00%	1.62%
High Yield Bonds	5.0%	3.9%	0.00%	3.66%
Non U.S. Debt - Developed	0.0%	0.0%	0.00%	0.26%
Non U.S. Debt - Emerging	4.0%	3.7%	0.00%	3.53%
TIPS (Inflation Protected)	0.0%	0.0%	0.00%	0.63%
Inflation Linked Bonds	5.0%	1.0%	0.00%	0.00%
U. S. Treasuries (Cash Equivalents)	4.0%	0.4%	100.00%	-0.02%

The long-term expected rate of return on RTHP OPEB plan assets was determined by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The assumption is not expected to change absent a significant change in asset allocation, a change in inflation assumption, or a fundamental change in the market that alters expected returns in future years.

c. GASB 74 Requirements

Net OPEB Liability

The components of the net OPEB liability as of June 30, 2017, the measurement date, were as follows (amounts in thousands):

	SEOPEBP	RTHP
Total OPEB Liability	\$ 17,928,030	\$ 3,538,772
Fiduciary Net Position	542,342	63,428
Net OPEB Liability	\$ 17,385,688	\$ 3,475,344
Ratio of Fiduciary Net Position to Total OPEB Liability	3.03%	1.79%

Actuarial Assumptions

The total OPEB liability was determined by actuarial valuations as of June 30, 2017 and June 30, 2016 respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

	SEOPEBP	RTHP
	6/30/17	6/30/16
Inflation	3.25%	2.75%
Salary increase	3.75%	3.25%-6.5%
Investment rate of return	6.90%	4.25%, net of pension plan investment expense including price inflation
Healthcare cost trend rates	10% for drug cost graded to 5% over 5 years, other cost 5%	7.75% decreasing to 5% by year 2022

Mortality rates for the State Employees OPEB Plan were based on the RP-2000 Healthy Annuitant Mortality Table for male rates projected 15 years (set back 2 years) and female rates projected 25 years (set back one year) under Scale AA.

Mortality rates for the State Teachers Retirement System were based on RPH-2014 White Collar Morality Table with employee and annuitant rates blended from ages 50 to 80 projected to year 2020 under Scale BB and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. Disabled participants mortality rates were based on the RPH-2014 Disabled Retiree Mortality Table projected to 2017 using BB improvement scale.

Discount Rate

The discount rate used to measure the total OPEB liability for SEOPEBP and RTHP respectively, was 3.74 and 3.56 percent. The projection of cash flows used to determine the discount was performed in accordance with GASB 74.

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

The following presents the net OPEB liability of the State, as well as what the State's net OPEB 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 discount rate (amounts in thousands):

	SEOPEBP		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	2.74%	3.74%	4.74%
SEOPEBP Net OPEB Liability	\$ 20,115,969	\$ 17,385,688	\$ 15,158,837

	RTHP		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	2.56%	3.56%	4.56%
RTHP Net OPEB Liability	\$ 4,188,346	\$ 3,475,344	\$ 2,914,719

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate (amounts in thousands):

	SEOPEBP		
	1% Decrease	Current	1% Increase
SEOPEBP Net OPEB Liability	\$ 14,936,332	\$ 17,385,688	\$ 20,477,885

	RTHP		
	1% Decrease	Current	1% Increase
RTHP Net OPEB Liability	\$ 2,861,462	\$ 3,475,344	\$ 4,301,861

Changes in Net OPEB 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, 2017 (amounts in thousands):

	SEOPEBP	RTHP
Total OPEB Liability		
Service Cost	\$ 1,081,923	\$ 148,220
Interest	849,907	111,129
Benefit Changes	(8,853,455)	-
Difference between expected and actual experience	(97,527)	-
Changes of assumptions	(1,936,042)	(370,549)
Benefit payments	(639,467)	(84,071)
Net change in total OPEB liability	(9,594,661)	(195,271)
Total OPEB liability - beginning	27,522,691	3,734,043
Total OPEB liability - ending (a)	\$ 17,928,030	\$ 3,538,772
Plan fiduciary net position		
Contributions - employer	\$ 667,401	\$ 19,922
Contributions - member	120,783	50,436
Net investment income	53,194	369
Benefit payments	(639,467)	(84,071)
Administrative expense	-	(150)
Other	(187)	42
Net change in plan fiduciary net position	201,724	(13,452)
Plan fiduciary net position - beginning	340,618	76,880
Plan fiduciary net position - ending (b)	\$ 542,342	\$ 63,428
Net OPEB liability - ending (a)-(b)	\$ 17,385,688	\$ 3,475,344

The benefit changes is a result of the implementation of the Medicare Advantage plan for the State's Medicare-eligible retirees effective after January 1, 2018, as well as proposed changes in the SEBAC agreement for non-Medicare retirees. These changes, pertaining to premium shares and health care design changes, affect new retirees after October 2, 2017.

Annual OPEB Cost and Net OPEB Obligation Required by GASB 45

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):

	<u>SEOPEBP</u>	<u>RTHP</u>
Annual Required Contribution	\$ 1,043,143	\$ 166,802
Interest on Net OPEB Obligation	503,257	49,450
Adjustment to Annual Required Contribution	<u>(512,216)</u>	<u>(40,881)</u>
Annual OPEB Cost	1,034,184	175,371
Contributions Made	<u>667,401</u>	<u>19,922</u>
Increase in net OPEB Obligation	366,783	155,449
Net OPEB Obligation - Beginning of Year	<u>8,829,062</u>	<u>1,098,891</u>
Net OPEB Obligation - End of Year	<u>\$ 9,195,845</u>	<u>\$ 1,254,340</u>

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

	<u>Fiscal</u> <u>Year</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
SEOPEBP	2017	\$ 1,034,184	64.5%	\$ 9,195,845
	2016	\$ 1,435,596	42.4%	\$ 8,829,062
	2015	\$ 1,541,667	35.4%	\$ 8,002,059
RTHP	2017	\$ 175,371	11.4%	\$ 1,254,340
	2016	\$ 137,983	14.5%	\$ 1,098,891
	2015	\$ 118,175	21.3%	\$ 980,868

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2017 and 2016, respectively, date of the latest actuarial valuations (amounts in million):

	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered Payroll</u> <u>((b-a)/c)</u>
SEOPEBP	\$ 229.6	\$ 19,119.6	\$ 18,890.0	1.2%	\$ 3,895.1	485.0%
RTHP	\$ -	\$ 2,997.5	\$ 2,997.5	0.0%	\$ 3,949.9	75.9%

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.

d. 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, 2016 there were 8 municipalities participating in the plan with a total membership of 634 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 (thousands)			
	State	Retired	Policemen,	Total
	Employees'	Teachers'	Firemen, and	
	OPEB Plan	Healthcare Plan	Survivors' Benefits	
Assets				
Cash and Cash Equivalents	\$ 5,706	\$ 60,890	\$ 109	\$ 66,705
Receivables:				
Accounts, Net of Allowances	-	7,364	-	7,364
From Other Funds	(38)	1,897	-	1,859
Interest	-	-	2	2
Investments	569,440	-	32,349	601,789
Securities Lending Collateral	36,224	-	2,244	38,468
Total Assets	<u>\$ 611,332</u>	<u>\$ 70,151</u>	<u>\$ 34,704</u>	<u>\$ 716,187</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 32,766	\$ 6,722	\$ -	\$ 39,488
Securities Lending Obligation	36,224	-	2,244	38,468
Due To Other Funds	-	-	-	-
Total Liabilities	<u>\$ 68,990</u>	<u>\$ 6,722</u>	<u>\$ 2,244</u>	<u>\$ 77,956</u>
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	\$ 542,342	\$ 63,428	\$ 32,460	\$ 638,230
Total Net Assets	<u>\$ 542,342</u>	<u>\$ 63,428</u>	<u>\$ 32,460</u>	<u>\$ 638,230</u>

	Statement of Changes in Fiduciary Net Position (thousands)			
	State	Retired	Policemen,	Total
	Employees'	Teachers'	Firemen, and	
	OPEB Plan	Healthcare Plan	Survivors' Benefit	
Additions				
Contributions:				
Plan Members	\$ 120,783	\$ 102,986	\$ 555	\$ 224,324
State	667,401	19,922	-	687,323
Municipalities	-	-	645	645
Total Contributions	788,184	122,908	1,200	912,292
Investment Income	54,431	369	3,949	58,749
Less: Investment Expenses	(1,237)	-	(90)	(1,327)
Net Investment Income	53,194	369	3,859	57,422
Other	-	42	-	42
Total Additions	841,378	123,319	5,059	969,756
Deductions				
Administrative Expense	-	5,684	-	5,684
Benefit Payments and Refunds	639,467	131,087	1,222	771,776
Other	187	-	-	187
Total Deductions	639,654	136,771	1,222	777,647
Changes in Net Assets	201,724	(13,452)	3,837	192,109
Net Position Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year (as restated)	340,618	76,880	28,623	446,121
End of Year	<u>\$ 542,342</u>	<u>\$ 63,428</u>	<u>\$ 32,460</u>	<u>\$ 638,230</u>

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):

2018	\$	36,922
2019		36,017
2020		36,366
2021		23,194
2022		23,277
Thereafter		82,967
Total	\$	<u>238,743</u>

Contingent revenues for the year ended June 30, 2017, were \$628 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2017, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2018	\$ 25,402	\$ 7,815
2019	31,800	7,352
2020	19,206	6,377
2021	13,570	2,471
2022	19,658	2,159
2023-2027	7,775	6,283
2028-2032	-	4,870
Total minimum lease payments	<u>\$ 117,411</u>	37,327
Less: Amount representing interest costs		<u>6,427</u>
Present value of minimum lease payments		<u>\$ 30,900</u>

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, 2017, were \$25.4 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, 2017 (amounts in thousands):

Governmental Activities	Beginning			Ending	
	Balance	Additions	Reductions	Balance	Amounts due within one year
Bonds:					
General Obligation	\$ 17,394,622	\$ 3,004,480	\$ 2,000,548	\$ 18,398,554	\$ 1,403,467
Transportation	4,519,690	868,265	346,115	5,041,840	301,345
	21,914,312	3,872,745	2,346,663	23,440,394	1,704,812
Plus (Less) Premiums	1,672,204	427,323	212,443	1,887,084	190,620
Total Bonds	23,586,516	4,300,068	2,559,106	25,327,478	1,895,432
Long-Term Notes	352,585	-	175,465	177,120	177,120
Other L/T Liabilities:¹					
Net Pension Liability (Note 10)	27,459,972	15,039,145	5,307,046	37,192,071	-
Net OPEB Obligation	9,927,951	1,209,554	687,323	10,450,182	-
Compensated Absences	511,391	40,373	38,928	512,836	40,370
Workers' Compensation	684,401	133,780	100,165	718,016	103,265
Capital Leases	32,342	4,346	5,788	30,900	6,911
Claims and Judgments	62,849	12,200	23,886	51,163	37,778
Landfill Post Closure Care	49,433	-	13,136	36,297	1,217
Liability on Interest Rate Swaps	1,857	-	1,031	826	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	38,730,901	16,439,398	6,177,303	48,992,996	189,541
Governmental Activities Long-Term Liabilities	\$ 62,670,002	\$ 20,739,466	\$ 8,911,874	\$ 74,497,594	\$ 2,262,093
¹ In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
Business-Type Activities					
Revenue Bonds	\$ 1,246,682	\$ 428,687	\$ 232,564	\$ 1,442,805	\$ 90,176
Plus/(Less) Premiums and Discounts	102,044	77,015	3,442	175,617	2,159
Total Revenue Bonds	1,348,726	505,702	236,006	1,618,422	92,335
Compensated Absences	192,180	37,237	36,670	192,747	53,480
Other	339,188	2,785	14,554	327,419	17,124
Total Other Liabilities	531,368	40,022	51,224	520,166	70,604
Business-Type Long-Term Liabilities	\$ 1,880,094	\$ 545,724	\$ 287,230	\$ 2,138,588	\$ 162,939

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately \$37.8 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique 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, 2017, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2017	Amounts due within year
Bonds Payable	\$ 4,712,686	\$ 140,268
Escrow Deposits	182,370	43,612
Annuities Payable	125,434	6,384
Rate Swap Liability	144,257	-
Net Pension Liability	253,464	-
Other	65,221	3,200
Total	\$ 5,483,432	\$ 193,464

Not all component units report net pension liabilities; therefore the net pension liability in the notes is \$6,287 higher than in the financial statements.

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). During the year ended June 30, 2014, the legal transfer of \$35.8 million in post closure care obligations and the concurrent transfer of \$31.0 million of Authority reserve funds to the State resulting from the closure of landfills was addressed by a memorandum of understanding ("MOU") between the Authority and DEEP.

By the end of the year ended June 30, 2015, all work associated with the closure of the five landfills was completed. Going forward DEEP is required to reimburse the authority for all postclosure care obligations as the five landfills are now certified as closed. All landfill expense reimbursements paid by DEEP totaled \$1,216,746 in FY2017.

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. 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, 2017 were \$177.1 million. The notes mature on various dates through 2018 and bear interest rates from 3.0 to 3.15 percent. Future amounts needed to pay principal and interest on these notes outstanding at June 30, 2017 were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 177,120	\$ 3,958	\$ 181,078
Total	\$ 177,120	\$ 3,958	\$ 181,078

b. Primary Government – Governmental Activities**General Obligation Bonds**

General Obligation bonds are those bonds that are paid out of the revenues of the General Fund and are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued at June 30, 2017, were as follows (amounts in thousands):

Purpose of Bonds	Final Dates	Original Rates	Outstanding	Authorized But Unissued
Capital Improvements	2017-2037	2.00-5.75%	\$ 4,087,112	\$ 662,842
School Construction	2017-2037	1.70-5.750%	4,614,441	-
Municipal & Other				
Grants & Loans	2017-2036	1.00-5.632%	2,480,886	943,787
Housing Assistance	2017-2035	1.00-5.460%	427,847	195,951
Elimination of Water Pollution	2017-2035	2.00-5.09%	313,434	34
General Obligation Refunding	2017-2038	2.00-5.25%	3,582,785	-
GAAP Conversion	2017-2027	1.00-5.00%	494,535	-
Pension Obligation	2017-2032	4.75-6.27%	2,217,392	-
Miscellaneous	2017-2034	3.50-5.100%	50,360	31,751
			18,268,792	\$ 1,834,365
Accretion-Various Capital Appreciation Bonds			129,762	
		Total	\$ 18,398,554	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,403,467	\$ 819,965	\$ 2,223,432
2019	1,351,591	763,531	2,115,122
2020	1,295,076	708,077	2,003,153
2021	1,273,786	652,455	1,926,241
2022	1,238,814	646,937	1,885,751
2023-2027	5,704,348	2,420,148	8,124,496
2028-2032	4,562,095	943,211	5,505,306
2033-2037	1,437,505	131,618	1,569,123
2038-2042	2,110	85	2,195
Total	\$ 18,268,792	\$ 7,086,027	\$ 25,354,819

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, 2017, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2018-2037	2.00-5.740%	\$ 5,041,840	\$ 2,911,718
			5,041,840	\$ 2,911,718
Accretion-Various Capital Appreciation Bonds			-	
		Total	\$ 5,041,840	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 301,345	\$ 241,891	\$ 543,236
2019	295,190	228,146	523,336
2020	293,820	214,067	507,887
2021	308,960	199,907	508,867
2022	289,370	185,150	474,520
2023-2027	1,471,955	706,435	2,178,390
2028-2032	1,356,525	337,082	1,693,607
2033-2037	724,675	66,324	790,999
	<u>\$ 5,041,840</u>	<u>\$ 2,179,002</u>	<u>\$ 7,220,842</u>

c. Primary Government – Business–Type Activities

Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the Enterprise funds and Component Units.

Enterprise funds' revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
UConn	2017-2030	1.5-5.5%	\$ 105,955
Board of Regents	2017-2036	2.0-6.0%	338,745
Clean Water	2017-2035	2.0-5.0%	852,147
Drinking Water	2017-2035	2.0-5.0%	117,943
Bradley Parking Garage	2017-2024	6.5-6.6%	28,015
Total Revenue Bonds			1,442,805
Plus/(Less) premiums and discounts:			
UConn			17,854
Board of Regents			17,963
Clean Water			122,194
Other			17,606
Revenue Bonds, net			<u>\$ 1,618,422</u>

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, 2017, \$28.0 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, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 90,176	\$ 63,977	\$ 154,153
2019	89,635	61,875	151,510
2020	96,340	57,777	154,117
2021	85,160	53,301	138,461
2022	99,635	49,328	148,963
2023-2027	410,895	184,645	595,540
2028-2032	369,094	88,863	457,957
2033-2037	201,870	22,025	223,895
Total	<u>\$ 1,442,805</u>	<u>\$ 581,791</u>	<u>\$ 2,024,596</u>

d. Component Units

Component Units' revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2017-2055	0.0-6.625%	\$ 4,069,091
CT Student Loan Foundation	2034-2046	0.264-2.639%	232,050
CT Higher Education Supplemental Loan Authority	2018-2036	.40-5.25%	157,465
CT Airport Authority	2018-2032	%/1 mth libor	116,290
CT Regional Development Authority	2017-2034	1.00-7.00%	82,685
UConn Foundation	2017-2029	1.90-5.00%	19,955
CT Green Bank	2017-2036	4.19%	2,958
CT Innovations Inc.	2017-2020	2.37-5.25%	1,735
Total Revenue Bonds			4,682,229
Plus/(Less) premiums and discounts:			
CHFA			28,459
CSLF			(542)
CHESLA			3,237
UConn Foundation			(393)
CRDA			(304)
Revenue Bonds, net			<u>\$ 4,712,686</u>

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 \$1.7 million in General Obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72; a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2016, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were \$3,693.8 million, \$56.6 million, and \$347.2 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 \$284.8 million per the resolution and \$4.6 million per the indenture at 12/31/16. As of

December 31, 2016, the Authority has entered into interest rate swap agreements for \$841.2 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.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 140,265	\$ 144,655	\$ 284,920
2019	153,461	138,797	292,258
2020	164,848	134,967	299,815
2021	172,319	129,672	301,991
2022	196,430	124,674	321,104
2023-2027	902,197	533,335	1,435,532
2028-2032	964,820	375,720	1,340,540
2033-2037	809,506	231,890	1,041,396
2038-2042	594,134	124,201	718,335
2043-2047	497,420	96,897	594,317
2048-2052	60,775	11,983	72,758
2053-2057	26,054	6,161	32,215
	<u>\$ 4,682,229</u>	<u>\$ 2,052,952</u>	<u>\$ 6,735,181</u>

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, 2017 were \$370.6 million.

The Connecticut Health and Educational Facilities Authority has issued Special Obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total Special Obligation bonds outstanding at June 30, 2017, were \$8,219.0 million, of which \$338.7 million was secured by special capital reserve funds.

The Materials Innovation and Recycling Authority has served as a conduit issuer for debt to fund the construction of waste processing facilities by independent contractor-operators. The outstanding debt is secured by loan agreements, between the authority and independent contractor-operators, which have been assigned to the trustee for the debt, and through additional corporate guarantee agreements between the trustee and third party guarantors. The payment of the debt is not guaranteed by the Authority or the State.

Thus the assets and liabilities related to the debt are not included in the Authority's financial statements. The amount of the debt outstanding at June 30, 2017 is zero.

e. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of \$626.7 million at an average coupon interest rate of 4.73 percent to advance refund \$668.5 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 4.86 percent. Although the advance refunding resulted in a \$397 thousand accounting loss, the State in effect reduced its aggregate fund level debt service payments by \$62.5 million over the next 8 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 \$55.7 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 demand bonds totaling \$134.9 million at an average coupon variable interest rate of 1.574 percent. The resulting cash flow savings on the variable interest rate SIFAMA index refunding bonds was \$696.7 thousand.

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, 2017, the outstanding balance of bonds defeased in prior years was approximately \$631.4 million.

Note 18 Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2017, 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:	Deferred		Deferred		
Pay-fixed interest rate swap	outflow of Resources	\$ 1,031	outflow of Resources	\$ (826)	\$ 20,000

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, 2017, 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	\$ 20,000	4/27/2005	6/1/2020	Pay 5.2% receive CPI plus 1.79%	Aa3/A
	Total Notional Amount	\$ 20,000				

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, 2017, 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, 2017, 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		Interest Rate	Total
	Principal	Interest	SWAP, Net	
2018	\$ -	\$ 650	\$ 390	\$ 1,040
2019	-	651	389	1,040
2020	20,000	652	388	21,040
	<u>\$ 20,000</u>	<u>\$ 1,953</u>	<u>\$ 1,167</u>	<u>\$ 23,120</u>

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 of Loss	Risk Financed by	
	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 6-30-15	\$ 651,184	\$ 26,750
Incurred claims	136,682	9,210
Paid claims	<u>(103,465)</u>	<u>(4,368)</u>
Balance 6-30-16	684,401	31,592
Incurred claims	133,780	-
Paid claims	<u>(100,165)</u>	<u>(6,735)</u>
Balance 6-30-17	<u>\$ 718,016</u>	<u>\$ 24,857</u>

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2017, were as follows (amounts in thousands):

	Balance due to fund(s)											Total
	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	Board of Regents	Employment Security	Internal Services	Fiduciary	Component Units	
Balance due from fund(s)												
General	\$ -	\$ -	\$ 270	\$ 5	\$ 262,222	\$ 45,101	\$ 38,605	\$ 856	\$ 4,980	\$ 4,263	\$ -	\$ 356,302
Debt Service	-	1,419	-	-	-	-	-	-	-	-	-	1,419
Restricted Grants & Accounts	3,360	-	-	-	-	-	-	-	-	-	6,520	9,880
Grant & Loan Programs	31	-	-	-	-	-	-	-	-	-	-	31
Other Governmental	2,348	-	-	-	16,401	81,692	104,464	-	-	-	-	204,905
UConn	20,904	-	-	-	-	-	-	-	-	-	-	20,904
Board of Regents	4,098	-	-	-	-	-	-	-	-	-	-	4,098
Employment Security	-	-	-	-	439	-	-	-	-	-	-	439
Internal Services	12,931	-	-	-	-	-	-	-	-	-	-	12,931
Fiduciary	-	-	-	-	379	-	-	-	-	1,890	-	2,269
Component Units	36,918	-	992	-	-	-	-	-	-	-	-	37,910
Total	<u>\$ 80,590</u>	<u>\$ 1,419</u>	<u>\$ 1,262</u>	<u>\$ 5</u>	<u>\$ 279,441</u>	<u>\$ 126,793</u>	<u>\$ 143,069</u>	<u>\$ 856</u>	<u>\$ 4,980</u>	<u>\$ 6,153</u>	<u>\$ 6,520</u>	<u>\$ 651,088</u>

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, 2017, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)								
	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	Board of Regents	Clean Water & Drinking Water	Total
Amount transferred from fund(s)									
General	\$ -	\$ -	\$ -	\$ -	\$ 89,108	\$ 991,429	\$ 560,058	\$ -	\$ 1,640,595
Debt Service	-	-	-	-	7,294	-	-	-	7,294
Transportation	-	548,532	-	-	-	-	-	-	548,532
Restricted Grants & Accounts	1,051	-	-	-	57,443	-	-	-	58,494
Grants & Loan Programs	-	-	-	-	94,549	-	-	-	94,549
Other Governmental	390,344	44,434	6,430	177,420	768	10,895	114,602	674	745,567
Internal Service	2,250	-	-	-	-	-	-	-	2,250
Employment Security	-	-	-	-	10,176	-	-	-	10,176
Clean Water & Drinking Water	-	-	-	-	526	-	-	-	526
Total	\$ 393,645	\$ 592,966	\$ 6,430	\$ 177,420	\$ 259,864	\$ 1,002,324	\$ 674,660	\$ 674	\$ 3,107,983

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

Fund Balance Classifications and Restricted Net Position

Fund Balance – Restricted and Assigned

As of June 30, 2017 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	\$ 506,738	\$ -
Environmental Programs	24,751	-
Housing Programs	320,192	-
Employment Security Administration	13,509	-
Banking	2,496	-
Other	97,809	5,207
Total	\$ 965,495	\$ 5,207

Restricted Net Position

As of June 30, 2017, the government-wide statement of net position reported \$3,906 million of restricted net position, of which \$114.8 million was restricted by enabling legislation.

Note 23

Tax Abatements

For financial purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens.

Film, Television, and Digital Media Tax Program

This program assists film, television and digital media companies with direct financial assistance programs. Including but not limited to loans, grants, and job expansion tax credits structured to incentivize relocation to Connecticut and the growth and development of current Connecticut-based companies.

Beginning after January 1, 2010, (a) an eligible production company that incurs production expenses of not less than \$100 thousand, but not more than \$500 thousand, will be eligible for a credit against the tax imposed equal to ten percent of such production expenses, (b) a production company incurring expenses of more than \$500 thousand, but not more than \$1 million, will be eligible for a credit against the tax imposed equal to fifteen percent of production expenses, and (c) a production company incurring expenses of more than \$1 million will be eligible for a credit against the tax imposed (chapter 207, section 12-217jj) equal to thirty percent of production expenses.

No eligible company incurring an amount of production expenses that qualifies for a tax credit shall be eligible unless on or after January 1, 2010, the company conducts (1) not less than fifty percent of principal filming days within the state, or (2) expends not less than fifty percent of postproduction costs within the state, or (3) expends not less than \$1 million of postproduction costs within the state.

An eligible production company shall apply to the Department of Economic and Community Development (DECD) for a tax credit voucher on an annual basis, but not later than ninety days after the first production expenses are incurred in the production of a qualified production, and will provide with the application information that DECD may require to determine if the company is eligible to claim a credit.

Urban and Industrial Sites Reinvestment Tax Program

This tax program is designed to encourage development and redevelopment activities in eligible communities and to encourage private investment in contaminated properties.

In accordance with Chapter 578 section 32-9t of the General Statutes taxpayers who make investments in eligible urban reinvestment projects or eligible industrial site investment projects may be allowed a tax credit against the tax imposed under chapter 207 and 212a or section 38a-743 in the General Statutes, an amount equal to the following percentage of approved investments made by or on behalf of a taxpayer with respect to the following income years of the taxpayer: (a) the income year in which the investment in the project was made and the next two succeeding income years, zero percent; (b) in the third full income year succeeding the year in which the investment was made and the three succeeding years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the eligible project was made and the next two succeeding year, twenty percent. The sum of all tax credits shall not exceed \$100 million to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner at DECD. The sum of all tax credits under the provisions of this section should not exceed \$950 million.

Tax credits allowed may be claimed by a taxpayer who has made an investment (1) directly only if the investment has a total asset value, either alone or combined with other investors in an eligible project, of not less than \$5 million or, in the case of an investment in an eligible project for the preservation of a historic facility and redevelopment of the facility for combined uses which includes at least four housing units, the total asset value should not be less than \$2 million; (2) an investment managed through a fund manager only if such fund: (a) has a total asset value of not less than \$60 million for the income year for which the initial credit is taken; and (b) has not less than three investors who are not related persons with respect to each other or to any person in which any investment is made other than through the fund at the date the investment is made; or (3) through a community development entity or a contractually bound community development entity. A tax credit made through a fund, should only be available for investments in funds that are not open to additional investments beyond the amount set forth at the formation of the fund.

Insurance Reinvestment Fund Program

The purpose of the Insurance Reinvestment Fund Program is to capitalize on the base of local insurance expertise and help people laid off after the massive restructuring of the insurance industry. The program was also intended to encourage small insurance startups and specialty insurance businesses in Connecticut companies engaged in the insurance business or providing services to insurance companies.

In accordance with Chapter 698 section 38a-88 a tax credit is allowed against the tax imposed under chapter 207, 208, or 229 or section 38a-343 an amount equal to the following percentage of the moneys of the taxpayer invested through a fund manager in an

insurance business with respect to the following income years of the taxpayer: (a) in the initial income year in which the investment in the insurance business was made and two succeeding income years, zero percent; (b) with respect to the third full income year in which the investment in the insurance business was made and the next three succeeding income years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the insurance business was made and the next two succeeding income years, twenty percent. The sum of all tax credits shall not exceed \$15 million with respect to investment made by a fund or funds in any single insurance business, and with respect to all investments made by a fund shall not exceed the total amount originally invested in the fund. A fund manager may apply to the Commissioner of DECD for a credit that is greater than the limitations established by law.

The tax credit allowed may be claimed by a taxpayer who has invested in an insurance business through a fund (a) which has total assets of not less than \$30 million for the income year for which the initial credit is taken; (b) has not less than three investors who are not related persons with respect to each other or to any insurance business in which any investment is made other than through the fund at the date the investment is made; and (c) which invests only in insurance businesses that are not related persons to each other.

The credit allowed may only be claimed with respect to an insurance business which (a) occupies the new facility for which an eligibility certificate has been issued by the Commissioner of DECD, or the certificate has been issued as its home office, and (b) employs not less than twenty-five percent of its total work force in new jobs.

The maximum allowed credit shall be \$350 million in total and \$40 million per year.

Enterprise Zone Property Tax Reimbursement Program

The enterprise zone program offers various tax incentives and other benefits to businesses that start up or improve real property in areas designated as enterprise zones. This designation is one of several geographic designations the state uses to target economic development assistance (e.g., distressed municipalities).

In 1981, Connecticut became the first state to establish an enterprise zone program when the legislature authorized the DECD commissioner to designate six zones based on statutory criteria (PA 81-445). Over the past several decades, the legislature has made many changes to the program, including expanding the number of zones, changing the eligibility criteria for zone designation, and adding to the types of businesses eligible for benefits under the program.

In most instances, the legislature authorized the DECD commissioner to approve a specified number of zones according to broad eligibility criteria. For example, the initial two designation rounds authorized a total of 10 zones—four in municipalities with a population of 80,000 or more and six in municipalities with a population of fewer than 80,000. The proposed zones also had to meet specific poverty criteria (e.g., 25 percent of the proposed zone's population had to be below the federal poverty level or unemployed).

However, the legislature has shifted from this practice, authorizing additional zones based on narrower designation criteria. For example, in 1993 it authorized two additional enterprise zones in municipalities with a population of 80,000 or less that are affected by plant or military base closings (PA 93-331). In 2014, it required the commissioner to approve two additional zones based on population criteria tailored for two specific towns (Thomaston and Wallingford) (PA 14-217). It has also authorized the DECD commissioner to designate zones, under narrow criteria, in addition to those authorized in statute.

There are eighteen enterprise zones currently designated, and one (Wallingford) which has been authorized by the legislature but not yet designated by DECD. The designated enterprise zones are in the following towns: Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Thomaston, Waterbury, and Windham.

The zones' benefits are generally available to businesses that start up in the zone or that improve property or relocate there. The benefits include: (1) a five-year, state-reimbursed, 80 percent property tax exemption for improving or acquiring manufacturing facilities (see below) and acquiring machinery and equipment. The state generally reimburses the municipality for half the forgone property tax revenue (CGS 12-81 (59)); (2) a 10-year, 25 percent corporate business tax credit attributed to facility improvements. The credit increases to 50 percent for certain businesses that meet resident employment criteria (CGS 12-217e); (3) a seven-year property tax exemption (100 percent in first two years, 50 percent in third, and a decrease to 10 percent in each of the remaining four years), with no state reimbursement, for commercial and residential real property improvements that do not qualify for the 5-year, 80 percent exemption (other than improvements to manufacturing facilities, as defined below) (CGS 32-71); (4) a 10-year corporate business tax credit (100 percent for first three years, 50 percent for next seven years) for starting a new business in an enterprise zone (business must employ a certain number of residents to qualify) (CGS 12-217v).

Many enterprise zone benefits are available only to manufacturing facilities, but the statutory definition of this term includes certain facilities used for non-manufacturing purposes (CGS 32-9p(d)). For the purpose of the enterprise zone program, manufacturing facilities refers to any plant, building, or other real property improvement that is located in an enterprise zone and used as follows: (1) for manufacturing, processing, or assembling raw materials, parts, or manufactured products; (2) for manufacturing-related research

and development; (3) for servicing industrial machinery and equipment; (4) by a business that the commissioner determines (a) will materially contribute to the economy, or (b) is part of a group of industries linked by customer, supplier, or other relationships (CGS 32-222); or (5) by a business engaged in any of a number of specified industries, including fishing, hunting, and trapping; other types of manufacturing; transportation and warehousing; certain financial and insurance services; certain educational services; child day care services; computer hardware, software, or networking; and telecommunications or communications.

The law designates municipalities that contain enterprise zones as “targeted investment communities” (TICs), and businesses located in these municipalities, but outside the enterprise zone, are eligible for certain benefits, including: (1) a five-year, state-reimbursed property tax exemption for improving manufacturing facilities. The exemption varies depending on the value of improvements, up to a maximum of 80 percent for improvements valued over \$90 million (CGS 12-81(60)); (2) a 10-year corporate business tax credit attributed to improving manufacturing facilities in TICs. The credit varies from 15 percent to 50 percent depending on the number of new employees (CGS 12-217e).

Information relevant to the disclosure of these programs is as follows:

Tax Abatement Program	Amount of Taxes Abated
The Film, Television, and Digital Media Tax Program <i>Corporate Income Tax (as of 6/30/2016)</i>	\$92,926,361
The Urban and Industrial Sites Reinvestment Tax Program <i>Corporate Income Tax (as of 6/30/16)</i>	41,000,000
The Insurance Reinvestment Fund Program <i>Corporate Income Tax (as of 12/31/2016)</i>	20,000,000
Enterprise Zone Property Tax Reimbursement Program <i>Property Tax (6/30/2015)</i>	4,884,678

In addition, the State has other various tax credit incentives that are not defined as tax abatements under generally accepted accounting principles and therefore are not described and included here.

Note 24 Related Organizations

The Community Economic Development Fund and Connecticut Health Insurance Exchange are legally separate organizations that are related to the State because the State appoints a voting majority of the organizations governing board. However, the State’s accountability for these organizations does not extend beyond making the appointments.

Note 25 New Accounting Pronouncements

In 2017, The State implemented the following statements issued by the Governmental Accounting Standards Board (“GASB”).

Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (Statement No. 74) - GASB Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefit (OPEB) plans other than pension plans. It also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements.

Tax Abatement Disclosures (Statement No. 77) - This Statement establishes financial reporting standards for tax abatement agreements entered into by the State. The disclosures required by this Statement include tax abatements resulting from (a) agreements that are entered into by the State and (b) agreements that are entered into by other governments that reduce the State’s tax revenues. The adoption of this Statement had no significant impact on the State’s financial statements.

Certain External Investment Pools and Pool Participants (Statement No. 79) – This Statement establishes accounting and financial reporting criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. While certain provisions of Statement No. 79 were effective for fiscal year 2016 reporting, its provisions related to portfolio quality, custodial credit risk, and shadow pricing are effective for fiscal year 2017 reporting.

Note 26

Commitments and Contingencies

a. Commitments

Primary Government

Commitments are defined as “existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities.” As of June 30, 2017, the Departments of Transportation and Construction Services had contractual commitments of approximately \$3,151 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program \$3,032 million.
Clean and drinking water loan programs \$387 million.
Various programs and services \$5,425 million.

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

Component Units

As of December 31, 2016, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately \$137.1 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, 2016, the State reported an escheat liability of \$387.2 million in the General fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of \$411.7 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. As of June 30, 2017 there were no longer any outstanding balances or commitments under the Agreements or subleases.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Note 27

Subsequent Events

In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in the footnotes. The effect of this evaluation led the State to report the following events which took place after the State's fiscal year end date through to the date these financial statements were issued. The subsequent information regarding the Connecticut Housing Finance Authority are events which took place after their fiscal year end of December 31, 2016.

In December 2017, the State issued \$450.0 million of Taxable General Obligation bonds. The taxable 2017 Series-A bonds mature in 2028 and bear coupon interest rates ranging from 2.30 to 3.75 percent. The bonds will fund economic development, housing projects, higher education technology, Town Road Aid, grants-in-aid to towns, grants to hospitals, Jackson Labs, the Small Business Express program, the Manufacturing Innovation Fund, and the BioScience Innovation Fund.

In December 2017, the State issued \$400.0 million of nontaxable General Obligation Bond Anticipation Notes. The nontaxable 2017 Series-A Notes having a coupon interest rate of 5.0 percent, are expected to be converted to long-term bonds in September 2018. The notes will fund a variety of projects including grants-in-aid to towns and school districts, fire training schools, housing projects, higher education, libraries, environmental and brownfield remediation, Clean Water Fund grants, technology upgrades, and demolition, construction and renovation at state-owned facilities.

In December 2017, the Connecticut Higher Education Supplemental Loan Authority issued \$11.3 million of revenue bonds. The Series C bonds mature in 2034 and bear interest rates ranging from 3.5 to 5.0 percent. The proceeds will support the authority's loan program-Special Capital Reserve fund.

On January 5, 2017, the Connecticut Housing Finance authority (CHFA) issued \$37.4 million of Special Needs Housing Program bonds. On February 6, 2017 \$29.9 million of these proceeds were used to refund a portion of the authority's outstanding bonds and \$9.9 million was used to finance 19 group homes for individuals with special needs.

On March 2, 2017 the Connecticut Housing Finance authority (CHFA) issued \$266 million of Housing Mortgage Finance Program bonds, \$141 million of the proceeds were used to refund a portion of the authority's outstanding bonds. The remaining \$125 million was used for single family loans and mortgage backed security purchases. On the same date, to secure the liquidity and potential remarketing of the 2017 Sub-series A-3 variable rate bonds with a principal balance of \$38 million, CHFA entered into Stand-By Bond Purchase with Landesbank Hessen-Thuringen and a Remarketing Agreement with Merrill Lynch. In addition a new swap agreement effective March 2, 2017 was established with the Royal Bank of Canada. More information concerning these transactions can be obtained from separately issued financial statements published by CHFA having a fiscal year end of December 31, 2016.

CHFA issued Housing Mortgage Finance Program bonds on April 18, 2017 for \$125 million 2017 Series B, on May 11, 2017 for \$175 million 2107 Series C, on August 9, 2017 for \$175 million 2017 Series D, on October 25, 2017 for \$49.9 million 2017 Series E, on November 14, 2017 for \$229.2 million 2017 Series F. The proceeds from these bonds were used for the single family and multifamily programs and to refund prior bonds. On August 1, 2017, CHFA entered into a new Stand-By Bond Purchase Agreement with TD Bank, N.A. and Remarketing Agreement with TD Securities LLC to secure the liquidity and remarketing needs of 2017D-3 variable rate bond in the principal amount of \$50 million issued under the General Resolution. On November 14, 2017, CHFA entered into a new Stand-By-Purchase Agreement with Barclays Bank PLC and Remarketing Agreement with Barclays Capital Inc. to secure the liquidity and remarketing needs of 2017F-3 variable rate bond in the principal amount of \$44.8 million issued under the General Resolution.

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REQUIRED SUPPLEMENTARY INFORMATION BUDGET

Required supplementary information for budget provides information on budget versus actual revenues, expenditures and changes in fund balance and related note disclosure for statutory reporting.

The following schedules are included in the Required Supplementary Information for Budget:
Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual
(Budgetary Basis—Non-GAAP):
General Fund and Transportation Fund

Notes to Required Supplementary Information: Statutory Reporting

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
GENERAL AND TRANSPORTATION FUNDS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General Fund			Variance with Final Budget positive (negative)
	Budget		Actual	
	Original	Final		
Revenues				
Budgeted:				
Taxes, Net of Refunds	\$ 15,519,900	\$ 15,052,900	\$ 15,055,526	\$ 2,626
Casino Gaming Payments	267,000	269,900	269,906	6
Licenses, Permits, and Fees	269,200	275,200	275,386	186
Other	393,400	526,900	523,304	(3,596)
Federal Grants	1,257,600	1,325,200	1,325,237	37
Refunds of Payments	(66,100)	(44,200)	(44,199)	1
Operating Transfers In	464,000	447,000	447,015	15
Operating Transfers Out	(58,100)	(58,100)	(58,100)	-
Transfer to/from the Resources of the General Fund	(160,200)	(76,700)	(91,107)	(14,407)
Total Revenues	<u>17,886,700</u>	<u>17,718,100</u>	<u>17,702,968</u>	<u>(15,132)</u>
Expenditures				
Budgeted:				
Legislative	80,274	80,296	66,545	13,751
General Government	602,960	603,158	584,707	18,451
Regulation and Protection	290,735	299,862	274,414	25,448
Conservation and Development	193,090	193,090	181,061	12,029
Health and Hospitals	1,217,226	1,224,852	1,189,787	35,065
Transportation	-	-	-	-
Human Services	3,743,458	3,743,458	3,624,957	118,501
Education, Libraries, and Museums	5,081,647	5,089,114	5,003,922	85,192
Corrections	1,417,988	1,417,988	1,397,113	20,875
Judicial	597,599	597,896	552,370	45,526
Non Functional	4,949,936	4,950,250	4,888,164	62,086
Total Expenditures	<u>18,174,913</u>	<u>18,199,964</u>	<u>17,763,040</u>	<u>436,924</u>
Appropriations Lapsed	<u>190,829</u>	<u>420,061</u>	<u>-</u>	<u>(420,061)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(97,384)</u>	<u>(61,803)</u>	<u>(60,072)</u>	<u>1,731</u>
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	96,559	96,559	96,559	-
Appropriations Continued to Fiscal Year 2018	-	-	(60,237)	(60,237)
Miscellaneous Adjustments	410	1,054	1,054	-
Total Other Financing Sources (Uses)	<u>96,969</u>	<u>97,613</u>	<u>37,376</u>	<u>(60,237)</u>
Net Change in Fund Balance	<u>\$ (415)</u>	<u>\$ 35,810</u>	<u>(22,696)</u>	<u>\$ (58,506)</u>
Budgetary Fund Balances - July 1			46,458	
Changes in Reserves			<u>134,094</u>	
Budgetary Fund Balances - June 30			<u>\$ 157,856</u>	

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

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Transportation Fund

Budget		Variance with Final Budget positive (negative)	
Original	Final	Actual	(negative)
\$ 1,050,800	\$ 994,900	\$ 996,904	\$ 2,004
-	-	-	-
403,300	386,300	386,939	639
8,500	8,100	8,995	895
12,100	12,100	12,168	68
(3,800)	(4,100)	(4,103)	(3)
-	-	-	-
(6,500)	(6,500)	(6,500)	-
-	-	-	-
<u>1,464,400</u>	<u>1,390,800</u>	<u>1,394,403</u>	<u>3,603</u>
-	-	-	-
8,961	8,961	6,221	2,740
77,442	77,442	63,812	13,630
2,799	2,799	2,663	136
-	-	-	-
618,385	618,385	604,733	13,652
2,371	2,371	2,371	-
-	-	-	-
-	-	-	-
-	-	-	-
788,060	788,060	752,050	36,010
<u>1,498,018</u>	<u>1,498,018</u>	<u>1,431,850</u>	<u>66,168</u>
15,300	44,701	-	(44,701)
-	-	-	-
<u>(18,318)</u>	<u>(62,517)</u>	<u>(37,447)</u>	<u>25,070</u>
22,610	22,610	22,610	-
-	-	(30,389)	(30,389)
-	-	-	-
<u>22,610</u>	<u>22,610</u>	<u>(7,779)</u>	<u>(30,389)</u>
<u>\$ 4,292</u>	<u>\$ (39,907)</u>	<u>(45,226)</u>	<u>\$ (5,319)</u>
		165,451	
		<u>7,779</u>	
		<u>\$ 128,004</u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

STATUTORY REPORTING

A. 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 2017 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

B. Reconciliation of Budget/GAAP Reporting Differences

The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) – General Fund and Transportation Fund*, presents comparisons of the legally adopted budget (which is more fully described in section A, above) with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between statutory financial data and GAAP financial data.

- 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).

State of Connecticut

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

- 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).
- For statutory 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 following table presents a reconciliation of differences between the statutory change in fund balance and the GAAP change in fund balance at June 30, 2017. Amounts are expressed in thousands.

	General Fund	Transportation Fund
Net change in fund balances (statutory basis)	\$ (22,696)	\$ (45,226)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	137,398	6,467
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	19,779	1,100
Salaries and Fringe Benefits Payable	22,778	1,621
Increase (Decrease) in Continuing Appropriations	(36,322)	7,779
Fund Reclassification-Bus Operations	-	1,265
Net change in fund balances (GAAP basis)	\$ 120,937	\$ (26,994)

C. Budget Reserve Fund (“Rainy Day Fund”)

In accordance with Section 4-30a of the Connecticut State Statutes, 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. During fiscal year 2018 a withdrawal of \$22.7 million will be made to cover the budgetary shortfall in fiscal year 2017.

After the transfer is made to cover the shortfall in fiscal year 2017 the Budget Reserve Fund will have a balance of \$212.9 million. Effective February 28, 2003, the amount on deposit cannot exceed 10 percent of the net General Fund appropriations for the current fiscal year.

Changes to the Budget Reserve Fund in PA 15-244

PA 15-244, the fiscal year 2016 and fiscal year 2017 budget bill, establishes, beginning in fiscal year 2021, requires revenue collected from the estimated and final payments portion of the personal income tax and the corporation business tax must be in excess of a calculated threshold to be deposited into the Budget Reserve Fund at the close of each fiscal year. The act allows for the threshold to be adjusted for changes in tax policy that impact the corporation business tax or the personal income tax.

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REQUIRED SUPPLEMENTARY INFORMATION PENSION PLANS

Required supplementary information for pension plans provides information on the sources of changes in net pension liabilities, information about the components of net pension liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Pension Plans includes the following schedules:

- Schedule of Changes in the Net Pension Liability and Plan Net Position
- Schedule of Employer Contributions
- Schedule of Investment Returns

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION**

Last Three Fiscal Years*

(Expressed in Thousands)

SERS

Total Pension Liability	2016	2015	2014
Service Cost	\$ 322,114	\$ 310,472	\$ 287,473
Interest	2,105,947	2,052,651	1,998,736
Difference between expected and actual experience	772,762	-	-
Changes of assumptions	4,959,705	-	-
Benefit payments	(1,729,181)	(1,650,465)	(1,563,029)
Refunds of contributions	(7,098)	(7,124)	(3,935)
Net change in total pension liability	6,424,249	705,534	719,245
Total pension liability - beginning	27,192,467	26,486,933	25,767,688
Total pension liability - ending (a)	\$ 33,616,716	\$ 27,192,467	\$ 26,486,933
Plan net position			
Contributions - employer	\$ 1,501,805	\$ 1,371,651	\$ 1,268,890
Contributions - member	135,029	187,339	144,807
Net investment income	(100)	294,412	1,443,391
Benefit payments	(1,729,181)	(1,650,465)	(1,563,029)
Administrative expense	(651)	-	-
Refunds of contributions	(7,098)	(7,124)	(3,935)
Other	85,608	-	-
Net change in plan net position	(14,588)	195,813	1,290,124
Plan net position - beginning	10,668,380	10,472,567	9,182,443
Plan net position - ending (b)	\$ 10,653,792	\$ 10,668,380	\$ 10,472,567
Ratio of plan net position to total pension liability	31.69%	39.23%	39.54%
Net pension liability - ending (a) - (b)	\$ 22,962,924	\$ 16,524,087	\$ 16,014,366
Covered-employee payroll	\$ 3,720,751	\$ 3,618,361	\$ 3,487,577
Net pension liability as a percentage of covered-employee payroll	617.16%	456.67%	459.18%

TRS

Total Pension Liability	2016	2015	2014
Service Cost	\$ 419,616	\$ 404,449	\$ 347,198
Interest	2,228,958	2,162,174	2,090,483
Difference between expected and actual experience	(375,805)	-	-
Changes of assumptions	2,213,190	-	-
Benefit payments	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	(50,329)	-
Net change in total pension liability	2,747,828	742,886	700,537
Total pension liability - beginning	27,092,095	26,349,209	25,648,672
Total pension liability - ending (a)	\$ 29,839,923	\$ 27,092,095	\$ 26,349,209
Plan net position			
Contributions - employer	\$ 975,578	\$ 984,110	\$ 948,540
Contributions - member	293,493	228,100	261,213
Net investment income	(18,473)	452,942	2,277,550
Benefit payments	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	(50,329)	-
Other Changes	(37,648)	57,749	(5,307)
Net change in plan net position	(525,181)	(100,836)	1,744,852
Plan net position - beginning	16,120,053	16,220,889	14,462,903
Plan net position - ending (b)	\$ 15,594,872	\$ 16,120,053	\$ 16,207,755
Ratio of plan net position to total pension liability	52.26%	59.50%	61.51%
Net pension liability - ending (a) - (b)	\$ 14,245,051	\$ 10,972,042	\$ 10,141,454
Covered-employee payroll	\$ 4,125,066	\$ 4,078,367	\$ 3,831,624
Net pension liability as a percentage of covered-employee payroll	345.33%	269.03%	264.68%

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION**

Last Three Fiscal Years*

(Expressed in Thousands)

<u>JRS</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 8,508	\$ 8,142	\$ 7,539
Interest	28,251	27,240	26,301
Difference between expected and actual experience	(9,380)	-	-
Changes of assumptions	64,604	-	-
Benefit payments	(22,994)	(22,541)	(21,668)
Net change in total pension liability	68,989	12,841	12,172
Total pension liability - beginning	364,614	351,773	339,601
Total pension liability - ending (a)	\$ 433,603	\$ 364,614	\$ 351,773
Plan net position			
Contributions - employer	\$ 18,259	\$ 17,731	\$ 16,298
Contributions - member	1,831	1,791	1,641
Net investment income	1,440	4,781	23,156
Benefit payments	(22,994)	(22,541)	(21,668)
Other	1,680	-	-
Net change in plan net position	216	1,762	19,427
Plan net position - beginning	189,542	187,780	168,353
Plan net position - ending (b)	\$ 189,758	\$ 189,542	\$ 187,780
Ratio of plan net position to total pension liability	43.76%	51.98%	53.38%
Net pension liability - ending (a) -(b)	\$ 243,845	\$ 175,072	\$ 163,993
Covered-employee payroll	\$ 34,897	\$ 34,972	\$ 33,386
Net pension liability as a percentage of covered-employee payroll	698.76%	500.61%	491.20%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years

(Expressed in Thousands)

<u>SERS</u>	2016	2015	2014	2013
Actuarially determined employer contribution	\$ 1,514,467	\$ 1,379,189	\$ 1,268,935	\$ 1,059,652
Actual employer contributions	<u>1,501,805</u>	<u>1,371,651</u>	<u>1,268,890</u>	<u>1,058,113</u>
Annual contributions deficiency excess	<u>\$ 12,662</u>	<u>\$ 7,538</u>	<u>\$ 45</u>	<u>\$ 1,539</u>
Covered Payroll	\$ 3,720,751	\$ 3,618,361	\$ 3,355,077	\$ 3,304,538
Actual contributions as a percentage of covered-employee payroll	40.36%	37.91%	37.82%	32.02%
 <u>TRS</u>				
Actuarially determined employer contribution	\$ 975,578	\$ 984,110	\$ 948,540	\$ 787,536
Actual employer contributions	<u>975,578</u>	<u>984,110</u>	<u>948,540</u>	<u>787,536</u>
Annual contributions deficiency excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 4,125,066	\$ 4,078,367	\$ 3,930,957	\$ 4,101,750
Actual contributions as a percentage of covered-employee payroll	23.65%	24.13%	24.13%	19.20%
 <u>JRS</u>				
Actuarially determined employer contribution	\$ 18,259	\$ 17,731	\$ 16,298	\$ 16,006
Actual employer contributions	<u>18,259</u>	<u>17,731</u>	<u>16,298</u>	<u>16,006</u>
Annual contributions deficiency excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 34,897	\$ 34,972	\$ 33,386	\$ 31,748
Actual contributions as a percentage of covered-employee payroll	52.32%	50.70%	48.82%	50.42%

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2016.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	SERS 25.1 years TRS 20.4 years JRS 15 years
Asset Valuation Method	SERS & JRS 5 year smoothed actuarial value TRS 4 year smoothed market value
Investment Rate of Return	SERS & JRS 6.90% TRS 8%
Salary Increases	3.22%-19.5%
Cost-of-Living Adjustments	1.75%-4.75%
Inflation	2.5%-2.75%
Social Security Wage Base	SERS 3.5%

State of Connecticut

2012	2011	2010	2009	2008	2007
\$ 926,372	\$ 944,077	\$ 897,428	\$ 753,698	\$ 716,944	\$ 663,926
<u>926,343</u>	<u>825,801</u>	<u>720,527</u>	<u>699,770</u>	<u>711,555</u>	<u>663,931</u>
<u>\$ 29</u>	<u>\$ 118,276</u>	<u>\$ 176,901</u>	<u>\$ 53,928</u>	<u>\$ 5,389</u>	<u>\$ (5)</u>
\$ 3,209,782	\$ 3,308,498	\$ 2,920,661	\$ 3,497,400	\$ 3,497,400	\$ 3,310,400
28.86%	24.96%	24.67%	20.01%	20.35%	20.06%
\$ 757,246	\$ 581,593	\$ 559,224	\$ 539,303	\$ 518,560	\$ 412,099
<u>757,246</u>	<u>581,593</u>	<u>559,224</u>	<u>539,303</u>	<u>518,560</u>	<u>412,099</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,943,990	\$ 3,823,754	\$ 3,676,686	\$ 3,529,470	\$ 3,393,717	\$ 3,296,792
19.20%	15.21%	15.21%	15.28%	15.28%	12.50%
\$ 15,095	\$ 16,208	\$ 15,399	\$ 14,172	\$ 13,434	\$ 12,375
<u>15,095</u>	<u>-</u>	<u>-</u>	<u>14,173</u>	<u>13,434</u>	<u>12,375</u>
<u>\$ -</u>	<u>\$ 16,208</u>	<u>\$ 15,399</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 30,308	\$ 33,102	\$ 31,602	\$ 34,000	\$ 33,982	\$ 33,757
49.81%	0.00%	0.00%	41.69%	39.53%	36.66%

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS**

Last Four Fiscal Years*

**Annual money-weighted rates of return
net of investment expense**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State Employees' Retirement Fund	14.32%	0.23%	2.83%	15.62%
Teachers' Retirement Fund	14.37%	0.17%	2.82%	15.67%
State Judges' Retirement Fund	13.04%	1.11%	2.57%	13.66%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.



REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS

Required supplementary information for other postemployment benefits provides information on funding progress and employer contributions.

The following schedules are included in the Required Supplementary Information for Other Postemployment Benefits:

- Schedule of Changes in Net OPEB Liability and Plan Net Position
- Schedule of Employer Contributions
- Schedule of Fund Progress
- Schedule of Investment Returns

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State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND PLAN NET POSITION**

Last Fiscal Year

(Expressed in Thousands)

SEOPEBP

Total OPEB Liability	2017
Service Cost	\$ 1,081,923
Interest	849,907
Difference between expected and actual experience	(97,527)
Changes of assumptions	(1,936,042)
Change in benefit terms	(8,853,455)
Benefit payments	(639,467)
Net change in total OPEB liability	(9,594,661)
Total OPEB liability - beginning	27,522,691
Total OPEB liability - ending (a)	\$ 17,928,030

Plan fiduciary net position

Contributions - employer	\$ 667,401
Contributions - member	120,783
Net investment income	53,194
Benefit payments	(639,467)
Other	(187)
Net change in plan fiduciary net position	201,724
Plan fiduciary net position - beginning	340,618

Plan fiduciary net position - ending (b) \$ 542,342

Plan fiduciary net position as a percentage of the total OPEB liability 3.03%

Net OPEB liability - ending (a) -(b) \$ 17,385,688

Covered-employee payroll \$ 3,895,078

Net OPEB liability as a percentage of covered-employee payroll 446.35%

RTHP

Total OPEB Liability	2017
Service Cost	\$ 148,220
Interest	111,129
Benefit Changes	-
Difference between expected and actual experience	-
Changes of assumptions	(370,549)
Benefit payments	(84,071)
Net change in total OPEB liability	(195,271)
Total OPEB liability - beginning	3,734,043
Total OPEB liability - ending (a)	\$ 3,538,772

Plan fiduciary net position

Contributions - employer	\$ 19,922
Contributions - member	50,436
Net investment income	369
Benefit payments	(84,071)
Administrative expense	(150)
Other	42
Net change in plan fiduciary net position	(13,452)
Plan fiduciary net position - beginning	76,880

Plan fiduciary net position - ending (b) \$ 63,428

Plan fiduciary net position as a percentage of the total OPEB liability 1.79%

Net OPEB liability - ending (a) -(b) \$ 3,475,344

Covered-employee payroll \$ 4,279,755

Net OPEB liability as a percentage of covered-employee payroll 81.20%

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Seven and Ten Fiscal Years

(Expressed in Thousands)

<u>SEOPEBP</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined employer contribution	\$ 1,043,143	\$ 1,443,716	\$ 1,513,336	\$ 1,525,371	\$ 1,271,279
Actual employer contributions	<u>667,401</u>	<u>608,593</u>	<u>546,284</u>	<u>514,696</u>	<u>542,615</u>
Annual contributions deficiency excess	<u>\$ 375,742</u>	<u>\$ 835,123</u>	<u>\$ 967,052</u>	<u>\$ 1,010,675</u>	<u>\$ 728,664</u>
Covered Payroll	\$ 3,895,078	\$ 3,895,100	\$ 3,539,800	\$ 3,539,728	\$ 3,539,728
Actual contributions as a percentage of covered-employee payroll	17.13%	15.62%	15.43%	14.54%	15.33%
<u>RTHP</u>					
Actuarially determined employer contribution	\$ 166,802	\$ 130,331	\$ 125,620	\$ 187,227	\$ 180,460
Actual employer contributions	<u>19,922</u>	<u>19,960</u>	<u>25,145</u>	<u>25,955</u>	<u>27,040</u>
Annual contributions deficiency excess	<u>\$ 146,880</u>	<u>\$ 110,371</u>	<u>\$ 100,475</u>	<u>\$ 161,272</u>	<u>\$ 153,420</u>
Covered Payroll	\$ 4,279,755	\$ 3,949,900	\$ 3,831,600	\$ 3,831,600	\$ 3,652,500
Actual contributions as a percentage of covered-employee payroll	0.47%	0.51%	0.66%	0.68%	0.74%

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

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2017 and June 30, 2016 for SEOPEBP and RTHP respectively.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	SEOPEBP- Projected Unit Credit RTHP-Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	SEOPEBP- 22 years RTHP-30 years
Asset Valuation Method	Market Value
Investment Rate of Return	SEOPEBP-5.7% RTHP-4.25%
Salary Increases	SEOPEBP-3.75% RTHP-3.25%-6.5%
Inflation	RTHP-2.75%
Claims Trend Assumption	5.00-10.00%

State of Connecticut

<u>2012</u>	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
\$ 1,354,738	\$ 1,276,099	N/A	N/A	N/A
<u>541,262</u>	<u>544,767</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 813,476</u>	<u>\$ 731,332</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
\$ 3,902,248	\$ 3,902,248	N/A	N/A	N/A
13.87%	13.96%	N/A	N/A	N/A
\$ 184,145	\$ 177,063	\$ 121,333	\$ 116,667	\$ 116,123
<u>49,486</u>	<u>5,312</u>	<u>12,108</u>	<u>22,433</u>	<u>20,770</u>
<u>\$ 134,659</u>	<u>\$ 171,751</u>	<u>\$ 109,225</u>	<u>\$ 94,234</u>	<u>\$ 95,353</u>
\$ 3,652,500	\$ 3,646,000	\$ 3,646,000	\$ 3,399,300	\$ 3,399,300
1.35%	0.15%	0.33%	0.66%	0.61%

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUND PROGRESS**

Last Ten Fiscal Years and Last Eight Fiscal Years

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAAL as a Percentage of Covered Payroll
<u>RTHP</u>						
6/30/2017 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2016	\$-	\$2,997.5	\$2,997.5	0.0%	\$3,949.9	75.9%
6/30/2015 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2014	\$-	\$2,433.0	\$2,433.0	0.0%	\$3,831.6	63.5%
6/30/2013 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2012	\$-	\$3,048.3	\$3,048.3	0.0%	\$3,652.5	83.5%
6/30/2011 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2010	\$-	\$2,997.8	\$2,997.8	0.0%	\$3,646.0	82.2%
6/30/2009 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2008	\$-	\$2,318.8	\$2,318.8	0.0%	\$3,399.3	68.2%
<u>SEOPEBP</u>						
6/30/2017	\$229.6	\$19,119.6	\$18,889.9	1.2%	\$3,895.1	485.0%
6/30/2016 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2015	\$229.6	\$19,119.6	\$18,889.9	1.2%	\$3,895.1	485.0%
6/30/2014 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2013	\$143.8	\$19,676.3	\$19,532.5	0.7%	\$3,539.7	551.8%
6/30/2012 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2011	\$49.6	\$17,954.3	\$17,904.7	0.3%	\$3,902.2	458.8%

*No actuarial valuation was performed.

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

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS**

Last Four Fiscal Years*

**Annual money-weighted rates of return
net of investment expense**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPEB Fund	11.83%	2.44%	3.44%	11.80%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.

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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

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ROBERT J. KANE

**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, 2017, and the related notes to the financial statements, which collectively comprise the state's basic financial statements and have issued our report thereon dated December 29, 2017. 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, Connecticut State University System, Connecticut Community Colleges, and the University of Connecticut 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, 2017, 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, 2017.

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, 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
State Auditor



Robert J. Kane
State Auditor

December 29, 2017
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 the Uniform Guidance

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

210 CAPITOL AVENUE

HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

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 the Uniform Guidance

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 *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, 2017. 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 \$89,344,211 in federal awards, which is not included in the Schedule of Expenditures of Federal Awards, during the year ended June 30, 2017. Our audit, described below, did not 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 because other auditors were engaged to audit those entities in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). . Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Connecticut's compliance.

Opinion on Each Major Federal Program

In our opinion, the State of Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its 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, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-011, 2017-013, 2017-015, 2017-016, 2017-026, 2017-156, 2017-201, 2017-300, 2017-301, 2017-302, 2017-303, 2017-304, 2017-305, 2017-732, 2017-802, and 2017-804. 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 the Uniform Guidance, 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 2017-016, 2017-026, 2017-201, 2017-202, 2017-203, 2017-800, 2017-802, and 2017-804 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 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, 2017-014, 2017-015, 2017-017, 2017-018, 2017-019, 2017-020, 2017-021, 2017-022, 2017-023, 2017-024, 2017-025, 2017-027, 2017-028, 2017-029, 2017-030, 2017-031, 2017-032, 2017-033, 2017-150, 2017-151, 2017-152, 2017-153, 2017-154, 2017-155, 2017-156, 2017-200, 2017-204, 2017-250, 2017-300, 2017-301, 2017-302, 2017-303, 2017-304, 2017-305, 2017-650, 2017-651, 2017-652, 2017-653, 2017-654, 2017-655, 2017-656, 2017-657, 2017-725, 2017-726, 2017-727, 2017-728, 2017-729, 2017-730, 2017-731, 2017-732, 2017-733, 2017-734, 2017-735, 2017-736, 2017-737, 2017-801, 2017-803, and 2017-805 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, 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 December 30, 2017, 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 the Uniform Guidance 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 J. Kane
Auditor of Public Accounts

March 29, 2018
State Capitol
Hartford, Connecticut

Schedule of Expenditures
of Federal Awards

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended 6/30/2017

<i>Federal Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification</i>	<i>Pass-Through Entity Name</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Amount Passed Through to Sub-Recipients</i>	<i>Federal Expenditures</i>
DEPARTMENT OF AGRICULTURE						
DEPARTMENT OF AGRICULTURE DIRECT PROGRAMS						
AGRICULTURAL RESEARCH_BASIC AND APPLIED RESEARCH	10.001				-	936,361
PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	10.025				3,896	618,953
VOLUNTARY PUBLIC ACCESS AND HABITAT INCENTIVE PROGRAM	10.093				-	6,455
FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	10.156				-	14,985
INSPECTION GRADING AND STANDARDIZATION	10.162				-	150
MARKET PROTECTION AND PROMOTION	10.163				39,214	63,091
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170				126,018	428,354
GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	10.200				46,116	120,416
COOPERATIVE FORESTRY RESEARCH	10.202				-	494,449
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203				-	2,308,430
ANIMAL HEALTH AND DISEASE RESEARCH	10.207				-	24,330
HIGHER EDUCATION D GRADUATE FELLOWSHIPS GRANT PROGRAM	10.210				-	58,543
BIOTECHNOLOGY RISK ASSESSMENT RESEARCH	10.219				-	134,562
AGRICULTURAL AND RURAL ECONOMIC RESEARCH, COOPERATIVE AGREEMENTS AND COLLABORATIONS	10.250				-	66,480
INTEGRATED PROGRAMS	10.303				60,784	231,291
AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	10.310				340,336	2,557,689
BEGINNING FARMER AND RANCHER DEVELOPMENT PROGRAM	10.311				57,947	151,202
CROP PROTECTION AND PEST MANAGEMENT COMPETITIVE GRANTS PROGRAM	10.329				-	195,256
CROP INSURANCE	10.450				-	5,000
CROP INSURANCE EDUCATION IN TARGETED STATES	10.458				-	228,948
FOOD SAFETY COOPERATIVE AGREEMENTS	10.479				-	67,988
COOPERATIVE EXTENSION SERVICE	10.500				32,738	3,217,333
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SEE NOTE 4)	10.551				-	661,490,213
SCHOOL BREAKFAST PROGRAM	10.553				29,810,345	30,704,269
NATIONAL SCHOOL LUNCH PROGRAM (SEE NOTE 4)	10.555				96,423,199	114,177,698
SPECIAL MILK PROGRAM FOR CHILDREN	10.556				109,475	109,475
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (SEE NOTE 6)	10.557				10,477,412	40,381,950
CHILD AND ADULT CARE FOOD PROGRAM	10.558				18,537,985	18,728,072
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (SEE NOTE 4)	10.559				4,785,123	5,237,599
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560				-	2,334,254
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561				3,269,289	55,015,544
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565				260,473	262,181
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COSTS)	10.568				677,806	684,474
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572				-	301,723
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576				-	74,315
WIC GRANTS TO STATES (WGS)	10.578				77,720	1,701,089
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579				176,571	215,836

STATE OF CONNECTICUT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended 6/30/2017

<i>Federal Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification</i>	<i>Pass-Through Entity Name</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Amount Passed Through to Sub-Recipients</i>	<i>Federal Expenditures</i>
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM, PROCESS AND TECHNOLOGY IMPROVEMENT GRANTS	10.580				12,000	12,000
FRESH FRUIT AND VEGETABLE PROGRAM	10.582				-	2,804,276
COOPERATIVE FORESTRY ASSISTANCE	10.664				92,675	578,888
FOREST LEGACY PROGRAM	10.676				-	233,418
FOREST STEWARDSHIP PROGRAM	10.678				8,694	8,694
FOREST HEALTH PROTECTION	10.680				-	128,862
RURAL BUSINESS ENTERPRISE GRANTS	10.769				-	85
ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	10.912				-	16,377
FARM AND RANCH LANDS PROTECTION PROGRAM	10.913				-	521,842
REGIONAL CONSERVATION PARTNERSHIP PROGRAM	10.932				15,518	143,376
LISTERIA MONOCYTOGENES GROWTH & SURVIVAL	10.RD	2017CPS02			-	21,311
UTILIZATION OF GRAS COMPOUNDS AS ANTIMICROBIAL DIP AND COATING TREATMENTS FOR CONTROLLING LISTERIA	10.RD	DMI#02368			-	60,400
UCONN - USFA CLIMATE HUB PARTNERSHIP	10.U01	14-JV-11242306-097			-	5,790
DEPARTMENT OF AGRICULTURE DIRECT PROGRAMS TOTAL					165,441,334	947,884,277
DEPARTMENT OF AGRICULTURE PASS THROUGH PROGRAMS						
AGRICULTURAL RESEARCH_BASIC AND APPLIED RESEARCH	10.001		VERMONT LAW SCHOOL	AG160429	-	52,082
			RUTGERS UNIVERSITY	5890-NER15OHP-Aulakh		
GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	10.200		RUTGERS UNIVERSITY	5966-NERI6OHP-LaMondia		
			UNIVERSITY OF MARYLAND, COLLEGE PARK	28838-Z5659003	-	105,253
			THE PENNSYLVANIA STATE UNIVERSITY	4378-CAES-UV-0296		
			UNIVERSITY OF VERMONT	Coordinator15-29994		
			UNIVERSITY OF VERMONT	Coordinator16-31064		
			UNIVERSITY OF VERMONT	GNE16-128-29994		
			UNIVERSITY OF VERMONT	LNE13-324		
			UNIVERSITY OF VERMONT	ONE13-179		
SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	10.215		UNIVERSITY OF VERMONT	Subaward No. GNE15-113-2900	-	233,395
			UNIVERSITY OF VERMONT	SNE15-01-29001		
			UNIVERSITY OF VERMONT	SNE16-01-29994		
SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	10.215		UNIVERSITY OF VERMONT	UVM ID 29001	-	107,968
HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	10.223		UNIVERSITY OF TEXAS, RIO GRANDE VALLEY	2015-38422-24059(6)	-	7,966
AGRICULTURAL AND RURAL ECONOMIC RESEARCH, COOPERATIVE AGREEMENTS AND COLLABORATIONS	10.250		JOHNS HOPKINS UNIVERSITY	2003019.916	-	14,280
CONSUMER DATA AND NUTRITION RESEARCH	10.253		TUFTS UNIVERSITY	101383-00001	-	20,210
INTEGRATED PROGRAMS	10.303		UNIVERSITY OF IDAHO	2013-51102-21015	-	22,181
HOMELAND SECURITY_AGRICULTURAL	10.304		CORNELL UNIVERSITY	80289-10764	-	12,832
			CORNELL UNIVERSITY	67826-9915		
HOMELAND SECURITY_AGRICULTURAL	10.304		CORNELL UNIVERSITY	Subaward NO 80289-10770	-	20,007
			VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY	422179-19756		
			UNIVERSITY OF MASSACHUSETTS AMHERST	12-007055-A-00		
			CORNELL UNIVERSITY	64094-9752		
			RUTGERS UNIVERSITY	6063-PP2016-Stoner		
			NORTH CAROLINA STATE UNIVERSITY	2012-1785-06		
SPECIALTY CROP RESEARCH INITIATIVE	10.309		UNIVERSITY OF FLORIDA	Subaward No. UFDSPO0010709	-	256,342

STATE OF CONNECTICUT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended 6/30/2017

Federal Grantor/Program Title	Federal CFDA Number	Additional Award Identification	Pass-Through Entity Name	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Federal Expenditures
			COLORADO UNIVERSITY	G-45001-1		
			COLLEGE OF WILLIAM AND MARY	718252-712683		
			NORTH CAROLINA STATE UNIVERSITY	2016-1038-02		
			OHIO STATE UNIVERSITY	60050299-UC		
			OHIO STATE UNIVERSITY	Subaward No. 60045862		
			PURDUE UNIVERSITY	8000047623-AG		
			UNIVERSITY OF CALIFORNIA, DAVIS	Subaward # 201015739-07		
			UNIVERSITY OF RHODE ISLAND	4452/052715		
AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	10.310		UNIVERSITY OF VERMONT	28976SUBS1705	-	477,371
			CORNELL UNIVERSITY	73984-10396		
			CORNELL UNIVERSITY	73984-10396		
CROP PROTECTION AND PEST MANAGEMENT COMPETITIVE GRANTS PROGRAM	10.329		CORNELL UNIVERSITY	73984-10396		
			CORNELL UNIVERSITY	73984-10396		
			CORNELL UNIVERSITY	73986-10427	22,134	60,381
			KANSAS STATE UNIVERSITY	S16079		
			KANSAS STATE UNIVERSITY	S17112		
			UNIVERSITY OF DELAWARE	36516		
			UNIVERSITY OF MISSOURI	C00048589-2		
COOPERATIVE EXTENSION SERVICE	10.500		UNIVERSITY OF MISSOURI	Subaward No. C00055873-2		
SCHOOL WELLNESS POLICY COOPERATIVE AGREEMENT	10.597		UNIVERSITY OF MISSOURI	Subaward# C00051968-2	-	28,661
TECHNICAL ASSISTANCE FOR SPECIALTY CROPS PROGRAM	10.604		UNIVERSITY OF ILLINOIS, URBANA-CHAMPAIGN	2015-0179-01-01	-	72,376
URBAN AND COMMUNITY FORESTRY PROGRAM	10.675		CALIFORNIA DRIED PLUM BOARD	PN-12-27	-	58,237
FOREST STEWARDSHIP PROGRAM	10.678		MORTON ARBORETUM	15-DG-11132544-035	-	45,712
RURAL ENERGY FOR AMERICA PROGRAM	10.868		NATIONAL AUDUBON SOCIETY INC.	13-DG-11420004-260	-	3,527
			CONNECTICUT CENTER FOR ADVANCED TECHNOLOGY	15-K01	-	20,321
DEPARTMENT OF AGRICULTURE PASS THROUGH PROGRAMS TOTAL					22,134	1,619,102
DEPARTMENT OF AGRICULTURE TOTAL					165,463,468	949,503,379
DEPARTMENT OF COMMERCE						
DEPARTMENT OF COMMERCE DIRECT PROGRAMS						
CLUSTER GRANTS	11.020				-	4,274
ECONOMIC DEVELOPMENT_SUPPORT FOR PLANNING ORGANIZATIONS	11.302				-	(1,785)
ECONOMIC DEVELOPMENT_TECHNICAL ASSISTANCE	11.303				-	25,085
INTERJURISDICTIONAL FISHERIES ACT OF 1986	11.407				-	2,966
SEA GRANT SUPPORT	11.417				95,546	1,906,710
COASTAL ZONE MANAGEMENT ADMINISTRATION AWARDS	11.419				-	1,909,223
FISHERIES DEVELOPMENT AND UTILIZATION RESEARCH AND DEVELOPMENT GRANTS AND COOPERATIVE AGREEMENTS PROGRAM	11.427				-	193,772
CLIMATE AND ATMOSPHERIC RESEARCH	11.431				7,798	29,749
COOPERATIVE FISHERY STATISTICS	11.434				-	57,759
MARINE MAMMAL DATA PROGRAM	11.439				-	2,013
UNALLIED MANAGEMENT PROJECTS	11.454				26,320	26,320
CONGRESSIONALLY IDENTIFIED AWARDS AND PROJECTS	11.469				-	39,765
UNALLIED SCIENCE PROGRAM	11.472				-	718
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474				-	73,356
NOAA PROGRAMS FOR DISASTER RELIEF APPROPRIATIONS ACT - NON-CONSTRUCTION AND CONSTRUCTION	11.483				(1,702)	(1,462)
STATE AND LOCAL IMPLEMENTATION GRANT PROGRAM	11.549				-	49,160
DEPARTMENT OF COMMERCE DIRECT PROGRAMS TOTAL					127,962	4,317,623
DEPARTMENT OF COMMERCE PASS THROUGH PROGRAMS						
OCEAN EXPLORATION	11.011		UNIVERSITY OF ALASKA	UAF 16-0040	-	75,260

STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended 6/30/2017

Federal Grantor/Program Title	Federal CFDA Number	Additional Award Identification	Pass-Through Entity Name	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Federal Expenditures
			NORTHEASTERN REGIONAL ASSOCIATION OF COASTAL OCEAN OBSERVING SYSTEMS			
			NORTHEASTERN REGIONAL ASSOCIATION OF COASTAL OCEAN OBSERVING SYSTEMS	A005-01		
			NORTHEASTERN REGIONAL ASSOCIATION OF COASTAL OCEAN OBSERVING SYSTEMS	A008-001		
			NORTHEASTERN REGIONAL ASSOCIATION OF COASTAL OCEAN OBSERVING SYSTEMS	Subaward #: A002-001		
INTEGRATED OCEAN OBSERVING SYSTEM (IOOS)	11.012		RUTGERS UNIVERSITY	PREAWARD	-	518,226
SEA GRANT SUPPORT	11.417		UNIVERSITY OF MISSISSIPPI	16-10-027	-	992
			UNIVERSITY OF WASHINGTON	UWSC7610/BPO10195		
SEA GRANT SUPPORT	11.417		WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101322	-	15,370
CLIMATE AND ATMOSPHERIC RESEARCH	11.431		UNIVERSITY OF MICHIGAN	3002686294	-	18,020
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) COOPERATIVE INSTITUTES	11.432		UNIVERSITY OF MAINE	Subcontract No. UM-S990	-	11,231
			AK DEPARTMENT OF FISH AND GAME	160002056		
MARINE MAMMAL DATA PROGRAM	11.439		UNIVERSITY OF ALASKA	UAF 17-0033	-	51,615
			NORTHEASTERN REGIONAL ASSOCIATION OF COASTAL OCEAN OBSERVING SYSTEMS	A0007-001		
OFFICE FOR COASTAL MANAGEMENT	11.473		RUTGERS UNIVERSITY	PO# S1566258	-	115,077
SUMMARY AND RECOMMENDATIONS REPORT RELATED TO CARBON SEQUESTRATION IN COASTAL AREAS	11.RD	Contract#EA133C11CQ0009	QUANTUM SPATIAL	Contract #EA133C11CQ0009	-	9,822
2016 WHOI HABCAM RECOVERY OPERATION	11.U02	EE-133F-16-SE-0811	WOODS HOLE OCEANOGRAPHIC INSTITUTION	EE-133F-16-SE-0811	-	50,576
DEPARTMENT OF COMMERCE PASS THROUGH PROGRAMS TOTAL					-	866,189
DEPARTMENT OF COMMERCE TOTAL					127,962	5,183,812
DEPARTMENT OF DEFENSE						
DEPARTMENT OF DEFENSE DIRECT PROGRAMS						
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113				-	28,416
COLLABORATIVE RESEARCH AND DEVELOPMENT	12.114				-	3,006
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300				447,875	3,414,340
NAVAL MEDICAL RESEARCH AND DEVELOPMENT	12.340				-	75,185
DEPARTMENT OF DEFENSE HIV/AIDS PREVENTION PROGRAM	12.350				-	173,919
BASIC SCIENTIFIC RESEARCH - COMBATING WEAPONS OF MASS DESTRUCTION	12.351				196,354	344,151
MILITARY CONSTRUCTION, NATIONAL GUARD	12.400				-	1,065,463
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401				-	17,406,166
NATIONAL GUARD CHALLENGE PROGRAM	12.404				-	580,143
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420				83,208	1,113,602
BASIC SCIENTIFIC RESEARCH	12.431				-	691,389
ECONOMIC ADJUSTMENT ASSISTANCE FOR STATE GOVERNMENTS	12.617				1,105,101	1,987,273
AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800				663,278	1,736,650
DESIGN AND PROCESSING OF LOW PHASE NOISE LASER AND GAIN CHIP	12.RD	12N66604-16-P-0889			-	19,626
MEMS XYLOPHONE ANTENNA DEVELOPMENT	12.RD	12N66604-16-P-2279			-	19,998
RADAR AND EO SYSTEMS TRACK DETECTION ALGORITHMS FOR BMD	12.RD	HQ0147-15-C-6004			-	198,478
TRACKING THE UPTAKE, TRANSLOCATION, CYCLING AND METABOLISM OF MUNITIONS COMPOUNDS IN COASTAL MARINE ECOSYSTEMS USING STABLE ISOTOPIC TRACER	12.RD	W912HQ-11-C-0051			-	29

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TESTING OF ELECTROCARDIOGRAM DEVICES DURING LONG DURATION DIVE SCENARIOS	12.U03	N61331-16-P-8535			-	16,868
DEPARTMENT OF DEFENSE DIRECT PROGRAMS TOTAL					2,495,816	28,874,702
DEPARTMENT OF DEFENSE PASS THROUGH PROGRAMS						
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300		JOHNS HOPKINS UNIVERSITY UNIVERSITY CORPORATION FOR ATMOSPHERIC RESEARCH CREARE	2002725906 Z14-12073 Subcontract No. 75609	-	48,736
			UNIVERSITY OF PITTSBURGH WAKE FOREST UNIVERSITY WORCESTER POLYTECHNIC INSTITUTE STEVENS INSTITUTE OF TECHNOLOGY	Subaward#0036974 (410159-1) WFUHS 441059 ER-09 16-215700-01 2102309-1		
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420		UNIVERSITY OF PITTSBURGH MASSACHUSETTS INSTITUTE OF TECHNOLOGY NORTH CAROLINA STATE UNIVERSITY NORTHEASTERN UNIVERSITY NORTHWESTERN UNIVERSITY	FP063867B 0046723 (411452-4) 5710003138 2015-0978-02 504062-78057 SP0025190-PROJ0006752	-	243,366
BASIC SCIENTIFIC RESEARCH	12.431		UNIVERSITY OF CALIFORNIA, LOS ANGELES	1000 G SA915	-	670,075
BASIC, APPLIED, AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630		ACADEMY OF APPLIED SCIENCE	AG160225	-	775
BASIC, APPLIED, AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	12.630		ACADEMY OF APPLIED SCIENCE UNIVERSITY OF TEXAS, RIO GRANDE VALLEY UNIVERSITY OF WISCONSIN, MADISON	Uknown FA9550-12-1-01559-03 575K691	-	19,216
AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800		UNIVERSITY OF TULSA	14-2-1203439-94802	-	228,949
LANGUAGE GRANT PROGRAM	12.900		CREARE	Subcontract No. 71388	-	2,358
ADHESIVE BONDING OF AIRCRAFT PATCHES	12.RD	AG140023	UNITED TECHNOLOGIES-SIKORSKY AIRCRAFT	AG140023	-	(39,350)
BRAIN FUNCTION ASSESSMENT	12.RD	AG170769	BRAINSCOPE COMPANY	AG170769	-	2,101
CARBON EXCHANGES AND SOURCE ATTRIBUTIONS IN THE NEW RIVER ESTUARY, NC	12.RD	12888-13-16-12, 9-312-0213589	RTI INTERNATIONAL	888-13-16-12, 9-1312-0213589	-	55,818
CMAS AND HIGH TEMPERATURE RESISTANT LAMGA111019 TBC COATINGS USING A MICROWAVE BASED UNIFORM-MELT-STATE PLASMA PROCESS (UNIMELT)	12.RD	AG141138	AMASTAN	AG141138	-	121,690
EFFICIENT CLUTTER SUPPRESSION AND NON LINEAR FILTERING TECHNIQUES FOR TRACKING CLOSELY SPACED OBJECTS IN THE PRESENCE OF DEBRIS	12.RD	SC14-5908-1	TOYON	SC14-5908-1	-	112,332
HIGH RELIABILITY, LOW-COST THERMALLY INTEGRATED WATER GAS SHAFT (TI-WGS) SYSTEM DESIGN DEVELOPMENT SUPPORT	12.RD	PO 47665-000	FUELCCELL ENERGY	PO 47665-000	-	(2,074)
HUMAN BLAST COMPUTER MODELING (SENIOR DESIGN)	12.RD	PO10178692	LEIDOS	PO10178692	-	6,447
IMPACT POINT PREDICTION RESEARCH FOR SHORT & MEDIUM RANGE THRUSTING PROJECTILES"	12.RD	PO 4440278825	MINISTRY OF DEFENSE (ISRAEL)	PO 4440278825	-	36,622
INDUSTRIAL PSYCHOLOGY SUPPORT TO SUBSCREEN MODERNIZATION	12.RD	P010171583	LEIDOS	P010171583	-	15,398
MOCVD OF HIGH PERFORMANCE COMPLEX OXIDE FILMS FOR SWITCHABLE FILM BULK ACOUSTIC RESONATORS	12.RD	PO# 41950-021913-08	STRUCTURED MATERIALS INDUSTRIES	PO# 41950-021913-08	-	301
MODELING AND OPTIMIZING TURBINES FOR UNSTEADY FLOW	12.RD	HPCI-UConn-2014-01	HYPERCOMP	HPCI-UConn-2014-01	-	51,556
OBJECTIVE BRAIN FUNCTION ASSESSMENT OF MTBI FROM INITIAL INJURY TO REHABILITATION AND TREATMENT OPTIMIZATION (BRAINSCOPE)	12.RD	AG151555	BRAINSCOPE COMPANY	AG151555	-	175,813

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SCAAN II: SENSE-MAKING VIA COLLABORATIVE AGENTS AND ACTIVITY NETWORKS	12.RD	121004-1880	APTIMA	1004-1880	-	(3)
SECURE EFFICIENT CROSS-DOMAIN PROTOCOLS-PHASE II	12.RD	12201500410-S	SONALYSTS	201500410-S	-	75,471
STABLE TUNABLE INTERMEDIATE FREQUENCY (STIF) LASER AND GAIN CHIP	12.RD	RDSI PO#14103	RESEARCH AND DEVELOPMENT SOLUTIONS	RDSI PO#14103	-	10,336
SWITCHED RELUCTANCE MACHINE WITH A REDUCED AUDIBLE NOISE SIGNATURE USING MODEL BASED HARMONIC INJECTION	12.RD	QSI-DSC-15-006	QUALTECH SYSTEMS	QSI-DSC-15-006	-	233
TECHNOLOGIES FOR RARE EARTHS ENRICHMENT OF A NOVEL LOW- COST RAW MATERIAL	12.RD	SC67698-1869-002	PHYSICAL SCIENCES	SC67698-1869-002	-	35,854
THE EFFECT OF WAKEFULNESS ON AUDITORY CUED VISUAL SEARCH	12.RD	PO10164705	LEIDOS	PO10164705	-	95,550
DEPARTMENT OF DEFENSE PASS THROUGH PROGRAMS TOTAL					-	1,967,570
DEPARTMENT OF DEFENSE TOTAL					2,495,816	30,842,272
CENTRAL INTELLIGENCE AGENCY						
CENTRAL INTELLIGENCE AGENCY DIRECT PROGRAMS						
POROUS SOLID ELECTROLYTES FOR ADVANCED LITHIUM ION BATTERIES	13.RD	2014-14081300014			-	109,567
CENTRAL INTELLIGENCE AGENCY TOTAL					-	109,567
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT DIRECT PROGRAMS						
CONGREGATE HOUSING SERVICES PROGRAM	14.170				321,508	321,508
SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES (SEE NOTE 1)	14.181				-	1,652,102
SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM (SEE NOTE 1)	14.195				-	5,071,271
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228				13,934,815	14,255,875
EMERGENCY SOLUTIONS GRANT PROGRAM	14.231				2,080,802	2,178,937
SHELTER PLUS CARE	14.238				-	(33,560)
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239				2,401,920	6,535,994
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241				217,492	217,492
SECTION 8 MODERATE REHABILITATION SINGLE ROOM OCCUPANCY (SEE NOTE 1)	14.249				-	85,444
CONTINUUM OF CARE PROGRAM	14.267				457,812	21,778,703
HURRICANE SANDY COMMUNITY DEVELOPMENT BLOCK GRANT						
DISASTER RECOVERY GRANTS (CDBG-DR)	14.269				-	36,421,975
NATIONAL RESILIENT DISASTER RECOVERY COMPETITION	14.272				25,000	352,179
PROJECT RENTAL ASSISTANCE DEMONSTRATION (PRA DEMO)						
PROGRAM OF SECTION 811 SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES	14.326				-	97,945
FAIR HOUSING ASSISTANCE PROGRAM_STATE AND LOCAL	14.401				-	91,812
LOWER INCOME HOUSING ASSISTANCE PROGRAM_SECTION 8 MODERATE REHABILITATION (SEE NOTE 1)	14.856				-	128,587
SECTION 8 HOUSING CHOICE VOUCHERS (SEE NOTE 1)	14.871				-	87,143,489
FAMILY SELF-SUFFICIENCY PROGRAM	14.896				-	184,944
LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.905				911,357	911,357
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL					20,350,706	177,396,054
DEPARTMENT OF THE INTERIOR						

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DEPARTMENT OF THE INTERIOR DIRECT PROGRAMS						
HURRICANE SANDY DISASTER RELIEF & COASTAL RESILIENCY GRANTS.	15.153				-	4,115
SPORT FISH RESTORATION PROGRAM	15.605				73,966	4,333,697
FISH AND WILDLIFE MANAGEMENT ASSISTANCE	15.608				-	7,641
WILDLIFE RESTORATION AND BASIC HUNTER EDUCATION	15.611				188,015	4,996,513
COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	15.615				-	18,615
CLEAN VESSEL ACT PROGRAM	15.616				924,050	1,359,490
SPORTFISHING AND BOATING SAFETY ACT	15.622				407,194	411,154
WILDLIFE CONSERVATION AND RESTORATION	15.625				-	345
LANDOWNER INCENTIVE PROGRAM	15.633				-	10,164
STATE WILDLIFE GRANTS	15.634				57,700	464,538
RESEARCH GRANTS (GENERIC)	15.650				-	16,792
FISH AND WILDLIFE COORDINATION AND ASSISTANCE PROGRAMS	15.664				-	20,389
HIGHLANDS CONSERVATION PROGRAM	15.667				276,688	401,688
HURRICANE SANDY DISASTER RELIEF ACTIVITIES-FWS	15.677				215,072	270,699
ASSISTANCE TO STATE WATER RESOURCES RESEARCH INSTITUTES	15.805				-	74,699
U.S. GEOLOGICAL SURVEY_ RESEARCH AND DATA COLLECTION	15.808				-	33,394
NATIONAL COOPERATIVE GEOLOGIC MAPPING PROGRAM	15.810				-	25,709
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904				29,500	632,311
OUTDOOR RECREATION_ACQUISITION, DEVELOPMENT AND PLANNING	15.916				-	1,082,416
NATIONAL MARITIME HERITAGE GRANTS PROGRAM	15.925				199,806	199,806
HISTORIC PRESERVATION FUND GRANTS TO PROVIDE DISASTER RELIEF TO HISTORIC PROPERTIES DAMAGED BY HURRICANE SANDY	15.957				3,648,319	3,772,073
DEPARTMENT OF THE INTERIOR DIRECT PROGRAMS TOTAL					6,020,310	18,136,248
DEPARTMENT OF THE INTERIOR PASS THROUGH PROGRAMS						
HURRICANE SANDY DISASTER RELIEF & COASTAL RESILIENCY GRANTS.	15.153		THE UNIVERSITY OF RHODE ISLAND	44017/031715/0004251	-	14,215
HURRICANE SANDY DISASTER RELIEF ACTIVITIES-FWS	15.677		UNIVERSITY OF MAINE	UM-5987	-	98,097
NATIONAL LAND REMOTE SENSING_EDUCATION OUTREACH AND RESEARCH	15.815		AMERICA VIEW	AV14-CT01	-	22,776
DEPARTMENT OF THE INTERIOR PASS THROUGH PROGRAMS TOTAL					-	135,088
DEPARTMENT OF THE INTERIOR TOTAL					6,020,310	18,271,336
DEPARTMENT OF JUSTICE						
DEPARTMENT OF JUSTICE DIRECT PROGRAMS						
LAW ENFORCEMENT ASSISTANCE NARCOTICS AND DANGEROUS DRUGS STATE LEGISLATION	16.002				-	2,536
SEXUAL ASSAULT SERVICES FORMULA PROGRAM	16.017				444,036	452,018
ANTITERRORISM EMERGENCY RESERVE	16.321				511,773	511,773
JUVENILE ACCOUNTABILITY BLOCK GRANTS	16.523				25,000	229,832
GRANTS TO REDUCE DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, AND STALKING ON CAMPUS	16.525				-	225,992
JUVENILE JUSTICE AND DELINQUENCY PREVENTION_ALLOCATION TO STATES	16.540				298,697	372,925
MISSING CHILDREN'S ASSISTANCE	16.543				-	268,943
STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	16.550				-	24,939

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NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554				-	2,102,706
NATIONAL INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEVELOPMENT PROJECT GRANTS	16.560				28,168	223,103
CRIME VICTIM ASSISTANCE	16.575				12,192,084	12,795,379
CRIME VICTIM COMPENSATION	16.576				-	568,734
EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579				-	29,198
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582				-	16,812
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588				1,064,672	1,586,946
GRANTS TO ENCOURAGE ARREST POLICIES AND ENFORCEMENT OF PROTECTION ORDERS PROGRAM	16.590				(1,544)	(1,544)
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593				-	39,320
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606				-	284,384
PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	16.710				-	418,026
PREA PROGRAM: DEMONSTRATION PROJECTS TO ESTABLISH 'ZERO TOLERANCE' CULTURES FOR SEXUAL ASSAULT IN CORRECTIONAL FACILITIES	16.735				-	4,000
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738				110,123	1,210,416
DNA BACKLOG REDUCTION PROGRAM	16.741				-	702,315
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742				-	60,473
SUPPORT FOR ADAM WALSH ACT IMPLEMENTATION GRANT PROGRAM	16.750				-	259,311
EDWARD BYRNE MEMORIAL COMPETITIVE GRANT PROGRAM	16.751				-	60,042
HAROLD ROGERS PRESCRIPTION DRUG MONITORING PROGRAM	16.754				-	28,320
SECOND CHANCE ACT REENTRY INITIATIVE	16.812				-	327,675
JOHN R. JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	16.816				-	69,810
NATIONAL SEXUAL ASSAULT KIT INITIATIVE	16.833				-	419,178
EQUITABLE SHARING PROGRAM	16.922				-	236,017
DEPARTMENT OF JUSTICE DIRECT PROGRAMS TOTAL					14,673,009	23,529,579
DEPARTMENT OF JUSTICE PASS THROUGH PROGRAMS						
SERVICES FOR TRAFFICKING VICTIMS	16.320		INTERNATIONAL INSTITUTE OF CONNECTICUT	AG141356	-	11,112
NATIONAL INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEVELOPMENT PROJECT GRANTS	16.560		UNIVERSITY OF ARIZONA	229334	-	20,671
CORRECTIONS_ RESEARCH AND EVALUATION AND POLICY FORMULATION	16.602		URBAN INSTITUTE	08689-002-00-UCONN-01	-	12,682
			NATIONAL 4-H COUNCIL	2014-JU-FX-0025		
			NATIONAL 4-H COUNCIL	2016-JU-FX-0022		
JUVENILE MENTORING PROGRAM	16.726		NATIONAL 4-H COUNCIL	AG160262	58,461	128,143
GIRLS IN THE JUVENILE JUSTICE SYSTEM	16.830		POLICY RESEARCH ASSOCIATES, INC.	SUB1106-0001	-	9,299
DEPARTMENT OF JUSTICE PASS THROUGH PROGRAMS TOTAL					58,461	181,907
DEPARTMENT OF JUSTICE TOTAL					14,731,470	23,711,486
DEPARTMENT OF LABOR						
DEPARTMENT OF LABOR DIRECT PROGRAMS						
LABOR FORCE STATISTICS (SEE NOTE 1)	17.002				-	1,121,420
COMPENSATION AND WORKING CONDITIONS	17.005				-	183,953

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EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES (SEE NOTE 1)	17.207				420,086	8,331,174
UNEMPLOYMENT INSURANCE (SEE NOTE 1 AND NOTE 7)	17.225				-	778,947,995
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235				851,384	851,384
TRADE ADJUSTMENT ASSISTANCE (SEE NOTE 1)	17.245				-	4,004,954
WIA ADULT PROGRAM	17.258				8,530,517	9,640,836
WIA YOUTH ACTIVITIES	17.259				9,775,385	11,459,383
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261				-	476,688
H-1B JOB TRAINING GRANTS	17.268				-	188,354
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC) (SEE NOTE 1)	17.271				-	83,175
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS (SEE NOTE 1)	17.273				-	256,549
WORKFORCE INVESTMENT ACT (WIA) NATIONAL EMERGENCY GRANTS	17.277				1,550,001	1,842,704
WIA DISLOCATED WORKER FORMULA GRANTS	17.278				8,868,770	13,938,600
WORKFORCE INVESTMENT ACT (WIA) DISLOCATED WORKER NATIONAL RESERVE TECHNICAL ASSISTANCE AND TRAINING	17.281				-	23,622
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCCT) GRANTS	17.282				-	7,157,326
WORKFORCE INNOVATION FUND	17.283				1,704,218	2,217,575
APPRENTICESHIP USA GRANTS	17.285				-	28,254
OCCUPATIONAL SAFETY AND HEALTH_STATE PROGRAM	17.503				-	629,700
CONSULTATION AGREEMENTS	17.504				-	1,133,200
MINE HEALTH AND SAFETY GRANTS	17.600				-	67,793
DISABLED VETERANS' OUTREACH PROGRAM (DVOP) (SEE NOTE 1)	17.801				-	1,730,843
DEPARTMENT OF LABOR DIRECT PROGRAMS TOTAL					31,700,361	844,315,482
DEPARTMENT OF LABOR PASS THROUGH PROGRAMS						
			NORTHWEST REGIONAL INVESTMENT BOARD	ISY-15-001		
			NORTHWEST REGIONAL INVESTMENT BOARD	OSY-15-002		
			NORTHWEST REGIONAL INVESTMENT BOARD	OSY-16-001		
			NORTHWEST REGIONAL INVESTMENT BOARD	ISY-16-001		
			NORTHWEST REGIONAL INVESTMENT BOARD	OSY-15-002		
			NORTHWEST REGIONAL INVESTMENT BOARD	OSY-16-001		
			NORTHWEST REGIONAL INVESTMENT BOARD	OSY-15-002		
WIA YOUTH ACTIVITIES	17.259		NORTHWEST REGIONAL INVESTMENT BOARD	OSY-16-001	-	749,012
H-1B JOB TRAINING GRANTS	17.268		THE WORKPLACE INC.	HG-22616-12-60-A-9	-	32,454
DEPARTMENT OF LABOR PASS THROUGH PROGRAMS TOTAL					-	781,466
DEPARTMENT OF LABOR TOTAL					31,700,361	845,096,948
DEPARTMENT OF STATE						
DEPARTMENT OF STATE DIRECT PROGRAMS						
ACADEMIC EXCHANGE PROGRAMS - UNDERGRADUATE PROGRAMS	19.009				39,250	665,757
DEPARTMENT OF STATE TOTAL					39,250	665,757
DEPARTMENT OF TRANSPORTATION						
DEPARTMENT OF TRANSPORTATION DIRECT PROGRAMS						
AIRPORT IMPROVEMENT PROGRAM	20.106				15,144	1,168,974
AVIATION RESEARCH GRANTS	20.108				-	76,297
HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM	20.200				-	339,386
HIGHWAY PLANNING AND CONSTRUCTION	20.205				44,360,882	520,366,353

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HIGHWAY TRAINING AND EDUCATION	20.215				-	161,080
HIGHWAY EDUCATIONAL GRANTS	20.216				-	77,191
NATIONAL MOTOR CARRIER SAFETY	20.218				-	1,720,320
RECREATIONAL TRAILS PROGRAM	20.219				906,522	1,079,868
PERFORMANCE AND REGISTRATION INFORMATION SYSTEMS MANAGEMENT	20.231				-	84,821
COMMERCIAL DRIVER'S LICENSE PROGRAM IMPROVEMENT GRANT	20.232				-	1,226,746
SAFETY DATA IMPROVEMENT PROGRAM	20.234				-	238,880
COMMERCIAL VEHICLE INFORMATION SYSTEMS AND NETWORKS	20.237				-	595,591
RAILROAD RESEARCH AND DEVELOPMENT	20.313				-	44,798
HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE D CAPITAL ASSISTANCE GRANTS	20.319				122,854	65,937,336
FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	20.500				-	38,978,911
METROPOLITAN TRANSPORTATION PLANNING AND STATE AND NON-METROPOLITAN PLANNING AND RESEARCH	20.505				-	(1,709)
FEDERAL TRANSIT_FORMULA GRANTS	20.507				252,393	113,121,229
FORMULA GRANTS FOR RURAL AREAS	20.509				1,625,528	1,854,440
ENHANCED MOBILITY OF SENIORS AND INDIVIDUALS WITH DISABILITIES	20.513				2,192,820	2,340,987
PUBLIC TRANSPORTATION RESEARCH	20.514				-	1,710
NEW FREEDOM PROGRAM	20.521				678,976	678,976
ALTERNATIVES ANALYSIS	20.522				-	131,289
CAPITAL ASSISTANCE PROGRAM FOR REDUCING ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS	20.523				-	310,199
BUS AND BUS FACILITIES FORMULA PROGRAM	20.527				-	15,260,096
STATE AND COMMUNITY HIGHWAY SAFETY	20.600				1,019,489	2,065,078
ALCOHOL OPEN CONTAINER REQUIREMENTS	20.607				2,860,448	4,672,727
INCENTIVE GRANT PROGRAM TO PROHIBIT RACIAL PROFILING	20.611				-	5,543
NATIONAL PRIORITY SAFETY PROGRAMS	20.616				1,664,448	5,641,059
PIPELINE SAFETY PROGRAM STATE BASE GRANT	20.700				-	695,960
UNIVERSITY TRANSPORTATION CENTERS PROGRAM	20.701				-	8,412
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	20.703				45,000	178,459
PHMSA PIPELINE SAFETY PROGRAM ONE CALL GRANT	20.721				-	21,970
NATIONAL INFRASTRUCTURE INVESTMENTS	20.933				388,627	11,067,170
DEPARTMENT OF TRANSPORTATION DIRECT PROGRAMS TOTAL					56,133,131	790,150,147
DEPARTMENT OF TRANSPORTATION PASS THROUGH PROGRAMS						
AIR TRANSPORTATION CENTERS OF EXCELLENCE	20.109		GEORGIA INSTITUTE OF TECHNOLOGY	RF377-G1	-	5,013
			MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710003.188		
			MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710003.808		
			MASSACHUSETTS INSTITUTE OF TECHNOLOGY	Subaward No 5710003806		
			MASSACHUSETTS INSTITUTE OF TECHNOLOGY	Subaward No 5710003807		
			MASSACHUSETTS INSTITUTE OF TECHNOLOGY	Subaward No. 5710003805		
			MASSACHUSETTS INSTITUTE OF TECHNOLOGY	Subaward# 5710003809	-	396,970
UNIVERSITY TRANSPORTATION CENTERS PROGRAM	20.701					
DYNAMIC IMPACT FACTORS ON EXISTING LONG-SPAN TRUSS RAILROAD BRIDGES	20.RD	SAFETY-25	NAS/TRANSPORTATION RESEARCH BOARD	SAFETY-25	-	1,950
IMPROVED PREDICTION MODELS FOR CRASH TYPES AND CRASH SEVERITIES	20.RD	HR 17-62	NAS/TRANSPORTATION RESEARCH BOARD	HR 17-62	116,709	125,337
ROAD FLOODING IN COASTAL CONNECTICUT	20.RD	AG170204	SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS	AG170204	-	17,978
DEPARTMENT OF TRANSPORTATION PASS THROUGH PROGRAMS TOTAL					116,709	547,248

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DEPARTMENT OF TRANSPORTATION TOTAL					56,249,840	790,697,395
DEPARTMENT OF THE TREASURY						
DEPARTMENT OF THE TREASURY DIRECT PROGRAMS						
LOW INCOME TAXPAYER CLINICS	21.008				-	102,399
DEPARTMENT OF THE TREASURY TOTAL					-	102,399
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION DIRECT PROGRAMS						
JOB DISCRIMINATION SPECIAL PROJECTS GRANT	30.002				-	1,465
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL					-	1,465
GENERAL SERVICES ADMINISTRATION						
GENERAL SERVICES ADMINISTRATION DIRECT PROGRAMS						
DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY (SEE NOTE 4)	39.003				-	40,039
GENERAL SERVICES ADMINISTRATION TOTAL					-	40,039
NATIONAL AERONAUTICS & SPACE ADMINISTRATION						
NATIONAL AERONAUTICS & SPACE ADMINISTRATION DIRECT PROGRAMS						
SCIENCE	43.001				20,124	785,284
AERONAUTICS	43.002				109,756	195,401
EXPLORATION	43.003				-	367
EDUCATION	43.008				-	73,119
SPACE TECHNOLOGY	43.012				-	104,915
UNKNOWN	43.RD	AAA			-	42,313
USING RAPIDSCAT OCEAN VECTOR WINDS TO UNDERSTAND THE ORIGIN OF OCEAN TEMPERATURE EXTREMES OFF U.S. COASTS	43.RD	1544398			-	87,247
NATIONAL AERONAUTICS & SPACE ADMINISTRATION DIRECT PROGRAMS TOTAL					129,880	1,288,646
NATIONAL AERONAUTICS & SPACE ADMINISTRATION PASS THROUGH PROGRAMS						
			BERMUDA BIOLOGICAL STATION FOR RESEARCH			
			RESEARCH FOUNDATION FOR THE STATE UNIVERSITY OF NEW YORK	154444UCONN R1040042		
			SMITHSONIAN INSTITUTION	12SUBC-440-0000256377		
			UNIVERSITY OF FLORIDA	UF12067UFDSP00010599		
			UNIVERSITY OF NEW HAMPSHIRE	15-048		
			WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101231		
SCIENCE	43.001		WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101238	-	532,968
AERONAUTICS	43.002		UNIVERSITY OF ILLINOIS, URBANA-CHAMPAIGN	2012-05551-01	-	376
			CT SPACE GRANT CONSORTIUM	P936		
			CT SPACE GRANT CONSORTIUM	P948		
			CT SPACE GRANT CONSORTIUM	P962		
			UNIVERSITY OF HARTFORD	P-1053		
			UNIVERSITY OF HARTFORD	P-1071		
			UNIVERSITY OF HARTFORD	P-1072		
			UNIVERSITY OF HARTFORD	P-1077		
			UNIVERSITY OF HARTFORD	P-1123		
			UNIVERSITY OF HARTFORD	P-905		
EDUCATION	43.008		UNIVERSITY OF HARTFORD	P-937	-	62,951

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EDUCATION	43.008		UNIVERSITY OF HARTFORD	P-938		
			UNIVERSITY OF HARTFORD	P-949		
			UNIVERSITY OF HARTFORD	P-986		
			UNIVERSITY OF HARTFORD	Subaward P-946	-	4,820
			UNIVERSITY OF HARTFORD	Pro-Sum#1012		
			UNIVERSITY OF HARTFORD	NNX12AG64H		
			UNIVERSITY OF HARTFORD	P-1029		
			UNIVERSITY OF HARTFORD	P-1032 P-1033	-	102,097
EDUCATION	43.008					
A CHANCE ALIGNMENT: RESOLVING A MASSIVE COMPACT GALAXY ACTIVELY QUENCHING AT Z=1.8	43.RD	HST-GO-14622.008-A	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14622.008-A	-	3,899
STTR PHASE II: HYDROGEN-BASED ENERGY CONSERVATION SYSTEM	43.RD	NNX13CS13C	SUSTAINABLE INNOVATIONS	NNX13CS13C	-	39,385
UNKNOWN	43.RD	AG160964	PRECISION COMBUSTION	AG160964	-	34,680
NATIONAL AERONAUTICS & SPACE ADMINISTRATION PASS THROUGH PROGRAMS TOTAL					-	781,176
NATIONAL AERONAUTICS & SPACE ADMINISTRATION TOTAL					129,880	2,069,822
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES						
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES DIRECT PROGRAMS						
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025				556,873	672,767
PROMOTION OF THE HUMANITIES_DIVISION OF PRESERVATION AND ACCESS	45.149				-	185,223
PROMOTION OF THE HUMANITIES_FELLOWSHIPS AND STIPENDS	45.160				-	50,464
PROMOTION OF THE HUMANITIES_TEACHING AND LEARNING RESOURCES AND CURRICULUM DEVELOPMENT	45.162				-	13,491
PROMOTION OF THE HUMANITIES_PROFESSIONAL DEVELOPMENT	45.163				-	270,858
PROMOTION OF THE HUMANITIES_PUBLIC PROGRAMS	45.164				-	842
GRANTS TO STATES	45.310				11,499	1,833,022
NATIONAL LEADERSHIP GRANTS	45.312				-	1,900
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES DIRECT PROGRAMS TOTAL					568,372	3,028,567
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES PASS THROUGH PROGRAMS						
PROMOTION OF THE HUMANITIES_FELLOWSHIPS AND STIPENDS	45.160		MASSACHUSETTS HISTORICAL SOCIETY	AG161396	-	35,092
PROMOTION OF THE HUMANITIES_RESEARCH	45.161		EAST CAROLINA UNIVERSITY	Subaward# A15-0046-S001	-	11,729
PROMOTION OF THE HUMANITIES_RESEARCH	45.161		JAMES MADISON UNIVERSITY	S16-136-02	-	1,619
PROMOTION OF THE HUMANITIES_TEACHING AND LEARNING RESOURCES AND CURRICULUM DEVELOPMENT	45.162		FOLGER INSTITUTE	AG170373	-	5,992
PROMOTION OF THE HUMANITIES_PUBLIC PROGRAMS	45.164		HARTFORD PUBLIC LIBRARY, CT	AG150150	-	3,495
			GEORGE MASON UNIVERSITY	E2033501		
NATIONAL LEADERSHIP GRANTS	45.312		HARTFORD PUBLIC LIBRARY, CT	AG140827	-	(2,368)
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES PASS THROUGH PROGRAMS TOTAL					-	55,559
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL					568,372	3,084,126
NATIONAL SCIENCE FOUNDATION						
NATIONAL SCIENCE FOUNDATION DIRECT PROGRAMS						
ENGINEERING GRANTS	47.041				127,905	4,765,807
MATHEMATICAL AND PHYSICAL SCIENCES	47.049				126,593	3,676,337
GEOSCIENCES	47.050				64,618	1,917,912
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070				76,079	2,252,901
BIOLOGICAL SCIENCES	47.074				70,525	3,137,276
SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	47.075				91,676	522,726

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EDUCATION AND HUMAN RESOURCES	47.076				185,321	3,897,445
OFFICE OF INTERNATIONAL SCIENCE AND ENGINEERING	47.079				-	4,653
OFFICE OF CYBERINFRASTRUCTURE	47.080				-	8,032
OFFICE OF INTEGRATIVE ACTIVITIES	47.083				130,000	573,372
NATIONAL SCIENCE FOUNDATION DIRECT PROGRAMS TOTAL					872,717	20,756,461
NATIONAL SCIENCE FOUNDATION PASS THROUGH PROGRAMS						
			CLEMSON UNIVERSITY	1695-206-2009743		
			MGENUITY	AG160940/1632573		
			THEBEAMER	AG171165		
			UNIVERSITY OF NOTRE DAME	202508UC		
			YALE UNIVERSITY	C13D11528 (D01897)		
ENGINEERING GRANTS	47.041		YALE UNIVERSITY	C17D12543 (D02297)	-	223,046
MATHEMATICAL AND PHYSICAL SCIENCES	47.049		YALE UNIVERSITY	C12D11227(D01804)	-	286,891
			CONSERVATION INTERNATIONAL FUND	1000474		
GEOSCIENCES	47.050		UNIVERSITY OF MARYLAND, COLLEGE PARK	36932-Z4391001	-	62,257
			UNIVERSITY OF SOUTH FLORIDA	1249-1058-00-A		
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070		WASHINGTON STATE UNIVERSITY	Subaward No. 123507_G003406	-	10,347
			UNIVERSITY OF PUERTO RICO, SAN JUAN	2016-006		
			UNIVERSITY OF VIRGINIA	GA11020-142299		
BIOLOGICAL SCIENCES	47.074		WASHINGTON STATE UNIVERSITY	123664-G003628	-	369,344
			CONNECTICUT CHILDREN'S MEDICAL CENTER	16-179392-02		
			UNIVERSITY OF CALIFORNIA, BERKELEY	00009146		
			UNIVERSITY OF CHICAGO	FP050648		
SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	47.075		UNIVERSITY OF ILLINOIS, URBANA-CHAMPAIGN	2012-06354-01 (14290)	-	104,181
			TUFTS UNIVERSITY	DRL-1418163		
			SENCER	DUE-12244888		
			UNIVERSITY OF MASSACHUSETTS, AMHERST	12-006782 B		
			UNIVERSITY OF MASSACHUSETTS, AMHERST	15-008243 A 00		
			AMERICAN EDUCATIONAL RESEARCH ASSOCIATION	AG170097		
			AMERICAN MUSEUM OF NATURAL HISTORY	2-2014		
			UNIVERSITY OF SOUTH FLORIDA	1263-1010-00-B		
			UNIVERSITY OF SOUTH FLORIDA	1776-1011-00-B		
EDUCATION AND HUMAN RESOURCES	47.076		UNIVERSITY OF VIRGINIA	GA11161 150024	-	757,654
2015 OOI LONGEVITY TEST OPERATION FOR AUV	47.RD	PO M217890	WOODS HOLE OCEANOGRAPHIC INSTITUTION	PO M217890	-	59,661
SCIENCE VERIFICATION CRUISE #4 THROUGH OPERATIONS OF THE K2 ROV ABOARD THE R/V NEIL ARMSTRONG	47.RD	PO #M218386	WOODS HOLE OCEANOGRAPHIC INSTITUTION	PO #M218386	-	146,020
NATIONAL SCIENCE FOUNDATION PASS THROUGH PROGRAMS TOTAL					-	2,019,401
NATIONAL SCIENCE FOUNDATION TOTAL					872,717	22,775,862
SMALL BUSINESS ADMINISTRATION						
SMALL BUSINESS ADMINISTRATION DIRECT PROGRAMS						
SMALL BUSINESS DEVELOPMENT CENTERS	59.037				-	1,564,730
FEDERAL AND STATE TECHNOLOGY PARTNERSHIP PROGRAM	59.058				-	91,005
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM	59.061				-	348,152
ENTREPRENEURIAL DEVELOPMENT DISASTER ASSISTANCE	59.064				-	106,314
SMALL BUSINESS ADMINISTRATION DIRECT PROGRAMS TOTAL					-	2,110,201
SMALL BUSINESS ADMINISTRATION PASS THROUGH PROGRAMS						
THE ECONOMIC POTENTIAL OF THE FUEL CELL INDUSTRY	59.RD	16-K011	CONNECTICUT CENTER FOR ADVANCED TECHNOLOGY	16-K011	-	5,000
SMALL BUSINESS ADMINISTRATION PASS THROUGH PROGRAMS TOTAL					-	5,000
SMALL BUSINESS ADMINISTRATION TOTAL					-	2,115,201

DEPARTMENT OF VETERANS AFFAIRS

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DEPARTMENT OF VETERANS AFFAIRS DIRECT PROGRAMS						
GRANTS TO STATES FOR CONSTRUCTION OF STATE HOME FACILITIES	64.005				-	(364,814)
ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE	64.124				-	184,243
STATE CEMETERY GRANTS	64.203				-	397,221
BRAIN-COMPUTER INTERFACE (BCI) ENABLED MEMORY TRAINING FOR SCHIZOPHRENIA	64.RD	VA241-16-C-0036			-	51,292
VETERAN'S AFFAIRS MEDICAL RESEARCH	64.RD	IPA			-	33,096
DEPARTMENT OF VETERANS AFFAIRS TOTAL					-	301,038
ENVIRONMENTAL PROTECTION AGENCY						
ENVIRONMENTAL PROTECTION AGENCY DIRECT PROGRAMS						
STATE INDOOR RADON GRANTS	66.032				-	187,001
SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS, DEMONSTRATIONS, AND SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034				-	633,361
NATIONAL CLEAN DIESEL EMISSIONS REDUCTION PROGRAM	66.040				149,644	160,133
STATE PUBLIC WATER SYSTEM SUPERVISION	66.432				-	1,054,566
LONG ISLAND SOUND PROGRAM	66.437				158,407	1,849,323
WATER QUALITY MANAGEMENT PLANNING	66.454				43,300	98,176
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460				630,170	801,851
REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	66.461				-	172,989
BEACH MONITORING AND NOTIFICATION PROGRAM IMPLEMENTATION GRANTS	66.472				-	204,372
SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	66.509				-	78,971
SCIENCE TO ACHIEVE RESULTS (STAR) FELLOWSHIP PROGRAM	66.514				-	27,873
P3 AWARD: NATIONAL STUDENT DESIGN COMPETITION FOR SUSTAINABILITY	66.516				-	(21)
PERFORMANCE PARTNERSHIP GRANTS	66.605				-	8,585,614
TOXIC SUBSTANCES COMPLIANCE MONITORING COOPERATIVE AGREEMENTS	66.701				-	207,165
TSCA TITLE IV STATE LEAD GRANTS CERTIFICATION OF LEAD-BASED PAINT PROFESSIONALS	66.707				-	305,078
POLLUTION PREVENTION GRANTS PROGRAM	66.708				-	89,653
SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE-SPECIFIC COOPERATIVE AGREEMENTS	66.802				-	496,101
UNDERGROUND STORAGE TANK PREVENTION, DETECTION AND COMPLIANCE PROGRAM	66.804				-	336,000
LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION PROGRAM	66.805				-	394,932
SUPERFUND STATE AND INDIAN TRIBE CORE PROGRAM COOPERATIVE AGREEMENTS	66.809				-	149,049
STATE AND TRIBAL RESPONSE PROGRAM GRANTS	66.817				-	639,387
BROWNFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS	66.818				-	(88,679)
ENVIRONMENTAL PROTECTION AGENCY DIRECT PROGRAMS TOTAL					981,521	16,382,895
ENVIRONMENTAL PROTECTION AGENCY PASS THROUGH PROGRAMS						
HEALTHY COMMUNITIES GRANT PROGRAM	66.110		MARTHA'S VINEYARD SHELLFISH GROUP	AG151548	-	19,993
LONG ISLAND SOUND PROGRAM	66.437		STATE UNIVERSITY OF NEW YORK	Subaward 66833	-	77,067
			LOYOLA UNIVERSITY CHICAGO	514545-UConn		
GREAT LAKES PROGRAM	66.469		LOYOLA UNIVERSITY CHICAGO	516995-UConn	-	60,830

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MANUFACTURING OF ULTRA-EFFICIENT AND ROBUST NANO- ARRAY BASED LEAN NOX TRAPPING DEVICES	66.RD	AG150279	3D ARRAY TECHNOLOGY	AG150279	-	(295)
ENVIRONMENTAL PROTECTION AGENCY PASS THROUGH PROGRAMS TOTAL					-	157,595
ENVIRONMENTAL PROTECTION AGENCY TOTAL					981,521	16,540,490
NUCLEAR REGULATORY COMMISSION						
NUCLEAR REGULATORY COMMISSION PASS THROUGH PROGRAMS						
U.S. NUCLEAR REGULATORY COMMISSION SCHOLARSHIP AND FELLOWSHIP PROGRAM	77.008		UNIVERSITY OF HARTFORD	P-591 303203	-	6,659
NUCLEAR REGULATORY COMMISSION TOTAL					-	6,659
DEPARTMENT OF ENERGY						
DEPARTMENT OF ENERGY DIRECT PROGRAMS						
NATIONAL ENERGY INFORMATION CENTER	81.039				-	8,492
STATE ENERGY PROGRAM	81.041				31,099	673,657
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042				1,723,996	1,948,563
OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049				68,833	2,284,695
UNIVERSITY COAL RESEARCH	81.057				-	131,654
CONSERVATION RESEARCH AND DEVELOPMENT	81.086				-	300,386
RENEWABLE ENERGY RESEARCH AND DEVELOPMENT	81.087				30,569	128,412
FOSSIL ENERGY RESEARCH AND DEVELOPMENT	81.089				30,519	423,126
NATIONAL INDUSTRIAL COMPETITIVENESS THROUGH ENERGY, ENVIRONMENT, AND ECONOMICS	81.117				10,565	18,761
DEVELOPMENT OF KINETIC MECHANISMS FOR DIESEL FUEL SURROGATES	81.RD	B617843			-	47,200
ELECTROPRODUCTION WITH NUCLEON AND NUCLEAR TARGETS USING CLAS AND CLAS12	81.RD	6F-3061			-	43,842
EXPERIMENTAL DATA FOR VALIDATION OF KINETIC MECHANISMS FOR FUEL COMPANIES AND SURROGATES	81.RD	B621898			-	35,646
GAS PHASE CHROMIUM CAPTURE FOR SOFC SYSTEMS	81.RD	282.107			-	27,386
SEARCH FOR NEW DIRAC MATERIALS	81.RD	Agrmt. 432529 Sub. 385444			-	44,006
SWITCH POLARITY SOLVENT (SPS) MEMBRANE STUDIES	81.RD	Contract00141830			-	41,087
DEPARTMENT OF ENERGY DIRECT PROGRAMS TOTAL					1,895,581	6,156,913
DEPARTMENT OF ENERGY PASS THROUGH PROGRAMS						
			FORGE NANO	DE-SC0017192SUB1		
			HIFUNDA	AG120179		
			HIFUNDA	AG130541		
			MARINE BIOLOGICAL LABORATORY	44977		
			MICHIGAN STATE UNIVERSITY	RC102989A		
			PRECISION COMBUSTION	AG160479		
			PRINCETON UNIVERSITY	00001700		
			PROTON ONSITE	PO 12753		
			STRUCTURED MATERIALS INDUSTRIES	42038-041116-03		
OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049		SUSTAINABLE INNOVATIONS	AG160746	-	419,461
OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049		UES	S-132-000-001	-	4,726
CONSERVATION RESEARCH AND DEVELOPMENT	81.086		SEVENTHWAVE-DOE	715516-001	-	16,508
			CUMMINS	IND3794582		
FOSSIL ENERGY RESEARCH AND DEVELOPMENT	81.089		FUELCELL ENERGY	PO10005143	-	82,567
NUCLEAR ENERGY RESEARCH, DEVELOPMENT AND DEMONSTRATION	81.121		CLEMSON UNIVERSITY	1740-219-2010311	-	54,864
			FUELCELL ENERGY	PO 10007545		
			GAS TECHNOLOGY INSTITUTE	S491		
ADVANCED RESEARCH PROJECTS AGENCY - ENERGY	81.135		UNITED TECHNOLOGIES-RESEARCH CENTER	PO 2603144	-	277,156

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DEVELOPMENT OF WILLOW BIOMASS CROPS	81.RD	3TR676	SOUTH DAKOTA STATE UNIVERSITY	3TR676	-	22,813
GRADUATE RESEARCH SERVICES-ANDREY KIM	81.RD	14-P0041	JEFFERSON SCIENCE ASSOCIATES	14-P0041	-	41,540
SLAC GRADUATE SUPPORT	81.RD	PO SLAC-0000166840	STANFORD UNIVERSITY	PO SLAC-0000166840	-	23,384
SUBSEA HIGH VOLTAGE DIRECT CURRENT CONNECTORS FOR ENVIRONMENTALLY SAFE AND RELIABLE POWERING OF UDW SUBSEA PROCESSING	81.RD	PO#400218130	GENERAL ELECTRIC	PO# 400218130	-	5,178
DEPARTMENT OF ENERGY PASS THROUGH PROGRAMS TOTAL					-	948,197
DEPARTMENT OF ENERGY TOTAL					1,895,581	7,105,110
DEPARTMENT OF EDUCATION						
DEPARTMENT OF EDUCATION DIRECT PROGRAMS						
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002				3,864,981	5,059,450
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	84.007				-	2,866,119
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010				116,289,722	119,991,989
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013				-	832,841
SPECIAL EDUCATION_ GRANTS TO STATES	84.027				113,608,777	127,495,648
HIGHER EDUCATION_ INSTITUTIONAL AID	84.031				-	173,406
FEDERAL WORK-STUDY PROGRAM	84.033				-	3,168,836
FEDERAL PERKINS LOAN PROGRAM_ FEDERAL CAPITAL CONTRIBUTIONS (SEE NOTE 5)	84.038				-	30,566,283
TRIO_ STUDENT SUPPORT SERVICES	84.042				-	892,643
TRIO_ TALENT SEARCH	84.044				-	258,530
TRIO_ UPWARD BOUND	84.047				-	339,806
CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES	84.048				5,821,471	8,593,766
FEDERAL PELL GRANT PROGRAM	84.063				-	139,288,234
FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION REHABILITATION SERVICES_ VOCATIONAL REHABILITATION GRANTS TO STATES	84.116				-	2,520
REHABILITATION SERVICES_ CLIENT ASSISTANCE PROGRAM	84.126				-	34,520,120
SPECIAL EDUCATION_ PRESCHOOL GRANTS	84.161				6,365	183,863
REHABILITATION SERVICES_ INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND	84.173				3,790,429	4,921,271
SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES_ NATIONAL PROGRAMS	84.177				-	370,748
SUPPORTED EMPLOYMENT SERVICES FOR INDIVIDUALS WITH THE MOST SIGNIFICANT DISABILITIES	84.181				-	3,732,290
BILINGUAL EDUCATION	84.184				-	1,074,154
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.187				-	249,952
GRADUATE ASSISTANCE IN AREAS OF NATIONAL NEED	84.195				-	251,601
JAVITS GIFTED AND TALENTED STUDENTS EDUCATION	84.196				376,696	487,636
TRIO_ MCNAIR POST-BACCALAUREATE ACHIEVEMENT CENTERS FOR INTERNATIONAL BUSINESS EDUCATION	84.200				-	1,126,516
PROGRAM OF PROTECTION AND ADVOCACY OF INDIVIDUAL RIGHTS	84.206				62,164	506,415
FEDERAL DIRECT STUDENT LOANS (SEE NOTE 5)	84.217				-	224,472
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.220				-	261,570
EDUCATION RESEARCH, DEVELOPMENT AND DISSEMINATION	84.240				8,308	196,054
	84.268				-	378,382,941
	84.287				8,515,887	8,879,156
	84.305				540,180	2,830,937

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SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT RESEARCH IN SPECIAL EDUCATION	84.323				-	142,142
	84.324				50,084	389,831
SPECIAL EDUCATION - PERSONNEL DEVELOPMENT TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES	84.325				46,503	1,224,929
ADVANCED PLACEMENT PROGRAM (ADVANCED PLACEMENT TEST FEE; ADVANCED PLACEMENT INCENTIVE PROGRAM GRANTS) GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.330				-	266,750
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.334				-	2,768,334
MATHEMATICS AND SCIENCE PARTNERSHIPS	84.365				6,227,014	6,543,463
IMPROVING TEACHER QUALITY STATE GRANTS	84.366				897,496	1,146,442
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.367				19,760,897	20,955,323
SCHOOL IMPROVEMENT GRANTS	84.369				-	5,645,290
TEACHER EDUCATION ASSISTANCE FOR COLLEGE AND HIGHER EDUCATION GRANTS (TEACH GRANTS)	84.377				2,741,721	2,957,500
SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	84.379				-	18,636
PRESCHOOL DEVELOPMENT GRANTS	84.388				-	178,903
	84.419				10,996,271	11,535,431
DEPARTMENT OF EDUCATION DIRECT PROGRAMS TOTAL					293,604,966	931,502,741
DEPARTMENT OF EDUCATION PASS THROUGH PROGRAMS						
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002		EDUCATION CONNECTION, FOOTHILL ADULTS & CONTINUING ED.	49149	-	3,050
HIGHER EDUCATION_INSTITUTIONAL AID	84.031		MERCY COLLEGE	AG150593	-	(8,024)
FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	84.116		DREXEL UNIVERSITY	213031-3662	-	34,870
			OHIO STATE UNIVERSITY	60046504		
			TEXAS A&M UNIVERSITY	02-S140264		
EDUCATION RESEARCH, DEVELOPMENT AND DISSEMINATION	84.305		UNIVERSITY OF COLORADO	PREAWARD	-	208,431
EDUCATION RESEARCH, DEVELOPMENT AND DISSEMINATION	84.305		YALE UNIVERSITY	R305H140050	-	40,098
			UNIVERSITY OF MARYLAND, COLLEGE PARK	Z2104001		
RESEARCH IN SPECIAL EDUCATION	84.324		UNIVERSITY OF TENNESSEE	A12-0612-S003-A03	-	240,882
SPECIAL EDUCATION - PERSONNEL DEVELOPMENT TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES	84.325		UNIVERSITY OF FLORIDA-CEEDAR CENTER	H325A120003		
SPECIAL EDUCATION_TECHNICAL ASSISTANCE AND DISSEMINATION TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES	84.326		VANDERBILT UNIVERSITY	3402-018447	-	160,987
SPECIAL EDUCATION_TECHNICAL ASSISTANCE AND DISSEMINATION TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES	84.326		UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL	5103430		
SPECIAL EDUCATION_EDUCATIONAL TECHNOLOGY MEDIA, AND MATERIALS FOR INDIVIDUALS WITH DISABILITIES	84.327		AMERICAN INSTITUTES FOR RESEARCH	0313000102	-	264,940
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.326		UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL	5039295		
	84.327		UNIVERSITY OF OREGON	224440K	-	896,870
	84.327		OHIO STATE UNIVERSITY	60036894/PO#RF01370554	-	56,590
	84.334		NEW HAVEN BOARD OF EDUCATION	PO#96107437	-	22,816
			CONNECTICUT SCIENCE CENTER	AG160443		
			NATIONAL WRITING PROJECT CORPORATION	92-CT01-SEED2016		
IMPROVING TEACHER QUALITY STATE GRANTS	84.367		NATIONAL WRITING PROJECT CORPORATION	92-CT01-SEED2017-CRWPPD	-	83,325
			NATIONAL WRITING PROJECT CORPORATION	92-CT01-SEED2017-ILI		
			NATIONAL WRITING PROJECT CORPORATION	Agreement 92-CT01-SEED2012		
IMPROVING TEACHER QUALITY STATE GRANTS	84.367		UNIVERSITY OF HAWAII	PO Z10103363	-	2,669
TEACHER INCENTIVE FUND	84.374		NEW HAVEN PUBLIC SCHOOLS, CT	Agreement No: 96085364	-	106,568

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DEPARTMENT OF EDUCATION PASS THROUGH PROGRAMS TOTAL					-	2,114,072
DEPARTMENT OF EDUCATION TOTAL					293,604,966	933,616,813
NATIONAL ARCHIVES & RECORDS ADMINISTRATION						
NATIONAL ARCHIVES & RECORDS ADMINISTRATION DIRECT PROGRAMS						
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS GRANTS	89.003				2,000	43,027
NATIONAL ARCHIVES & RECORDS ADMINISTRATION TOTAL					2,000	43,027
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
DEPARTMENT OF HEALTH AND HUMAN SERVICES DIRECT PROGRAMS						
PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003				-	162,620
SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 3_PROGRAMS FOR PREVENTION OF ELDER ABUSE, NEGLECT, AND EXPLOITATION	93.041				52,578	62,552
SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2_LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	93.042				-	171,640
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART D_DISEASE PREVENTION AND HEALTH PROMOTION SERVICES	93.043				244,282	244,282
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044				3,740,884	4,167,839
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045				7,145,856	7,145,856
SPECIAL PROGRAMS FOR THE AGING_TITLE IV_AND TITLE II_DISCRETIONARY PROJECTS	93.048				342,072	363,745
NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	93.052				1,661,474	1,661,474
NUTRITION SERVICES INCENTIVE PROGRAM (SEE NOTE 4)	93.053				1,607,121	1,607,121
TRAINING IN GENERAL, PEDIATRIC, AND PUBLIC HEALTH DENTISTRY	93.059				-	348,571
LABORATORY TRAINING, EVALUATION, AND QUALITY ASSURANCE PROGRAMS	93.064				-	222,982
STATE VITAL STATISTICS IMPROVEMENT PROGRAM	93.066				-	38
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069				2,706,162	7,304,077
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070				191,763	1,422,013
MEDICARE ENROLLMENT ASSISTANCE PROGRAM	93.071				245,904	245,905
BIRTH DEFECTS AND DEVELOPMENTAL DISABILITIES - PREVENTION AND SURVEILLANCE	93.073				-	188,259
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.074				235,134	609,323
TANF PROGRAM INTEGRITY INNOVATION GRANTS	93.076				-	39,787
FAMILY SMOKING PREVENTION AND TOBACCO CONTROL ACT REGULATORY RESEARCH	93.077				213,416	1,203,375
COOPERATIVE AGREEMENTS TO PROMOTE ADOLESCENT HEALTH THROUGH SCHOOL-BASED HIV/STD PREVENTION AND SCHOOL-BASED SURVEILLANCE	93.079				-	335,933
GUARDIANSHIP ASSISTANCE	93.090				-	2,257,408
AFFORDABLE CARE ACT (ACA) PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092				250,947	518,697

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WELL-INTEGRATED SCREENING AND EVALUATION FOR WOMEN ACROSS THE NATION	93.094				330,579	820,199
HHS PROGRAMS FOR DISASTER RELIEF APPROPRIATIONS ACT - NON CONSTRUCTION	93.095				2,310,478	2,310,478
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103				-	2,365,505
COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	93.104				404,737	793,019
AREA HEALTH EDUCATION CENTERS POINT OF SERVICE MAINTENANCE AND ENHANCEMENT AWARDS	93.107				-	430,975
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110				291,754	874,458
ENVIRONMENTAL HEALTH	93.113				-	1,179,124
PROJECT GRANTS AND COOPERATIVE AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116				-	633,429
ORAL DISEASES AND DISORDERS RESEARCH	93.121				654,243	3,755,264
COOPERATIVE AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130				-	233,109
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136				789,125	1,124,284
PROTECTION AND ADVOCACY FOR INDIVIDUALS WITH MENTAL ILLNESS	93.138				-	516,073
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150				-	797,338
COORDINATED SERVICES AND ACCESS TO RESEARCH FOR WOMEN, INFANTS, CHILDREN, AND YOUTH	93.153				147,593	336,830
HUMAN GENOME RESEARCH	93.172				916,346	1,766,252
RESEARCH RELATED TO DEAFNESS AND COMMUNICATION DISORDERS	93.173				83,442	1,002,697
RESEARCH AND TRAINING IN COMPLEMENTARY AND INTEGRATIVE HEALTH	93.213				105,880	339,621
GRANTS TO STATES TO SUPPORT ORAL HEALTH WORKFORCE ACTIVITIES	93.236				208,045	255,286
STATE CAPACITY BUILDING	93.240				-	497,647
MENTAL HEALTH RESEARCH GRANTS	93.242				756,685	5,256,244
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243				731,063	16,583,135
ADVANCED NURSING EDUCATION GRANT PROGRAM	93.247				97,965	429,927
UNIVERSAL NEWBORN HEARING SCREENING	93.251				23,775	221,746
POISON CENTER SUPPORT AND ENHANCEMENT GRANT PROGRAM	93.253				-	183,495
OCCUPATIONAL SAFETY AND HEALTH PROGRAM	93.262				(4,372)	338,269
NURSE FACULTY LOAN PROGRAM (SEE NOTE 5)	93.264				-	2,210,704
STATE GRANTS FOR PROTECTION AND ADVOCACY SERVICES	93.267				8,323	48,365
IMMUNIZATION COOPERATIVE AGREEMENTS (SEE NOTE 4)	93.268				416,386	33,323,631
ADULT VIRAL HEPATITIS PREVENTION AND CONTROL	93.270				-	156,490
ALCOHOL RESEARCH PROGRAMS	93.273				649,778	5,867,685
DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	93.279				1,148,559	4,500,830
MENTAL HEALTH NATIONAL RESEARCH SERVICE AWARDS FOR RESEARCH TRAINING	93.282				-	11,502

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CENTERS FOR DISEASE CONTROL AND PREVENTION _INVESTIGATIONS AND TECHNICAL ASSISTANCE	93.283				-	76,716
CENTERS FOR DISEASE CONTROL AND PREVENTION _INVESTIGATIONS AND TECHNICAL ASSISTANCE (SEE NOTE 4)	93.283				3,228,733	5,494,453
DISCOVERY AND APPLIED RESEARCH FOR TECHNOLOGICAL INNOVATIONS TO IMPROVE HUMAN HEALTH	93.286				45,468	800,847
NATIONAL STATE BASED TOBACCO CONTROL PROGRAMS	93.305				-	796,805
TRANS-NIH RESEARCH SUPPORT	93.310				118,509	1,238,290
EARLY HEARING DETECTION AND INTERVENTION INFORMATION SYSTEM (EHDI-IS) SURVEILLANCE PROGRAM	93.314				-	153,418
EMERGING INFECTIONS PROGRAMS	93.317				-	445,724
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323				128,334	1,527,697
STATE HEALTH INSURANCE ASSISTANCE PROGRAM	93.324				402,950	553,594
BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM	93.336				-	271,363
HEALTH PROFESSIONS STUDENT LOANS, INCLUDING PRIMARY CARE LOANS/LOANS FOR DISADVANTAGED STUDENTS (SEE NOTE 5)	93.342				-	1,007,044
ADVANCED EDUCATION NURSING TRAINEESHIPS	93.358				-	329,996
NURSE EDUCATION, PRACTICE QUALITY AND RETENTION GRANTS	93.359				102,380	499,044
NURSING RESEARCH	93.361				3,625	494,357
NURSING STUDENT LOANS (SEE NOTE 5)	93.364				-	19,571
ACL INDEPENDENT LIVING STATE GRANTS	93.369				-	444,248
CANCER CAUSE AND PREVENTION RESEARCH	93.393				46,543	559,786
CANCER DETECTION AND DIAGNOSIS RESEARCH	93.394				-	854
CANCER TREATMENT RESEARCH	93.395				129,824	1,120,100
CANCER BIOLOGY RESEARCH	93.396				117,227	936,563
CANCER RESEARCH MANPOWER	93.398				-	136,524
ARRA NURSE FACULTY LOAN PROGRAM (SEE NOTE 5)	93.408				-	115,965
FOOD SAFETY AND SECURITY MONITORING PROJECT	93.448				-	402,793
ACL ASSISTIVE TECHNOLOGY	93.464				-	366,680
PREGNANCY ASSISTANCE FUND PROGRAM	93.500				1,065,173	1,492,646
AFFORDABLE CARE ACT (ACA) MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.505				5,961,216	6,448,018
ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM CARE FACILITIES AND PROVIDERS	93.506				-	69,170
AFFORDABLE CARE ACT (ACA) PRIMARY CARE RESIDENCY EXPANSION PROGRAM	93.510				-	154,145
AFFORDABLE CARE ACT ð AGING AND DISABILITY RESOURCE CENTER	93.517				65,490	70,823
AFFORDABLE CARE ACT (ACA) ð CONSUMER ASSISTANCE PROGRAM GRANTS	93.519				-	20,000
THE AFFORDABLE CARE ACT: BUILDING EPIDEMIOLOGY, LABORATORY, AND HEALTH INFORMATION SYSTEMS CAPACITY IN THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASE (ELC) AND EMERGING INFECTIONS PROGRAM (EIP)						
COOPERATIVE AGREEMENTS;PPHF	93.521				187,942	1,462,280

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THE AFFORDABLE CARE ACT MEDICAID INCENTIVES FOR PREVENTION OF CHRONIC DISEASE DEMONSTRATION PROJECT	93.536				-	343,301
PPHF CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE AND PERFORMANCE FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS	93.539				643,648	1,304,078
ABANDONED INFANTS	93.551				278,497	621,139
PROMOTING SAFE AND STABLE FAMILIES	93.556				1,411,947	2,260,363
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558				1,455,907	242,893,885
CHILD SUPPORT ENFORCEMENT (SEE NOTE 8)	93.563				110,377	48,973,525
REFUGEE AND ENTRANT ASSISTANCE_STATE ADMINISTERED PROGRAMS	93.566				424,884	980,484
LOW-INCOME HOME ENERGY ASSISTANCE	93.568				81,099,001	83,458,173
COMMUNITY SERVICES BLOCK GRANT	93.569				7,887,696	8,500,627
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575				-	18,295,921
REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	93.576				301,686	310,507
REFUGEE AND ENTRANT ASSISTANCE_TARGETED ASSISTANCE GRANTS	93.584				142,477	142,477
STATE COURT IMPROVEMENT PROGRAM	93.586				-	270,706
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590				133,440	698,656
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND	93.596				-	35,397,740
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	93.597				40,495	69,060
CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	93.599				-	406,395
HEAD START	93.600				113,631	208,666
ADOPTION INCENTIVE PAYMENTS	93.603				-	33,985
VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES-GRANTS FOR PROTECTION AND ADVOCACY SYSTEMS	93.618				11,633	99,596
ACA - STATE INNOVATION MODELS: FUNDING FOR MODEL DESIGN AND MODEL TESTING ASSISTANCE	93.624				388,859	4,501,974
AFFORDABLE CARE ACT: TESTING EXPERIENCE AND FUNCTIONAL ASSESSMENT TOOLS	93.627				-	1,258,924
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630				329,881	1,215,521
UNIVERSITY CENTERS FOR EXCELLENCE IN DEVELOPMENTAL DISABILITIES EDUCATION, RESEARCH, AND SERVICE	93.632				-	531,521
CHILDREN'S JUSTICE GRANTS TO STATES	93.643				10,000	297,389
STEPHANIE TUBBS JONES CHILD WELFARE SERVICES PROGRAM	93.645				437,986	1,887,174
ADOPTION OPPORTUNITIES	93.652				-	223,254
FOSTER CARE_TITLE IV-E	93.658				-	73,575,713
ADOPTION ASSISTANCE	93.659				-	43,971,970
SOCIAL SERVICES BLOCK GRANT	93.667				16,882,839	43,698,522
CHILD ABUSE AND NEGLECT STATE GRANTS	93.669				212,664	275,591
CHILD ABUSE AND NEGLECT DISCRETIONARY ACTIVITIES	93.670				1,152,845	1,425,474
FAMILY VIOLENCE PREVENTION AND SERVICES/DOMESTIC VIOLENCE SHELTER AND SUPPORTIVE SERVICES	93.671				1,485,112	1,488,318
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674				893,668	962,282

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ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719				-	(9,200)
CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE AND PERFORMANCE AND FINANCED IN PART BY THE PREVENTION AND PUBLIC HEALTH FUND (PPHF)	93.733				73,533	677,486
STATE PUBLIC HEALTH APPROACHES FOR ENSURING QUITLINE CAPACITY AND FUNDED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.735				-	126,707
PPHF: HEALTH CARE SURVEILLANCE/HEALTH STATISTICS AND SURVEILLANCE PROGRAM ANNOUNCEMENT: BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUND	93.745				-	11,303
CHILD LEAD POISONING PREVENTION SURVEILLANCE FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH (PPHF) PROGRAM	93.753				-	404,476
STATE PUBLIC HEALTH ACTIONS TO PREVENT AND CONTROL DIABETES, HEART DISEASE, OBESITY AND ASSOCIATED RISK FACTORS AND PROMOTE SCHOOL HEALTH FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDING (PPHF)	93.757				446,937	703,818
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT FUNDED SOLELY WITH PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.758				1,444,808	2,406,575
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767				431,142	37,277,070
STATE MEDICAID FRAUD CONTROL UNITS	93.775				-	1,539,224
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS AND SUPPLIERS (TITLE XVIII) MEDICARE	93.777				-	5,649,638
MEDICAL ASSISTANCE PROGRAM	93.778				-	4,675,863,250
OPIOID STR	93.788				-	375
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791				-	34,156,629
DOMESTIC EBOLA SUPPLEMENT TO THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC).	93.815				303,589	897,861
HOSPITAL PREPAREDNESS PROGRAM (HPP) EBOLA PREPAREDNESS AND RESPONSE ACTIVITIES	93.817				422,249	524,212
SECTION 223 DEMONSTRATION PROGRAMS TO IMPROVE COMMUNITY MENTAL HEALTH SERVICES	93.829				-	52,617
CARDIOVASCULAR DISEASES RESEARCH	93.837				180,301	1,711,392
LUNG DISEASES RESEARCH	93.838				59,923	476,465
BLOOD DISEASES AND RESOURCES RESEARCH	93.839				-	458,881
ACL ASSISTIVE TECHNOLOGY STATE GRANTS FOR PROTECTION AND ADVOCACY	93.843				8,323	75,626
ARTHRITIS, MUSCULOSKELETAL AND SKIN DISEASES RESEARCH	93.846				219,665	4,079,552
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847				899,994	5,313,364
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853				-	1,932,770
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855				1,438,885	10,131,059
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859				829,598	9,263,167
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865				454,808	3,197,252

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AGING RESEARCH	93.866				1,412,548	3,937,926
VISION RESEARCH	93.867				-	856,472
MATERNAL, INFANT AND EARLY CHILDHOOD HOME VISITING GRANT PROGRAM	93.870				2,919,879	2,997,079
MEDICAL LIBRARY ASSISTANCE	93.879				-	181,510
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM GRANTS TO STATES FOR OPERATION OF OFFICES OF RURAL HEALTH	93.889				1,722,958	2,313,162
HIV CARE FORMULA GRANTS (SEE NOTE 9)	93.913				-	164,700
HEALTHY START INITIATIVE	93.917				-	430,282
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.926				553,888	812,225
RESEARCH, PREVENTION, AND EDUCATION PROGRAMS ON LYME DISEASE IN THE UNITED STATES	93.940				1,385,057	4,242,987
EPIDEMIOLOGIC RESEARCH STUDIES OF ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS) AND HUMAN IMMUNODEFICIENCY VIRUS (HIV) INFECTION IN SELECTED POPULATION GROUPS	93.942				-	230,423
HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY VIRUS SYNDROME (AIDS) SURVEILLANCE ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION AND CONTROL	93.943				556,083	573,888
	93.944				(340)	739,806
	93.945				439,014	1,133,553
COOPERATIVE AGREEMENTS TO SUPPORT STATE-BASED SAFE MOTHERHOOD AND INFANT HEALTH INITIATIVE PROGRAMS	93.946				-	156,185
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958				1,296,198	6,290,292
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959				6,007	19,652,531
PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977				17,308	693,901
INTERNATIONAL RESEARCH AND RESEARCH TRAINING	93.989				-	93,891
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994				1,486,381	4,589,436
CONTINUOUS MANUFACTURING OF LIPOSOMAL DRUG FORMULATIONS	93.RD	HHSF223201310117C			-	145,552
CONTINUOUS MANUFACTURING OF LIPOSOMES: MATERIALS UNDERSTANDING AND PROCESS CONTROL	93.RD	HHSF223201610121C			-	38,526
METHODS AND DISSEMINATION: COLLABORATION TO IMPROVE VALIDITY, CONSISTENCY, AND UTILITY OF SYSTEMATIC REVIEWS	93.RD	HHSA2902015000121/TO 1			-	35,438
NIH PAIN CONSORTIUM CENTERS OF EXCELLENCE IN PAIN EDUCATION	93.RD	CON			-	503
NIH PAIN CONSORTIUM CENTERS OF EXCELLENCE IN PAIN EDUCATION	93.RD	HHSN271201500087C			20,082	42,529
RFTO 23 PHARMACOLOGIC MANAGEMENT OF ASTHMA	93.RD	HHSA2902015000121 TO 2			-	358,597
DEPARTMENT OF HEALTH AND HUMAN SERVICES DIRECT PROGRAMS TOTAL					175,189,382	5,615,172,496
DEPARTMENT OF HEALTH AND HUMAN SERVICES PASS THROUGH PROGRAMS						
GLOBAL AIDS	93.067		CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA (CAPRISA)	AG100483	-	25,957
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE	93.070		CONFERENCE OF RADIATION CONTROL PROGRAM DIRECTORS INC.	2017-CRCPD-04	-	36,233

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PREVENTION OF DISEASE, DISABILITY, AND DEATH BY INFECTIOUS DISEASES	93.084		CORNELL UNIVERSITY	81477-10821	-	15,289
HEALTHY MARRIAGE PROMOTION AND RESPONSIBLE FATHERHOOD GRANTS	93.086		VILLAGE FOR FAMILIES AND CHILDREN	AG160335	-	27,299
AFFORDABLE CARE ACT (ACA) PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092		THE VILLAGE FOR FAMILIES & CHILDREN INC	90AP2669/06	-	51,798
AFFORDABLE CARE ACT (ACA) HEALTH PROFESSION OPPORTUNITY GRANTS	93.093		EASTERN WORK INVESTMENT BOARD	EWIB-1771	-	9,539
			ASSOCIATION OF FOOD AND DRUG OFFICIALS (AFDO)			
			NATIONAL INSTITUTE OF PHARMACEUTICAL TECHNOLOGY AND EDUCATION	G-SP-1611-04143/G-MP-1611-04154		
			NATIONAL INSTITUTE OF PHARMACEUTICAL TECHNOLOGY AND EDUCATION	NIPTE-U01-UC-2015-001		
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103			NIPTE-U01-UC-2016-001	-	203,923
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110		MOUNT SINAI SCH MED NYU HOSP CTR	0253-6541-4609	-	104,514
			ORGANIZATION OF TERATOLOGY INFORMATION SERVICES CIENCIA	5UG4MC27861	-	104,514
			DARTMOUTH COLLEGE	751504-1-UConn	-	104,514
			PENNSYLVANIA STATE UNIVERSITY	Subaward No. 1076	-	104,514
			UNIVERSITY OF MINNESOTA	UCTES021762	-	104,514
ENVIRONMENTAL HEALTH	93.113		UNIVERSITY OF WASHINGTON	P004067101	-	225,862
				UWSC8485/BPO11055	-	225,862
PREVENTIVE MEDICINE AND PUBLIC HEALTH RESIDENCY TRAINING PROGRAM, INTEGRATIVE MEDICINE PROGRAM, AND NATIONAL COORDINATING CENTER FOR INTEGRATIVE MEDICINE	93.117		GRIFFIN HOSPITAL	D33HP26994	-	23,158
			NEW YORK UNIVERSITY			
			REGENTS OF THE UNIVERSITY OF CALIFORNIA LOS ANGELES	F7530-01		
			THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY D/B/A CAROLINAS	1350 G SB824		
ORAL DISEASES AND DISORDERS RESEARCH	93.121			2000203699 (14-05051)	-	354,640
CENTERS FOR RESEARCH AND DEMONSTRATION FOR HEALTH PROMOTION AND DISEASE PREVENTION	93.135		YALE UNIVERSITY	M17A12655(A09917)	-	4,354
COMMUNITY PROGRAMS TO IMPROVE MINORITY HEALTH GRANT PROGRAM	93.137		VILLAGE FOR FAMILIES AND CHILDREN	AG161220	-	27,012
NIEHS SUPERFUND HAZARDOUS SUBSTANCES_BASIC RESEARCH AND EDUCATION	93.143		DARTMOUTH COLLEGE	R154	-	83,065
AIDS EDUCATION AND TRAINING CENTERS	93.145		UNIVERSITY OF MASSACHUSETTS	WA00488613/OSP2016094	-	118,596
HUMAN GENOME RESEARCH	93.172		THE JACKSON LABORATORY	PO #208064	-	1,409
RESEARCH RELATED TO DEAFNESS AND COMMUNICATION DISORDERS	93.173		VANDERBILT UNIVERSITY	VUMC 58075	-	3,896
			MASSACHUSETTS GENERAL HOSPITAL	223108	-	3,896
RESEARCH AND TRAINING IN COMPLEMENTARY AND INTEGRATIVE HEALTH	93.213		MIRIAM HOSPITAL	710-9196	-	77,715
			UNIVERSITY OF CALIFORNIA, SAN DIEGO	PREAWARD	-	77,715
			YALE UNIVERSITY	M16A12393(A09550)	-	77,715
			SAN DIEGO STATE UNIVERSITY	SA0000470	-	77,715
			STANFORD UNIVERSITY	61138664-121865	-	77,715
			UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	9371sc	-	77,715
			UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	9397sc	-	77,715
			YALE UNIVERSITY	M14A1168 (A09551)	-	77,715
			DUKE UNIVERSITY	2031801	-	77,715
			NORTHWESTERN UNIVERSITY	60036522UCHC	-	77,715
			PALO ALTO VETERANS INSTITUTE FOR RESEARCH	CLO0001-07	-	77,715
MENTAL HEALTH RESEARCH GRANTS	93.242		THE JOHNS HOPKINS UNIVERSITY	2002286234	-	665,876

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SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		VILLAGE FOR FAMILIES AND CHILDREN COMMUNITY MENTAL HEALTH AFFILIATES INC JUSTICE RESOURCE INSTITUTE INC	AG161497 H79SM0599584-04 U79SM061283-04	-	2,277
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		YALE UNIVERSITY YALE UNIVERSITY UNIVERSITY OF MASSACHUSETTS, LOWELL UNIVERSITY OF MASSACHUSETTS, LOWELL NORTHEASTERN UNIVERSITY	M15A11966(A10058) 1H79T1026330-01 S51130000030773 S51130000033076 500326-78051	-	72,217
OCCUPATIONAL SAFETY AND HEALTH PROGRAM	93.262		UNIVERSITY OF MASSACHUSETTS SUNY RESEARCH FOUNDATION INDIANA UNIVERSITY MIRIAM HOSPITAL WASHINGTON STATE UNIVERSITY THE RESEARCH FOUNDATION OF STATE UNIVERSITY OF NEW YORK	S51130000033076 74258-01 1R21AA024935-01 PO#1905450 710-9926 130305-G003669 72372/1009189	-	486,362
ALCOHOL RESEARCH PROGRAMS	93.273		YALE UNIVERSITY DUKE UNIVERSITY UNIVERSITY OF IOWA YALE UNIVERSITY UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON YALE UNIVERSITY	M16A12437(A10599) 2034089 PREAWARD PREAWARD 11-028 M15A11968/AI0835	-	936,553
DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	93.279				-	777,074
CENTERS FOR DISEASE CONTROL AND PREVENTION_INVESTIGATIONS AND TECHNICAL ASSISTANCE	93.283		ASSOCIATION FOR PREVENTION TEACHING AND RESEARCH PHYSICAL SCIENCES UNIVERSITY OF ARIZONA THE JACKSON LABORATORY THE RESEARCH FOUNDATION OF STATE UNIVERSITY OF NEW YORK	15-23-IPE-03 SC62048-1827 317682 PO #207450 100-1135875-76398	-	1,032
DISCOVERY AND APPLIED RESEARCH FOR TECHNOLOGICAL INNOVATIONS TO IMPROVE HUMAN HEALTH	93.286		CITY OF HARTFORD	2016-35-U1	-	106,747
TEENAGE PREGNANCY PREVENTION PROGRAM	93.297		YALE UNIVERSITY	M11A11032/A08176	-	36,960
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307		THE JACKSON LABORATORY	PO #206855	-	(445)
TRANS-NIH RESEARCH SUPPORT	93.310		WASHINGTON STATE UNIVERSITY	119573-G003331	-	28,568
RESEARCH INFRASTRUCTURE PROGRAMS	93.351		YALE UNIVERSITY UNIVERSITY OF PITTSBURGH	M13A11654/A09242 0029591 (127125-2)	-	109,680
NURSING RESEARCH	93.361		UNIVERSITY OF WISCONSIN, MILWAUKEE BROWN UNIVERSITY	PREAWARD 00000808	-	103,308
CANCER CAUSE AND PREVENTION RESEARCH	93.393		PHYSICAL SCIENCES BROWN UNIVERSITY	SC68508-1890 00000770	-	94,031
CANCER DETECTION AND DIAGNOSIS RESEARCH	93.394		UNIVERSITY OF UTAH PHYSICAL SCIENCES UNIVERSITY OF CALIFORNIA, SAN FRANCISCO UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL NRG ONCOLOGY FOUNDATION, INC.	10036972-01 SC64916-1847 8762sc 5101332 27469-121	-	18,792
CANCER TREATMENT RESEARCH	93.395		NANOPROBES INCORPORATED NEW YORK UNIVERSITY UNIVERSITY OF CALIFORNIA, SAN FRANCISCO UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	1R43 CA192702-01A1 13A10000008101 9374sc PREAWARD	-	362,104
CANCER CENTERS SUPPORT GRANTS NON-ACA/PPHFÑBUILDING CAPACITY OF THE PUBLIC HEALTH SYSTEM TO IMPROVE POPULATION HEALTH THROUGH NATIONAL NONPROFIT ORGANIZATIONS	93.397 93.424		ASSOCIATION OF STATE AND TERRITORIAL HEALTH OFFICIALS	Project # 63-10603	3,000	28,563 7,592

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BUILDING CAPACITY OF THE PUBLIC HEALTH SYSTEM TO IMPROVE POPULATION HEALTH THROUGH NATIONAL, NON-PROFIT ORGANIZATIONS- FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.524		ASSOCIATION OF STATE AND TERRITORIAL HEALTH OFFICIALS	Req# 1038 83-12304	-	79
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590		FRIENDS OF CHILDREN TRUST FUND INC	052UCH-CTF-01	-	104
HEALTH CARE INNOVATION AWARDS (HCIA)	93.610		SAN FRANCISCO PUBLIC HEALTH FOUNDATION	AG161235	-	15,157
ACA-TRANSFORMING CLINICAL PRACTICE INITIATIVE: PRACTICE TRANSFORMATION NETWORKS (PTNS)	93.638		UNIVERSITY OF MASSACHUSETTS RESEARCH FOUNDATION FOR THE STATE UNIVERSITY OF NEW YORK	WA00366279 16-40/1135853-13-76397	-	1,373,510
CHILD WELFARE RESEARCH TRAINING OR DEMONSTRATION	93.648		CONNECTION	AG130109	-	126,941
CHILD ABUSE AND NEGLECT DISCRETIONARY ACTIVITIES	93.670		BROWN UNIVERSITY UNIVERSITY OF GEORGIA CONNECTICUT CHILDREN'S MEDICAL CENTER SIBTECH, INC	Subaward No: 00000730 RR376-352/4945956 15-179399-01 R43HL105167	-	115,763
CARDIOVASCULAR DISEASES RESEARCH	93.837		THE JOHNS HOPKINS UNIVERSITY	SUB2002870152	-	351,758
LUNG DISEASES RESEARCH	93.838		THE PENNSYLVANIA STATE UNIVERSITY UNIVERSITY OF IOWA	5275 UCHC DHHS 2311 1001469952	-	28,824
ARTHRITIS, MUSCULOSKELETAL AND SKIN DISEASES RESEARCH	93.846		THE REGENTS OF THE UNIVERSITY OF MICHIGAN BIORASIS DREXEL UNIVERSITY PENNSYLVANIA STATE UNIVERSITY UNIVERSITY OF MICHIGAN UNIVERSITY OF WISCONSIN, MADISON VIRGINIA COMMONWEALTH UNIVERSITY UNIVERSITY OF MASSACHUSETTS	3002095783 AG150112 232510 UCONN DK099364 3003573024 361K594 PD303771-SC106551 N01-DK-2326	-	7,587
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		IMPERIAL COLLEGE OF SCIENCE TECHNOLOGY AND MEDICINE	PO3668156	-	66,171
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		MICROBIOTIX OREGON HEALTH & SCIENCE UNIVERSITY THE JACKSON LABORATORY TRUSTEES OF DARTMOUTH COLLEGE TRUSTEES OF TUFTS COLLEGE YALE UNIVERSITY	2 R44 AI100332-03A1 9006862 PO#206830 R63 101217-00001 M16A12356/A10521	-	295,341
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855		CIENCIA DUKE UNIVERSITY NORTHWESTERN UNIVERSITY UNIVERSITY OF CINCINNATI UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL VIRGINIA POLYTECHNIC INSTITUTE CELL AND MOLECULAR TISSUE ENGINEERING, LLC VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY WORCESTER POLYTECHNIC INSTITUTE	723205 14-NIH-1110 60029188UC PREAWARD 5104923 431745-19213 1R43GM103116-01 431964-19801 16-210880	-	381,502
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		YALE UNIVERSITY DREXEL UNIVERSITY HASKINS LABORATORIES	M16A12356/A10521 232645 AG170579	-	450,998
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865		YALE UNIVERSITY MEDICAL COLLEGE OF WISCONSIN COLUMBIA UNIVERSITY	M11A12116 (A08340) PO#1630908 PREAWARD	-	123,029
AGING RESEARCH	93.866		THE JACKSON LABORATORY	PO#208614	-	405
VISION RESEARCH	93.867		LAMBDIVISION	22087577-02	-	405

STATE OF CONNECTICUT
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MEDICAL LIBRARY ASSISTANCE	93.879		UNIVERSITY OF MASSACHUSETTS CONNECTICUT CHILDREN'S MEDICAL CENTER	UMASS/NIH 1UG4LM012347 17-185011-02	-	5,930
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914		CONNECTICUT CHILDREN'S SPECIALTY GROUP INC	16-185010-01	-	57,796
HIV CARE FORMULA GRANTS (SEE NOTE 9)	93.917		CITY OF HARTFORD	HHS2016-37Q	-	220,898
SYSTEM FOR HIGH-THROUGHPUT PROTEOME CHARACTERIZATION SOFTWARE CARPENTRY AND DATA CARPENTRY WORKSHOPS AT THE UNIVERSITY OF CONNECTICUT	93.RD 93.U04	752.202 AG160243	CIENCIA UNIVERSITY OF MASSACHUSETTS, AMHERST	752202 AG160243	- -	73 5,680
DEPARTMENT OF HEALTH AND HUMAN SERVICES PASS THROUGH PROGRAMS TOTAL					3,000	8,888,087
DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL					175,192,382	5,624,060,583
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE DIRECT PROGRAMS						
STATE COMMISSIONS	94.003				-	211,625
AMERICORPS	94.006				1,658,009	1,753,643
TRAINING AND TECHNICAL ASSISTANCE	94.009				-	106,561
VOLUNTEERS IN SERVICE TO AMERICA	94.013				-	45,031
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE DIRECT PROGRAMS TOTAL					1,658,009	2,116,860
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE PASS THROUGH PROGRAMS						
AMERICORPS	94.006		JUMPSTART	830200	-	122,432
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL					1,658,009	2,239,292
SOCIAL SECURITY ADMINISTRATION						
SOCIAL SECURITY ADMINISTRATION DIRECT PROGRAMS						
SOCIAL SECURITY_DISABILITY INSURANCE	96.001				-	25,234,372
SOCIAL SECURITY - WORK INCENTIVES PLANNING AND ASSISTANCE PROGRAM	96.008				-	169,391
SOCIAL SECURITY STATE GRANTS FOR WORK INCENTIVES ASSISTANCE TO DISABLED BENEFICIARIES	96.009				-	159,949
SOCIAL SECURITY ADMINISTRATION DIRECT PROGRAMS TOTAL					-	25,563,712
SOCIAL SECURITY ADMINISTRATION PASS THROUGH PROGRAMS						
SOCIAL SECURITY STATE GRANTS FOR WORK INCENTIVES ASSISTANCE TO DISABLED BENEFICIARIES	96.009		NATIONAL DISABILITY RIGHTS NETWORK	CTOPA	4,824	36,435
SOCIAL SECURITY ADMINISTRATION TOTAL					4,824	25,600,147
DEPARTMENT OF HOMELAND SECURITY						
DEPARTMENT OF HOMELAND SECURITY DIRECT PROGRAMS						
BOATING SAFETY FINANCIAL ASSISTANCE	97.012				-	1,401,364
COMMUNITY ASSISTANCE PROGRAM STATE SUPPORT SERVICES ELEMENT (CAP-SSSE)	97.023				-	248,570
FLOOD MITIGATION ASSISTANCE	97.029				30,000	30,000
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036				2,388,585	8,173,045
HAZARD MITIGATION GRANT	97.039				6,732,773	6,919,706
NATIONAL DAM SAFETY PROGRAM	97.041				-	88,209
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042				2,114,857	4,820,476
STATE FIRE TRAINING SYSTEMS GRANTS	97.043				-	20,000
ASSISTANCE TO FIREFIGHTERS GRANT	97.044				-	826,455
PRE-DISASTER MITIGATION	97.047				329,681	334,796
PORT SECURITY GRANT PROGRAM	97.056				-	157,361
HOMELAND SECURITY GRANT PROGRAM	97.067				1,609,558	2,946,833
NATIONAL EXPLOSIVES DETECTION CANINE TEAM PROGRAM	97.072				-	143,897

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RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075				-	1,484,807
HOMELAND SECURITY-RELATED SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (HS STEM) CAREER DEVELOPMENT PROGRAM	97.104				-	51,682
SECURING HOMELAND TRANSPORTATION SYSTEMS AND INFRASTRUCTURE: TECHNOLOGY FROM UNIVERSITIES TO COMMERCIAL PRODUCTS	97.RD	HSHQDC-15-J-00033			-	11,051
DEPARTMENT OF HOMELAND SECURITY DIRECT PROGRAMS TOTAL					13,205,454	27,658,252
DEPARTMENT OF HOMELAND SECURITY PASS THROUGH PROGRAMS						
SECURING THE CITIES PROGRAM	97.106		NYPD	UNKNOWN	-	225,319
DEPARTMENT OF HOMELAND SECURITY TOTAL					13,205,454	27,883,571
U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT						
U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT PASS THROUGH PROGRAMS						
USAID FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS	98.001		OREGON STATE UNIVERSITY	RD011G-E	251,228	290,059
USAID DEVELOPMENT PARTNERSHIPS FOR UNIVERSITY COOPERATION AND DEVELOPMENT	98.012		NORTH CAROLINA STATE UNIVERSITY UNIVERSITY OF GEORGIA	2014-0316-02 RC710-059/5054806	7,191	121,982
U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT TOTAL					258,419	412,041
 TOTAL EXPENDITURE OF FEDERAL AWARDS					 785,553,308	 9,509,475,691

STATE OF CONNECTICUT SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

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, 2017. 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. 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 7) the non-federal share portion is not included in the Schedule.

Note 2 – 10% De Minimis Cost Rate

The State of Connecticut did not elect to use the 10% de minimis cost rate as covered in 2 CFR 200.414 Indirect (F&A) cost.

**STATE OF CONNECTICUT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 3 – 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 (Uniform Guidance).

Note 4 – 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	661,490,213
10.555	National School Lunch Program	15,443,899
10.559	Summer Food Service Program for Children	23,239
39.003	Donation of Federal Surplus Personal Property	40,039
93.053	Nutrition Services Incentive Program *	0
93.268	Immunization Grants	30,969,178
93.283	Centers for Disease Control & Prevention Investigations & Technical Assistance	1,172

* There was no non-cash federal assistance received during the fiscal year.

Note 5 - 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, 2017	New Loans Processed
84.038	Federal Perkins Loan Program	\$ 26,369,093	\$3,937,840
93.264	Nurse Faculty Loan Program	2,145,385	704,399
93.342	Health Professions Student Loans	921,177	203,500
93.364	Nursing Student Loans	19,571	0
93.408	ARRA-Nurse Faculty Loan Program	91,010	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	\$378,382,941

**STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 6 - 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 \$ 14,454,210 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 \$11,171 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 2017 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 7 – State Unemployment Insurance Funds

In accordance with The Uniform Guidance 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, 2017, the state funds expended from the Federal Unemployment Trust Fund amounted to \$719,511,600. The total expenditures from the federal portion equaled \$3,851,451. The \$55,160,330 in Unemployment Insurance program administrative expenditures was financed by the U.S. Department of Labor.

Note 8 – Child Support Enforcement

During the fiscal year ended June 30, 2017 the Department of Social Services expended a total of \$48,973,526 (federal share) to accomplish the goals of the *Child Support Enforcement Program* (CFDA #93.563). The state received \$14,758,070 of the total expenditures by withholding a portion of various collections received through the process of implementing the *Child Support Enforcement Program*. The other \$34,215,456 of the federal share of expenditures was reimbursed to the state directly from the federal government.

Note 9 – HIV Care Formula Grants

Expenditures reported on the SEFA totaled \$651,180 for the *HIV Care Formula Grants* (CFDA #93.917). The state expended \$24,214,452 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 10 – 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, 2017 a grand total of \$ 27,596,049 was expended. The total amount includes \$27,605,249 in ARRA non-research expenditures as well as \$ (9,200) in ARRA research expenditures.

**STATE OF CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 11– Refunds of Unspent Funds

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

Note 12 – Pass-through Awards

The majority of the state’s federal assistance is received directly from federal awarding agencies. However, agencies and institutions of the state receive some federal assistance that is passed through a separate entity prior to the receipt by the state. The accompanying Schedule of Expenditures of Federal Awards details indirect federal assistance received from those non-state pass through grantors. These amounts 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 accompanying Schedule of Expenditures of Federal Awards.

Schedule of Findings and Questioned Costs

**STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2017
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STATUS

- A. Material instances of non-compliance with federal requirements
- B. Significant deficiencies in the internal control process
- C. Material weaknesses of the internal control process
- D. Known or likely questioned costs which are greater than \$25,000 for a type of compliance requirement for a major program
- E. Known questioned costs which are greater than \$25,000 for a federal program which is not audited as a major program
- F. Circumstances resulting in other than an unqualified opinion unless such circumstances are otherwise reported as an audit finding under code A. above
- G. Known fraud affecting a federal award
- H. Repeat of a prior year finding
- I. Instances resulting from audit follow-up procedures that disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.
- J. Material instance of non-compliance with the federal requirements of the major federal program(s) included in the finding that resulted in a qualified opinion on compliance to the particular major federal program(s) that are identified by an asterisk.



**STATE OF CONNECTICUT
STATEWIDE SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2017
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

SECTION I

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Type of auditors' report issued on compliance	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes



Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.551 and 10.561 10.553, 10.555, 10.556 and 10.559 10.557	Supplemental Nutrition Assistance Program (SNAP) Child Nutrition Cluster Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
14.267 14.269 and 14.272	Continuum of Care Program Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)
14.871	Section 8 Housing Choice Vouchers
17.258, 17.259 and 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster
20.500, 20.507, 20.525 and 20.526	Federal Transit Cluster
84.007, 84.033, 84.038, 84.063, 84.268 84.379, 84.408, 93.264, 93.342, 93.364 and 93.925	Student Financial Assistance Cluster
84.010 84.048	Title I Grants to Local Education Agencies Career and Technical Education - Basic Grants to States (Perkins IV)
93.558 93.563 93.658 93.775, 93.777 and 93.778 93.791 93.917	Temporary Assistance for Needy Families Child Support Enforcement Foster Care-Title IV-E Medicaid Cluster Money Follows the Person Rebalancing Demonstration HIV Care Formula Grants
N/A	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$28,528,428

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

2017-001 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

Background: The Department of Social Services (DSS) provided us with a detailed listing of fee-for-service benefit payments issued during the fiscal year ended June 30, 2017. This data included client names and social security numbers (SSN). Through our use of audit software, we were able to extract all clients who did not have a SSN listed. Clients under the age of 3 were excluded from our review to account for any time delay to obtain a SSN for a newborn.

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 utilization in the administration of the program. This section also requires the state to use the Income and Eligibility Verification System (IEVS) to verify income eligibility and the amount of eligible benefits using wage information available from sources such as the state agencies administering state unemployment compensation, the Social Security Administration (SSA), and the Internal Revenue Service. 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) 435.910(f) provides that the state cannot deny or delay services to an otherwise eligible applicant pending issuance or verification of the individual's SSN by the SSA.

Title 42 CFR 435.910(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 DSS did not enter SSN into either of the DSS eligibility management systems (EMS or ImpaCT) in 24 of the 25 cases tested. However, 20 of the clients were non-qualified aliens who DSS allowed to receive emergency medical services without a SSN. Further review of the remaining clients, for whom a SSN was required, disclosed that



a SSN was provided at the time of application for 4 clients, but the SSN was never entered into EMS or ImpaCT.

1. Client #13 provided SSN in 2014.
2. Client #14 provided SSN in 2016.
3. Client #17 provided SSN in 2014.
4. Client #20 provided SSN in 2013, 2014 and 2016.

Context: DSS made fee-for-service benefit payments on behalf of 948,594 clients totaling \$7,806,501,255, of which \$3,965,190,587 was received in federal reimbursement. We excluded clients from the following medical coverage groups from this review: clients determined to be eligible based on modified adjusted gross income (MAGI); clients determined eligible by qualified entities affiliated with the Center for Disease Control; clients determined to be presumptively eligible; and clients determined to be wards of the state. DSS did not list social security numbers for 283 clients who received benefits totaling \$3,874,928, of which \$1,937,623 was received in federal reimbursement. We reviewed 25 client cases to determine whether a SSN was included in EMS or ImpaCT. The payments made on behalf of these 25 clients totaled \$610,084, of which \$305,265 was received in federal reimbursement. Of these 25 clients, there were 3 citizens and 2 qualified aliens. The payments made on behalf of these 5 clients totaled \$114,003, of which \$57,161 was received in federal reimbursement. The remaining 20 clients were non-qualified aliens.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: Without entering the SSN into EMS or ImpaCT, DSS was 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.

Prior Audit Finding: We previously reported this as finding 2016-001 and in 10 prior audits.

Recommendation: The Department of Social Services should verify the social security numbers of all applicable Medicaid clients and enter the social security numbers into its eligibility management system.

Views of Responsible Officials:

“The Department agrees with this finding. The four clients cited within the finding provided the Department with SSN information during the timeframe



of 2013 through 2016. Since then, the Department has launched its new eligibility system, ImpaCT. The new system has safeguards in place to prevent a recipient with an invalid Social Security Number (e.g. 999-99-9999), as the system will not accept invalid numbers. In addition, the file clearance functionality looks for matches of potential numbers and requires overrides to establish a new individual with an invalid number.

If individuals report they do not have a Social Security Number (SSN), ImpaCT now requires staff to indicate whether the person has applied for a SSN, whether they are willing to apply for a SSN; or provide a reason for not willing to apply for a SSN. The Department anticipates that these system and process changes will improve its ability to verify Social Security Numbers for Medicaid clients.

A reminder email was sent to staff on 12-29-17 stating the importance of obtaining and verifying accurate social security numbers for individuals.”

2017-002 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

Criteria: Title 42 United States Code Section 1396b subsection (v) provides that aliens who meet certain requirements are eligible for Medicaid only if such care and services are necessary for the treatment of an emergency medical condition of the alien 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: The Department of Social Services (DSS) issued payments and claimed federal reimbursement for non-emergency medical services provided to non-qualified aliens who were not eligible to receive such services.

Context: A review of fee-for-service benefit payments disclosed that DSS did not list social security numbers (SSN) for 283 clients who were over 3 years old. DSS made payments on behalf of these 283 clients totaling \$3,874,928, of which \$1,937,623 was received in federal reimbursement. Of the 283 clients, the total number of non-qualified aliens is indeterminate. We reviewed



services provided to 22 non-qualified aliens to determine whether the payments were only for emergency medical services as defined by federal statutes. The 22 non-qualified aliens received benefits totaling \$500,763, of which \$250,445 was received in federal reimbursement. Thirteen of the 22 non-qualified aliens we reviewed received non-emergency medical services with payments totaling \$23,292.

The sample was not statistically valid.

Questioned Costs: We computed questioned costs of \$11,710 by applying the applicable federal financial participation rate to the unallowed expenditures.

Effect: DSS received federal reimbursement for expenditures that were not allowable.

Cause: The DSS eligibility management systems (EMS and ImpaCT) or Medicaid Management Information System (MMIS) do not have adequate controls in place to prevent provider payments and federal reimbursement claims for non-emergency medical services provided to non-qualified aliens. If a non-qualified alien received emergency medical services, DSS entered the client into EMS as being Medicaid eligible for the month(s) in which the client received the emergency services. While this allowed for payment processing to the hospital, it also allowed the client to be eligible for any Medicaid services, including non-emergency services, during the same period.

Prior Audit Finding: We previously reported this as finding 2016-002 and in 7 prior audits.

Recommendation: The Department of Social Services should establish procedures to ensure that it does not claim payments made for non-emergency medical services provided to non-qualified aliens 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.

Views of Responsible Officials:

“The Department agrees with this finding. In the Department’s new eligibility system, ImpaCT, workers can select the Federal Medical Assistance Percentage (FMAP) cohort and indicator for individuals requesting medical coverage. Workers have been directed on how to identify the correct cohort and indicator when processing medical requests for qualified non-citizens. The Department anticipates that this will improve accuracy in ensuring the correct payment source for medical coverage to non-qualified aliens.

In addition, in order to prevent a payment for a service that was not authorized, the Department designed ImpaCT so that specific dates are entered for approved



emergency medical coverage. The ability to enter specific service dates should reduce claims for services prior to or after approved dates that an individual has been found eligible. The Department anticipates that these system controls will reduce or eliminate errors in paying claims for time periods an individual was not eligible and any corresponding errors in requesting federal payments.”

2017-003 Eligibility – Determinations

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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

Background: The Centers for Medicare and Medicaid Services bases its determination of Medicaid eligibility on applicable modified adjusted gross income (MAGI) standards. In certain cases, there is no applicable MAGI standard. The Centers for Medicare and Medicaid Services maintained oversight of MAGI-based determinations during the initial years of the Affordable Care Act implementation. Our review of the Department of Social Services (DSS) Medicaid eligibility determinations focused on non-MAGI cases.

Criteria: Title 42 Code of Federal Regulations (CFR) 435.914 requires the state to maintain documentation in support of the Medicaid agency’s decision on an eligibility determination as part of the applicant’s case record.

Title 42 CFR 435.407 requires the agency to maintain primary evidence of identity and citizenship as part of the recipient’s case record.

Title 42 CFR 435.916 requires the state to redetermine the eligibility of recipients 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 Section 1320b-7 requires the state to use the Income and Eligibility Verification System 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.

Condition: In one instance, the Department of Social Services (DSS) did not perform a required eligibility redetermination within the previous 12 months of the



service period tested. There was no indication in its Eligibility Management System (EMS) that DSS performed a passive renewal redetermination and there was no redetermination form in the recipient case record. We noted that DSS completed the redetermination 30 months after the previous redetermination.

DSS did not provide any documentation to support 1 recipient's eligibility.

DSS did not obtain or document the identity of 1 recipient.

DSS did not disposition a New Hires Matched SSN Report (Form W-69) in 1 instance.

Context: During the fiscal year ended June 30, 2017, non-MAGI benefit payments totaled \$3,947,929,470, of which \$1,979,405,040 was federally reimbursed. We reviewed 60 non-MAGI cases associated with selected benefit payments totaling \$147,155, of which \$81,052 was federally reimbursed. DSS lacked documentation to support the eligibility determination of 1 recipient who received benefits totaling \$114, of which \$57 was federally reimbursed. We noted that this recipient also received benefits totaling \$3,809, of which \$1,905 was federally reimbursed for the remainder of the fiscal year. DSS did not obtain or document the identity of 1 recipient who received benefits totaling \$736, of which \$412 was federally reimbursed. We noted that this recipient also received benefits totaling \$17,551, of which \$9,601 was federally reimbursed for the remainder of the fiscal year.

The sample was not statistically valid.

Questioned Costs: We computed questioned costs of \$11,975 by applying the applicable federal financial participation rate to the non-MAGI benefit payments associated with recipients whose eligibility determinations were not adequately supported by DSS.

Effect: DSS may be providing Medicaid benefits to ineligible individuals. DSS may be claiming federal reimbursement for unallowed expenditures.

Cause: DSS eligibility worker oversight caused the conditions.

Prior Audit Finding: We previously reported this as finding 2016-003 and in 6 prior audits.

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



Views of Responsible Officials:

“The Department agrees with this finding. The Department recently completed another stage in its modernization project that includes a document imaging system, electronic task management, online application and renewal options, and now a new eligibility system. All incoming documents are scanned into the system and indexed to the appropriate client within our new eligibility system. This system prevents misplacing submitted client information and associates documents to the correct household’s case. This helps to ensure that all related client information is processed together at the time of renewal. This electronic filing and organizing increases operational processing capacity and allows more work to be processed at one time. Workers have been instructed to process all documents associated with a client’s case when reviewing any one aspect of their case, using a “one-touch” approach that limits future client contacts and thereby also increases operational capacity. In addition, verifications are increasingly performed electronically without worker intervention using interfaces with the federal data services hub (FDSH) and other electronic sources which reduces the renewal processing time.

The Department has also implemented a passive renewal process for many medical clients as part of our shared system with Access Health CT (AHCT). Passive renewals allow for an automatic renewal of Medicaid eligibility without immediately requiring new information from the client. The information from the most recent application on file is electronically verified against the FDSH and other sources. If results are the same, clients are renewed without interruption of coverage. Currently HUSKY A (children, parents/caretakers and pregnant women) and HUSKY D (low income adults) clients are renewed this way. This provides for an increasingly accurate and timely renewal process for the majority of Medicaid recipients.

The Department has also begun performing automated renewals for Medicare Savings Programs recipients. This increases the timeliness of the renewal process and encourages change reporting through the use of pre-populated renewal forms. The Department is also developing an automated renewal process for HUSKY C clients (aged, blind and disabled individuals), which the Department expects will increase both the timeliness and the accuracy of processing those renewals as well.

The Department sent out an email reminding staff of the importance of living arrangements when determining eligibility on 12-29-17.”



2017-004 Financial 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP, 1605CT5ADM, 1705CT5MAP and 1705CT5ADM

Background: The Department of Social Services (DSS) uses the Medicaid Management Information System (MMIS) to process medical claims for providers of medical care and services furnished to clients under the Medicaid program. DSS also uses MMIS to process medical claims for state-funded medical programs. DSS uses the monthly and quarterly medical expenditures reports generated by MMIS to prepare the quarterly federal claims.

Section 1843 of the Social Security Act allows states to enter into an arrangement with 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.

Using eligibility codes, DSS groups individuals in the Buy-In Program 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. DSS utilizes the MMIS to assign the appropriate eligibility codes to Medicare premiums that may be received.

Criteria: Title 42 Code of Federal Regulations (CFR) 430.30 requires the state to 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 the Centers for Medicare and Medicaid Services (CMS). Form CMS-64 is the state's accounting of actual recorded expenditures. CMS computes the Medicaid grant award based on the estimate of expenditures for the ensuing quarter and the amounts by which that estimate is increased or decreased because of an underestimate or overestimate for prior quarters. The grant award authorizes the state to draw federal funds as needed to pay the federal share of Medicaid disbursements.

Title 42 CFR Part 433 Subpart A provides for payments to states based on 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 varies depending on the type of expenditure. CMS uses the 50% FMAP for the majority of expenditures. Subpart F provides that CMS reduce or increase payments to states to adjust for prior overpayments or underpayments.

Title 2 CFR 200.403 provides that costs must be necessary and reasonable to be allowable under federal awards.

Title 42 CFR 431.1002(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.

Title 42 CFR 433.67 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 10% of a state's medical assistance administration costs, excluding the costs of family planning activities. When calculating FFP, CMS will deduct provider donations for outstationed eligibility workers in excess of such specified limits from a state's quarterly medical assistance expenditures.

Title 42 CFR 433.68(b) provides that a state may receive health-care related taxes without a reduction in FFP if the taxes are broad-based, uniformly imposed throughout a jurisdiction, and the tax program does not violate the hold harmless provision.

Condition: DSS overstated recoupments by \$300,000 on the CMS 64 financial report for the quarter ending June 30, 2017. This resulted in an excess federal reimbursement of \$150,000.

DSS received \$1,385 in refunds of Medicare premiums that MMIS miscoded with a non-Medicaid eligibility code.

DSS reported total overpayment adjustment amounts on Line 10C of the CMS 64 Financial Report that were partially unsupported.

DSS overstated donations for outstationed eligibility workers totaling \$123,709, and did not report healthcare related taxes for Intermediate Care Facilities totaling \$982,174 for the quarter ended December 31, 2016.

Context: During the fiscal year ended June 30, 2017, DSS reported Medicaid expenditures totaling \$7,399,571,712, of which \$4,385,208,322 was received in federal reimbursement.



During the fiscal year ended June 30, 2017, DSS received \$32,537 in refunds of Medicare premiums that MMIS coded with a non-Medicaid eligibility code. Our review of 10 Medicare premium refunds totaling \$2,555 disclosed that 4 refunds totaling \$1,385 were attributed to Medicare premiums that were paid on behalf of Medicaid eligible clients. We noted that DSS did not return the federal share of \$815 of the refunds to CMS. The sample was not statistically valid.

The Overpayment Adjustment on Line 10C of CMS 64 Financial Report is a calculation of total current Medicaid receivable net of prior quarter's Medicaid receivables and any deduction of write-off of previously reported overpayments to providers certified as bankrupt or out of business. We reviewed Medicaid receivables and write-offs for all quarters and noticed that at least \$4,525 of write-offs reported in the Medicaid receivable balance were inconsistent and partially unsupported from one quarter to another. Inconsistencies included duplication of write-offs, write-offs being reported in quarters other than when DSS performed them, and write-offs appearing in a quarter but not the others.

During the fiscal year ended June 30, 2017, DSS reported Medicaid donations for outstationed eligibility workers totaling \$1,358,604.

During the fiscal year ended June 30, 2017, DSS reported Medicaid taxes totaling \$694,823,234.

Questioned Costs: We computed questioned costs of \$150,815 by applying the applicable FFP to the incorrectly reported Medicaid expenditures.

Since donation amounts did not exceed 10% of the state's medical assistance administration costs, the overreporting of donations did not result in questioned costs.

Effect: The federal financial reports prepared for the Medicaid program were not accurate. As a result, CMS could be incorrectly computing the grant award that authorizes the state to draw the federal funds needed to pay its federal share of Medicaid disbursements.

Cause: Clerical errors went unnoticed during the supervisory review process.

The MMIS assigned refunds based on the eligibility code that was in place at the time the refund was 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 they received the refunds, DSS gave the refunds a non-Medicaid eligibility code. DSS informed us that it implemented procedures within MMIS to correct this condition effective



October 1, 2016. The only exceptions we noted during our review were prior to October 1, 2016.

DSS staff informed us that there are multiple issues causing the unsupported amounts and errors in Medicaid receivables and write-offs. They are researching the issues to develop a solution. It appears the lack of management review may have contributed to this condition.

Prior Audit Finding: We previously reported this as finding 2016-004 and 1 prior audit for the reporting errors of donations and refunds.

Recommendation: The Department of Social Services should ensure that it adequately reviews and accurately reports claims submitted for federal reimbursement under the Medicaid program.

The Department of Social Services should return the federal share of refunds received for Medicare premiums to the Centers for Medicare and Medicaid Services.

The Department of Social Services should resolve the issues impacting the Medicaid receivable balances and file the proper adjustment to correct the errors, unsupported amounts, and corresponding federal reimbursements on CMS 64 reports.

Views of Responsible Officials:

“This finding is comprised of multiple separately identifiable conditions. The Department will address each condition in a separate response:

Condition 1: We agree with this finding. The \$300,000 error was the result of a formatting error. The calculation that was created for the CMS 64 9D Collections summary included \$300,000 in collections from a single provider. It was later decided that the collections for this provider should not be included in the FFP calculations. In revising the calculation, the correction to the line item was made but a bottom line total was not corrected. The bottom line total was used in the final CMS 64 report and included the \$300,000 in error. We would note that a Prior Period Adjustment correction was made to the QE 12-31-2016 CMS 64 report for this item.

Condition 2: The Department will review the Medicare premium details further. Upon further review if it is found that any payments were miscoded we will make the necessary adjustments to the subsequent filing of the CMS 64 claim.

Condition 3: We agree that there are problems with the write-offs reported on the CMS 64 as stated by the auditors. We are reviewing the write-off data



and will make any necessary adjustments to the CMS 64 in QE 3/31/18. Medicaid write-offs are complicated because the Department can reclaim Federal Financial Participation (FFP) amounts claimed in prior quarters for certain receivables but not all receivables. In addition, the CMS 64 report has a complicated mechanism to report write offs for which we can reclaim FFP and for write offs that the Department is not allowed to reclaim FFP. In order to accurately claim and reclaim FFP due to aged receivables on the CMS 64, all ARs that are written off must remain on all CMS 64 reports after their date of write-off. Failure to do so will result in the Department incorrectly reclaiming FFP.

Condition 4: We agree with this finding. For QE 3-31-2017, the query that was used to pull the outstationed worker collections was mistakenly run with a date range of 1/1/2017 through 4/30/17. This resulted in an over-reporting of donations by an amount equal to \$123,709.23. We will correct this when we file the QE 3/31/2018 CMS 64 claim.

Condition 5: The error related to ICF taxes totaling \$35,367 was corrected in the QE 12-31-16 claim filing. However, it looks like when making this adjustment, the current quarter figure for October 2016 was inadvertently excluded and only the prior quarter adjustment was included. We will make an adjustment in the QE 3-31-18 claim to correct the \$982,174 which was omitted in error. Moving forward, we will begin an additional peer review process of this informational form prior to supervisory review and submission. We would note that there is no impact to revenue as a result of these changes.”

2017-005 Matching

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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

Criteria: Title 42 Code of Federal Regulations (CFR) 430.30 requires the state to submit Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, to the Centers for Medicare and Medicaid Services (CMS) no later than 30 days after the end of each quarter. Form CMS-64 is the state's accounting of actual recorded expenditures.

Title 42 CFR Part 433 Subpart A provides for payments to states based on 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 varies depending on the type of expenditure. CMS reimburses the majority of expenditures at 50%.

- Condition:* The Department of Social Services (DSS) overlooked reporting \$125,449 in federal reimbursement on Form CMS-64 for the quarter ended June 30, 2017.
- Context:* DSS erroneously claimed a prior period adjustment of \$278,775 for \$13,939 (5% FMAP) instead of the allowed \$139,388 at 50% FMAP.
- Questioned Costs:* We computed questioned costs of \$125,449 by applying the applicable FMAP rate to the allowed expenditures.
- Effect:* DSS received less federal reimbursement than allowed.
- Cause:* A clerical error went unnoticed during the supervisory review process.
- Prior Audit Finding:* We have not previously reported this finding.
- Recommendation:* The Department of Social Services should ensure that claims submitted for federal reimbursement under the Medicaid program are accurately calculated, adequately reviewed, and properly reported.

Views of Responsible Officials:

“The Department agrees with this finding. This error was the result of a clerical error in the formula development in our calculation. Given the complexity and extensive support calculations involved in the development of the CMS 64 filing, the error went unnoticed in our review of the backup. We will process a prior period adjustment to correct this error in a future filing, allowing the state to fully recover this reimbursement.”

2017-006 Activities Allowed or Unallowed – School Based Child Health Claims

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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

- Criteria:* Title 2 Code of Federal Regulations (CFR) Part 200, Subpart E, provides that costs should be adequately documented to be allowable under federal awards.

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.

Title 34 CFR 300.154 requires that school districts obtain written parental consent before accessing a child's or parent's Medicaid benefits for the first time. The consent form must include the personally identifiable information that may be disclosed, the purpose of the disclosure, the agency to which the disclosure will be made, and specify that the parent understands and agrees that the school district may access the child's or parent's Medicaid benefits to pay for SBCH services provided to the child.

The Medicaid State Plan allows for the reimbursement of School Based Child Health (SBCH) services provided by or through a local education agency (LEA) to students with special needs pursuant to the IEP. Furthermore, the state plan provides that each eligible student's permanent service record include documentation for all invoices submitted to the Department of Social Services (DSS) for payment.

Condition: DSS claimed SBCH expenditures for federal reimbursement for client services that exceeded the authorized IEP and for client cases that did not have a parental consent form on file. We reviewed 60 SBCH expenditures totaling \$14,363, of which \$7,234 was federally reimbursed. We noted 3 expenditures, totaling \$138, that exceeded the authorized services of the IEP. For one client associated with 1 of these expenditures, we noted that there were additional expenditures in the same service period that also exceeded IEP limits. These additional exceptions totaled \$84. We noted 2 expenditures, totaling \$252, that were not supported by a parental consent form. For these 2 clients, we also noted that without a parental consent form on file, no SBCH service provided to these clients was claimable to the Medicaid program for the fiscal year ended June 30, 2017. These additional exceptions totaled \$4,588.

Context: During the fiscal year ended June 30, 2017 DSS claimed SBCH expenditures totaling \$70,780,854, of which \$38,101,902 was federally reimbursed.

This sample was not statistically valid.

Questioned Costs: We computed questioned costs of \$2,531 by applying the applicable federal financial participation rate to the unallowed expenditures.

Effect: DSS received federal reimbursement for SBCH expenditures that were not allowable.



Cause: DSS did not monitor SBCH claims to ensure that written parental consent forms were obtained and maintained or that services did not exceed the authorized IEP.

Prior Audit Finding: We previously reported this as finding 2016-006 and in 4 prior audits.

Recommendation: The Department of Social Services should recoup any improper payments made to School Based Child Health service providers, and refund any corresponding federal reimbursements to the Department of Health and Human Services' Centers for Medicare and Medicaid Services. In addition, DSS should establish and implement controls to ensure that it adequately supports School Based Child Health costs claimed for federal reimbursement under the Medicaid program with parental consent forms and individual education plans.

Views of Responsible Officials:

“The Department agrees in part with this finding. The Department conducts desk reviews of all submitted School Based Child Health program cost reports. LEAs are responsible for obtaining parental consent and only submitting claims for those children that they have parental consent authorized. LEAs should be monitoring the frequency of services in the IEP and should make modifications if needed to allow some flexibility in service delivery for providing the appropriate services to children with regard to the many unplanned issues that arise throughout the school year. LEAs are responsible to properly document and submit costs that they have all the necessary documentation for support.”

Auditors' Concluding Comments:

The Department of Social Services is responsible for ensuring that costs claimed for federal reimbursement are allowable. Solely reviewing LEA cost reports does not provide assurance that the LEA obtained parental consent forms and provided services within the authorized IEP. Although LEA are responsible for implementing the SBCH program, the Department of Social Services lacks adequate controls to provide assurance that SBCH claims are allowable.

2017-007 Activities Allowed or Unallowed – Fraudulent Expenditures

Medical Assistance Program (Medicaid, Title XIX) (CFDA 93.778)

Federal Award Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2012-2013, 2013-2014, 2014-2015 and 2015-2016

Federal Award Numbers: 1305CT5MAP, 1405CT5MAP, 1505CT5MAP and 1605CT5MAP

Background: The Department of Social Services (DSS) is the designated 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). DSS and DDS have executed a memorandum of understanding between the two state agencies. DSS claims DDS expenditures for federal reimbursement.

Criteria: Title 2 Code of Federal Regulations Part 200, Subpart E, provides that allowable costs should conform to any limitations or exclusions set forth in the federal award. Allowable costs include those necessary and reasonable for the performance of the federal award. Fraudulent expenditures are not eligible for federal reimbursement.

Condition: An internal investigation at DDS revealed that timesheets submitted between January 1, 2013 and April 30, 2016 by two service providers were fraudulent. DDS completed a review of this matter in July 2017 but failed to notify DSS of the likely fraud as of February 2018.

Context: DSS submitted payroll charges, totaling \$43,696, for federal reimbursement specifying dates and times when the client was unavailable to receive services. In addition, based on evidence reviewed during the DDS internal investigation, it is likely that these two private providers delivered no services to the client, resulting in an additional \$160,020 in costs.

Questioned Costs: We computed questioned costs of \$101,858 by applying the applicable federal financial participation rate to the fraudulent expenditures.

Effect: DSS received federal reimbursement for fraudulent services paid for by the Medicaid program.

Cause: It appears that the errors noted were due to a lack of oversight by DDS management. In addition, DSS and DDS have no procedures in place to require DDS to inform DSS of potential fraudulent activity.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services and the Department of Developmental Services should establish procedures to ensure that DDS informs DSS of fraud investigations in a timely manner.

The Department of Social Services should process an adjustment to return federal reimbursements for the fraudulent expenditures to the Department of Health and Human Services' Centers for Medicare and Medicaid Services.

Views of Responsible Officials:

Response provided by the Department Developmental Services:

“The Department of Developmental Services agrees with this finding in part. The department agrees with the recommendation that DSS and DDS should



establish procedures to ensure that DSS is informed of investigations of possible fraud in a timely manner. The department will work towards implementing processes to ensure that there is adequate communication between the two state agencies. The department has created a financial exploitation task force to make recommendations to strengthen existing systems.”

Response provided by the Department of Social Services:

“The Department agrees in part with this finding.

The condition cited by the Auditors of Public Accounts: “An internal investigation at DDS revealed that timesheets submitted between January 1, 2013 and April 30, 2016 by two service providers were fraudulent,” does not constitute a control deficiency.

Implementation of certain internal controls can lessen the opportunities to commit fraud but a suitable internal control structure cannot prevent every fraudulent activity from occurring. One of the most useful anti-fraud controls is the implementation of a fraud hotline or other means whereby both internal and external sources may report activities where there may be a suspicion of fraud. According to DDS, the Auditors of Public Accounts did not discover this alleged financial abuse. This particular situation was investigated by DDS after it was discovered through its hotline. DDS has an active Division of Investigations and a unit that is available to investigate any issue of abuse and neglect such as the cited instance. In this particular case, after a complaint was made, DDS performed a thorough investigation that has been forwarded to the Chief State’s Attorney Office of Medicaid Fraud Unit. The current internal control structure identified the possible fraudulent expenditures, the mere fact that there was an instance of a potential fraudulent activity does not constitute a reportable finding.

The Department agrees with the recommendation that DSS and DDS should establish procedures to ensure that DSS is informed of investigations of possible fraud in a timely manner. The Department will work towards implementing processes to ensure that there is adequate communication between the two State agencies.

The Department disagrees with the recommendation that an adjustment should be made to return federal reimbursements to the Department of Health and Human Services’ Centers for Medicare and Medicaid Services for the “potential” fraudulent expenditures at this time. This action is not appropriate until the investigation is completed by the Chief State’s Attorney Office. It should be noted that DDS cannot reach a conclusion that the costs were fraudulent. The determination of whether funds paid to the provider are considered fraudulent would be made by the Chief State’s Attorney Office at



the conclusion of the investigation. Therefore, any overpayments identified as a result of the investigation by the Chief's State's Attorney Office review will be returned to the federal government at the time the investigation is concluded. We also do not agree with the conclusion reached by the Auditors of Public Accounts that the entire \$160,020 used to determine the questioned costs. This conclusion should not be reached based solely on DDS indicating it's "likely" that no services were provided. Again, the amount of the overpayment cannot be determined at this time until the investigation is completed."

Auditors' Concluding Comments:

Title 2 Code of Federal Regulations Part 200 requires the Auditors of Public Accounts to report audit findings for known or likely fraud affecting a federal award.

2017-008 Allowable Costs/Cost Principles – Medicaid Electronic Health Record Post Payment 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

Criteria: In accordance with the standards set forth by the Centers for Medicare & Medicaid Services (CMS) and Title 42 Code of Federal Regulations 495, the Department of Social Services (DSS) developed the state's audit strategy for the Medicaid Electronic Health Record (EHR) Incentive Program. DSS contracted with an accounting firm, effective November 16, 2016, to conduct post-payment desk audits of eligible professionals (EP) and eligible hospitals (EH).

Condition: It is uncertain whether the accounting firm properly conducted post-payment audits, because we did not receive the supporting documentation we requested prior to the completion of our field audit work.

Context: During the fiscal year ended June 30, 2017, there were 1,137 EHR incentive payments issued totaling \$17,107,873. DSS anticipated that the contractor would complete the following post-payment reviews by September 30, 2017:

- 2013 EP Meaningful Use (MU) – 43
- 2014 EP Adopt, Implement, Upgrade – 32
- 2014 EP MU – To be determined
- EH Calculations – 27

We selected 5 post-payment audits for review. The sample was not statistically valid.



Questioned Costs: \$0

Effect: We were unable to determine whether DSS complied with its approved audit strategy regarding post-payment audits.

Cause: This was the first audit cycle in which DSS contracted out for the post-payment audits and staff were unfamiliar with our audit process.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services should provide the Auditors of Public Accounts (APA) access to all requested Medicaid Electronic Health Records Incentive Program post-payment audit records in a timely manner.

Views of Responsible Officials:

“The Department does not agree with this finding. The Department provided all of the requested documentation electronically to the Auditors of Public Accounts.”

Auditors’ Concluding Comments:

DSS provided the auditors with a Post Payment Review Status Report spreadsheet. Subsequently, we requested copies of 5 Medicaid EHR Post Payment Audit reports, along with the supporting documentation for the desk reviews. We made several attempts to obtain this information. Although the Post Payment Audit reports were provided, the supporting documentation to the reports were not made available. The reports alone do not provide assurance that the contractor performed the post payment audits in accordance with the agreed upon procedures in the Audit Strategy that was approved by CMS on June 28, 2017.

2017-009 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

Money Follows the Person Rebalancing Demonstration (CFDA 93.791)

Federal Award Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: MFP300142A

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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF



Child Support Enforcement (CFDA 93.563)

Federal Award Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: 1604CTCEST, 1604CTCSES, 1704CTCEST and 1704CTCSES

Background:

There are 3 main automatic data processing (ADP) systems used to administer 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, Money Follows the Person Rebalancing Demonstration and Temporary Assistance for Needy Families, issues benefit and service payments to clients and providers, and provides management support for program administration. DSS uses the Medicaid Management Information System (MMIS) to process payments for medical services and provides other critical administrative functions in the operation of the Medicaid program. DSS uses the Connecticut Child Support Enforcement System (CCSES) in the child support enforcement process where child support orders are maintained, billings are established, and collections are recorded.

The Medicaid program is highly dependent on extensive and complex computer systems that include controls for ensuring the proper payment of Medicaid benefits. DSS contracted with a service organization for support and operations of the MMIS.

A Service Organization Controls 1 Report (SOC 1 report) is a report on controls at a service organization that are relevant to user entities' internal control over financial reporting.

ADP security reviews include obtaining a SOC 1 type 2 report following Statement of Standards for Attestation Engagements (AT) Section 801, Reporting on Controls at a Service Organization. Section 801 provides that a SOC 1 type 2 report includes 3 parts: (1) management's description of the service organization's system; (2) a written assertion by management of the service organization on whether controls identified in management's description were fairly presented as designed and implemented and whether the controls were suitably designed and operated effectively during the period; (3) a service auditor's report that expresses an opinion on the matters in part 2 and includes a description of the test of controls and the corresponding results.

Criteria:

Title 45 Code of Federal Regulations (CFR) 95.621 specifies that state agencies are responsible for the security of all ADP projects under development and operational systems involved in the administration of HHS programs. At a minimum, the requirements shall include establishment of a disaster recovery plan and, as appropriate, policies and procedures to address



the physical and data security operating procedures and personnel practices, establishment of contingency plans to meet critical processing needs in the event of short or long-term interruption of service, and emergency preparedness.

Title 45 CFR 95.621 requires state agencies to review ADP system security of installations involved in the administration of HHS programs on a biennial basis.

Title 45 CFR Part 164 Subpart C provides the security standards for the protection of electronic protected health information (ePHI). Section 164.308 requires an entity to establish and periodically test and revise a business contingency plan and disaster recovery plan for occurrences that may damage systems that contain ePHI. The regulations require an entity to implement procedures to regularly review records of information system activity, such as audit logs, access reports, and security incident tracking reports. Section 164.312 requires an entity to implement hardware, software, and/or procedural mechanisms that record and examine activity in information systems that contain or use ePHI.

Condition:

1. The DSS information technology disaster recovery plan is outdated.
2. DSS did not have a client based data loss prevention solution or an audit logging infrastructure in place for EMS.
3. DSS lacked approved and tested policies and processes for responding to incidents and security breaches.
4. DSS privileged access management controls were weak and inconsistent.
5. The DSS CCSES file server lacked encryption.
6. The DSS file share security model does not prevent users from direct access to the back end SQL database.
7. DSS did not ensure that the contractor obtained a SOC 1 type 2 report on the MMIS.

Context:

1. A disaster recovery plan is necessary to protect and recoup data and information technology infrastructure in the event of a catastrophic event. At the time of our audit (January 2018), the DSS disaster recovery plan was in draft form (dated November 30, 2009) and not finalized or approved.
2. A client-based data loss prevention solution is necessary for a business contingency plan in the event that data has been compromised. An audit logging infrastructure is necessary for continuous monitoring and incident response capabilities.
3. Incident and breach response policies and processes are necessary to provide a control environment prepared to adequately address instances in which client data is accessed or manipulated by an unauthorized user.
4. Privileged access management controls are necessary to limit and monitor access to information systems.



5. CCSES encryption is necessary to prevent unauthorized use of confidential and protected information.
6. Preventing direct access to the SQL database is necessary to protect the integrity of data.
7. A SOC 1 type 2 report is necessary to provide assurance that MMIS controls allowed for the proper payment of \$7.8 billion of Medicaid benefits during fiscal year ended June 30, 2017.

Questioned Costs: \$0

Effect: DSS has reduced assurance that it is prepared for a significant event that could interrupt or halt ADP operations. DSS informed us that electronic protected health information and personally identifiable information is vulnerable.

DSS may be unaware of changes in the controls at the contractor that could cause the contractor to process transactions incorrectly and affect the amounts claimed for federal reimbursement. DSS may not be adequately assessing the design and operating effectiveness of information technology general and complementary user control considerations in place at the contractor and DSS.

Cause: DSS has been focused on other information security project priorities and hindered by low staffing levels and budgetary constraints. The contract between DSS and the contractor did not require the contractor to obtain a SOC 1 report for services applicable to the MMIS.

Prior Audit Finding: We previously reported this as finding 2016-007.

Recommendation: The Department of Social Services should establish a formal, written and approved information technology disaster recovery plan. The Department of Social Services should implement a client-based data loss prevention solution and audit logging infrastructure for information technology that contains or processes electronic protected health information or personally identifiable information. The Department of Social Services should establish and implement policies and processes for responding to incidents and security breaches. The Department of Social Services should strengthen privileged access management controls, apply encryption to the CCSES file server, and eliminate direct access from users to the back end SQL database from the file share security model.

The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes obtain an appropriate Service Organization Controls 1 Report (SOC 1 report). Management should review the opinion of the service auditor to



determine the effectiveness of controls in place at the service organization and to determine whether complementary user control considerations are in place and operating effectively.

Views of Responsible Officials:

“The Department agrees with this finding in part. We will address each condition separately:

1. The disaster recovery plan is underway with an estimated completion date as follows: Draft circulation 3/16/2018 and projected approval of the plan 5/31/2018.
2. EMS is the legacy system that has a sunset date of 6/30/18. There is no corrective action related to this component of the finding.
3. The Department experienced delays with contracting. The Statement of Work was recently updated to adjust the timelines due to the delay and the Department is anticipating the issuance of the contract shortly.
4. The Department experienced delays with contracting. The Statement of Work was recently updated to adjust the timelines due to the delay and the Department is anticipating the issuance of the contract shortly.
5. The Department’s CCSES file server has been migrated to Red Hat using LUKS – Linux Unified Key Setup for encryption.
6. The access database replacement/conversion to MS-SQL/Oracle remains ongoing.
7. The Department disagrees with the portion of the recommendation that a SOC 1 report is required to be obtained to meet the requirements of 45 CFR 95.621. A SOC 1 audit is not required and is not necessary for states to comply with the provisions of 45 CFR 95.621. The Auditors of Public Accounts recommendation to specifically require a SOC 1 audit exceeds the scope of OMB Circular A-133 paragraph .500(d). This paragraph provides that the auditor shall determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs. The principal compliance requirements applicable to most Federal programs and the compliance requirements of the largest Federal programs are included in the compliance supplement. As reported in the criteria section of this finding, there is no provision in 45 CFR 95.621 that requires states to obtain a SOC 1 audit. In fact the OMB compliance supplement provides that “as part of complying with the [ADP Risk Analyses and System Security Reviews], a state may obtain a Statement on Standards for Attestation Engagements (AT) Section 801, Reporting on Controls at a Service Organization SOC 1 type 2 report from its service organization (if the State has a service organization).”

Auditors’ Concluding Comments:

The Department of Social Services (DSS) informed us that their contracted service organization does not obtain a SOC 1 Report because the service organization has privacy and security teams that conduct annual audits.



According to DSS, the service organization audits exceed the ADP audit requirements. DSS meets with the service organization semiannually to review any audit findings, corrective action, potential breaches and other steps that the service organization is taking to ensure compliance. However, the service organization does not provide the Department of Social Services with a full assessment of the service organization audit. Obtaining and reviewing the full report is an effective method of managing the Department of Social Services' risk of utilizing service organizations. Without obtaining and reviewing the full assessment, it is unclear whether the Department of Social Services and the service organization met the ADP Risk Analysis and System Security Review requirements.

2017-010 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

Money Follows the Person Rebalancing Demonstration (CFDA 93.791)

Federal Award Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: MFP300142A

Background:

The Department of Social Services (DSS) is the designated single state agency to administer the Medicaid program in accordance with Title 42 Code of Federal Regulations (CFR) 431. Connecticut administered the Money Follows the Person (MFP) Rebalancing Demonstration through the same processes and procedures established in the Medicaid program with respect to provider eligibility requirements and suspension and debarment restrictions.

The Secretary of the State (SOTS) website provides access to the CONCORD system. The SOTS Commercial Recording Division files and maintains legally required records showing the formation of and fundamental changes to businesses. The division disseminates that information to the public on the CONCORD system. The business inquiry feature on the CONCORD system provides the names of business principals, including their title as board members, partners and managing administrators.

Criteria:

Title 42 CFR 455.410 provides that the state Medicaid agency must require all medical providers enroll as participating providers under the Medicaid State Plan or under a waiver of the plan. The state Medicaid agency may rely on the results of the provider screening performed by Medicare contractors.



DSS 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. The DSS Provider Enrollment/Re-enrollment Application Form requires the medical provider to identify board members, partners and managing administrators. The DSS Provider Enrollment Agreement requires the medical provider to furnish all information requested by DSS specified in the Provider Enrollment Agreement and the Application Form, and to notify DSS in writing of all material and/or substantial changes in information contained on the application form. The DSS Provider Enrollment Agreement also requires the medical provider to furnish material and/or substantial changes in information including changes in the status of Medicare, Medicaid, or other Connecticut Medical Assistance program eligibility, provider's license, certification, or permit to provide services in or for the State of Connecticut.

Title 42 CFR 455.414 provides that the state Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years.

Title 42 CFR 455.432 provides that the state Medicaid agency must conduct pre-enrollment and post-enrollment site visits of providers designated as moderate or high categorical risks. 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 455.436 requires the state Medicaid agency to confirm the identity and 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 consult appropriate databases to confirm identity upon enrollment and re-enrollment. The state Medicaid agency must check the LEIE and EPLS no less frequently than monthly.

The General Services Administration administers the System for Award Management (SAM), which consolidated EPLS and several other federal websites and databases into 1 system in 2012. SAM contains exclusion actions taken by various federal agencies.

Condition:

DSS was unable to provide documentation to support the performance of pre-enrollment or post-enrollment site visits for 2 providers who were designated as moderate categorical risk. DSS was also unable to provide the results of the provider screenings performed by Medicare contractors that it relied upon for these providers.



DSS did not have a procedure in place to verify that ambulance provider vehicle registrations were renewed and maintained during the full 60-month enrollment period.

DSS approved the re-enrollment application of 2 providers without requiring each provider to identify all board members, partners and managing administrators.

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

Context:

During the fiscal year ended June 30, 2017, DSS made payments to 11,748 Medicaid providers and 330 MFP providers. We selected 25 providers to determine whether DSS obtained the required information to document eligibility for services under Medicaid and MFP. From this sample of 25, we selected a sample of 15, which we tested to confirm compliance with suspension and debarment requirements. The samples were not statistically valid.

The lack of support for site visits for 2 providers included 1 home health agency provider that received payments of \$17,973,313 for Medicaid services and \$273,990 for MFP services and 1 physical therapy provider that received payments of \$122,195 for Medicaid services.

Of the 25 providers selected for review, 5 were ambulance providers that were previously approved for enrollment or re-enrollment between January 2013 and July 2014. Ambulance vehicle registrations are only valid for 24 months. DSS did not have updated vehicle registrations on file for the 5 ambulance providers.

The Provider Enrollment/Re-enrollment Application Form for 2 providers only identified 1 individual under the category of board members, partners and managing administrators. For 1 provider, we noted that the CONCORD system identified 17 principals. Furthermore, we noted that the provider's website identified the same 17 individuals as board members, officers and the executive committee. For another provider, we noted that its website identified 23 individuals as the executive team, and 3 of those 23 individuals were also identified as principals on the CONCORD system.

Questioned Costs: \$0

Effect: DSS may be claiming for federal reimbursement payments made to providers who are suspended or debarred, or not properly enrolled, certified, licensed, or otherwise eligible to participate in the Medicaid and/or MFP programs.



Cause: The lack of site visits for 2 providers appeared to be an oversight by the DSS Office of Quality Assurance.

DSS only requires ambulance providers to supply Connecticut vehicle registration certificates at the time of enrollment/re-enrollment. Since the registration certificate is valid for 24 months and the provider enrollment interval is 60 months, the certificate lapses before re-enrollment is due.

DSS did not consult the CONCORD system or the provider's website to assess a reasonable expectation of whom it should identify as board members, partners and managing administrators on the Provider Enrollment/Re-enrollment Application Form.

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

Prior Audit Finding: We previously reported this as finding 2016-008 and in 2 prior audits.

Recommendation: The Department of Social Services should establish and implement internal controls to determine the System for Award Management exclusion status of Medicaid and Money Follows the Person providers. DSS should strengthen controls to ensure that the enrollment of providers complies with Title 42 Code of Federal Regulations 455 and the department's Provider Enrollment/Re-enrollment Criteria Matrix, Application Form and Provider Agreement.

Views of Responsible Officials:

"The Department agrees with this recommendation. Regarding access to the System for Award Management, corrective action cannot be implemented at this time. Currently, all states lack access to this database."

2017-011 Special Tests & Provisions – Utilization Control and Program Integrity

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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

Criteria: Title 42 Code of Federal Regulations (CFR) 456.3 requires the Department of Social Services (DSS) to implement a statewide surveillance and



utilization control program to safeguard against unnecessary or inappropriate use of Medicaid services and excess payments.

Title 42 CFR 456.4 requires DSS to monitor the statewide utilization control program; take all necessary and corrective action to ensure the effectiveness of the program; establish methods and procedures to implement the utilization control program; keep copies of these methods and procedures on file; and give copies of the methods and procedures to all staff involved in carrying out the utilization control program.

Section 17b-99(d) of the Connecticut General Statutes provides guidelines for conducting audits of medical providers. DSS produces a preliminary written audit report and gives it to the medical provider after the conclusion of the audit. DSS holds an exit conference with the medical provider to discuss the preliminary audit report. The medical provider may present evidence at the exit conference to refute findings in the preliminary audit report. DSS produces a final written audit report and gives it to the medical provider after the exit conference. Any medical provider aggrieved by a decision contained in a final written audit report may request, in writing, a contested case hearing. The person who presides over the hearing shall be impartial and shall not be an employee of the DSS Office of Quality Assurance (OQA). The DSS commissioner designated the Office of Legal Counsel, Regulations and Administrative Hearings to preside over contested case hearings.

Condition: DSS OQA had no documentation to support reductions in overpayments totaling \$836,061 to 3 medical providers. DSS has not established written guidelines or procedures for determining reductions in overpayments to medical providers.

Context: In our review of 10 medical OQA provider audits conducted, OQA issued final audit reports with overpayments totaling \$2,491,416 to 8 of the 10 medical providers. Three of the 8 medical providers were aggrieved by the decision in their final audit report. Two of the aggrieved medical providers formally requested a contested case hearing and the other contacted OQA without requesting a hearing. OQA later issued memoranda with reductions in overpayments for the 3 aggrieved medical providers. The memoranda included the stipulation that the 2 aggrieved medical providers retract their request for a hearing. The 3 aggrieved medical providers' final audit reports included overpayments, totaling \$1,597,908, and the corresponding memoranda reduced the overpayments to \$761,847. OQA provided copies of the preliminary audit reports, final audit reports and corresponding memoranda. However, OQA could not provide documentation to support the reduction in overpayments.

The sample was not statistically valid.



Questioned Costs: We computed questioned costs of \$418,031 by applying the applicable federal financial participation rate to unsupported reductions in overpayments.

Effect: DSS has not determined consistently or equitably reductions in overpayments to all medical providers. We were unable to ascertain whether the DSS utilization control program adequately safeguarded against unnecessary or inappropriate use of Medicaid services and excess payments.

Cause: The DSS utilization control program lacks adequate segregation of duties. The OQA performs medical provider audits. When a medical provider formally requests a contested case hearing or an aggrieved medical provider contacts DSS OQA, the DSS OQA director entertains a reduction in overpayments. DSS upper management does not review or approve the reduction. The Office of Legal Counsel, Regulations and Administrative Hearings is not involved in reductions prior to a hearing.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services should establish and implement formal written guidelines and procedures for determining reductions in overpayments. Such guidelines and procedures should include adequate segregation of duties and a requirement to maintain documentation supporting reductions in overpayments.

Views of Responsible Officials:

“The Department disagrees with this recommendation. The recommendation ignores the importance of professional judgment, institutional knowledge and discretion. When a request is made to review an audit for possible reduction to the audit adjustment, the Director of the Office of Quality Assurance considers the following factors:

- A pending request for hearing
- Amount paid to the provider
- Audit history of the provider
- Audit findings and related disallowances
- Litigation risk
- Fairness of the financial impact of the audit findings
- Audit staff resources
- Maintenance of compliance impact

The Department has adequate segregation of duties. The Director of the Audit Division does not have authority to reduce an audit adjustment without the approval of the Director of the Office of Quality Assurance. The Director of the Office of Quality Assurance communicates all audit adjustments to



either the Office of Legal Counsel, Regulations and Administrative Hearings or the Deputy Commissioner, Administration.

The Department disagrees with the questioned costs, the mere reduction of an audit adjustment is not a basis for the determination of a questioned cost.”

Auditors’ Concluding Comments:

The Department of Social Services has not established written guidelines or procedures for determining reductions in overpayments to medical providers. The Department of Social Services lacks adequate management oversight as evidenced by the department’s neglect to document support for the reductions. Without documentation, those reductions are considered questioned costs.

2017-012 Special Tests and Provisions – 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

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). DSS and the public accounting firm develop an annual plan of field audits based on risk stratification of LTCF. They devise the plan to perform field audits of LTCF at least every 4 years, if the LTCF is considered low risk.

Criteria:

Title 42 Code of Federal Regulations 447.253 requires that the state Medicaid agency pay for long-term care facility services using rates that are reasonable and adequate to meet the costs incurred by efficiently and economically operated providers. The state Medicaid agency must provide for the filing of uniform cost reports for each participating provider. The state uses these cost reports to establish payment rates. The state Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The State Medicaid Plan should establish the specific audit requirements.

The audit requirements of LTCF provide that DSS shall determine the per diem rate of payment established for LTCF by a desk review of the submitted annual report, which field auditors shall subsequently verify and authenticate using procedures approved by the United States Department of Health and Human Services. Generally, the accounting firms should audit the facilities on a biennial basis. This audit cycle may change based upon audit experience.



Condition: DSS did not perform field audits of LTCF on a biennial basis or at least every 4 years for low risk LTCF. There have not been field audits of some facilities in 17 years.

Context: During the fiscal year ended June 30, 2017, the state had 272 LTCF that provided services to Medicaid clients. A public accounting firm performed 62 field audits of LTCF for DSS. We reviewed 15 LTCF field audits and noted that 6 facilities were field audited within 2 years, 5 facilities were field audited within 4 years, and 4 facilities had not been field audited in 5, 7, 12 and 17 years.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: DSS has lessened its assurance that it uses appropriate rates to pay for LTCF services.

Cause: DSS informed us that they are working with the public accounting firm to develop strategies to ensure that low-risk LTCF are field audited at least every 4 years. DSS also expressed that it operates on limited resources.

Prior Audit Finding: We have previously reported this as finding 2016-010 and in 8 prior audits.

Recommendation: The Department of Social Services should comply with the auditing procedures in the State Medicaid Plan for long-term care facilities.

Views of Responsible Officials:

“The Department does not agree with this finding. For long-term care facilities, the Department contracts with a national accounting firm to perform audits of long-term care 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. Facilities are primarily chosen for audit based on the risk of misstatement. The Department operates with limited resources and while it is neither possible nor feasible to conduct a field examination for every facility, the benefit of utilizing the desk review process must be considered when discussing the risk of mispayment. The Department ensures that a desk review is conducted on each facility's cost report annually. During the desk review process the auditors submit requests to providers for additional information to resolve questions which arise from significant risk areas identified, and follow up on prior year findings. These procedures are conducted to mitigate and reduce the risk of mispayment. It is our belief that this process is an efficient use of the resources that are available to the Department.”



Auditors' Concluding Comments:

The Department of Social Services current practice of auditing long-term care facilities does not reflect the audit requirements of the State Medicaid Plan. The department should comply with the audit requirements or amend the state plan for long-term care facilities.

2017-013 Special Tests and Provisions - Controls Over Income and Eligibility Verification System Related to Wage and Date of Death 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP

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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551)

Federal Award Agency: United States Department of Agriculture

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: N/A

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

Condition: The Department of Social Service (DSS) was deficient in reviewing IEVS alerts related to client wages and date of death for the Medicaid, TANF and SNAP programs.

Context: During the quarter ended March 31, 2017, DSS received 63,716 IEVS alerts related to client wages, employer and unemployment benefits for Medicaid, TANF and SNAP. As of October 11, 2017, DSS had not investigated, resolved, or removed 62,811 alerts as appropriate. DSS assigns each alert a specific due date generated by the DSS eligibility management system (EMS) or the DSS ImpaCT eligibility system that ranged from January 23, 2017 to May 15, 2017.

Our review of 25 alerts, generated during the quarter ended March 31, 2017, that remained unresolved as of October 11, 2017, disclosed 3 exceptions. Three



Medicaid clients' incomes exceeded the income limit, which made the clients ineligible for Medicaid benefits. During the period the clients were ineligible, DSS issued total payments of \$11,802 in Medicaid claims.

Our review of 25 alerts, generated during the quarter ended March 31, 2017 that had been marked resolved as of October 11, 2017, disclosed 6 exceptions. Three alerts issued for 2 Medicaid clients and a SNAP client were marked as resolved without properly updating the client's date of death in EMS or ImpaCT. Three alerts issued for 2 Medicaid clients and a SNAP client were marked as resolved without properly addressing client wage differences between EMS or ImpaCT and the DOL system.

The sample was not statistically valid.

Questioned Costs: We computed questioned costs of \$5,901 by applying the applicable federal financial participation rate to benefit payments associated with ineligible clients.

Effect: Clients received benefits that they are not eligible to receive, since DSS completes determinations of eligibility and benefit amounts without an adequate review of all available income and eligibility information. In addition, DSS deficiencies in properly correcting EMS or ImpaCT information when resolving alerts could result in the regeneration of the alert.

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

Prior Audit Finding: We previously reported this as finding 2016-011 and in 20 prior audits.

Recommendation: The Department of Social Services should provide the necessary resources and institute procedures to ensure that it uses all information resulting from eligibility and income matches to ensure that correct payments are made to, or on behalf of, eligible clients.

Views of Responsible Officials:

“The Department agrees with this finding. The Department's new ImpaCT eligibility system has recently been deployed State-wide. The Department's new eligibility system is expected to facilitate the processing of alerts.”

2017-014 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 2015-2016 and 2016-2017

Federal Award Numbers: 1605CT5MAP and 1705CT5MAP



Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
Federal Award Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2015-2016 and 2016-2017
Federal Award Number: Various

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 had not been provided Medicaid benefits in the time frame required by federal law. The factual allegations in the complaint stated that DSS data reporting demonstrated that, as of the date the lawsuit was filed, DSS had failed and continues to systematically fail to process Medicaid applications within the time frame mandated by federal law. On March 28, 2014, DSS entered into a stipulation and order of settlement agreement in which the department 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. The settlement agreement established benchmarks that designated the percentage of applications that must be timely processed as DSS worked towards achieving full compliance with the applicable standards of promptness. Based on the settlement agreement, by April 2015, DSS shall timely process 92% of both long-term and non-long-term care applications.

The stipulation and order of settlement was supposed to terminate on June 30, 2017, unless the plaintiffs moved to extend the stipulation and order of settlement based on the defendant's failure to substantially comply with the terms of the agreement. The plaintiffs filed a motion to extend the Stipulation and Order of Settlement on June 14, 2017, and the parties have agreed to extend to December 1, 2019.

SNAP:

On March 5, 2012, a class-action lawsuit was filed against DSS on behalf of individuals seeking SNAP (commonly known as food stamps) benefits and to challenge DSS policies and practices of failing or refusing to process applications and to provide assistance to eligible applicants on a timely basis. The lawsuit alleged that DSS data reporting demonstrated 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 preliminary 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 was to 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 in full



compliance if it processes 97% of applications. As specified in the order, cases coded as untimely due to client delay shall be considered timely.

An Order of Final Approval of Stipulation and Order of Settlement was filed with the U.S. District Court on March 9, 2017. The order includes the stipulation and order of settlement, and incorporates Exhibits A through D referenced in the stipulation. For purposes of this order, the defendant shall be deemed to be fully complying with the timely processing requirements of the SNAP statute and regulations as long as the defendant meets a 96% timely processing standard with respect to 30-day regular SNAP applications and 7 day expedited SNAP applications, starting no later than April 2017. From April 2017 through the month of June 2017, the defendant shall be deemed to be in full compliance with the timely processing requirements of the SNAP statute and regulations for expedited 7 day applications so long as the defendant meets a timely processing standard as to applications filed in the months in this period, following adjustment of the monthly data timely processed applications increased by 2%.

Criteria:

Medicaid:

Title 42 Code of Federal Regulations (CFR) 435.912 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 those standards are. The standards may not exceed 90 days for applicants who apply for Medicaid based on disability and 45 days for all other applicants, except in unusual circumstances.

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 based on age or blindness and 90 calendar days for applicants applying based on disability.

SNAP:

Title 7 CFR 273.2 contains the requirements for office operations and application processing. Title 7 CFR 274.2 provides that each state agency is responsible for timely and accurate issuance of benefits to certified eligible households. All newly certified households, except those given expedited service, shall be given an opportunity to participate no later than 30 calendar days following the date the application was filed.

Condition:

DSS did not meet some of the benchmarks established in the stipulation and order of settlement entered into on September 23, 2014 for the timely processing of Medicaid long-term and non-long-term applications for the fiscal year ended June 30, 2017.



For the fiscal year ended June 30, 2017, DSS did not meet the benchmarks established in the stipulation and order of settlement filed on May 13, 2013 and March 9, 2017 that SNAP regular and expedited applications be processed timely.

Context: Our review of DSS data reporting of the timeliness of application processing during our audited period disclosed that, beginning around February 2017, the timely processing of Medicaid and SNAP applications declined per benchmarks established in the settlement agreements.

Per the DSS October 2017 Medicaid Application Timeliness Summary report, the average number of monthly Medicaid applications received during our audited period (July 2016 through June 2017) totaled 32,343, of which 95% were for non-long-term care and 5% were for long-term care. The non-long term care applications, which accounted for most of the Medicaid applications, met the designated 92 percent timeliness benchmark through March 2017 and then declined to a low of 89.56 percent in June 2017. The long-term care applications did not meet the 92 percent timeliness benchmark, and ranged from a high of 90.7 percent in September 2016 to a low of 82.28 percent in June 2017.

Per the DSS August 2017 (Adjusted) SNAP Application Timeliness report, the combined – regular and expedited - average number of monthly SNAP applications received during our audited period (July 2016 through June 2017) totaled 11,653, of which 61 percent were regular applications and 39 percent were expedited. The processing of the combined adjusted regular SNAP applications ranged from a high of 95.7 percent in August and September 2016, and steadily decreased to 92.8 percent in April 2017 with a slight increase for the remainder of the fiscal year. The processing of the combined adjusted expedited SNAP applications ranged from a high of 93.7 percent in July 2016, and went down to a low of 86.8 percent in February 2017 and increased to 90.5 percent for June 2017.

Questioned Costs: \$0

Effect: DSS did not comply with benchmarks related to the timely processing of Medicaid and SNAP applications per the settlement agreements.

Cause: The Medicaid and Supplemental Nutrition Assistance Programs are complex. In certain instances, timely processing measurements in accordance with federal regulations of Medicaid and SNAP applications differ from the standards agreed to in the settlement agreements. It is difficult for DSS to capture these nuances in its internal reports. DSS has been in the process of replacing its legacy eligibility management system (EMS) with a new system named ImpaCT. DSS selected its Middletown office as the pilot office (with



other offices to follow), and the first stage of the rollout took place on October 11, 2016. DSS had not converted the Bridgeport and New Haven regional offices to ImpaCT as of June 30, 2017. DSS has faced challenges due to a learning curve with the new system and the accuracy of information reported. In addition, DSS staff members have been attending multi-week training sessions on ImpaCT, which has caused temporary reductions in processing capacity.

Prior Audit Finding: We previously reported this as finding 2016-012 and in 3 prior audits.

Recommendation: The Department of Social Services should continue to implement procedures to ensure timely application processing to meet benchmarks agreed to in the Medicaid and SNAP settlement agreements.

Views of Responsible Officials:

“The Department agrees with this finding. The Department is continuously reviewing its processes for improving timely completion of eligibility applications.”

2017-015 Activities Allowed or Unallowed – Benefit Payments

Money Follows the Person Rebalancing Demonstration (CFDA 93.791)

Federal Awarding Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: MFP300142A

Criteria: Title 2 Code of Federal Regulations (CFR) Part 200, Subpart E, provides that costs should be adequately documented and conform to any limitations or exclusions in the federal award to be allowable under the federal award. Title 42 United States Code 1396a requires that a state Medicaid plan for medical assistance provide for agreements between the state Medicaid agency and every medical provider. The agreement must declare that the medical provider agrees to keep medical service records. The Department of Social Services (DSS) standard provider enrollment agreement states that the medical provider shall maintain all records for a minimum of 5 years.

The Centers for Medicare and Medicaid Services (CMS) approved the state’s Money Follows the Person (MFP) Rebalancing Demonstration Operational Protocol. The protocol provides that DSS approves a care plan of services prior to a client’s enrollment into the MFP program. The care plan identifies the type and amount of services allowed under the qualified service packages under MFP.

Condition: DSS claimed benefit payments for federal reimbursement for client services that were not adequately supported or not allowable under the client’s care plan.



Context: During the fiscal year ended June 30, 2017, DSS processed MFP benefit payments totaling \$31,483,553, of which \$23,612,665 were federally reimbursed. DSS divided the universe of benefit payments into 3 strata by state agency, totaling \$26,567,360 of which \$19,925,520 was federally reimbursed. We reviewed 40 MFP benefit payments totaling \$39,233 of which \$29,417 was federally reimbursed. We noted 6 benefit payments that were not adequately supported totaling \$1,707, of which \$1,280 was federally reimbursed. We noted 1 benefit payment that was for an unallowable service under the client’s care plan totaling \$257, of which \$193 was federally reimbursed. We also noted that DSS paid the same unallowable service during the fiscal year totaling \$805, of which \$604 was federally reimbursed.

The sample was not statistically valid.

Questioned Costs: We computed questioned costs of \$2,077 by applying the MFP enhanced federal financial participation rate of 75% to the unallowed expenditures.

Effect: The state received federal reimbursement for benefits claimed under the MFP program, which were unsupported or unallowable.

Cause: DSS relies upon medical providers to comply with client care plans and maintain documentation for services performed. Although DSS had medical provider enrollment agreements in place, DSS lacks assurance that the medical providers have complied with the agreements.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services should recoup any improper payments made to medical providers and refund any corresponding federal reimbursements to the Centers for Medicare and Medicaid Services. The Department of Social Services should establish and implement controls to ensure that benefit payments claimed for federal reimbursement under the Money Follows the Person Demonstration program are adequately supported and allowable.

Views of Responsible Officials:

“The Department agrees with this finding. The Department has not been able to replicate the findings. The Department will recoup any improper payments made to medical providers and refund the corresponding federal reimbursement to the Centers for Medicare and Medicaid Services. The Department has implemented an electronic visit verification system that will provide adequate support for allowable claims moving forward.”



2017-016 Allowable Costs/Cost Principles – Benefit Payments

Money Follows the Person Rebalancing Demonstration (CFDA 93.791)

Federal Awarding Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: MFP300142A

Background:

The Department of Social Services (DSS) is the designated single state agency to administer the Medicaid program in accordance with Title 42 Code of Federal Regulations (CFR) 431. Connecticut administered certain aspects of the Medicaid program, including the Money Follows the Person (MFP) Rebalancing Demonstration, through a number of state agencies including the Department of Developmental Services (DDS) and the Department of Mental Health and Addiction Services (DMHAS).

DSS uses several systems to administer the MFP program. The My Community Choices web portal is the primary system that maintains data about MFP applicants and participants, including client start and end dates. The DSS eligibility management system maintains client eligibility determinations for the program. The Medicaid Management Information System (MMIS) processes payments for medical services and provides financial reports used for federal reimbursement claims. Since the My Community Choices web portal does not interface with other systems, DSS staff must manually input client MFP program start and end dates into the DSS eligibility management system. The DSS eligibility management system interfaces with MMIS daily.

Criteria:

Title 2 CFR Part 200, Subpart E, provides that costs should conform to any limitations or exclusions set forth in the federal award to be allowable under the federal award. The CFR requires the non-federal entity to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Section 6071(b)(7) of Public Law 109-171 defines qualified expenditures by the state under its Money Follows the Person (MFP) demonstration project to home and community-based long-term care services for an eligible individual participating in the MFP demonstration project. However, this is only with respect to services furnished during the 12-month period beginning the individual's discharge date from an inpatient facility.

Condition:

DSS processed benefit payments under the MFP grant award for service periods when clients were no longer eligible for payments under the program.



Context: During the fiscal year ended June 30, 2017, MFP benefit payments totaled \$31,483,553, of which \$23,612,665 were federally reimbursed. We divided the universe of benefit payments into 3 strata by state agency. The DSS stratum of benefit payments totaled \$26,567,360, of which \$19,925,520 was federally reimbursed. The DDS stratum totaled \$4,045,026, of which \$3,033,770 was federally reimbursed. The DMHAS stratum totaled \$871,166, of which \$653,375 was federally reimbursed. We reviewed 37 MFP clients from the DSS stratum and 36 MFP clients from the DDS stratum to determine whether DSS paid MFP benefits for service after the clients were no longer in the program. We did not review the DMHAS stratum. DSS paid benefits on behalf of 5 DSS clients and 11 DDS clients for service after the clients had exited the MFP program. The benefit payments for the DSS clients totaled \$12,244, of which \$9,183 was federally reimbursed. The benefit payments for the DDS clients totaled \$475,990, of which \$356,993 was federally reimbursed.

The sample was not statistically valid.

Questioned Costs: We computed questioned costs of \$366,176 by applying the MFP enhanced federal financial participation rate of 75% to the unallowed expenditures.

Effect: DSS received federal reimbursement for benefits claimed under the MFP program, which were unallowable.

Cause: DSS staff did not properly input client MFP end dates into the DSS eligibility management system. DSS and MMIS lack procedures for recording transactions that it incorrectly processed as MFP to the appropriate federal award or state program when it does not promptly record MFP end dates.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that claims for federal reimbursement under Money Follows the Person comply with federal statutes, regulations, and the terms and conditions of the federal award. DSS should refund improper reimbursements to the federal government.

Views of Responsible Officials:

“The Department agrees with this finding. The Department has not been able to replicate all of the findings. To ensure appropriate claiming and questioned costs, the Department plans to work with the MMIS contractor to use the MFP participation file which establishes the period of participation for each person in the MFP Demonstration and match it with all Qualified service claims in the MMIS. The result will be submitted to CMS as an adjustment to prior period claims. Moving forward, the Department will work with the MMIS contractor to develop a process to ensure the proper connection between the MFP participation file and the MFP claims identifier in the MMIS.”



2017-017 Allowable Costs/Cost Principles – Claims Incorrectly Coded

Money Follows the Person Rebalancing Demonstration (CFDA 93.791)

Federal Awarding Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: MFP300142A

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

The federal government designed the MFP program to assist states to balance their long-term care systems and help Medicaid clients transfer from institutions to the community. DSS provides a budget to Medicaid clients enrolled in the MFP program. If a client received state-funded day services while residing in an institutional setting prior to their enrollment in the MFP program, they may also receive a supplementary budget through DDS.

DSS establishes the method of processing MFP claims, including the coding to differentiate between MFP and supplementary budgets. DSS contracts with a fiscal intermediary to process certain claims. DSS reimburses the fiscal intermediary for actual MFP claim amounts. DDS provides advanced payments to the fiscal intermediary for supplementary budget amounts.

Criteria: Title 2 CFR 200.303 provides that a non-federal entity must establish and maintain effective internal control over a federal award.

Condition: The fiscal intermediary incorrectly coded MFP claims to DDS clients' supplementary budgets instead of client DSS MFP budgets.

Context: During the fiscal year ended June 30, 2017, DSS paid MFP claims totaling \$31,483,554 of which \$23,612,663 was claimed for federal reimbursement. Of those amounts, DDS expended \$4,045,026 of which \$3,033,770 was claimed for federal reimbursement. We randomly selected 40 MFP claims totaling \$428,474 from the DDS stratum. Eight of those claims totaling \$54,305 of which \$40,729 was claimed for federal reimbursement were coded to the incorrect budgets.

The sample was not statistically valid.

Questioned Costs: \$0



Effect: DSS had not paid the fiscal intermediary for these expenditures.

Cause: DSS and DDS lack oversight of the fiscal intermediary.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services and the Department of Developmental Services should strengthen internal controls over claims processed by the fiscal intermediary to ensure that they code claims to the correct budgets.

Views of Responsible Officials:

Response provided by the Department of Developmental Services:

“The Department agrees with this finding in part. In the Money Follows the Person (MFP) program the Department of Developmental Services (DDS) has the following oversight responsibilities:

1. Ensure that DDS does not pay for any service that is not covered by DDS.
2. Ensure that the fiscal intermediary is paid for services covered by DDS.
3. Ensure services that are paid by DDS are billed correctly to the Federal Waiver Program for financial reimbursement to the State of Connecticut.

The audit sample identified 5 MFP participants (8 Samples) for which the fiscal intermediary was not paid. In all of the examples identified: DDS did not pay for any residential services authorized by DSS. DDS paid for all services covered by DDS. DDS ensured that services paid by DDS were correctly billed to the waiver.

Based on the outcome of this audit, DDS will work with DSS to improve the MFP process.”

Response provided by the Department of Social Services:

“The Department agrees with this finding. Service plans for DDS participants authorized by the Department of Social Services will specify the billing number the fiscal intermediary is required to use. DSS will review claims coding on 100% of DDS participants on a quarterly basis with quarter ending June 30, 2018. DSS will convene discussions to review current tracking, budgeting and coordination efforts in order to evaluate potential adjustments to processes to ensure full compliance with federal requirements.

The review of service plans and claims coding will be completed by June 30, 2018 with ongoing efforts completed on a quarterly basis. Any necessary process adjustments with DDS will be completed no later than September 30, 2018.”



2017-018 Reporting – Performance Reporting

Money Follows the Person Rebalancing Demonstration (CFDA 93.791)

Federal Awarding Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: MFP300142A

Criteria: The Money Follows the Person (MFP) Rebalancing Demonstration federal award requires the agency to provide programmatic reports in accordance with Title 2 Code of Federal Regulations (CFR) 200.301. Title 2 CFR 200.301 requires the agency to correlate financial data to performance accomplishments of the federal award. The agency should also measure performance in a way that will help the United States Department of Health and Human Services (DHHS) and other non-federal entities to improve program outcomes, share lessons learned, and spread the adoption of promising practices.

Title 2 CFR 200.303 requires the agency to establish and maintain effective internal controls over the federal award and comply with federal statutes, regulations, and terms and conditions of the federal award.

Title 2 CFR 200.508 requires the agency to provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the single audit.

Condition: In spite of our efforts, we were unable to conduct the single audit of MFP performance reporting because the Department of Social Services (DSS) did not provide data to support the amounts reported on its MFP semi-annual performance reports.

Context: During the fiscal year ended June 30, 2017, DSS claimed MFP expenditures totaling \$44,929,464, of which \$34,156,629 was federally reimbursed. DSS submitted 2 semi-annual performance reports to DHHS Centers for Medicare and Medicaid Services. We reviewed the semi-annual performance report for the period ended June 30, 2017. On November 28, 2017, we requested that DSS provide both semi-annual performance reports and the corresponding data to support the amounts reported for the fiscal year. On February 5 and 6, 2018, DSS provided the performance reports, but did not provide the data to support the amounts reported. As of February 26, 2018, DSS did not provide the requested data or respond to our requests.

The sample was not statistically valid.

Questioned Costs: \$0



Auditors of Public Accounts

Effect: DSS may have submitted performance reports that were inaccurate and unsupported. DHHS may be using unreliable performance reports to identify promising practices and make future federal program decisions.

Cause: DSS did not provide a reason for the inability to supply the requested data.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services should establish and implement internal controls over performance reporting of the Money Follows the Person Rebalancing Demonstration to ensure that DSS maintains data to support amounts reported to the Department of Health and Human Services' Centers for Medicare and Medicaid Services. The Department of Social Services should provide the information needed for the auditor to perform the single audit.

Views of Responsible Officials:

“The Department agrees in part. There appears to have been a misunderstanding with the documentation requested for the purpose of the review. Although the Department did not present all essential reports to the audit test, the MFP staff have the supporting documentation and are prepared to present that documentation.

While there was a question raised by auditors about semiannual reports during the initial meeting on November 28, 2017, MFP staff thought that the discussion was about proof of submission and that the screen shot demonstrating proof was sufficient. This screenshot was sent to the auditors (through email) documenting the submission of the June 2017 semiannual report. MFP staff thought that the requirement had been met until January 29, 2018 when a request for 4 reports was received from the auditors. MFP worked with CMS to retrieve reports since the reports are no longer accessible through the CMS report management system. A follow up message was received from the auditors on February 5, 2018 indicating that February 9, 2018 was the deadline. Reports were submitted to the auditors on February 6, 2018. The auditors requested the additional information to support the reports on Feb 7, 2018. MFP was working towards completion and not aware of a new deadline. As previously mentioned, we are prepared to present the additional documentation. In fact, all of the supporting documentation is in the web-based reporting system to which the auditors now have access.”

Auditors' Concluding Comments:

During the audit, the Department of Social Services did not provide nor communicate that it could provide the requested data. The Department of Social Services did not grant the Auditors of Public Accounts access to the



web-based reporting system until after audit testing was completed and the audit finding was distributed.

2017-019 Special Reporting – Status of Claims Against Households (FNS-209)

Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551)

Federal Award Agency: United States Department of Agriculture (USDA)

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: Various

Criteria: Requirements set forth under Title 7 Code of Federal Regulations 273 specify that no further monies or other benefits may be paid out under the Supplemental Nutrition Assistance Program (SNAP) unless the quarterly Status of Claims Against Households Report (FNS-209) has been properly completed and filed.

Condition: USDA noted that the last FNS-209 the Department of Social Services (DSS) filed, (for the quarter ended December 31, 2016), was in need of revision. Additionally, this is the most recent report that the department has been able to produce.

Context: Beginning with state fiscal year ended June 30, 2017, DSS gradually began to phase in a new replacement eligibility management system (ImpaCT) to replace its aging, approximately 30-year old legacy system. DSS relies upon its eligibility management system to produce the FNS-209.

Questioned Costs: \$0

Effect: DSS did not comply with the FNS-209 reporting requirements, as the newly implemented eligibility management system is not able to generate the necessary data.

Cause: DSS attributed the breakdown in FNS-209 reporting to inadequacies of their outsourced replacement eligibility management system (ImpaCT).

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services should comply with the Supplemental Nutrition Assistance Program FNS-209 reporting requirements established by the United States Department of Agriculture.

Views of Responsible Officials:

“As a result of the implementation of the Department’s new replacement eligibility management system, ImpaCT, we are working through reporting



issues necessary to meet the FNS 209 reporting requirements. We are meeting and discussing the clarifying questions related to the FNS 209 reporting requirements with Deloitte and the ImpaCT project team. Additionally, we remain in contact with FNS about questions specific to the correct approach to handling certain overpayment transactions on the FNS 209 report. Once the reporting requirements have been finalized and implemented, our plan is to rerun all of the ImpaCT FNS 209 reports back to the implementation of ImpaCT.

Additionally, the Department is still awaiting further correspondence from FNS concerning the status of the FNS 209 report.”

2017-020 Eligibility – Determinations

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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Criteria:

Title 45 Code of Federal Regulations 205.60 provides that the state agency maintain records necessary for the proper and efficient operation of the State Plan, including records regarding applications and the determination of eligibility. According to the Department of Social Services (DSS) Uniform Policy Manual (UPM) 3515.10, as a condition of eligibility, each applicant for TANF shall assign to the department any rights to past, present and future support from legally liable relatives for each member of the assistance unit.

Section 21 United States Code 862 imposes a denial of federal benefits to people convicted in state or federal courts of felony drug offenses. The federal government gave states the option to opt-out of or modify the ban. UPM 8540.20 provides that an individual who has been convicted of any drug-related felony under federal or state law, after August 22, 1996, is disqualified from Temporary Family Assistance until the individual meets any of the following requirements: such individual has completed a sentence imposed by any court of competent jurisdiction; such individual is satisfactorily serving a sentence of probation; or such individual is in the process of completing, or has completed, a court sentence of mandatory participation in a substance abuse treatment or testing program. A state shall require each individual applying for TANF assistance to state in writing whether the individual or any member of their household had a conviction of such a felony involving a controlled substance.



Condition: DSS did not maintain adequate records regarding the determination of eligibility and redeterminations for individuals receiving TANF benefits, as follows:

- DSS was unable to provide the required eligibility application/redetermination documentation for 1 client.
- In 29 instances, DSS did not maintain adequate supporting documentation to the eligibility application/redetermination for 1 or more of the following items: income, assets, and/or shelter expenses.
- Assignment of rights information was not available in DSS' eligibility management system for the applicable benefit period for 2 of the 60 assistance units reviewed.
- DSS paid benefits, totaling \$1,613, to 1 client whose income from wages was over the limit for the quarter ended June 30, 2017.
- DSS paid benefits, totaling \$9,952, to 2 clients without confirming satisfactory standing with probation for felony controlled substance convictions that occurred after August 22, 1996. Additionally, 1 of these clients received \$2,257 in Supplemental Nutrition Assistance Program (SNAP) benefits.
- DSS did not have written documentation in its eligibility management system for the applicable benefit period for 27 of 60 assistance units to indicate that the individual applying for TANF assistance, or any member of their household, had a conviction for a felony involving a controlled substance.

Context: During the fiscal year ended June 30, 2017, DSS issued 127,195 federal claimable benefit payments, totaling \$56,558,712, before adjustments. We reviewed the eligibility of recipients who received 60 cash assistance payments totaling \$25,754.

The sample was not statistically valid.

Questioned Costs: Our review identified questioned costs totaling \$11,565 for TANF and an additional \$2,257 for the SNAP.

Effect: DSS may be providing program benefits to ineligible individuals.

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

Prior Audit Finding: We previously reported this as finding 2016-013.

Recommendation: The Department of Social Services should strengthen internal controls to ensure that each recipient of cash assistance is eligible for the program. DSS should also ensure that it obtains adequate support to allow the eligibility management system to make proper eligibility determinations for the



Temporary Assistance for Needy Families program according to federal regulations, the Temporary Assistance for Needy Families State Plan, and the state's corresponding policies and regulations.

Views of Responsible Officials:

“The Department agrees with this finding. The Department expects that internal controls will be strengthened in part by the recently completed implementation of the new ImpaCT eligibility system (the last office was converted in August 2017). Program rules have gone through a thorough review as part of the system design and build process, and there are built-in prompts for obtaining required verification. The Department expects that these system updates will improve benefit accuracy and documentation.”

2017-021 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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Criteria:

Title 45 Code of Federal Regulations 264.30 provides that if a state agency administering Temporary Assistance to Needy Families determines that an individual is not cooperating with child support requirements, the agency must deduct an amount equal to at least 25% of the amount of the assistance or deny the individual assistance at all.

Section 8540.65 of the Department of Social Services (DSS) Uniform Policy Manual specifies that individuals who request assistance be 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:

DSS did not process sanction notices in a timely manner.

Context:

During the fiscal year ended June 30, 2017, we reviewed 25 sanction notices for noncooperation with child support requirements. DSS provided a report from the Connecticut Child Support Enforcement System that consisted of 1,244 records that included sanction notices issued and removed. We selected records for cases in which DSS issued a sanction notice. At the time of our review, we noted that DSS had not processed 7 sanction notices for as long as 3 months.

The sample was not statistically valid.



Questioned Costs: \$0

Effect: DSS issued cash assistance benefit payments to recipients who were not compliant with eligibility requirements.

Cause: DSS did not give sanction requests priority in the statewide queue system that assigns the workflow of client cases.

Prior Audit Finding: We previously reported this as finding 2016-014 and in 2 prior audits.

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

Views of Responsible Officials:

“The Department agrees with this finding. The Department continues to enhance communications between program personnel and the Office of Child Support Services. On 12-29-17 an email was forwarded to staff reminding them of the importance of reviewing child support sanction request.”

2017-022 Special Tests and Provisions – Penalty for Refusal to Work

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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Criteria: Title 45 Code of Federal Regulations 261.12 requires that the state develop an individual responsibility plan in consultation with the individual that should:

- (a) Set an employment goal and a plan for moving immediately into private sector employment;
- (b) Describe the obligations of the individual. These could include going to school, maintain certain grades, keeping school-aged children in school, immunizing children, going to class, or doing other things that will help the individual become or remain employed in the private sector.
- (c) Be designed to move the individual into whatever private-sector employment he or she is capable of handling as quickly as possible and to increase over time the responsibility and the amount of work the individual handles;
- (d) Describe the services the State will provide to enable the individual to obtain and keep private-sector employment, including job counseling services; and
- (e) May require the individual to undergo appropriate substance abuse treatment.



Condition: The Department of Social Services (DSS) failed to establish a proper individual responsibility plan regarding employment service requirements for a client receiving Temporary Assistance for Needy Families (TANF) benefits whom was considered a mandatory participant for employment training.

Context: During the fiscal year ended June 30, 2017, we reviewed 60 sampled cases from the eligibility compliance requirement for individuals who were not working to determine whether DSS reduced or denied benefits for individuals who were not exempt under state policies or who do not meet the state's good cause criteria.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: DSS has decreased assurance that it used federal funds in compliance with the TANF program objectives.

Cause: The department did not have adequate procedures in place to ensure compliance with mandatory work requirements.

Prior Audit Finding: We have not previously reported this finding.

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

Views of Responsible Officials:

“The Department disagrees with this finding. The Department maintains that processing 59 out of 60 sampled cases correctly indicates that internal controls are working and that training generally is good, despite the unavoidable potential for the occasional human error. In the case of isolated instances of worker error, the Department believes that having the worker and a supervisor review and correct the specific error is the appropriate corrective action. This was done in this case.”

Auditors' Concluding Comments:

The control deficiency noted increases the risk that federal funds will not be used in compliance with TANF program objectives. Although the Department has internal control and monitoring procedures in place, they were not sufficient to identify the error. As the volume of TANF transactions is significant, approximately 127,195 claims totaling \$56,558,712 for the fiscal year ended June 30, 2017, it is not unreasonable to assume that there may be other potential errors that remain undetected.



2017-023 Special Tests and Provisions – Adult Custodial Parent of Child under Age 6 When Child Care Not Available

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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Criteria: Title 45 Code of Federal Regulations 261.56 provides that for an individual that is a single custodial parent caring for a child under age 6, the state may not reduce or terminate assistance based on the parent's refusal to engage in required work if he or she demonstrates an inability to obtain needed child care for 1 or more of the following reasons:

- (I) Appropriate childcare within a reasonable distance from the home or worksite is unavailable;
- (II) Informal childcare by a relative or under other arrangements is unavailable or unsuitable; or
- (III) Appropriate and affordable formal childcare arrangements are unavailable.

Condition: The Department of Social Services (DSS) incorrectly applied a penalty to 1 recipient's financial assistance due to the recipient's inability to obtain childcare for a child under age 6.

Context: During the fiscal year ended June 30, 2017, we reviewed 60 sampled cases from the eligibility compliance requirement for individuals who were not working to determine whether DSS reduced or denied benefits for individuals who were not exempt under state policies or who do not meet the state's good cause criteria.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: DSS underpaid 1 recipient \$1,098 over the course of 9 issuances during our audit period.

Cause: The condition was a result of human error by an eligibility worker.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services should provide additional training to eligibility workers regarding the application of penalties related to work requirements for the Temporary Assistance for Needy Families program.



Views of Responsible Officials:

“The Department disagrees with this finding. The Department maintains that processing 59 out of 60 sampled cases correctly indicates that internal controls are working and that training generally is good, despite the unavoidable potential for the occasional human error. In the case of isolated instances of worker error, the Department believes that having the worker and a supervisor review and correct the specific error is the appropriate corrective action. This was done in this case.”

Auditors’ Concluding Comments:

The control deficiency noted increases the risk that federal funds will not be used in compliance with TANF program objectives. Although the Department has internal control and monitoring procedures in place, they were not sufficient to identify the error. As the volume of TANF transactions is significant, approximately 127,195 totaling \$56,558,712 for the fiscal year ended June 30, 2017, it is not unreasonable to assume that there may be other potential errors that remain undetected.

2017-024 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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Criteria:

Title 45 Code of Federal Regulations (CFR) 92.36 provides that when procuring property and services under a federal grant, states will follow the same policies and procedures it uses for procurement from their 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 1 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.



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 Temporary Assistance for Needy Families (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: Our review of procurement disclosed the following:

- Three POS contracts did not include the required provisions of the Pro-Children Act of 1994 provisions or the sub-grantee compliance certification.
- DSS did not go through a competitive procurement process for 6 POS contracts.

Context: During the fiscal year ended June 30, 2017, DSS made payments for 17 POS contracts totaling \$1,916,917. We reviewed 6 POS contracts, totaling \$666,449. DSS requested a waiver from competitive solicitation due to all 4 qualifications for waiver cited in Section 4-215 of the Connecticut General Statutes.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: Since POS contracts excluded required provisions regarding the Pro-Children Act of 1994, there is decreased assurance that children will be cared for in a smoke-free environment. In addition, DSS may not be receiving services from the lowest responsible qualified vendor when it does not put the contracts out for competitive bid.

Cause: DSS inadvertently omitted provisions regarding the Pro-Children Act of 1994 from certain contracts.

DSS received a waiver from competitive solicitation from the Office of Policy and Management for the 6 POS contracts in our sample. However, DSS should not have submitted a request for waiver since the reasons stated on the waiver were not otherwise substantive.

Prior Audit Finding: This was previously reported as finding 2016-015 and in 2 prior audits.



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

Views of Responsible Officials:

“The Department agrees with the finding regarding TPP Programs lack of language regarding Pro-Child Act of 1994 and shall include such language with the next amendment.

The Department continues to disagree with the APA's position statement that state procurement policy and procedures were not adhered to regarding competitive bidding. The Department exercised its statutory right to request a waiver (which such justification was provided and granted) from the Secretary of OPM to waive the procurement process in these cases.”

Auditors' Concluding Comments:

The Department requested a waiver from competitive solicitation for reasons that included that the cost to the state of a competitive solicitation process would outweigh the benefits of such a process without support to document this justification. Additionally, the waiver request described that the services will be provided by a contractor mandated by Public Act 99-193. However, the Public Act does not specify the contractor that is to be used for the services. In addition, the waiver request cited that the contractor would provide emergency services.

2017-025 Special Reporting – ACF 204, Annual Report on State Maintenance-of-Effort (MOE) Programs

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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Criteria: States must complete an ACF-204, Annual Report on State Maintenance-of-Effort Programs, for each program for which the state has claimed basic maintenance of effort (MOE) expenditures for the fiscal year.

Title 45 Code of Federal Regulations (CFR) 263.3 provides that state funds expended to meet the requirements of the Child Care and Development Fund (CCDF) Matching Fund may also count as basic MOE expenditures up to the state's childcare MOE amount necessary to qualify for CCDF matching funds. Childcare expenditures that have not been used to meet the requirements of the CCDF Matching Fund (i.e., as match or MOE amounts), may also count as basic MOE expenditures.



Condition: Our current review of the ACF-204 report for the federal fiscal year ended September 30, 2016, identified the following discrepancies:

- DSS reported expenditures for Child Care Assistance for Employed Individuals as \$23,237,786. DSS reported expenditures for Child Care Assistance for Unemployed Individuals as \$2,298,246. Supporting documentation showed expenditures of \$334,660 that DSS reported under Employed Individuals should have been reported for Unemployed Individuals.
- DSS double counted ACF-204 expenditures of \$537,523 for TANF non-citizens. The amount was included separately in expenditures for Aliens/Non-Citizens Temporary Family Assistance and in the amount reported for Temporary Family Assistance.
- DSS reported Job's First Employment Services expenditures as \$13,688,623. Supporting documentation reported the expenditure as \$13,888,623. The result was an understatement of \$200,000.
- DSS reported the Total Number of Families Served under the Fatherhood Incentive Program as 447. Supporting documentation indicates that 607 families received services under this program. The result was an understatement of 160 families.
- DSS reported the Total Number of Families Served related to Safety Net Services as 258. Supporting documentation indicates that 241 families received services under this program. The result is an overstatement of 17 families.
- DSS reported the Total Number of Families Served for Child Care Assistance – Employed Individuals, Unemployed Individuals and Information Systems as 13,783, 1,363, and 15,147. DSS did not provide the auditors with supporting documentation for the amounts reported.
- DSS did not indicate the amount entered for childcare that was also used to meet the state's CCDF Matching Fund requirement. We also noted that DSS erroneously reported 50% of the state share of childcare expenditures that were claimed for CCDF matching of \$16,885,074 as MOE.

Context: For the federal fiscal year ended September 30, 2016, DSS reported \$201,880,557 for its TANF MOE. DSS must expend at least \$183,421,057 (75% state dollars) of 1994 historical state expenditures if the state met the TANF work participation requirements or at least \$195,649,127 (80% state dollars) of the 1994 historical state expenditures if the state did not meet the work participation requirement.



Questioned Costs: \$0

Effect: Certain information reported on the ACF-204 for federal fiscal year 2016, as provided to the Department of Health and Human Services Administration for Children and Families to determine whether the state met its MOE requirements, was inaccurate. MOE expenditures reported, totaling \$16,885,074, are not qualified. Failure to maintain the specified levels of state spending may result in a penalty, which ACF will deduct from the State Family Assistance Grant (SFAG).

Cause: Erroneous amounts reported were due to clerical errors. Furthermore, the controls in place to ensure that childcare expenses used to meet the basic MOE requirement were ineffective.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Social Services should strengthen its internal controls to ensure that the ACF-204 is accurately completed and that it maintains all supporting documentation. The department should also ensure that the state properly meets its required maintenance of effort levels.

Views of Responsible Officials:

“The Department agrees with the finding in part. In October 2017, DSS discovered that the amounts that can be counted for both CCDF and TANF are limited to the CCDF-required MOE and must meet the requirements of both programs. CCDF excess MOE related to Care for Kids program expenses can also be counted for TANF since it meets the purposes of TANF and is not claimed for CCDF but the 50% state share of CCDF Matching cannot also be claimed under TANF.

We recognized this issue based upon our own independent review and we had already retroactively revised our FFY 2017 TANF claim to reflect this. We had not yet had time to revise the FFY2016 TANF claim to reflect similar revisions. However, we plan to make revisions to remove the 50% state share of the CCDF matching of \$16,885,074. We plan to then continue to claim the CCDF required MOE of \$18,738,357 (this part can be claimed for both CCDF and TANF and is within the limit) and add the CCDF excess MOE of \$49,441,497.

Once the revisions are made, we will be claiming more MOE (\$68,179,854 vs. \$35,623,431) on the FFY16 TANF claim. Therefore, we will continue to meet the MOE requirement at both the 75% and 80% levels.

The other errors on the ACF-204 Annual Report on State MOE Programs (double reporting of non-citizens aliens TFA and understatement of Jobs



First Employment Services) were due to the ACF-204 differing from the FFY16 TANF claim. Therefore, these errors impacted only the ACF-204 report and these items were correct on the TANF claim.”

2017-026 Activities Allowed or Unallowed – Eligibility Rates and Expenditure Data - 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 Years 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Background:

Title 45 Code of Federal Regulations (CFR) 205.100 provides that the Department of Social Services (DSS) be 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 the TANF program 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 they serve and enter the results of the determinations into the DCF Provider Information Exchange (PIE) 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 during the quarter. DSS uses this information to claim federal reimbursement under TANF. In addition, DSS may claim certain expenditures for allowable services provided to DCF clients regardless of their TANF eligibility.

Criteria:

Title 2 CFR 200.403(g) requires that states must adequately document costs to be allowable under federal awards.

Title 45 CFR 265.3 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 265.7 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 that DSS claimed under TANF during the fiscal year ended June 30, 2017 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 rate calculations. Furthermore, our review found instances in which the expenditure data applied to the rates was overstated.

We also noted that DCF overstated expenditures for pregnancy prevention services that were not dependent on a client's TANF eligibility.

Context: DCF calculated all of the TANF eligibility rates based on data from the PIE system, which does not capture the information needed to accurately calculate the rates. DCF informed us 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 dates from the service/program and did not represent when clients received services. DCF has not implemented procedures outside of the system to collect this information. We also found instances in which the expenditure data DCF applied to various services for the eligibility statistics was overstated. Therefore, because DCF did not base calculated eligibility rates on clients who actually received services during the quarter and the expenditure data to which DCF applied the statistics was inaccurate, we did not perform any testing.

Questioned Costs: Questioned costs total \$29,260,416, which represents the entire amount claimed for in-home and community-based services provided by subrecipients. Although a portion of this amount may be allowable, adequate support for the eligibility statistics is not available and we found instances of inaccurate expenditure data. Therefore, all of the costs claimed are questioned.

In addition to the amount above, we question an additional \$308,136 of the \$12,214,276 claimed for pregnancy prevention services not dependent on clients' TANF eligibility. These represent unallowable costs as the amount represents an overstatement of expenditures.

Effect: DCF expenditures claimed by DSS under TANF may be overstated based on inaccurate TANF eligibility rates and/or expenditure data.

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



The reporting query used to compile the expenditures by service and subrecipient was flawed. DCF informed us that it inadvertently modified the query in calendar year 2014, which sometimes resulted in duplicated expenditure amounts. Because DCF did not compare the query results to the general ledger, the situation went undetected. Once brought to the agency's attention DCF corrected the query.

DSS claimed DCF expenditures for the TANF program during the fiscal year ended June 30, 2017 with knowledge from prior audit findings that DCF derived those expenditures from a flawed system. DSS did not confirm with DCF that the system's flaws were resolved prior to submitting the TANF claims for federal reimbursement.

Prior Audit Finding: We previously reported this as finding 2016-016 and in 4 prior audits.

Recommendation: The Department of Children and Families (DCF) should implement procedures or further enhance the Provider Information Exchange system to obtain the information necessary to calculate the eligibility rates based on actual Temporary Assistance for Needy Families (TANF) clients served. In addition, DCF should implement procedures to ensure that expenditure data used in the claiming process is accurate.

The Department of Social Services should not claim the DCF in-home and community-based services expenditures until the eligibility rates are calculated based on the actual TANF clients served and applied to accurate expenditure information. DSS should submit prior quarter adjustments for overstated amounts.

Views of Responsible Officials:

Response provided by the Department of Children and Families:

“The Department agrees with this finding. The query was corrected and the duplicate claims totaling \$3.3 million were identified to DSS for prior quarter adjustments. The query results for subsequent quarters are being compared to the general ledger prior to reporting them to DSS.

The Provider Information Exchange System was updated to accept encounter data for each client on November 1, 2017. This information will be used to accurately compute the percentage of service delivered to TANF eligible clients from the quarter ending March 31, 2018.”

Response provided by the Department of Social Services:

“Although the Department 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's section of the Federal Single Audit report. It is the Department of Children and



Families' responsibility to ensure it has controls in place to ensure that accurate eligibility rates and expenditure data are calculated.

The Department will review any noted questioned costs to determine if any claim adjustments need to be processed.”

Auditors' Concluding Comments:

We listed this finding under the Department of Social Services section of the Federal Single Audit report to formally notify the state's lead TANF agency that deficiencies exist within the program. As the state's lead agency, DSS has the responsibility to oversee the administration of the TANF program. Although we directed the finding jointly towards DCF and DSS, the state's lead agency is ultimately accountable for the proper use of the federal TANF funds.

2017-027 Allowable Costs/Cost Principles – Payroll and Fringe Benefit Expenditures – 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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Background: Title 45 Code of Federal Regulations (CFR) 205.100 provides that the Department of Social Services (DSS) be designated Connecticut's single state agency to administer the TANF program. Connecticut administers certain aspects of TANF through a number of state agencies including the Department of Correction (DOC).

As part of DOC operations, costs incurred for education and training, addiction services, and contracted community services are eligible for federal TANF reimbursement.

Criteria: Title 2 CFR 200.430 requires charges to federal awards for salaries and wages be based on records that accurately reflect the work performed, and be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition: Our review of 40 timesheets revealed that 2 timesheets were signed by the supervisor prior to the end of the pay period.

Context: According to the Inter-Agency TANF Claiming Procedures Manual, DOC uses population reporting to provide DSS with expenditure and eligibility ratio reports that DSS uses to prepare TANF claims. DSS applies ratios of



TANF eligible inmates (inmates with dependent children under 19 or over 19 and disabled) over total inmates receiving services to program costs on a quarterly basis. DSS claimed the following expenditures incurred by DOC under TANF for the fiscal year ended June 30, 2017:

Component	Amount
Education and Training	\$ 877,400
Addiction Services	2,696,853
Residential Services	10,412,205
Total	<u>\$13,986,458</u>

Payroll and fringe benefit expenditures comprised \$3,568,440 of the total expenditures claimed by DSS. We reviewed 40 timesheets supporting \$26,895 of such expenditures and found 2 timesheets that were signed by the supervisor prior to end of the pay period.

Our sample was not statistically valid.

Questioned Costs: \$0

Effect: The lack of proper supervisory approval increases the risk for federal claims to be overstated and for DSS to claim unallowable costs under TANF.

Cause: This appears to be an oversight by management.

Prior Audit Finding: We previously reported this as finding 2016-017 and in 5 prior audits.

Recommendation: The Department of Correction should strengthen internal controls to ensure that the amounts claimed under the Temporary Assistance for Needy Families program are accurate and adequately supported.

As the state’s lead agency designated under 45 CFR 205.100, DSS is ultimately accountable for the proper use of the TANF funds and has the authority to administer or supervise the administration of the program.

Views of Responsible Officials:

Response provided by the Department of Correction:

“The agency agrees with this finding.

The department will reiterate to applicable staff that timesheets must not be turned in prior to the end of a given pay period.

With regard to internal controls associated with TANF reporting, the agency is reviewing its current practices and procedures with regard to TANF data collection and reporting and will work with the Department of Social



Services to ensure that DOC's policies and procedures meet the Department of Social Services' requirements to ensure that amounts claimed under the TANF program are accurate and adequately supported. 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 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's section of the Federal Single Audit report. It is the Department of Correction's responsibility to ensure it has controls in place to ensure that timesheets are signed by supervisors prior to the end of the pay period."

Auditors' Concluding Comments:

We listed this finding under the Department of Social Services section of the Federal Single Audit report to formally notify the state's lead TANF agency that deficiencies exist within the state's TANF program. As the state's lead agency, DSS has the responsibility to oversee the administration of the 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.

2017-028 Subrecipient Monitoring – Department of Correction and the 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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Background:

Title 45 Code of Federal Regulations (CFR) 205.100 provides for the establishment or designation of a single state agency with authority to administer or supervise the administration of the state plan for the Temporary Assistance for Needy Families (TANF) program. The Department of Social Services (DSS) is the designated single state agency in Connecticut and has the discretion to issue policies, rules, and regulations on program matters of the plan. Connecticut administers certain aspects of the TANF program through a number of state agencies including the Department of Correction (DOC) and the State Department of Education (SDE).

DSS claims federal reimbursement under TANF for certain addiction services provided by DOC subrecipients. DOC enters into agreements with



these subrecipients and pays them quarterly advances from state appropriations.

The subrecipients determine TANF eligibility for each individual they serve and submit utilization reports to DOC on a quarterly basis. At the conclusion of each quarter, DOC provides DSS with summary eligibility rates for each subrecipient and program along with the amounts advanced to the subrecipient during the quarter. DSS uses this information to claim federal reimbursement under TANF.

As part of the operations of the SDE, costs incurred for pregnancy prevention programs are eligible for federal TANF reimbursement. During the fiscal year ended June 30, 2017, DSS claimed \$29,433,417 in expenditures incurred by SDE for various pregnancy prevention programs.

Criteria:

Title 2 CFR Part 200.331 provides that the pass-through entity shall perform the following:

1. Ensure that every subaward is clearly identified to the subrecipient as a subaward, which includes providing federal award identification information.
2. Advise subrecipients of requirements imposed on them so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the federal award, and any additional requirements imposed by the pass-through entity to meet its own responsibility to the federal awarding agency.
3. Monitor the activities of the subrecipients as necessary to ensure that the subrecipient uses the subaward for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and ensure that they achieve performance goals. This includes a review of financial and performance reports required by the pass-through entity.

Verify that subrecipients have met the audit requirements for the fiscal year, if required.

Condition:

A review of subrecipient monitoring procedures disclosed the following:

Department of Correction:

1. For 8 of the 8 subawards reviewed, DOC did not clearly identify the federal award or program requirements to subrecipients.



2. DOC does not have policies or procedures in place to monitor the activities of subrecipients for compliance with program or federal audit requirements.

State Department of Education:

1. SDE did not properly identify subawards to the subrecipients as a subaward. The language SDE used for federal award identification to subrecipients does not clearly identify federal program requirements or specify that the state may claim funds 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 identifies these funds as state awards.
2. SDE was not monitoring subrecipients for compliance with TANF laws and regulations.

Context:

During the fiscal year ended June 30, 2017, DSS claimed \$13,986,457 in expenditures incurred by DOC for education and addiction services. DOC entered into 17 contracts with subrecipients, for which it claimed \$10,412,205 for TANF federal reimbursement during the fiscal year.

We did not select a sample based on our discussions with SDE personnel indicating that the prior audit finding was still valid. We confirmed our discussions with SDE by reviewing 1 subrecipient audit report. We found that the subrecipient did not report TANF expenditures on their Schedule of Expenditures of Federal Awards (SEFA). SDE continues to treat TANF claimable programs by DSS as state programs. SDE monitored subrecipients for compliance with state laws and regulations and reviewed state single audit reports for inclusion of the program expenditures on the Schedule of Expenditures of State Financial Assistance.

Questioned Costs: \$0

Effect:

DSS has limited assurance that the use of federal funds is for allowable activities. Subawards were not included in the subrecipient's SEFA. The amount of expenditures of federal awards reported in the SEFA is a key factor in determining major program coverage. Improper identification of federal expenditures in the subrecipients' SEFA could result in the omission of major federal programs from the federal single audit.

Cause:

The inadequate identification of federal awards to subrecipients appears to be an oversight by management. The lack of procedures for monitoring subrecipients appears to be the result of limited staffing and resources.



DSS and SDE have not executed a memorandum of agreement providing written guidance for monitoring subrecipients.

DSS did not adequately guide or support DOC or SDE in the proper administration of the TANF program. As the lead state agency, DSS did not address known deficiencies in subrecipient monitoring.

Prior Audit Finding: We have not previously reported the DOC portion of this finding. We previously reported the SDE portion of this finding as finding 2016-018 and in 1 prior audit.

Recommendation: The Department of Correction and the State Department of Education should ensure that they report subawards claimed under the Temporary Assistance for Needy Families program to the subrecipients and they should properly monitor subrecipients.

The Department of Social Services and the State Department of Education should continue to work together on executing a memorandum of understanding to define each agency's responsibilities regarding program administration, including subrecipient monitoring requirements, for the Temporary Assistance for Needy Families program.

Views of Responsible Officials:

Response provided by the Department of Correction:
"The Department disagrees with this finding in part."

With regard to ensuring "that every sub-award is clearly identified to the sub-recipient as a sub-award, which includes providing the unique entity identifier, federal award identification number, federal award dates, the name of the federal awarding agency, and the Catalog of Federal Domestic Assistance (CFDA) number and name" DOC does not receive any unique identifier/federal award number or dates that it would be able to provide to its providers that would confirm that the funding it receives is actually specific to a federal award.

However, DOC's contract with its providers does contain language indicating that their expenses may be claimed by the State of Connecticut and reimbursed by the federal government through TANF. The agreement, amongst other requirements, indicates that the Contractor shall comply with applicable State and federal TANF requirements, including the need for an audit.

With regard to advising "sub-recipients 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", consistent with DOC's MOU with DSS, DOC contracts with its



providers contain language indicating that the provider's expenses may be claimed by the State of Connecticut and reimbursed by the federal government through TANF. The agreement, amongst other requirements, indicates that the Contractor shall comply with applicable State and federal TANF requirements, including the need for an audit.

With regard to monitoring "the activities of the sub-recipients as necessary to ensure that the sub-award is used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the sub-award and" ensuring "that performance goals are achieved", including "reviewing financial and performance reports required by the pass-through entity", pursuant to DOC's MOU with DSS, DOC is required to have its providers report the number of TANF eligible families/clients. All TANF related information that DOC receives from its providers is self-reported by the offenders at these residential and non-residential programs. DOC has no effective way to confirm/monitor the accuracy of this self-reported information without dedicating significant resources to research and confirm local and state records both inside and outside of Connecticut.

DOC agrees that the agency should verify that sub-recipients, if required, have met the audit requirements for the fiscal year and DOC staff are currently in the process of developing its monitoring plan for 2018 which will include this in the monitoring checklist.

DOC continues to work with DSS on its responsibilities related to TANF and it is our understanding that a revised MOU is being developed. As an example of the challenges that this program creates, DSS provided a TANF eligibility form that DOC was to supply to provider staff who would then complete the document with the offender so that eligibility can be determined. However, based on the qualifying questions on the form, no DOC offenders would be TANF eligible as an offender's child does not reside with them at a halfway house. DSS is reviewing the document for changes."

Response provided by the State Department of Education:

"Though the Department of Education (SDE) agrees with the finding, an MOA has not yet been executed.

The first matter of being a "pass-through entity" is questionable as the federal funds were never in the possession of the SDE so as to "pass" them through to a subrecipient. As such, the SDE cannot properly book the expenditures in the state accounting system as federal pass through funds. The funds paid from the state accounting system are state appropriated funds that are controlled by SDE as per Connecticut General Statutes that oversee the program activities.



History has provided that the state TANF plan had identified programs that, through their statutorily defined activities, qualify under some aspect of TANF for claiming. By virtue of the fact that SDE operates the programs per the statute, there should not be a question about the eligibility of the claim under TANF, provided that the TANF plan had appropriately identified those programs as allowable, which is not in the control of the SDE.

SDE Finance and Internal Audit Offices had met with OPM and an outside CPA firm in the spring of 2017 to discuss options regarding the appropriateness of revising the OPM compliance supplement to reflect the federal nature of the funds that grant recipients were receiving as state grants but were required to be treated as federal funds for the purposes of their federal single audit. As the funds were never coded as federal funds in the state accounting system, and the amount of the funds claimed historically by DSS varied by program, it would be inappropriate to make any statement in the compliance supplement as to their treatment as federal funds, as it would not be clear what percentage a subrecipient should account for in their single audit. This is even further complicated by refunds that subrecipients would be paying back and the appropriate accounting of those returned funds as state or federal funds.

The result of the conversations stated above resulted in the conclusion that SDE should discuss with DSS which SDE programs will be used for the DSS TANF claim. Further, the 2 agencies will have to determine an appropriate process that will identify these funds as federal at the transaction level in the state accounting system, and further alert the subrecipients as to the federal responsibilities related to the funding, in advance of the issuance of pass through payments.”

Response provided by the Department of Social Services:

“Although the Department 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’s section of the Federal Single Audit report. It is the Department of Correction’s and the State Department of Education’s responsibility to ensure it has controls in place to properly monitor its subrecipients.”

Auditors’ Concluding Comments:

We listed this finding under the Department of Social Services section of the Federal Single Audit report to formally notify the state’s lead TANF agency that deficiencies exist within the state’s TANF program. As the state’s lead agency, DSS has the responsibility to oversee the administration of the TANF program. Although the finding was directed jointly towards DOC, SDE and DSS, the state’s lead agency is ultimately accountable for the proper use of the federal TANF funds.



2017-029 Subrecipient Monitoring

Temporary Assistance for Needy Families (TANF) (CFDA 93.558)

Federal Award Agency: United States Department of Health and Human Services

Award Years: Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTTANF and 1701CTTANF

Social Services Block Grant (SSBG) (CFDA 93.667)

Federal Award Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTSOSR and 1701CTSOSR

Criteria: Title 2 Code of Federal Regulations (CFR) 200.331 provides that the pass-through entity shall perform the following:

1. Ensure that DSS clearly identifies every subaward 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 subrecipients of requirements imposed on them so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the federal award, and any additional requirements imposed by the pass-through entity to meet its own responsibility to the federal awarding agency.
3. Monitor the activities of the subrecipients as necessary to ensure that the subrecipient uses the subaward for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and ensure that they achieve performance goals. This includes a review of financial and performance reports required by the pass-through entity.
4. Verify that subrecipients have met the audit requirements for the fiscal year, if required.

Title 2 CFR 200.331 provides that a pass-through entity is responsible for ensuring that an applicant for a subaward has provided its unique entity identifier (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 200.510(b) provides that the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee'



financial statements, which must include the total federal awards determined in accordance with CFR 200.502.

Condition:

Our review of DSS monitoring procedures disclosed the following:

- Three Fatherhood Initiative (FIP) and 3 Teen Pregnancy Prevention Initiative (TPPI) TANF subrecipients had program expenditures claimed as federal or commingled federal/state, and DSS did not include the CFDA number or name in the subrecipient contracts.
- DSS did not obtain unique entity identifiers (DUNS number) for 5 subrecipients; 3 from the FIP, 1 from TPPI, and 1 from Social Services Block Grant (SSBG).
- DSS did not adequately tracking the receipt of financial and performance reports for SSBG subrecipients. We could not determine when reports were actually submitted for 4 SSBG subrecipients. One subrecipient did not submit the required financial reports, and DSS advanced cash based on information relayed by email as to the expectation of future purchases. However, it could not be determined how the amount advanced was calculated.
- DSS did not have documentation that an on site visit was made for 1 subrecipient as required in the contract.
- Documentation was lacking to support monitoring performed for 3 subrecipients.
- The department did not ensure that subrecipients included federal awards in their schedule of expenditures of federal awards. Six subrecipients did not include federal awards in their schedules, 3 from FIP, 1 from TPPI, and 2 from SSBG.
- One TANF TPPI subrecipient did not submit a State Single Audit and a filing exemption notification was not on file.

Context:

During the fiscal year ended June 30, 2017, DSS entered into 17 contracts with subrecipients of the TANF program. We reviewed 6 TANF program subrecipients and their audit reports and related documentation. DSS entered into 25 contracts with subrecipients of the SSBG program. We reviewed 5 SSBG program subrecipients. We also reviewed 9 additional SSBG subrecipients audit reports and related documentation.

The sample was not statistically valid.

Questioned Costs: \$0

Effect:

The utilization and monitoring of federal funds are questionable when contracts do not address the federal requirements. There is decreased assurance that subrecipients are using federal funds for allowable activities of the TANF and SSBG programs.



Cause: The TANF Funding Guide states that expenditures claimed as commingled are subject to federal funding restrictions, TANF requirements, and maintenance of effort (MOE) limitations. Because DSS funds TANF expenditures for FIP by state SID and claims them as state maintenance of effort, DSS does not believe it is required to report federal award identifying information in these subrecipient contracts. However, DSS supporting documentation is categorizing these expenditures as commingled MOE.

It appears that lack of administrative oversight contributed to the missing TANF TPPI and SSBG subaward information.

DSS did not have adequate procedures in place to document monitoring activities of SSBG subrecipients.

Prior Audit Finding: We previously reported this as finding 2016-019 and in 11 prior audits for the TANF program and 12 prior audits for the SSBG program.

Recommendation: The Department of Social Services should strengthen procedures to ensure compliance with its responsibility as a pass-through entity.

Views of Responsible Officials:

“The Department agrees in part with this finding. The Department continues to ensure that on-site visits are performed and all performance and financial reports are adequately monitored in accordance with contract stipulations.

The three Fatherhood Initiative Program (FIP) subrecipient contracts that were identified in the audit are funded by State awards and the subawards were not TANF program expenditures that were claimed under the Fatherhood Initiative. The Fatherhood Initiative utilizes State maintenance of effort (MOE) funds and there are no federal reimbursements. Since there are no federal reimbursements for the expenditures using State commingled MOE funds, DSS is not required to report the contractual agreements nor obtain unique entity identifiers from these three subrecipients funded by commingled State MOE funds and therefore we are in compliance.”

Auditors’ Concluding Comments:

Supporting documentation to the ACF-196R, TANF Financial Report for Federal Fiscal Year 2016, indicates that the Fatherhood Initiative Program (FIP) subrecipient contracts were claimed as commingled maintenance of effort expenditures. Per the Administration for Children and Families TANF Funding Guide (the TANF program’s authoritative literature), states may spend their MOE funds as commingled with federal funds and expended in the TANF program. These expenditures claimed as commingled are subject to federal funding restrictions, TANF requirements, and MOE limitations. As such, the federal requirements should be identified in the subrecipient



contracts and the unique entity identifiers for the subrecipients should be obtained.

2017-030 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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTSOSR and 1701CTSOSR

Background: The Department of Social Services (DSS) is the designated principal state agency for the allocation and administration of the Social Security 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 10% of its Temporary Assistance for Needy Families (TANF) funds for a given federal fiscal year to carry out programs under the SSBG program.

During the fiscal year ended June 30, 2017, the Department of Housing (DOH) claimed \$11,198,930 of SSBG expenditures, \$4,254,644 were TANF funds that DOH transferred into SSBG. 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.

Criteria: Title 2 Code of Federal Regulations 200.331 provides that a pass-through entity shall 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 that performance goals are achieved. This includes a review of the financial and performance reports required by the pass-through entity. The DOH contracts with subrecipients also provide for annual on-site reviews.

Title 42 United States Code Section 604(d)(3)(A) and 9902(2) provide that the state shall only use all of the amount transferred into SSBG from TANF 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 of DOH procedures related to subrecipient monitoring disclosed the following:



1. DOH did not track and review financial and performance reports adequately. DOH did not have all required performance reports on hand for 2 subrecipients. In addition, for all 9 of the subrecipients reviewed, subrecipients submitted some of the required financial and performance reports late or we could not determine when they were submitted.
2. Documentation was not on hand to indicate that DOH conducted annual on-site monitoring for 4 subrecipients. In addition, for 2 subrecipients for which on-site monitoring was performed, there was no documentation on hand to indicate that DOH verified that TANF funds expended on behalf of the SSBG program were used for programs and services to children or their families whose income is less than 200% of the official poverty guideline.

Context: During the fiscal year ended June 30, 2017, DOH provided 43 subrecipients with \$11,069,284 of SSBG funds to administer various programs for homeless individuals, 30 of which received TANF funds totaling \$4,124,998. We reviewed 9 of these subrecipients that DOH provided \$2,267,264 of SSBG funds of which \$805,588 was transferred from TANF.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: There is limited assurance that DOH used federal funds for allowable activities of the SSBG program and used TANF funds transferred to the SSBG program for programs and services to children or their families whose income is less than 200% of the official poverty guideline.

Cause: DOH did not have adequate procedures in place to properly monitor the activities of subrecipients.

DSS did not adequately guide or support DOH in the proper administration of the SSBG program and did not address known deficiencies in subrecipient monitoring.

Prior Audit Finding: We previously reported Earmarking and Subrecipient Monitoring as finding 2016-022 and 2016-023, and in 2 prior audits.

Recommendation: The Department of Social Services should work with the Department of Housing to establish and implement procedures to comply with Title 2 Code of Federal Regulations 200.331 concerning its responsibilities as a pass-through entity and to ensure that DOH properly monitors its subrecipients.



The Department of Social Services should provide additional guidance to the Department of Housing for monitoring subrecipients to ensure that DOH uses Social Services Block Grant funds according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Views of Responsible Officials:

Response provided by the Department of Housing:

“The Department of Housing agrees with this finding. The department implemented new procedures during FY 16-17 in response to previous audit findings. In its review of the effectiveness of these procedures, the department has identified potential inadequacies and will adopt modifications to its procedures to properly track document submission. In terms of the reports submitted late, the department has implemented a system to identify late submissions and work with its recipients to obtain the documents in a timely fashion. All SSBG contracts were monitored during FY 16-17, but as part of a conversion of all documents to an electronic format, 1 staff member mistakenly used incorrect forms. That issue has been addressed and all staff have been properly trained in the use of the correct forms. The department looks forward to the receipt of additional guidance from the Department of Social Services (DSS) to ensure that SSBG funds are used in accordance with federal regulations and the DSS SSBG Allocation Plan.”

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:

We listed this finding under the Department of Social Services section of the Federal Single Audit report to formally notify the principal state agency that deficiencies exist within the state’s Social Services Block Grant program. As the principal state agency for the allocation and administration of the Social Services Block Grant, DSS is ultimately accountable for the proper use of the funds provided to other state agencies.

2017-031 Subrecipient Monitoring – Department of Mental Health and Addiction Services

Social Services Block Grant (SSBG) (CFDA 93.667)

Federal Award Agency: United States Department of Health and Human Services

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTSOSR and 1701CTSOSR



Background: The Department of Social Services (DSS) is the designated principal state agency for the allocation and administration of the Social Services Block Grant (SSBG) in the State of Connecticut. SSBG funds support the programs of several state agencies including the Department of Mental Health and Addiction Services (DMHAS).

DMHAS is responsible for administering mental health program services and addiction program services as rendered through private non-profit providers. During the fiscal year ended June 30, 2017, DMHAS expended \$1,894,676 in SSBG funds used to administer various mental health and addiction service programs.

Criteria: Title 2 CFR Part 200.331 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 the 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.

Title 2 CFR Part 200.331(d) requires all pass-through entities to 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 that subaward performance goals are achieved. Pass-through entity monitoring must include: (1) reviewing the financial and programmatic reports required by the pass-through entity, (2) following up and ensuring the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means, and (3) issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the pass-through entity as required by 2 CFR Part 200.521.

Title 2 CFR Part 200.331(f) provides that all pass-through entities must verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in CFR Part 200.501.

DMHAS purchase of service contracts with private providers require that the department evaluate the performance of each contractor through on-site reviews at least annually.



- Condition:* We reviewed 10 DMHAS subrecipient contracts for subrecipient monitoring and determined the following:
1. DMHAS failed to provide required award information to subrecipients, including CFDA number and name, federal award identification number, project description, award date, and name of the federal awarding agency.
 2. DMHAS did not perform timely reviews of 9 subrecipient audit reports during the audited period.
 3. DMHAS did not complete annual on-site reviews for 6 subrecipients during the audited period.
- Context:* During the fiscal year ended June 30, 2017, DMHAS entered into contracts to provide \$1,894,676 in SSBG funding to 19 subrecipients. We reviewed 10 DMHAS SSBG subrecipient contracts to determine the adequacy of subrecipient monitoring.
- The sample was not statistically valid.
- Questioned Costs:* \$0
- Effect:* DMHAS did not clearly inform subrecipients that it provided subawards through the SSBG program, increasing the risk that amounts were not correctly included in the subrecipient's schedule of expenditures of federal awards (SEFA) and/or audit reports. Improper identification of federal expenditures in the SEFA could result in the omission of major federal programs from the federal single audit.
- There is limited assurance that subrecipients are using federal funds for allowable activities of the SSBG program.
- Cause:* Due to staff shortages, DMHAS has not followed established procedures for subrecipient monitoring.
- The DMHAS standard contract templates did not provide for the inclusion of the required award information.
- DSS did not adequately guide or support DMHAS in the proper administration of the SSBG program and did not address known deficiencies in subrecipient monitoring.
- Prior Audit Finding:* We have not previously reported Condition 1. We previously reported Conditions 2 and 3 as finding 2016-023.
- Recommendation:* The Department of Mental Health and Addiction Services should follow established procedures to comply with Title 2 CFR 200.331 concerning its



responsibilities as a pass-through entity and to ensure that it properly monitors subrecipients and notifies them of federal awards.

The Department of Social Services (DSS) should provide additional guidance to the Department of Mental Health and Addiction Services (DMHAS) for monitoring subrecipients to ensure that DMHAS uses Services Block Grant funds according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Views of Responsible Officials:

Response provided by the Department of Mental Health and Addiction Services:

1. “The Department agrees with this finding. Going forward, the Department will provide the CFDA number and name, federal award identification number, project description, award date, and name of the federal awarding agency in a timely manner.
2. The Department agrees with this finding. Currently, the DMHAS is transitioning the responsibility of reviewing Single Audit Reports to its Internal Audit Division from its Fiscal Services Office. Once this transition is complete Single Audit Reports will be timely reviewed.
3. The Department agrees with this finding in part. Due to staff constraints, on site monitoring has, by necessity, been limited to our highest intensity levels of care: detox, residential services and methadone maintenance. Providers of services such as outpatient, case management and outreach and engagement may be met with as a group on a quarterly or on a bi-annual basis for information exchange and technical assistance.”

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 DMHAS’s responsibility to ensure it has controls in place to properly monitor its subrecipients.”

Auditors’ Concluding Comments:

We listed this finding under the Department of Social Services section of the Federal Single Audit report to formally notify the principal state agency that deficiencies exist within the state’s Social Services Block Grant program. As the principal state agency for the allocation and administration of the Social Services Block Grant, DSS is ultimately accountable for the proper use of the funds provided to other state agencies.



2017-032 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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTSOSR and 1701CTSOSR

Background: The Department of Social Services (DSS) is the designated 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 10% of its Temporary Assistance for Needy Families (TANF) funds for a given federal fiscal year to carry out programs under the SSBG program.

The Office of Early Childhood (OEC) is responsible for administering child day care services.

Criteria: Title 45 Code of Federal Regulations (CFR) Part 96.31 provides that SSBG grantees and subgrantees are responsible for obtaining audits in accordance with the Office of Management and Budget Uniform Guidance, and that grantees shall determine whether subgrantees: (1) have met the audit requirements of the act, and (2) spent federal assistance funds provided in accordance with applicable laws and regulations.

Title 2 CFR Part 200.331 provides that a pass-through entity shall perform the following for the federal awards it makes:

1. Monitor the activities of subrecipients as necessary to ensure that the subrecipient uses the subaward for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and ensure that the subrecipient achieves performance goals. This includes a review of financial and performance reports required by the pass-through entity.
2. Verify that subrecipients have met all audit requirements for the fiscal year.

Condition: OEC did not have procedures in place to review audit reports received from subrecipients to ensure that they met all audit requirements. OEC did not determine why SSBG expenditures reported on the subrecipients' schedule of expenditures of federal awards (SEFA) varied from the amounts provided to the subrecipients.

Context: During the fiscal year ended June 30, 2017, OEC claimed SSBG expenditures that totaled \$16,364,720. OEC entered into contracts with 51



subrecipients that received SSBG funds. We reviewed 15 subrecipients, of which 11 were required to have a federal single audit performed.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: There is decreased assurance that subrecipients used federal funds for allowable activities of the SSBG program.

Cause: OEC did not have adequate policies and procedures in place.

DSS did not adequately guide or support OEC in the proper administration of the SSBG program and did not address known deficiencies in subrecipient monitoring.

Prior Audit Finding: We previously reported this as finding 2016-023 and in 2 prior audits.

Recommendation: The Office of Early Childhood should establish and implement procedures to comply with Title 2 Code of Federal Regulations Part 200.331 concerning its responsibilities as a pass-through entity and to ensure that it properly monitors subrecipients.

The Department of Social Services should provide additional guidance to the Office of Early Childhood for monitoring subrecipients to ensure that OEC used Social Services Block Grant funds according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Views of Responsible Officials:

Response provided by the Office of Early Childhood:

“The Office of Early Childhood agrees with the recommendation regarding the need for 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, but also wishes to indicate that procedures have actually been established and progress has been made with implementation since the previous finding.

The Office of Early Childhood established a protocol and began carrying out compliance monitoring of funded early childhood programs during state fiscal year 2017. Monitoring is completed by a team from the OEC’s Division of Early Care and Education (with assistance from the PDG Coordinator as needed). A monitoring tool collects information on implementation of these program aspects:

- Licensing
- Contract monitoring



- Subcontractor monitoring
- NAEYC Accreditation
- Head Start approval
- Registry/Staff Qualifications Compliance
- Reporting
- Fiscal
- Classroom implementation

A closing meeting summarizes findings at each monitoring visit and then a written summary report is provided. Resources, guidance and follow up items are clearly identified. Areas identified for quality improvement can be addressed in 4 ways: technical assistance provided during the visit; print and web resources identified; follow up meetings with OEC staff; and/or referral for consultation through our vendor, United Way 211.

The appearance of any discrepancies may be due to several factors. Payments are made quarterly in advance based upon the maximum contract value and not based upon actual utilization. At the end of the state fiscal year, data on actual utilization is finalized and reconciliation adjustments are then made to a payment in the subsequent state fiscal year. While the final (4th quarter) payment for the state fiscal year is made at the end of April, final utilization data is not made available until the end of August. By then, the 1st quarter payment for the next state fiscal year will have already been made. As a result, reconciliation adjustments are not usually made until well into the subsequent fiscal year.

The creation of a new reconciliation process by the OEC's Grants & Contracts Specialist in the 2016 SFY necessitated that adjustments be made against the final (4th quarter) payment of the 2017 SFY. With the reconciliation process fully developed and tested, the reconciliation for the 2017 SFY occurred against the 2nd quarter payment of the 2018 SFY. These deductions – taken retroactively, can create the appearance of discrepancies. This can be further compounded by CHEFA Intercepts that are made twice each State fiscal year (usually October and April).

The Grants & Contracts Specialist implemented a new process of sending individualized reconciliation grids to contractors (sub-recipients) that will be impacted by reductions due to underutilization. This offers contractors a chance to review the information, offer feedback, seek clarification, and share the materials with their fiscal personnel (including accountants and independent auditors). The reconciliation grids, coupled with the Summary Expenditures created by SDE, are also shared with independent auditors when they submit inquiries related to state and federal single audits.

The State Department of Education, under its APO responsibility to OEC, captures all CDC payment recipients for SFY 2017 in the single audit



database. SDE staff reviews single audit reports that are received by OPM, if applicable, and follows-up on findings if warranted.”

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 OEC’s responsibility to ensure it has controls in place to properly monitor its subrecipients.”

Auditors’ Concluding Comments:

We listed this finding under the Department of Social Services section of the Federal Single Audit report to formally notify the principal state agency that deficiencies exist within the state’s Social Services Block Grant program. As the principal state agency for the allocation and administration of the Social Services Block Grant, DSS is ultimately accountable for the proper use of the funds provided to other state agencies.

2017-033 Earmarking – Temporary Assistance for Needy Families Transfers – 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 2015-2016 and 2016-2017

Federal Award Numbers: 1601CTSOSR and 1701CTSOSR

Background:

The Department of Social Services (DSS) is the designated 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 10% of its Temporary Assistance for Needy Families (TANF) funds for a given federal fiscal year to carry out programs under SSBG. DSS allocated TANF funds under the Social Services Block Grant Allocation Plan to the Office of Early Childhood (OEC) for child day care services.

Criteria:

Title 42 United State Code Section 604(d)(3)(A) and 9902(2) provide that the state shall only use all of the amount transferred into SSBG from TANF for programs and services to children or their families whose income is less than 200% of the official poverty guideline as revised annually by the United States Department of Health and Human Services.



OEC requires child day care providers to submit monthly program status reports (PSR) and accompanying enrollee roster reports (PSR-E) on financial and enrollment data.

Condition: OEC provided child day care providers with a PSR template that contained incorrect SSBG family income eligibility guidelines. The PSR template income levels were lower than the income levels issued by the United States Department of Health and Human Services.

Context: During the fiscal year ended June 30, 2017, OEC expended TANF funds to carry out SSBG programs that totaled \$16,364,720, on behalf of the SSBG program.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: The financial and enrollment data on PSR submitted monthly by the child day care providers will be understated.

Cause: Lack of management oversight and lack of staff.

Prior Audit Finding: We previously reported this as finding 2016-022 and in 1 prior audit.

Recommendation: The Office of Early Childhood should verify that the annual family income eligibility levels are correct on the Program Status Report per the official poverty guidelines provided by the United States Department of Health and Human Services.

The Department of Social Services should provide additional guidance to the Office of Early Childhood to ensure that OEC uses Temporary Assistance for Needy Families funds transferred to the Social Services Block Grant funds according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Views of Responsible Officials:

Response provided by the Office of Early Childhood:

“The Office of Early Childhood agrees with the recommendation to verify that the annual family income eligibility levels are correct on the Program Status Report per the official poverty guidelines as provided by the United States Department of Health and Human Services.

The Program Status Report will be updated to reflect the official poverty guidelines as provided by the United States Department of Health and Human Services. It should be noted that as of October 1, 2017, SSBG funds are no longer utilized to fund the Child Day Care 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 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 OEC’s responsibility to ensure child day care providers are provided with a PSR template that contains accurate SSBG family income eligibility guidelines.”

Auditors’ Concluding Comments:

We listed this finding under the Department of Social Services section of the Federal Single Audit report to formally notify the state’s lead agency of TANF and principal state agency of SSBG that deficiencies exist within the state’s TANF and SSBG programs. As the state’s lead agency, DSS has the authority to administer or supervise the administration of the TANF program. Although we jointly directed the finding toward OEC and DSS, the state’s lead agency is ultimately accountable for the proper use of the TANF funds. In addition, as the principal state agency for the allocation and administration of the Social Services Block Grant, DSS is ultimately accountable for the proper use of the funds provided to other state agencies.



DEPARTMENT OF LABOR

2017-150 Reporting – ETA 227

Unemployment Insurance (UI) (CFDA 17.225)

Federal Award Agency: United States Department of Labor

Award Years: Not Applicable

Federal Award Number: Not Applicable

Criteria: The Unemployment Insurance (UI) Reports Handbook No. 401, 4th Edition, Section IV, General Reporting Instructions for the ETA 227 Overpayment Detection and Recovery Activities, states that applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system. The item-by-item instructions state that for Section A, Overpayments Established, total non-fraud overpayments (line 103) includes all overpayments classified as non-fraud (lines 104 through 108) and Section C, Recovery/Reconciliation, waived overpayments (line 308) includes overpayments reported in Section A that were waived under state law. The instructions also state that for Section E, Aging of Benefit Overpayment Accounts, the sum of Total Accounts Receivable (line 507) must equal the sum Outstanding at the End of Period (line 313).

The U.S. Department of Labor Unemployment Insurance Program Letter (UIPL) No. 02-12 requires states to impose a monetary penalty on claimants whose fraudulent acts resulted in overpayments.

According to UIPL 11-09, states should report FAC overpayments (established and recovered) in the comments section of the ETA 227 report as "FAC Established = \$\$\$" and "FAC Collected = \$\$\$".

Condition: Our fieldwork determined that the ETA 227 reporting deficiencies noted in prior audits would continue to occur until the department replaces the current system to populate the ETA 227 report by the modernization program. The Department of Labor informed us that the federal government is aware of the ongoing issues.

Context: Prior audits of the ETA 227 Overpayment Detection and Recovery Activity reports have disclosed internal control deficiencies for over 10 consecutive years.

Questioned Costs: \$0

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



Cause: The condition appears to be due to a combination of accounting and software errors. Furthermore, it appears that the supporting data for the ETA 227 is unreliable as it contains information from incorrect periods.

Prior Audit Finding: We previously reported this finding as 2016-151 and in over 10 prior audits.

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

Views of Responsible Officials:

“CTDOL agrees with the determination, however corrective action will not be available until the implementation of modernization in 2020. As has been the case for several years, CTDOL strives to make improvements to the ETA 227 reporting process wherever possible, given several constraints. The data elements being captured within the agency’s system were not designed for today’s reporting requirements. Improvements have been made to the data that is captured for newer overpayments; however, even these changes have had to be made within the confines of a 40 year old mainframe system. As older overpayments are either written off per statutory authority or are repaid, the quality of the data improves. These efforts, along with Connecticut’s involvement in modernizing its UI system, targeted for implementation in 2020, are helping us strive toward balanced reporting. The agency takes reporting seriously and will continue to do what it can to make improvements within our operational authority and capability.”

Auditors’ Concluding Comments:

Although the department has made improvements to the ETA reporting process, it has not yet implemented corrective action.

2017-151 Special Tests and Provisions: Match with FUTA Tax Returns

Unemployment Insurance (UI) (CFDA 17.225)

Federal Award Agency: United States Department of Labor

Award Year: Not Applicable

Federal Award Number: Not Applicable

Criteria: States are required to annually certify, for each taxpayer, the total amount of contributions required to be paid under the state law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the Federal Unemployment Tax Administration (FUTA) tax (26 Code of Federal Regulations 31.3302(a)-3(a)). In order to accomplish this certification, states annually perform a match of employer tax payments with credit claimed for these payments on the employer’s FUTA tax return (Internal Revenue Service (IRS) form 940).



The IRS provides FUTA Certification Data in October for the last completed tax year and the states are required to provide the FUTA match by January 31st.

Condition: The department has not taken the necessary action to address previously identified errors in the automated FUTA Certification program.

Context: The IBM system automatically applies a \$25 late filing fee for all quarterly tax and wage reports posted after the due date. Reports that are filed on the last day of the month typically don't post until the next day. As a result, a penalty is automatically assessed and credited back at a later date due to timely filing. The IRS certification process does not appear to recognize the coding associated with the penalty credits, and therefore, the certification is overstated by the credit amount.

A sample was not tested during the current audit since no updates were made to the IBM system.

Questioned Costs: \$0

Effect: Overstated certifications may result in excess FUTA credit.

Cause: The program code which extracts data from the IBM system to create the FUTA Certification Data file does not appear to recognize coding for penalties/credits.

Prior Audit Finding: We previously reported this finding as 2016-153.

Recommendation: The Department of Labor should update the program code used to extract data from the IBM system to create the Federal Unemployment Tax Administration Certification Data file in order to recognize all relevant data.

Views of Responsible Officials:

“We agree with this finding. The Unemployment Insurance Tax Division submitted a request to the Information Technology Division to review and correct the error in the automated FUTA certification program identified in this finding. Programming changes have been made, testing has been completed and required changes have been promoted to our production systems. The annual IRS FUTA certification submission was received in October 2017. Based on guidelines stated in IRS Publication 4485, Guide for the Certification of State FUTA Credits, states must return that FUTA certification submission in January 2018. The department is on target to return the submission in a timely fashion. We do not anticipate any errors.”



2017-152 Special Tests and Provisions – UI Benefit Overpayments

Unemployment Insurance (UI) (CFDA 17.225)

Federal Award Agency: United States Department of Labor

Award Years: Not Applicable

Federal Award Number: Not Applicable

Background: Employers are required by law to report wage information each quarter to Department of Labor. On a quarterly basis, the benefit payment control unit performs a cross-match of individuals collecting unemployment compensation benefits with individuals that had reported earnings during the same period.

Criteria: Pub. L. 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 (not less than 15 %) on claimants whose fraudulent acts resulted in overpayments, and (2) states are prohibited from providing relief from charges to an employer's UC account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information. States may continue to waive recovery of overpayments in certain situations and must continue to offer the individual a fair hearing prior to recovery.

Section 31-273(a)(1) of the Connecticut General Statutes requires that any person who, through error, has received any sum of benefits under this chapter while any condition for the receipt of benefits imposed by this chapter was not fulfilled in his case, or has received a greater amount of benefits than was due him under this chapter, shall be charged with an overpayment of a sum equal to the amount so overpaid to him, provided such error has been discovered and brought to his attention within 1 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: Our review of 15 positive cross-match results identified 4 instances in which potential overpayments were not investigated further because the Certification of Earnings (UC-1124) letters were not returned by the employers.

Context: Four possible overpayments were not investigated because the UC-1124 letters were not returned by the employers. When possible exceptions are detected by the various cross match programs, the department automatically issues a UC-1124 to the relevant employers to certify the claimant's earnings during the time the claimant collected UI benefits. Potential overpayments are not investigated by the department when the requested UC-1124 is not returned. Unreturned requests for the UC-1124 are not actively tracked; therefore, we cannot quantify questioned costs.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: Overpayment of unemployment compensation benefits may not be recovered if employers fail to respond to UC-1124 letters. In addition, the department may not receive the penalty and interest charges 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 letter. Furthermore, the department informed us that it does not actively track outstanding UC-1124 letters.

Prior Audit Finding: We previously reported this finding as 2016-154 and in 2 prior audits.

Recommendation: The Department of Labor should strengthen internal controls to ensure that all potential overpayments are investigated.

Views of Responsible Officials:

“CTDOL disagrees with the determination that its cross-match data is “unreliable”. The cross-match process produces thousands of hits every quarter that are investigated to the best of the agency’s ability. In a small number of cases, there may be issues of timing that prevent a potential overpayment from being detected by the quarterly cross-match process, for example, a payment that was released after the cross-match program was run. In an effort to ensure that all overpayments are detected, the agency employs a variety of additional strategies including multiple cross-matches, tips from the public, the RESEA program, and agency analysis of claims. Finally, all base period employers are given an opportunity to respond to charge notices to report any potential eligibility issues, including fraudulent filing.”



Auditors' Concluding Comments:

Although the department performs a variety of cross-match strategies, it does not investigate potential overpayments detected through cross-match, when an employer fails to return the UC-1124- Certification of Earnings.

2017-153 Activities Allowed or Unallowed – Contracts

Workforce Innovation and Opportunity Act (WIOA)

WIOA Adult Program (CFDA 17.258)

WIOA Youth Activities (CFDA 17.259)

WIOA Dislocated Workers (CFDA 17.278)

Federal Award Agency: United States Department of Labor

Award Years: Federal Fiscal Year 2014-2015, 2015-2016, and 2016-2017

Federal Award Numbers: AA-25344-14-55-A-9, AA-26770-15-55-A-9, and AA-28307-15-55-A-9

Background:

The Department of Labor enters into contracts with Workforce Development Boards (WDB) for the award of Workforce Innovation and Opportunity Award (WIOA) funds. Each contract must include a purpose, implementation plan, and budget along with requirements, terms, conditions, assurances, and certifications. Contracts are normally signed by the WDB, 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) 667.200 requires that each state receiving funds must follow the common rule “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments” which is codified at 29 CFR 97. The guidance in 2 CFR 225 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 we noted in prior audits, the Department of Labor did not execute contracts with WDB in a timely manner.

Context:

Seven contracts with WDB were signed approximately 11 days to 3 or more months after the contract service period began.

The sample was not statistically valid.



Questioned Costs: \$0

Effect: Without an executed contract in place, the department could make payments for expenditures that may be for unallowable activities.

Cause: The department did not promptly process contracts with WDB.

Prior Audit Finding: We previously reported this finding as 2016-155 and in 4 prior audits.

Recommendation: The Department of Labor should strengthen internal controls by ensuring that contracts are properly completed and fully executed prior to the contract period start date.

Views of Responsible Officials:

“The Department of Labor agrees with the recommendation. The finding has since been corrected and should no longer be a finding for FY2018 with the implementation of the Contract Management Policy.”

2017-154 Cash Management – Subrecipient Cash Balances

Workforce Innovation and Opportunity Act (WIOA)

WIOA Adult Program (CFDA 17.258)

WIOA Youth Activities (CFDA 17.259)

WIOA Dislocated Workers (CFDA 17.278)

Federal Award Agency: Department of Labor

**Award Years: Program Year 2015, Federal Fiscal Year 2016, Program Year 2016,
Federal Fiscal Year 2017**

Federal Award Numbers: AA-26770-15-55-A-9 and AA-28307-16-55-A-9

Criteria: Title 31 Code of Federal Regulations 205.33 provides that states should exercise sound cash management in fund transfers to sub-grantees. Disbursements must be in accord with immediate cash requirements.

Condition: The Department of Labor (DOL) provides the majority of its Workforce Innovation and Opportunity Act (WIOA) funds to 5 Workforce Development Boards (WDB). Our comparison of the cash balances reported on the WDB quarterly financial reports to the most recent drawdowns revealed that 11 draws, totaling \$1,423,588, were made in excess of immediate cash needs.

The department does not have procedures in place to ensure that sub-grantees report interest earned on their excess cash advances to the department.

Context: For 2 of the WDB involving 11 draws, the end-of-quarter cash on hand amounts varied by approximately \$15,000 to \$247,000 and cash on hand was overdrawn



between 2 to 8 weeks. In total, these 5 WDB received 80 cash drawdowns totaling \$34,997,735 during the fiscal year ended June 30, 2017.

The sample was not statistically valid.

Questioned Costs: \$0

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

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

Prior Audit Finding: We previously reported this finding as 2016-156 and in 5 prior audits.

Recommendation: The Department of Labor should further strengthen internal controls to ensure that it uses sound cash management for advances made to sub-grantees for the Workforce Innovation and Improvement Act.

Views of Responsible Officials:

“We agree with this finding. The WIOA Administration Unit has revised the Cash on Hand policy and has disseminated to all WDB and appropriate staff. We will also continue the following steps related to this issue:

1. All requests for drawdowns from the Workforce Development Boards will be reviewed to ensure minimal cash on hand levels;
2. Through fiscal monitoring, bank accounts will be reviewed and inquiries of WDB will be made related to interest bearing accounts to ensure that they are complying with Uniform Guidance.”

2017-155 Subrecipient Monitoring

Workforce Innovation and Opportunity Act (WIOA)

WIOA Adult Program (CFDA 17.258)

WIOA Youth Activities (CFDA 17.259)

WIOA Dislocated Workers (CFDA 17.278)

Federal Award Agency: United States Department of Labor

Award Years: Federal Fiscal Year 2014-2015, 2015-2016, and 2016-2017

Federal Award Numbers: AA-25344-14-55-A-9, AA-26770-15-55-A-9, and AA-28307-16-55-A-9

Criteria: Title 2 Code of Federal Regulations (CFR) 200.331 provides that the pass-through entity shall perform the following for 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 the 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 the 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 that subaward performance goals are achieved. Monitoring includes reviewing financial and performance reports required by the pass-through entity, following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award, and issuing a management decision for audit findings required by 2 CFR 200.251.

Condition:

Our review of Department of Labor (DOL) monitoring procedures disclosed the following:

- Federal award information was not clearly identified in 1 subrecipient contract. The contract did not include the CFDA numbers, federal award identification numbers and names of federal awarding agencies.
- Subrecipients were not properly advised of the requirements imposed on them by Uniform Guidance. Documentation on hand in the department's monitoring files still contained a number of references to outdated OMB Circulars, including subrecipient review guidance, monitoring reports, and a finding.
- The department's subrecipient monitoring activities are not clearly defined nor well documented. DOL only documented the subrecipients' sub-grantee monitoring schedules and some monitoring reports and there is no evidence as to what the process entailed.
- DOL did not perform desk reviews of independent audit reports to ensure that subrecipients take appropriate and timely action on all deficiencies identified. Management decisions were not issued for audit findings pertaining to federal awards.
- DOL did not have sufficient resources to perform an investigation of 1 of its subrecipients upon receipt of a whistleblower complaint. As a result, the subrecipient had to obtain the services of external auditors to perform the investigation. The conclusion of the investigation and the issuance of a management determination were delayed as a result.



Context: During the fiscal year ended June 30, 2017, DOL claimed \$27,118,111 in expenditures incurred by 5 Workforce Development Boards for WIOA related activities. We reviewed all 5 subrecipient monitoring files and 7 contracts.

Additionally, DOL informed us that it does not have the capabilities to perform certain investigations related to its subrecipients.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: Federal awards may be provided to subrecipients for purposes unauthorized by the terms and conditions of the subaward and federal statutes and regulations. Without using the correct guidance, DOL may not have conducted proper monitoring of its subrecipients.

Investigations that are performed by external auditors may not be conducted completely and in a timely manner.

Cause: DOL did not perform desk reviews due to decreased staffing levels. Also, DOL does not have adequate policies and procedures in place to properly monitor the activities of its subrecipients. In addition, the department does not have adequate resources to perform certain investigations.

Prior Audit Finding: We previously reported this finding in part as 2016-157.

Recommendation: The Department of Labor should strengthen its internal controls in order to effectively monitor its subrecipients.

Views of Responsible Officials:

“CTDOL agrees with the determination. As a result, we have adopted the new policy and procedure for ensuring that sub-recipient desk reviews are conducted on a consistent basis in accordance with federal requirements described in the code of federal regulations 2 CFR 200.521. This procedure went into effect on November 21, 2017. This finding was corrected by USDOL on 12/21/17 and is no longer a finding.”

2017-156 Earmarking – Youth Activities

Workforce Innovation and Opportunity Act (WIOA)

WIOA Youth Activities (CFDA 17.259)

Federal Award Agency: Department of Labor

Award Years: Federal Fiscal Year 2015-2016, and 2016-2017

Federal Award Number: AA-26770-15-55-A-9, and AA-28307-16-55-A-9



Criteria: Title 29 United State Code Section 3164(c)(4) and Workforce Innovation and Opportunity Act (WIOA) Title 1 Section 129(c)(4) provide that not less than 20% of the non-administrative Youth Activity funds allocated to the local area can be used to provide paid and unpaid work experiences.

Condition: The Department of Labor (DOL) provides the majority of its WIOA funds to 5 Workforce Development Boards (WDB). Our review disclosed the following instances in which the WDBs did not meet the earmarking requirements related to youth work experiences:

Federal Award	WDB	Earmarking Requirement	Amount Expended	Exception Amount
AA-26770-15-55-A-9	The Workplace	\$311,641	\$ 0	\$311,641
	Northwest Regional Workforce Investment Board	226,134	0	226,134
AA-28307-16-55-A-9	The Workplace	134,301	0	134,301
	Capital Workforce Partners, Inc.	449,245	308,406	140,839
	Eastern CT Workforce Investment Board	223,888	195,924	27,964

Context: We reviewed quarterly financial reports submitted for the fiscal year ended June 30, 2017 and noted that the WDBs expended Youth Activity funds for the 2 federal awards, totaling \$8,671,214 and \$6,464,718 respectively.

The sample was not statistically valid.

Questioned Costs: \$840,879

Effect: The WDBs may have improperly used Youth Activity funds.

Cause: The department does not have proper procedures in place to ensure that the WDB expend at least 20% of the non-administrative Youth Activity funds to provide youth work experiences.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Labor should implement procedures to ensure that sub-grantees of Workforce Innovation and Opportunity Act funds appropriately meet federal Youth Activities earmarking requirements.

Views of Responsible Officials:
 “CTDOL agrees with this finding. After consultation with USDOL Region I, TEGL 23-14 was cited as indicating the following for tracking these



expenditures: “Because states have 3 years to expend funds and local areas have at least 2 years to expend funds, it may not be until the end of PY 2016, or in some cases PY 2017, before ETA can determine whether a state or local area has met the OSY expenditure requirement for PY15.” Therefore, CTDOL has been advised that the 20% Work Experience Expenditure rate requirement is over the grant period and not the program year period.

Having gained clarification regarding the appropriate period to be considered, the CTDOL WIOA Administration unit reached out to the WDB regarding the status and trends for their Work Experience expenditure going forward. Based on the responses, it appears that all WDB are trending toward meeting the required expenditure rate. Responses also indicated that expenditures allowable towards the Work Experience rate may not have been considered or included in quarterly financial reports.

The CTDOL WIOA Administration unit will continue to work with WDB on the Work Experience Expenditures and provide technical assistance through monthly meetings with WDB in order to ensure the WDB understand and are reporting all allowable expenses towards the Work Experience rate. The CTDOL WIOA Administration unit will also be reviewing 9130s with CTDOL Business Management in order to better track expenditure rates throughout the program year as well as the grant period in order to better address any concerns related to the targeted 20% rate of expenditures. The above actions took effect June 30, 2017.”



DEPARTMENT OF PUBLIC HEALTH**2017-200 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**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, 2016 to March 31, 2017 and April 1, 2017 to March 31, 2018
Federal Award Numbers: X07HA00022-26-03 and X07HA00022-27-00**

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

42 United States Code (USC) 300ff-22a and 42 USC 300ff-28(b)(3) indicate that grant funds may be used for core medical services, support services and administrative expenses.

HIV/AIDS Bureau Policy Clarification Notice #15-04, Utilization and Reporting of Pharmaceutical Rebates indicates that rebates collected on AIDS Drug Assistance Program (ADAP) medication purchases must be used for the statutorily permitted purposes under the Ryan White HIV/AIDS Part B Program. Use of these resources is limited to core medical services including ADAP, support services, clinical quality management, and administrative expenses (including planning and evaluation) as part of a comprehensive system of care for low-income individuals living with HIV.

The memorandum of agreement (MOA) between the Department of Public Health (DPH) and the Department of Social Services (DSS) outlines the responsibilities of the respective agencies for the Ryan White HIV/AIDS Part B Program. The MOA indicates that DSS will provide DPH access to and training on the DSS Data Warehouse System to obtain Connecticut AIDS Drug Assistance Program (CADAP) claims information for determining the Connecticut Insurance Premium Assistance (CIPA) cost effectiveness, monitoring and reporting of CIPA activity.

Condition: Our review of 40 transactions charged to the federal program, totaling \$3,037,802, noted the following:

- DSS provides a monthly transfer invoice request, which summarizes expenditures and provides cost projections. After receiving the request, DPH makes the transfer to DSS. DPH did not request, nor conduct a review of, supporting documentation for the transfer invoice requests DSS submitted for CADAP services.
- The subrecipient's authoritative representative signed blank invoices for subrecipient payments in advance and retained them in DPH files until



the representative made a payment. Once the amount was determined, DPH entered the required information onto the invoice to initiate payment to the applicable subrecipient.

Context: DPH provided DSS with \$20,800,000 in federal and rebate funds during the state fiscal year ended, June 30, 2017. The audit universe for testing federal expenditures totaled \$13,810,155.

Questioned Costs: \$0

Effect: DPH may have expended funds for unallowable costs.

Pre-signed blank invoices by the subrecipients' authoritative signers is a false attestation to the accuracy of the costs ultimately presented for reimbursement.

Cause: DPH did not have an established process in place to review transfer invoice requests for adequate supporting documentation.

It appears DPH used the pre-signed blank invoices for expediency.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Public Health should comply with Title 45 Code of Federal Regulations (CFR) Part 75, Subpart E, United States Code (USC) 300ff-22a, 42 USC 300ff-28(b) (3) and Policy Clarification Notice 15-04 by obtaining and reviewing supporting documentation from the Department of Social Services to determine that costs are allowable for the Ryan White HIV/AIDS Part B program. In addition, the department should discontinue its practice of having blank program cost invoices signed by the subrecipients' authorized representatives.

Views of Responsible Officials:

“The Department of Public Health (DPH) agrees with this finding in part. DPH has implemented a policy and procedure that requires Ryan White Part B sub-recipients to provide supporting information to be used in verifying and validating payment requests.

DPH currently requires the Department of Social Services (DSS) to provide the following monthly expenditure information as supporting documentation for payments; Paid Case load, Net Expenditures prior to rebates, gross expenditures, actual expenditures, actual expenditures for administration including CADAP staff salaries, fringe and indirect cost, Medicare Part D premium payments, retroactive eligibility/other transactions, third party liability reimbursements, drug rebate amounts identified separately and rate



of increase/decrease of expenditures, cases and cost per case of the month reported compared to the previous month reported. DPH utilizes this information to determine the adequacy of payment requests made by DSS. This policy will be revised to include additional requirements such as information to verify and validate that expenditure activities are allowable ADAP expenses and consistent with HIV/AIDS HAB policy.

DPH will also implement a policy and procedure to address the invoicing methodology used for the Ryan White Part B sub-recipients, which will no longer use pre-signed hard copy invoices to support the administrative payment process.”

2017-201 Cash Management – Accounting and Use of Federal and Rebate Expenditures

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, 2016 to March 31, 2017 and April 1, 2017 to March 31, 2018
Federal Award Numbers: X07HA00022-26-03 and X07HA00022-27-00

Criteria: Title 45 Code of Federal Regulations (CFR) 75.305(a)(2) provides that to the extent available, before requesting additional cash drawdowns, states must disburse funds from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds.

Title 31 CFR 205.33 provides guidance for programs not covered in the treasury/state agreement, and specifies that funds transferred to a state must be limited to the minimum amounts needed by the state.

Condition: DPH did not expend all available rebates prior to drawing down \$3,319,583 in federal funds on January 12, 2017.

Context: We noted that a federal draw occurred without first utilizing the existing rebate monies available. There was approximately \$20 million of rebate funds available at the time of the draw.

Questioned Costs: Our review identified \$3,319,583, which DPH drew down in advance of cash needs.

Effect: DPH drew down federal funding sooner than permitted.

Cause: DPH indicated that it made the federal draw prior to understanding of the requirement that it spend existing rebate monies first.



Prior Audit Finding: We previously reported this finding, in part, as finding 2016-202.

Recommendation: The Department of Public Health should ensure that it uses available rebates prior to drawing and charging federal funds in accordance with federal regulations.

Views of Responsible Officials:

“The Department of Public Health (DPH) agrees in part with this finding. The above referenced cash draw down of \$3,319,583 was to close out the FY15 grant activities that ended March 31, 2016. Effective April 1, 2016, the DPH implemented a revised policy and procedure that requires rebate monies to be fully expended prior to requesting federal monies to support any Ryan White Part B expenditure activities.”

Auditors’ Concluding Comments:

While we recognize the change in policy, the federal draw occurred in January 2017. Rebates were available at that time and DPH should have used them in accordance with federal regulations.

2017-202 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, 2016 to March 31, 2017 and April 1, 2017 to March 31, 2018
Federal Award Numbers: X07HA00022-26-03 and X07HA00022-27-00

Background: Annually, the Department of Public Health (DPH) performs a comprehensive site visit of each subrecipient. They also perform an additional limited quality assurance review of the Department of Social Services (DSS) Connecticut AIDS Drug Assistance Program (CADAP) eligibility function performed in accordance with a memorandum of agreement with DPH.

Criteria: Title 42 United States Code 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. Per the ADAP manual, the Human Resources and Services Administration (HRSA), an agency of the United States Department of Health and Human Services, has interpreted this legislation to mean that an individual must be determined eligible for ADAP prior to receiving services. Thus, a client cannot receive services prior to DSS deeming them as meeting the eligibility criteria (i.e. “presumptive eligibility”).

The ADAP manual also has a prohibition on grace periods. It states that since HRSA requires a redetermination of eligibility every 6 months and does not allow ADAP to provide services before DSS deems a client eligible for services.



It is also unallowable for a client to receive ADAP services after the expiration of their 6-month eligibility period. There is no allowable grace period. HIV/AIDS Bureau Policy Clarification Notice #13-02 requires documentation supporting HIV status, income, and residency for the initial eligibility determination. The clarification also requires the recertification of clients at least every 6 months to maintain eligibility for services.

The memorandum of agreement between DPH and DSS states that DPH must receive a complete renewal application by the client's renewal date or they will have their CADAP coverage closed on that date. There are no grace periods permitted. Furthermore, DSS must ensure that clients meet the eligibility criteria for services prior to CADAP providing any services. There is no presumptive eligibility.

Condition: DPH reported a finding related to eligibility in 4 out of 8 comprehensive site visit reports we reviewed. A summary of the findings noted by DPH within each of the 4 reports, follows:

1. Out of 25 client charts reviewed, 3 did not have eligibility updated every 6 months, and were not signed and dated by both the subrecipient and client.
2. Out of 25 client charts reviewed, 6 did not have client eligibility redetermined every 6 months.
3. Client eligibility determinations were not evident in some client charts, and for others they were not legible.
4. The proof of eligibility had expired in charts.

In the quality assurance review of the DSS CADAP eligibility function, DPH found that DSS was granting both grace periods and presumptive eligibility. Out of 9 client records reviewed by DPH, 4 clients were granted grace periods and 3 clients were granted presumptive eligibility retroactive to the beginning of the application month, even though they did not apply until later in the month.

Context: During the fiscal year ended June 30, 2017, DPH contracted with 20 subrecipients for AIDS Health Care and support services. We selected 8 of these subrecipients for review.

Questioned Costs: \$0

Effect: DPH may have covered services for ineligible clients.

Cause: Despite the HRSA policy and the insistence of DPH, the corrective action plan from DSS to DPH noted that there was disagreement over the exclusion of a grace period for purposes of eligibility.

Prior Audit Finding: We previously reported this finding in a modified form as finding 2015-205.



Recommendation: The Department of Public Health should continue to monitor that subrecipients are properly determining eligibility of clients in accordance with Title 42 United States Code 300ff-26 and the HIV/AIDS Bureau policy. DPH should take corrective action when necessary.

Views of Responsible Officials:

“The Department of Public Health (DPH) agrees with this finding. Currently, DPH is attempting to transition the Connecticut AIDS Drug Assistance Program (CADAP) Program to an outside vendor. Transitioning the program to DPH will ensure compliance with the eligibility requirements as mandated. Until the transition occurs, the Health Care Support Services (HCSS) program staff and the accounts examiner will continue to monitor CADAP enrollment eligibility data, including on site fiscal and program monitoring to ensure elimination of the grace period and presumptive eligibility. If discrepancies are noted, the Department of Social Services (DSS) will be notified and a resolution will be imposed. In addition, the HCSS program staff will continue to request Human Resources and Services Administration (HRSA) to facilitate discussion between DPH and DSS around AIDS Drug Assistance Program (ADAP) eligibility requirements and actions to be taken when issues are not resolved in a timely manner.”

2017-203 Level of Effort

HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B) (CFDA 93.917)
Federal Award Agency: United States Department of Health and Human Services
Award Years: April 1, 2016 to March 31, 2017 and April 1, 2017 to March 31, 2018
Federal Award Numbers: X07HA00022-26-03 and X07HA00022-27-00

Background: The Department of Public Health (DPH) compiles information annually from state agencies that expend state funds for the HIV Program for the Level of Effort - Maintenance of Effort calculation. DPH certifies these amounts for submission with their program grant application.

Criteria: The U.S. Department of Health and Human Services Ryan White HIV/AIDS Program (RWHAP) Part B Manual states that RWHAP Part B funds are not intended to be the sole source of support for HIV care and treatment services for states. Title 42 United States Code 300ff-27(b)(7)(E) requires grantees to maintain state expenditures for HIV-related activities at a level equal to the 1-year period preceding the fiscal year (FY) for which the grantee is applying to receive a RWHAP Part B grant. The maintenance of effort (MOE) requirement is important in ensuring that RWHAP funds are used to supplement, not supplant, existing state expenditures for HIV-related care and treatment services, and to prevent RWHAP Part B funds from being used to offset specific HIV-related budget reductions at the state level. States must



submit a signed statement providing assurance that it has sustained the maintenance of effort, a description of a consistent data set of local government expenditures for two previous years that are counted towards the MOE, and methodologies for calculating MOE expenditures.

Condition: We reviewed the Level of Effort (LOE) - Maintenance of Effort (MOE) requirement and found that the state expenditure amounts for HIV-related activities prepared by DPH, did not agree to the amounts actually reported to DPH by DSS and DOC. These expenditures were reported based on amounts provided by the Department of Social Services (DSS) and the Department of Correction (DOC) and DPH submitted them on the MOE report as part of the April 1, 2016 through March 31, 2017 grant application. There was an overstatement of \$26,924,050 for these 2 line items.

DPH was also unable to provide documentation for 3 different amounts reported on line items in the MOE report, totaling \$14,339,220. Our calculation of these 3 line items totaled \$21,581,271, a difference of \$7,242,051.

Context: The amount DPH certified on the MOE report was comprised of 8 line items totaling \$107,483,493, while the total auditor-derived MOE amount is \$87,801,494, resulting in an overstatement on the DPH MOE report of \$19,681,999. The prior year amount was \$107,483,385, resulting in a \$19,681,891 deficit from the prior year level.

Questioned Costs: \$0

Effect: DPH did not comply with the LOE-MOE requirement and possibly obtained a federal award based on inflated expenditure amounts included on the grant application. Those amounts differed from the amounts other state agencies reported to DPH. However, DPH included them as part of the grant application.

Cause: We were unable to obtain a viable reason for the discrepancy between amounts reported by other state agencies and the amounts DPH reported. The failure to obtain supporting documentation with agency submissions of HIV expenditure amounts may account for the second part of the condition.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Public Health should adhere to the Ryan White HIV/AIDS Program Maintenance of Effort compliance requirement. In addition, the department should require and maintain adequate supporting documentation for all reported amounts.



Views of Responsible Officials:

“The Department of Public Health (DPH) agrees with this finding. DPH recognizes that amounts reported for the FY14 Maintenance of Effort (MOE) included miscalculations. These miscalculations were inadvertent. A revised report will be prepared to reflect the corrected amounts and filed accordingly. Additionally, the existing policy and procedure for calculating and preparing the MOE will be reviewed for adequacy, and revised as applicable to ensure that the proper amounts are reported consistent with MOE requirements.”

Auditors’ Concluding Comments:

While we recognize the actions of the department, it does not appear that the condition existed due to miscalculations. DPH simply did not use the amounts other agencies reported to it via email. DPH presented us different amounts on the exact same forms with the same dates and signatures as the supporting documentation for the level of effort calculation. DPH did not provide a clear answer explaining the discrepancies

2017-204 Subrecipient Monitoring – Comprehensive Monitoring Site Visits

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, 2016 to March 31, 2017 and April 1, 2017 to March 31, 2018
Federal Award Numbers: X07HA00022-26-03 and X07HA00022-27-00

Criteria:

Title 2 Code of Federal Regulations (CFR) 200.331 provides that for the federal awards made, a pass-through entity shall evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The Ryan White HIV/AIDS Program Part B Manual requires an annual comprehensive monitoring site visit by the grantees to subrecipients that must test compliance with Fiscal, Programmatic and Universal Standards. DPH uses their grant period, April 1 through March 31, as their timeframe to perform the annual site visits.

Condition:

Our review of DPH monitoring procedures disclosed the following:

- For all 8 of the selected subrecipients, DPH did not conduct fiscal reviews prior to the end of the grant period. As of December 5, 2017, DPH has not provided us documentation that these reviews were completed.
- In 1 out of the 8 reviewed, DPH did not follow up on the deficiencies identified in the eligibility determination process.



Context: During the fiscal year ended June 30, 2017, DPH contracted with 20 subrecipients for AIDS health care and support services. We selected 8 of these subrecipients for review to determine compliance with the subrecipient monitoring requirement.

Questioned Costs: \$0

Effect: There is reduced assurance that DPH used federal funds in compliance with the regulations and provisions of the HIV program.

Cause: The individual scheduled to conduct the fiscal reviews left the department just prior to the site visits, leaving little time for a replacement prior to the end of the grant period.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Public Health, as a pass-through entity, should implement procedures to comply with its responsibility to monitor subrecipients of the Ryan White Part B HIV/AIDS program in accordance with the federal guidance and regulations.

Views of Responsible Officials:

“The Department of Public Health (DPH) agrees with this finding in part. Previously, the program staff conducted combined programmatic and limited fiscal reviews of sub-recipients. During the 2017 contract year it was decided, at the request of HRSA, to separate the programmatic and financial reviews and broaden the scope of the financial review, with responsibility for that review residing with the Contracts and Grants Management Section (CGMS).

Financial Reviews:

Because CGMS did not have qualified staff to conduct such financial reviews at the time, an independent audit firm was hired to conduct reviews for the 2017 fiscal year, which ended on March 31, 2017. The contractual agreement for the engagement was executed at the end of April 2017 and the department elected to conduct reviews for the recently completed contract year, which covers the period from April 1, 2016 to March 31, 2017.

While the on-site work is complete, delayed response to additional supporting documentation requested from the sub-recipients delayed completion of final reporting packages, which the audit firm is currently completing. At the beginning of February, CGMS provided those reports which were available to the Auditors of Public Accounts. Reported deficiencies are being reviewed as the reports are received/reviewed and Ryan White program staff, in conjunction with CGMS, will follow-up on



reported deficiencies through monitoring of submitted reports and data as well as at future site-visits.

DPH was successful in hiring an associate accounts examiner on May 12, 2017 to conduct reviews going forward. That employee has been interacting with the current audit firm to gain knowledge of the review process and has begun conducting reviews for the 2018 fiscal year that covers the period April 1, 2017 to March 31, 2018.

Programmatic Reviews:

Prior to July of 2017, program staff followed-up on sub-recipient deficiencies identified during a comprehensive site visit by monitoring program reports, reviewing; CAREware service data, updated policies and procedures, and programmatic reports. To enhance monitoring of sub-recipients compliance with implementation of Corrective Action Plans, the Comprehensive Site Visit Policy and Procedure Manual was updated, and implemented in July of 2017, to establish protocols for a follow up visit by Department Contract Managers. The one sub-recipient out of eight who did not receive a follow-up visit was reviewed and approved by the Program Supervisor prior to the implementation of the new follow-up protocol.”



DEPARTMENT OF CHILDREN AND FAMILIES

2017-250 Allowable Costs/Cost Principles, Reporting and Special Tests and Provisions – 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 2015-2016 and 2016-2017

Federal Award Numbers: 1602CTFOST and 1702CTFOST

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. DCF maintains a case management and payment system called LINK. DCF makes payments through the system on behalf of placed children through the board and care checking account. Workers at 14 area offices are responsible for establishing the children's placement (foster or adoptive homes, institutions, child placing agency- approved homes) in the system. DCF automatically sends out maintenance payments each month based on the children's placement information. All payments are associated with service codes, which DCF designates as IV-E reimbursable or non-reimbursable. Service codes are grouped into program categories in order to seek federal reimbursement for certain costs. DCF only claims those designated as foster care for federal reimbursement under that program.

DCF established certain service codes to support the Therapeutic Foster Care Program and to allow it to enter child-specific rates into LINK. Therapeutic foster care provides additional social, emotional, or psychological support to the foster family. The rates paid are all-inclusive. They contain the maintenance payment for the foster family, administrative costs, and support or other necessary services documented in the child's care plan.

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. Title 42 USC Section 672(b) requires that foster care maintenance payments shall be limited to 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)(i) and (2) states that Federal Financial Participation (FFP) is available at the rate of the Federal Medical Assistance Percentage (FMAP) for allowable costs for foster care maintenance payments. Title 45 CFR Section 1356.60(c) states that FFP 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. The quarterly maintenance payments, along with the administrative and training costs allocated to the program in accordance with the approved cost allocation plan, are reported on separate lines of the CB-496 in accordance with the report’s instructions. Maintenance payments are federally reimbursed at the applicable state’s FMAP as published annually in the Federal Register by the Department of Health and Human Services. Connecticut’s FMAP was 50 percent during the state fiscal year ended June 30, 2016. Administrative costs are federally reimbursed at the FFP rate of 50 percent.

Condition: As a follow-up to our prior audit finding, which we first reported in our 2014-2015 SWSA, we performed an analysis of the rates associated with maintenance payments claimed for federal reimbursement as costs in the fiscal year ended June 30, 2017. Our analysis identified \$12,650,414 claimed as maintenance payments, including identifiable administrative costs contained in the per diem rates, totaling \$6,618,952 (\$3,309,476 federal share). DCF incorrectly claimed these costs as maintenance payments on the CB-496 as illustrated in the table below.

Context: DCF claimed \$48,354,804 (\$23,977,403 federal share) as maintenance payments for the Title IV-E Foster Care Program in the fiscal year ended June 30, 2017. Our review of the maintenance payments identified 10 service codes related to therapeutic foster care, representing \$22,505,753 (\$11,252,876 federal share) claimed, which contain multiple cost components. We were unable to determine all of the administrative costs



that DCF incorrectly claimed as maintenance payments. However, in 4 of the 10 service codes, we identified certain per diem rates that contained a standard administrative cost component that we summarize in the table below:

Service Code description and per diem rate most commonly paid	Total claimed in SFY17 at these rates as maintenance payments on behalf of IV-E eligible children	Known administrative component of applicable rate of \$68.68/\$70.80 per day
Relative/Special Study/Therapeutic Foster Care Wrap \$134.33 \$134.65	\$12,536,136	\$6,504,674
CPA Provider Payment \$68.68 \$70.80	\$114,278	\$114,278
Incorrectly reported		\$6,618,952
Total	\$12,650,414	

Questioned Costs: \$0

Effect: DCF is not properly identifying and claiming certain costs of the Title IV E Foster Care Program. As demonstrated above, the maintenance costs DCF reported are overstated and the administrative costs are understated. Although the current FMAP and FFP percentages are the same for maintenance and administrative costs, any future changes in the percentages would result in federal claiming overstatements or understatements.

Cause: The department's payment and claiming systems were not designed to accurately identify the various components of certain per diem rates to properly identify certain reimbursable costs as either maintenance or administrative costs.

Prior Audit Finding: We previously reported this as part of finding 2016-250.

Recommendation: The Department of Children and Families should establish or strengthen internal controls to ensure that all costs are consistently treated and properly claimed for federal reimbursement as maintenance or administrative costs in accordance with federal requirements.



Views of Responsible Officials:

“The Department partially agrees with this finding. In SFY 2015, the Department established a committee to identify cost components within 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, along with administrative components. The result was a reduction in the quarterly IV-E claim for the quarter ending 9/2015 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 state-wide Child Welfare Information System, CT-KIND (CT-Kids Information Network Database) system currently under development. During the time CT-KIND is in development, the Department has increased the claim disallowance from 7.7% to 9.0% on reimbursable maintenance amounts, to reflect an estimate for other unallocated non-allowable and unallowable administrative amounts, starting with the claim for the quarter ending March 2016. All claims submitted since that change have been accepted by ACF.

Though some administrative costs are known, adjustment to the claiming process will not occur until the complete implementation of the new data management system CT-KIND. The system will be able to provide more detailed reporting.” See separate corrective action plan.



DEPARTMENT OF EDUCATION

2017-300 Activities Allowed/Allowable Costs

Title I, Part A (CFDA 84.010)

Federal Award Agency: United States Department of Education

Award Years: Federal Fiscal Year 2016

Federal Award Number: S010A160007

Criteria: Title 34 Code of Federal Regulations (CFR) 200.72 requires a state education agency (SEA) to determine the number of formula children and the number of children ages 5 to 17, inclusive, for each local education agency (LEA) not on the Census list. An SEA must then determine basic, concentration, targeted and education finance incentive grant eligibility for each LEA not on the Census list and redetermine eligibility for LEAs on the Census list based on the previously determined child counts.

Title 34 CFR 200.100(a) provides that, in reserving funds for school improvement, an SEA may not reduce the sum of the allocations an LEA receives under Title I, Part A below the sum of the allocations the LEA received under Title I, Part A for the preceding fiscal year.

Condition: The State Department of Education (SDE) calculation used to adjust the United States Department of Education's initial Title I, Part A allocations does not redetermine eligibility for all LEAs. The SDE calculation does not comply with all of the school improvement reservation requirements.

Context: We recalculated the SDE allocation of Title I, Part A funds for all 197 LEAs. Our review disclosed the following:

- SDE did not redetermine eligibility for the 167 LEAs on the Census list after SDE allocated students to LEAs not on the Census list. Our eligibility redetermination resulted in 3 LEAs becoming ineligible for their entire allocation and 9 LEAs becoming ineligible for a portion of their Title I, Part A funding.
- Improvement reservation requirements resulted in the sum of the allocations for 1 LEA to be reduced below the sum of the preceding year's allocations and allowed funds for 12 LEAs to be reserved for school improvement when the total current entitlement for the LEA was below the preceding year's total entitlement before reserving school improvement funds.

Questioned Costs: For amounts paid to ineligible LEAs, known questioned costs are \$51,374. However, questioned costs could be as high as \$408,972 as it cannot be determined when an LEA first became ineligible.



The findings related to the reservation of school improvement funds resulted in the underfunding of 13 LEAs by \$9,971.

Effect: LEAs determined ineligible for Title I, Part A received funding, while some eligible LEAs were underfunded.

Cause: When the calculation was initially developed, SDE was not required to redetermine eligibility. SDE did not adjust the calculation once sufficient data became available to allow for the required redetermination of eligibility.

When the federal government allocated ARRA funds to states, the federal government instructed SDE to use each sub-allocation when calculating the school improvement reservation. SDE did not readjust this part of the calculation after ARRA funding ended.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The State Department of Education should make adjustments to the calculation used to allocate Title I, Part A funds to ensure compliance with federal laws, regulations and guidance.

Views of Responsible Officials:

“We disagree with the APA’s finding that the Title I calculation is not in compliance with the Title I federal law. SDE maintains that we are calculating the Title I grant appropriately and that all districts currently receiving or have received Title I funds in the past are eligible for those funds.

The federal government determines the eligibility of the districts, and SDE is responsible for adjusting the allocations for districts that the federal government could not determine. The current calculation that SDE performs has not changed since fiscal year 2003 when the federal government started calculating the Title I district entitlements and SDE was responsible for reallocating those entitlements not included in the federal amounts, such as Regional Educational Service Centers, Charter schools and the CTHSS.

In September of 2007, there was an on-site audit by the Federal Title I office that reviewed the calculation in detail. Connecticut was found to be in compliance with the procedures for adjusting ED-determined allocations outlined in sections 200.70 through 200.75 of the regulations. The basis of that review used the same 2003 guidance that APA used for this audit that resulted in this finding. Further, the SDE calculation has been reviewed several times by other teams from the APA and with no findings of the calculation being non-compliant.



We further disagree with any questioned costs as a result of the School Improvement Reservation hold harmless, as that part of the calculation was correctly adjusted in 2010, with input from the federal grant office, to break out the pieces of the grant (basic, EFIG, targeted, and concentration) so as to properly reflect the ARRA funding only in the basic portion of the calculation, to ensure all of the ARRA funds were distributed.”

Auditors’ Concluding Comments:

All of the United States Department of Education (ED) published statutes, regulations, and guidance require a state educational agency (SEA) to redetermine eligibility for all local education agencies (LEA) when adjustments to ED’s initial Title I, Part A allocation is necessary. When the State Department of Education (SDE) could not provide us with a written waiver of this requirement, SDE directed us to their Title I, Part A contact at ED’s Office of Elementary and Secondary Education. That person informed us that if a state uses data that tracks the formula of students from the LEA to the special LEA as part of the allocation process, then the state is required to redetermine eligibility. The data used by SDE tracks formula students, which requires SDE to redetermine eligibility. The manner in which SDE allocates funds does not comply with all of the school improvement reservation requirements.

2017-301 Allowable Costs/Cost Principles

Title I, Part A (CFDA 84.010)

Federal Award Agency: United States Department of Education

Award Years: Federal Fiscal Years 2015 and 2016

Federal Award Number: S010A150007 and S010A160007

Background:

The State Department of Education (SDE) acts as the state educational agency (SEA) and distributes Title I, Part A funding to local educational agencies (LEAs). To receive Title I, Part A funds, LEAs must have an approved plan on file with the SEA. LEAs allocate Title I, Part A funds to eligible school attendance areas based on the number of children from low-income families residing within the district. SDE also acts as an LEA administering the Title I, Part A program through the Connecticut Technical High School System (CTHSS).

During the audited period, Title I, Part A expenditures at CTHSS totaled \$2,333,572. A review performed by SDE and the State Department of Administrative Services found that CTHSS had not complied with state contracting policies and procedures when making payments to a specific vendor. Federal fiscal year 2015 Title I, Part A grant funds paid to this vendor totaled approximately \$89,000. As a result, we conducted a review of Title I, Part A grant funds allotted to CTHSS for the 2015 and 2016 federal fiscal years.



Criteria: Title 2 Code of Federal Regulations (CFR) 200.403 provides that for a cost to be allowable under federal awards it must be consistent with the policies and procedures of the non-federal entity and be adequately documented.

Title 34 CFR 200.78 provides that an LEA must allocate Title I, Part A funds to each participating school attendance area or school, in rank order, on the basis of the total number of children from low-income families residing in the area or attending the school.

Title 34 CFR 76.700 provides that a subgrantee shall use federal funds in accordance with the state plan and applicable statutes, regulations, and approved applications.

Section 1127 of the Elementary and Secondary Education Act provides that an LEA that receives \$50,000 or more in Title I, Part A funds may not carry over, beyond the initial 15 months of availability, more than 15% of its Title I, Part A funds. An SEA may grant a waiver of the percentage limitation for an LEA once every 3 years if the LEA's request is reasonable and necessary.

Condition: CTHSS used Title I, Part A funds for purchases under a contract in violation of state contracting policies and procedures. CTHSS did not adequately document funds used for purchases. Payments totaling \$89,009 made to 1 vendor were in violation of state contracting policies and procedures and, therefore, are not allowable under the federal award. Payments totaling \$276,008 made to 2 vendors were not adequately supported. Vendor invoices and agency records were insufficient to determine if the vendors provided services to schools eligible for Title I funding.

CTHSS did not spend Title I, Part A funding in accordance with the allocation methods used in their approved application for the 2015 federal fiscal years. CTHSS spent more funds at two schools than allotted. We also noted that funds were spent at a school that was not allotted Title I, Part A funding. CTHSS allotted 2015 Title I, Part A funds to eligible schools in rank order on their application according to program requirements. A review of expenditures by school of the 2015 grant award disclosed 2 schools spent a combined \$176,967 over the amounts allotted in the application during the first 15 months of the grant period. Our review also found salaries and benefits totaling \$300,785 were paid from July 1, 2015 to August 31, 2017 to 1 teacher who worked in a school that was not allotted Title I, Part A funds.

CTHSS did not spend the required 85% of Title I, Part A funding during the initial 15 months of availability and did not spend their entire allotment by the end of the 27-month availability period. A waiver was not granted and these funds had not been spent at the time of our review. CTHSS did not spend \$322,386 of the required 85% of Title I, Part A funding during the



initial 15 months of availability for the 2015 grant period. CTHSS requested a waiver, but never received approval. CTHSS expended these funds as if a waiver was received instead of returning them to the SEA for reallocation. Funds remaining after the 27-month availability period totaled \$55,459 and were still on hand at the time of our review.

Context: We reviewed Title I, Part A expenditures at CTHSS by school, vendor and expenditure type for the 2015 and 2016 federal fiscal years. Title I, Part A allotments to CTHSS totaled \$2,557,090 and \$2,802,824 respectively.

<i>Questioned Costs:</i>	Federal Award #	Questioned Costs
	S010A150007	\$1,097,315
	S010A160007	123,299
	Total	\$1,220,614

Effect: Noncompliance with Title I, Part A laws and regulations undermines the objectives of the program, leaving children who reside in areas with high concentrations of low-income families at an increased risk of not meeting challenging academic standards.

Cause: CTHSS management did not understand or neglected to follow Title I, Part A laws and regulations in their administration of the program.

Regarding the expenditure of funds carried over without a waiver, SDE informed us that they received the CTHSS request for a waiver, but the waiver was misplaced and there was a clerical error which made it appear that CTHSS was in compliance with the requirement. CTHSS continued to spend grant funds as if SDE approved the waiver.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The State Department of Education’s Connecticut Technical High School System should implement policies and procedures to ensure that it uses Title I, Part A funding in accordance with the laws and regulations of the program.

Views of Responsible Officials:

“We agree with this finding. The district will be meeting with appropriate agency and district central office staff to review and implement appropriate policies and procedures to ensure compliance with laws and regulations of the Title I program.

Members of the central office fiscal staff attended purchasing training in November 2017 led by the Department of Administrative Services (DAS). An internal review of the appropriate purchasing and payment policies and procedures has already taken place.



District staff having a role in administering federal grants will be meeting with representatives from the State Department of Education to review all requirements.”

2017-302 Subrecipient Monitoring

Title I, Part A (CFDA 84.010)

Federal Award Agency: United States Department of Education

Award Years: Federal Fiscal Years 2015 and 2016

Federal Award Number: S010A150007 and S010A160007

Background:

As the pass-through entity for Title I, Part A funds, the State Department of Education (SDE) is required to monitor subrecipients of the program. SDE initially reviews each local educational agency (LEA) application for compliance with Title I, Part A requirements. SDE then relies on the Single Audit of the LEA performed by an independent accountant to ensure it used program funds in accordance with the approved application and fiscal requirements of Title I, Part A program.

For all grants in the SDE prepayment grant system, the SDE fiscal office implemented procedures to trace amounts on each subrecipient’s financial reports to amounts on their audited Schedule of Expenditures of Federal Awards. SDE maintains financial reports for Title I, Part A funding in the prepayment grants system.

The SDE Office of Internal Audit (OIA) reviews each subrecipient’s Single Audit for findings related to grants administered by SDE. If the audit includes findings, SDE notifies the program manager and sends a management decision letter to the subrecipient. The subrecipient then submits a corrective action plan to OIA, which the program manager reviews and approves.

Criteria:

Section 1120A(c)(3) of the Elementary and Secondary Education Act requires LEAs to maintain records supporting compliance with comparability requirements at least biennially. An “LEA may receive funds under this part only if state and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part.”

Title 34 Code of Federal Regulations (CFR) 299.2 explains that Title 2 CFR part 200 (Uniform Guidance) is applicable to Title I.



Title 2 CFR 200.331(b) requires the pass-through entity to determine the appropriate methods for monitoring subrecipients based on an evaluation of each subrecipient's risk of noncompliance with program requirements.

Title 2 CFR 200.331(d) requires the pass-through entity to monitor the activities of the subrecipient to ensure that it uses the subaward for the authorized purposes, in compliance with all federal laws and the terms and conditions of the award.

Condition:

SDE did not implement adequate subrecipient monitoring policies and procedures at the program level for Title I, Part A to evaluate the risk of subrecipient noncompliance and reasonably ensure that subrecipients used program funds in accordance with the approved application and fiscal requirements of the program.

While SDE has implemented procedures that gather information that could be used to assess subrecipient risk, no procedures have been implemented to evaluate the risk of subrecipient noncompliance relative to Title I, Part A funding.

SDE relies on the single audits of subrecipients performed by independent accountants to ensure that they use program funds in accordance with the approved application and fiscal requirements of the Title I, Part A program. However, SDE has not developed procedures to track when Title I, Part A has been reviewed as a major program at each subrecipient as part of their independent Single Audit or when it would be appropriate for SDE to perform fiscal monitoring of the subrecipient if the program was not reviewed as a major federal program.

SDE does not review LEA records supporting compliance with comparability requirements.

Context:

As the due date for single audit reporting is 9 months after the end of the fiscal year, we reviewed LEA Single Audits submitted to the state covering the 2015-2016 school year.

Our review of 20 LEAs receiving Title I, Part A funding during the 2015-2016 school year found 2 LEAs that did not meet the Single Audit expenditure threshold and 14 LEAs did not have Title I, Part A audited as a major federal program.

SDE is responsible for ensuring that LEAs remain in compliance with the comparability requirement. Guidance provided by the U.S. Department of Education provides that an SEA should review LEA comparability calculations at least once every two years. SDE informed us that it has not reviewed the comparability requirement since state fiscal year 2014.

Our sample was not statistically valid.



Questioned Costs: \$0

Effect: If Title I, Part A is not reviewed as a major program during the subrecipient's federal single audit and there is no compensating fiscal monitoring performed by SDE, then the risk of noncompliance with the approved application and fiscal requirements of the program are significantly increased.

Cause: SDE relied solely on the federal single audits of subrecipients to ensure that they used program funds in accordance with the approved application and fiscal requirements of the program. However, federal single audit laws and regulations allow some subjectivity when determining which programs to consider as major for each auditee.

SDE did not comply with comparability requirements due to a lack of staff.

Prior Audit Finding: We have not previously reported this audit finding.

Recommendation: The State Department of Education should implement subrecipient monitoring policies and procedures at the program level for Title I, Part A to evaluate the risk of subrecipient noncompliance and provide reasonable assurance that each subrecipient used program funds in accordance with the approved application and the requirements of the program.

Views of Responsible Officials:

“We agree with this finding. In Connecticut’s “Consolidated State Plan Under the Every Student Succeeds Act” that was approved by the U.S. Department of Education on August 4, 2017 a section on Title I, Part A monitoring is included. As described in the State Plan, the following Title I monitoring and evaluation activities will be conducted:

- annual Title I self-assessment for all districts;
- annual desk audits of a minimum of six districts across CT’s geographic regions and socio-economic levels;
- additional site visits, if warranted; and
- increasing frequency of monitoring, if warranted.

Districts will be selected for a desk review based on a risk-assessment protocol that will include information developed by the Department’s Office of Internal Audit (OIA). (Commencing with OIA’s review of the 2016-2017 Federal Single Audits, a report that will identify 1) districts that are not required to have a federal single audit performed, 2) the Major Federal Education programs that were selected as part of the Federal Single Audit, and 3) Federal Education programs that have a finding applicable to a Federal Education program). The desk review will consist of a Title I



program and fiscal component. The Office of Internal Audit will participate in the fiscal review component.

To ensure that the Title I, Part A comparability requirement is met, the written comparability assurance under Sec.1120A(c)(2) is included in the new electronic “Consolidated Application for Title I, Part A Funds” that all Title I districts complete. In addition, as part of the Title I, Part A monitoring process, districts selected for a desk review will be required to demonstrate comparability by completing a Title I, Part A Comparability Report.”

2017-303 Special Test – Verification of Free and Reduced Priced Applications (NSLP)

Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556 and 10.559)
Federal Awarding Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2015-2016 and 2016-2017
Federal Award Numbers: 20164CT300300 and 20174CT300300

Background:

The State Department of Education (SDE), via the Child Nutrition Unit, acts as the administering state agency and enters into agreements with subrecipient organizations for local level program operation and the delivery of program benefits and services to eligible children. At the local level, a school food authority (SFA) makes an agreement with the administering agency for the operation of the programs. An SFA is the governing body (such as a school board) legally responsible for the operation of the National School Lunch Program (NSLP) and/or School Breakfast Program (SBP) in one or more schools. The state also acts as a SFA, administering the Child Nutrition Programs at the following agencies:

- SDE, via the Connecticut Technical High School System (CTHSS)
- Department of Children and Families (DCF)
- Department of Corrections (DOC)
- Judicial Department

Expenditures made to the above-mentioned agencies for the NSLP and SBP programs totaled \$3,349,354 during the audited period. CTHSS determines eligibility for students enrolled at the technical high schools and received over \$2 million in NSLP and SBP claims during our audit period.

DCF, DOC, and the Judicial Department are considered residential childcare institutions without day students. The population of children served is such that all children are legal wards of the state and are, therefore, categorically eligible to receive free meals. As placement in one of these facilities makes the child eligible, a determination of eligibility is not applicable to these institutions.



We only conducted testing for the Eligibility of Individuals and Application Verification compliance requirements for CTHSS.

Criteria:

Title 7 Code of Federal Regulations Part 245 section 6a provides that the local education agency must complete specified verification efforts no later than November 15th of each school year.

Based on the verification activities, the local educational agency shall make appropriate modifications to the initial eligibility determinations. The local educational agency must notify the household of any change. Households with reduced benefits or that are no longer eligible for free or reduced price meals, must be notified of their right to reapply at any time with documentation of income or participation in one of the assistance programs providing categorical eligibility.

By February 1st, each local educational agency must report information related to its annual statutorily required verification activity to the state agency in accordance with guidelines provided by FNS. FNS will specify these required data elements.

If verification activities fail to confirm eligibility for free or reduced price benefits, or should the household fail to cooperate with verification efforts, the school or local educational agency shall reduce or terminate benefits. Each local educational agency shall provide 10 days' advance notification to households that are to receive a reduction or termination of benefits, prior to the actual reduction or termination. The first day of the 10-day advance notice period shall be the day the notice is sent. The notice shall advise the household of:

- (1) The change;
- (2) The reasons for the change;
- (3) Notification of the right to appeal and when the appeal must be filed to ensure continued benefits while awaiting a hearing and decision;
- (4) Instructions on how to appeal; and
- (5) The right to reapply at any time during the school year. The reasons for ineligibility shall be properly documented and retained on file at the local educational agency.

Condition:

Our review of the application verification process disclosed that CTHSS did not conduct verifications on or before November 15th. CTHSS did not complete the Verification Collection Report within the mandated period. CTHSS did not provide the 10-day advance notification to the households receiving a reduction or termination of benefits prior to actual reduction or termination. Instead, CTHSS reduced or terminated the benefits as of the date of the notification letters, and appropriate eligibility changes were not made for 2 students at the point of service after verification activities were completed.



- Context:* There were 1,140 applications approved as eligible for free or reduced benefits at the CTHSS for the 2016-2017 school year, of which 134 applications contained errors. CTHSS was required to verify 36 applications as provided by FNS verification guidelines. We selected a non-statistical sample of 10 applications to determine if CTHSS properly performed the verifications.
- Questioned Costs:* Could not be determined.
- Effect:* CTHSS may not detect errors in the initial determination of eligibility. Students who are not eligible may receive benefits, and the claim amounts may be overstated. CTHSS denied households the right to advance notification about reduction or terminations of their benefits.
- Cause:* The CTHSS Central Office, Child Nutrition Division has one employee.
- Prior Audit Finding:* We reported this finding in modified form during the previous audit as finding 2016-301.
- Recommendation:* The State Department of Education's Connecticut Technical High School System should implement policies and procedures to ensure that it performs the National School Lunch Program application verification process according to federal regulations.
- Views of Responsible Officials:*
“We agree with this finding. The CTHSS Nutrition and School Meals Unit will be consolidating its existing policies and procedures into a manual that will include the assurances that the application verification process is performed according to Federal Regulations and within the required timeframe; the Verification Collection Report is completed and submitted within mandated timeframe; households are given a 10-day notification period about reduction or termination of benefits; and eligibility status changes are made at the point of service after the verification activities are completed.”

2017-304 Eligibility

Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556 and 10.559)
Federal Awarding Agency: United States Department of Agriculture
Award Years: Federal Fiscal Years 2015-2016 and 2016-2017
Federal Award Numbers: 20164CT300300 and 20174CT300300

- Background:* The State Department of Education (SDE), via the Child Nutrition Unit, acts as the administering state agency and enters into agreements with subrecipient organizations for local level program operations and the delivery of program benefits and services to eligible children. At the local level, a



school food authority (SFA) makes an agreement with the administering agency for the operation of the programs. An SFA is the governing body (such as a school board) legally responsible for the operation of the National School Lunch Program (NSLP) and/or School Breakfast Program (SBP) in one or more schools. The state also acts as a SFA, administering the Child Nutrition Programs at the following agencies:

- SDE, via the Connecticut Technical High School System (CTHSS)
- Department of Children and Families (DCF)
- Department of Corrections (DOC)
- Judicial Department

Expenditures for these state agencies for the NSLP (CFDA 10.555) and SBP (CFDA 10.553) totaled \$3,349,354 during the audit period. However, CTHSS determines eligibility for students enrolled at the technical high schools and received over \$2 million in NSLP and SBP claims during our audit period.

We did not test eligibility at the other state agencies because the children at those agencies are considered legal wards of the state and are categorically eligible to receive free meals.

During the 2016-2017 school year, CTHSS maintained child nutrition program data using software purchased from a vendor. The software includes the ability to track eligibility of students and point of service transactions (i.e. meals purchased by students at the school level).

Criteria:

Title 7 Code of Federal Regulations (CFR) Part 245 section 6 (a) (6) states that the application must require applicants to provide the names of all household members. In addition, the applicant must provide the last four digits of the social security number of the adult household member who signs the application. If the adult member signing the application does not possess a social security number, the household must so indicate.

Title 7 Code of Federal Regulations (CFR) Part 245 section 6 (e) states that the local educational agency must maintain documentation substantiating eligibility determinations on file for 3 years after the date of the fiscal year to which they pertain.

Additionally, the SDE Eligibility Manual for Meals for school year 2016-2017 states that SDE must review applications in a timely manner. SDE must make an eligibility determination, notify the family of its status, and implement the status within 10 operating days of the receipt of the application. The official who makes the determination must sign/initial and date each application or a cover sheet attached to a group of applications.



Condition: Our review of 25 applications for free and reduced price meals at the CTHSS disclosed that 2 applications could not be located and 4 applications were not complete. CTHSS should not have processed the applications until it obtained the required information from the household. Additionally, CTHSS did not process 7 applications within the federally required 10-day period, or we were unable to determine the processed date because the applications were not date stamped.

The CTHSS did not retain records properly documenting student meal eligibility data by school. As a result, we were unable to verify the accuracy of monthly meal claims.

Context: There were 1,287 applications approved for free and reduced price meals at CTHSS as of October 1st, 2016 for the school year 2016-2017. We selected a non-statistical sample of 25 applications for eligibility testing.

Questioned Costs: All claims for reimbursement received by the CTHSS during the 2016-2017 school year totaled \$2,013,181.

Effect: There is reduced assurance that only eligible children are receiving the benefits of free or reduced price meals.

Cause: This was due to inadequate oversight of the official performing the initial determination process. CTHSS produced the records of the meal eligibility data, but there were integrity issues in certain fields that could not be resolved to any satisfactory level.

Prior Audit Finding: We reported this finding in modified version during the previous audit as finding 2016-300.

Recommendation: The State Department of Education (SDE) Connecticut Technical High School System should institute policies and procedures to ensure that it properly approves Child Nutrition Program applications, and makes and implements eligibility determinations within required timeframes. Additionally, SDE should ensure the proper archiving of prior school year meal eligibility data on a secure network server so the information is available for review.

Views of Responsible Officials:

“We agree with this finding. CTHSS is currently making staffing adjustments to ensure that applications containing the required information are processed and that the eligibility determination is made and the status is implemented within 10 operating days of the receipt of the application.



A new software platform provides for archiving of prior year records – including student participation date – as part of the closeout/rollover process. This data will be archived on a secure network server and available for review for three years as required by Title 7 CFR 201.23(c).”

2017-305 Matching, Level of Effort and Earmarking – Career Technical and Education

Career and Technical Education (CFDA 84.048)

Federal Award Agency: United States Department of Education

Award Years: Federal Fiscal Year 2016

Federal Award Number: V048A160007

Criteria: Maintenance of effort requirements defined by the Carl D. Perkins Career and Technical Education Act of 2006 (Public Law 109-270) ensure that Career and Technical Education (CTE) payments are not made unless the Secretary of Education determines that the fiscal effort of the state for CTE programs for the fiscal year equaled or exceeded the fiscal effort from the second preceding fiscal year. In the computation of fiscal effort, the state cannot include capital expenditures, special one-time project costs, or the costs of pilot programs.

The Perkins Career and Technical Education Collaborative Resource Network, regarded as non-regulatory guidance on implementing the Public Law 109-270, defines expenditures that should be included in the calculation of maintenance of effort and other considerations. All state expenditures that support activities meeting the definition of CTE in the Carl D. Perkins Career and Technical Education Act of 2006, aside from the specified exclusions, must be included in the calculation of fiscal effort. This calculation must be accurate and consistent.

Condition: The State Department of Education (SDE) does not have policies or procedures in place to reasonably assure that its calculation of fiscal effort excludes one-time project costs or the costs of pilot programs previous to federal fiscal year 2016.

Context: SDE changed the way it calculated fiscal effort in fiscal year 2016. The 2016 calculation excluded expenditures previously included in the 2014 calculation. The 2016 calculation also included expenditures that were not present in the 2014 calculation. From 2014 to 2016, SDE added payroll and fringe benefit expenditures to the equation and removed expenditures for general administration. The 2014 and 2016 expenditures did not include all relevant expenditures.

Questioned Costs: We were unable to determine questioned costs.



Effect: Inaccurate projections may lead to unsupported or erroneous calculations of the maintenance of effort requirements and result in the state not receiving CTE funds.

Cause: A lack of management oversight contributed to this condition.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The State Department of Education should verify that it consistently applies the calculation used to determine fiscal effort to ensure compliance with requirements of the Career and Technical Education Program.

Views of Responsible Officials:

“We disagree with this finding. SDE has consistently been using state payroll that has been identified by management (Program Managers and/or Bureau Chiefs) as well as specified state grants to comprise Maintenance of Effort (“MOE”). The calculation has been accurate and consistent using the criteria above. SDE’s primary concern is to meet the MOE required by the grant and ensure that there is a no danger of falling under that requirement. To that end, SDE must look into what is included and add appropriate expenses if needed.

SDE had to use that consistent method to calculate the MOE, and exactly the same data was used as was used in the last 10 years, except to add fringe benefits, so as to meet the matching requirements. This resulted in no longer needing to use the much smaller “general administration” piece in the calculation. This was a conscious decision to avoid unnecessarily overinflating the MOE for the future.

Based on the existing methodology, SDE is unclear what the association of “one-time project costs or pilot program costs” would be, and could not identify any in the current expenditures used to calculate the MOE. Further, there is no concern of that in the future based on the current methodology.”

Auditors’ Concluding Comments:

As stated above, the maintenance of effort calculation must be accurate and consistent. The department informed us that it decided to change the calculation in order to meet the maintenance of effort requirements by removing general administration, special projects and added fringe benefits from the fiscal year 2016 calculation. Since, this was not consistent with the fiscal year 2014 calculation, thus the department did not comply with Public Law 109-270.



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, 2017:

<u>Institution</u>	<u>Office of Post-Secondary Education (OPE) ID</u>
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
Eli Whitney Technical High School	00730000
Howell Cheney Technical High School	02245300
Norwich Technical High School	01184300
Platt Technical High School	02565000
W.F. Kaynor Technical High School	02300000



2017-650 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: 2016-2017

Background: When comparing 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), we identified a number of students that were ineligible to receive FSEOG. The students were ineligible because they did not receive a federal Pell Grant in the same award year.

Criteria: Title 34 Code of Federal Regulations 676.10 establishes the eligibility requirements for a student to receive FSEOG. One of these requirements is that an institution must select students with the lowest Expected Family Contribution (EFC) who will also receive Pell in that year.

Condition: During our review of eligibility at Western Connecticut State University (Western), we noted that 1 out of 65 students received an FSEOG award that they were not eligible for because they did not also receive a Pell award the same award year.

During our review of eligibility at Gateway Community College (Gateway), we noted that 2 out of 1,896 students received FSEOG awards that they were not eligible for because they did not also receive a Pell award the same award year.

Context: *Western:* This condition does not appear to be a systemic issue during our audit period. We reviewed all 65 FSEOG awards totaling \$164,709.

Gateway: This condition does not appear to be a systemic issue during our audit period. We reviewed all 1,896 awards totaling \$213,133.

Questioned Costs: *Western:* \$3,000. This was the amount disbursed to the ineligible student. The university returned these funds on July 14, 2017.

Gateway: \$75. This was the total amount disbursed to 2 students who were not eligible. The college returned these funds on July 25, 2017.

Effect: *Western:* The student's FSEOG award totaled \$3,000. Upon our discovery, the university rescinded the ineligible FSEOG award.

Gateway: The students' total FSEOG awards were \$75. Upon our discovery, the college rescinded the ineligible FSEOG awards.



Cause: *Western:* Based on discussions with university personnel, it appears that the student reached the Pell Lifetime Eligibility Used and the reviewer did not notice and adjust the FSEOG award per the awarding requirements.

Gateway: The college informed us that these instances occurred due to differences between the income and tax information reported by the parent or student in award years 2017 and 2018.

Prior Audit Finding: *Western and Gateway:* We have not previously reported this finding.

Recommendation: Western Connecticut State University and Gateway Community College should award and disburse Federal Supplemental Educational Opportunity Grants in accordance with the requirements stipulated in Title 34 Code of Federal Regulations 676.10.

Views of Responsible Officials:

Western: “We agree with this finding. The finding was corrected upon notice. Although the student was otherwise needy and Pell eligible, they exhausted their lifetime eligibility. In the future, WCSU will ensure that all FSEOG recipients are also Pell award recipients in accordance with the requirements.”

Gateway: “We agree with this finding. The college will reconcile the FSEOG Program annually and prior to year-end.”

2017-651 Special Tests – Verification

Federal Supplemental Educational Opportunity Grants (CFDA 84.007)

Federal Work-Study Program (CFDA 84.033)

Federal Perkins Loan – Federal Capital Contributions (CFDA 84.038)

Federal Pell Grant Program (CFDA 84.063)

Federal Direct Student Loans (CFDA 84.268)

Federal Award Agency: United States Department of Education

Award Year: 2016-2017

Criteria: Title 34 Code of Federal Regulations 668.53 requires an institution to establish policies for verifying information contained in a student aid population.

Title 34 Code of Federal Regulations 668.56 requires that an institution verify all Free Applications for Federal Student Aid (FAFSA) that have been selected for verification.



Title 34 Code of Federal Regulations 668.58(a)(2)(iii)(B) states that, if an institution does not have reason to believe that an applicant's FAFSA information is inaccurate prior to verification, the institution may originate the Direct Subsidized Loan, but may not disburse loan proceeds until verification is completed.

Condition: During our review of 10 students selected for verification testing at the University of Connecticut (UConn), we noted 1 instance in which a Direct Subsidized Loan was disbursed before verification was completed.

Context: UConn initially verified the student in question in July 2016. At that time, the verification status was marked as completed and the university authorized the initial disbursement. Upon secondary review of the file, staff requested a Non-filer Form. A Non-filer Form is a verification document in which the student states the reason that they did not include a federal income tax return with their verification documentation.

The university credited the Direct Subsidized Loan to the student's account on August 22, 2016. UConn received the student's Non-filer Form on November 7, 2016.

Questioned Costs: \$0

Effect: There was reduced assurance that the student and university met the loan requirements at the time of disbursement.

Cause: The university did not follow established verification procedures. It appears to be human error by the Financial Aid Office staff.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The University of Connecticut should review its procedures to ensure compliance with the federal regulations pertaining to verification.

Views of Responsible Officials:

"We agree with this finding. Although the July 2016 premature disbursement authorization was a result of human error, the Student Financial Aid Services Office conducted mandatory verification training sessions as part of the FY18 In-Service Training Program on January 17, 2017 and January 18, 2017. Additional supplemental training sessions were conducted on March 28, 2017 and March 29, 2017. Further, effective May 2017, every Student Financial Aid Services Office employee involved in the FY18 verification process was required to have successfully completed the formal verification training offered by the National Association of Student Financial Aid Administrators (NASFAA). Finally, effective November 1, 2017, the Student



Financial Aid Services Office conducts monthly verification reviews to ensure compliance with existing regulations.”

2017-652 Special Tests – Disbursements

Federal Direct Student Loans (CFDA 84.268) Federal Award Agency: Department of Education Award Year: 2016-2017

- Criteria:* Title 34 Code of Federal Regulations 668.165(a)(2) requires, that, if an institution credits a student’s account with Direct Loan funds, the institution must notify the student of the anticipated date and amount of the disbursement, the student’s right to cancel all or a portion of the loan disbursement, and the procedures by which the student must notify the institution that he or she wants to cancel the loan or loan disbursement.
- Condition:* Notifications for the Spring 2017 semester were not distributed to any Direct Loan recipients.
- Context:* Eastern Connecticut State University (Eastern) disbursed Direct Loans to approximately 6,400 students during the audited period. None of the students who received a Direct Loan disbursement in the Spring 2017 semester received the required notification.
- Questioned Costs:* \$0
- Effect:* Eastern did not notify students of their right to cancel their Direct Loans.
- Cause:* A major upgrade to the Outlook email system in January 2017 prevented the notification process from running at that time.
- Prior Audit Finding:* We have not previously reported this finding.
- Recommendation:* Eastern Connecticut State University should ensure that it distributes disbursement notifications to students as required by Title 34 Code of Federal Regulations 668.165.
- Views of Responsible Officials:*
“We agree with this finding. The Bursar’s Office has instituted an audit system to monitor the notification process so errors can be quickly identified and remedied.”



2017-653 Special Tests – Return of Title IV Funds

Federal Supplemental Educational Opportunity Grants (CFDA 84.007)

Federal Perkins Loan - Federal Capital Contributions (CFDA 84.038)

Federal Pell Grant Program (CFDA 84.063)

Federal Direct Student Loans (CFDA 84.268)

Federal Award Agency: United States Department of Education

Award Year: 2016-2017

Criteria: Title 34 Code of Federal Regulations 668.22 provides guidance regarding the treatment of Title IV funds when a student withdraws from an institution.

Condition: From a sample of 10 students selected for Return of Title IV Funds testing at the University of Connecticut (UConn), we noted 2 instances in which UConn incorrectly calculated total institutional charges.

- In 1 instance, UConn excluded \$120 in online course fees from the institutional charges in their return calculation. In another instance, UConn excluded \$16 in summer activity fees from the institutional charges in their return calculation.
- After we brought these matters to the school's attention, UConn returned \$15.13 in Parent Plus Direct Loans and \$60 in Unsubsidized Direct Loans to the U.S. Department of Education.

At Eastern Connecticut State University (Eastern), we noted the university's information system was not correctly prorating Pell Grant amounts for part-time students into return calculations. In certain situations, this could affect the amount of the institution's Title IV returns.

From a sample of 10 students who were selected for Return of Title IV Funds testing at Tunxis Community College (Tunxis), we noted 1 instance in which Tunxis did not return Title IV funds in a timely manner. Tunxis returned the funds 151 days later than required.

Context: *UConn:* The university performed 299 withdrawal calculations during the audited period. The sample, which is not statistically valid, consisted of 10 students who withdrew from the university.

Eastern: It appears that 15 part-time students withdrew during the audited period. Of these withdrawals, 6 students were Pell Grant recipients.

Tunxis: Based on discussions with college staff and our review, this condition does not appear to be systemic.



Questioned Costs: UConn, Eastern, and Tunxis: \$0

Effect: Title IV funds that were due to be returned to the federal government were delayed or improperly calculated.

Cause: UConn: This condition can be attributed to human error due to staff transition and training matters.

Eastern: The information system at Eastern Connecticut State University is not capable of prorating part-time Pell Grant amounts. The university was unaware of this condition.

Tunxis: There was an unexplained delay in performing the refund calculation.

Prior Audit Finding: UConn and Tunxis: We have not previously reported this finding.

Eastern: We previously reported this as finding 2016-654.

Recommendation: The University of Connecticut, Eastern Connecticut State University, and Tunxis Community College should review their procedures to ensure compliance with the federal regulations contained in 34 CFR 668.22. In addition, Eastern Connecticut State University should revise its policies to include a procedure to manually review part-time Pell Grant recipients when performing Return of Title IV Funds calculations.

Views of Responsible Officials:

UConn: “We agree with this finding. The two instances in which the University incorrectly calculated total institutional charges were due to human error as a result of personnel changes in the department. Immediately after the University was made aware of these findings, financial aid adjustments were made and the funds were returned accordingly.

To help prevent such oversights in the future, the University has updated procedures specific to the review of the Return to Title IV Funds calculations. In addition, personnel in this area have been re-training.”

Eastern: “We agree with this finding. The Financial Aid Office is now making manual adjustments to Pell amounts in the FAM system to ensure proper calculation. In addition, a manual calculation check is performed on these students to ensure the new process is working appropriately.”

Tunxis: “We agree with this finding. The Director of Financial Aid will work along with the Associate Director to ensure any Return of Title IV Funds will be processed within the time frame allowed by the Department of Education.



We will have the Registrar run the Title IV Report weekly (SFRNOWD) every Friday once the grades for the semester have been frozen. Currently the grades are frozen approximately three weeks after the semester starts.

The Registrar will forward the SFNOWRD file as an electronic file to the Associate Director of Financial Aid and the Director of Financial Aid. The Associate Director will be responsible for completing the Return of Title IV Funds in Banner within 10 business days.

The Associate Director of Financial Aid will complete the R2T4 process.

Once the Associated Director of Financial Aid completes the R2T4 process, the Director of Financial Aid will review all R2T4 calculations for accuracy. The Director of Financial Aid will then have the Financial Aid Assistant review each student on the RPATIVC and ensure their Pell updates are accurate and locked on the RPAAWRD screen. The Financial Aid Assistant will review the Option Tab looking to see that any Pell changes located under the Award Schedule Tab have a Y in the Period Lock field. Once all students' locks have been verified, the Director of Financial Aid will ensure all COD files are extracted on the 10th business day and all R2T4 returns will be sent electronically to COD through the ED Connect Gateway.”

2017-654 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: 2016-2017

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: Title 34 Code of Federal Regulations 685.309(b)(2) requires changes in enrollment to less-than-half-time, graduated, or withdrawn, 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 10 students who separated from the University of Connecticut (UConn). We noted one instance in which UConn did not correctly report a student’s change in enrollment status to the NSLDS. In this instance, UConn reported the student’s enrollment change 1 day later than required.

We selected 10 students who separated from Southern Connecticut State University (Southern). We noted 3 instances in which the students’ enrollment information reported to the NSLDS was incorrect. Southern reported each student’s effective withdrawal date as 1 month later than it should have been.

Context: *UConn:* This appears to be an isolated instance. The university reported 3,342 students separated during the 2016-2017 award year. We were unable to determine how many of those students were academically dismissed. Three academically dismissed students were in our sample of 10 students. Our sample was not statistically valid.

Southern: Based on the response from Southern Connecticut State University, the condition does not appear to be a systemic issue. The institution reported 1,794 students who separated during the 2016-2017 award year. Our sample contained 10, 5 of whom had a status of withdrawn. Our sample was not statistically valid.

Questioned Costs: *UConn and Southern:* \$0

Effect: The universities did not provide enrollment information to the NSLDS in a timely manner.

Cause: *UConn:* UConn informed us that it manually provided its enrollment reporting service provider the enrollment information, but the provider did not report it to the NSLDS.

Southern: Southern did not follow established procedures. A member of the Registrar’s staff incorrectly withdrew these students. This error created an enrollment record for the subsequent semester of attendance that the university transmitted to the NSLDS.

Prior Audit Finding: *UConn:* We previously reported this as finding 2016-656.

Southern: We have not previously reported this finding.

Recommendation: The University of Connecticut and Southern Connecticut State University should review their procedures to ensure that they submit enrollment status



changes to the NSLDS in a timely manner, via the National Student Clearinghouse, in accordance with federal regulations.

Views of Responsible Officials:

UConn: “We agree with this finding although we disagree with the repeat finding classification. Although the University reported the correct enrollment status to the National Student Clearinghouse, the status was not successfully updated/accepted on their end. The National Student Clearinghouse has since identified the cause for the unsuccessful update and the enrollment status for the student identified has been corrected. In order to confirm that additional enrollment submissions for students in this isolated category were updated/accepted correctly by the National Student Clearinghouse, the University will review each of the 2016/17 cases and will follow up with the Clearinghouse as necessary. Further, the Enrollment Reporting quality assurance process will be enhanced to include regular reviews of enrollment submissions for this isolated category to ensure timely updates as appropriate.”

Southern: “We agree with this finding. Training was provided upon initial notification of the finding, including a review of existing withdrawal procedures, with the administrative staff responsible for processing withdrawal forms. The process documentation will be updated to include situational clarification regarding the effective date when a withdrawal is received between semesters.”

2017-655 Special Tests – Student Loan Repayments - Repayment

Federal Perkins Loan – Federal Capital Contributions (CFDA 84.038)

Federal Award Agency: United States Department of Education

Award Year: 2016-2017

Background: Based on a finding in our previous report, Central Connecticut State University (Central) implemented a set of procedures to address noncompliance related to exit counseling. Central implemented these new procedures in October of 2016.

Criteria: Title 34 Code of Federal Regulations 674.31(b)(2) states that repayment begins 9 months after the borrower ceases to be at least a half-time regular student at the institution.

The 2016-2017 Federal Student Aid (FSA) Handbook states that a Perkins Loan borrower is entitled to an initial grace period of 9 consecutive months after dropping below half-time enrollment. If the borrower returns to school on at least a half-time basis before the 9 months have elapsed, the initial



grace period has not been exhausted. The borrower is entitled to a full initial grace period of 9 consecutive months from the date they graduate, withdraw or drop below half-time enrollment again.

The FSA Handbook further states that a grace period is always day specific. An initial grace period begins a day after the day the borrower drops below half-time enrollment.

Title 34 Code of Federal Regulations (CFR) Section 674.42(b) requires an institution to conduct exit counseling with the borrower either in person, by audiovisual presentation, or electronically before the student ceases to be enrolled on at least a half-time basis. If a borrower withdraws or fails to complete an exit counseling session, the institution must provide the exit counseling material to the borrower within 30 days after learning that the borrower did not complete the exit counseling.

Condition:

We selected 10 borrowers at the University of Connecticut (UConn) who entered repayment during the audited period. From this sample, we noted 8 instances in which the university reported the incorrect separation date to its third-party service provider. In 7 instances, the separation dates reported were 1 day later than the actual separation dates; in 1 instance, the separation date reported was 8 days earlier than the actual separation date.

From a sample of 10 borrowers at Central who graduated in May 2017, and therefore entered repayment after October 2016, we noted 3 instances in which exit counseling was not initiated before the end of the semester. In these 3 instances, exit counseling was initiated 60 days after the end of the semester.

From a sample of 10 borrowers at Southern Connecticut State University (Southern) who entered repayment during the audited period, we noted 3 instances in which the university was aware that the borrower was graduating, yet exit counseling was initiated 11 days after the end of the semester.

Context:

UConn: Based on the exception percentages and discussions with university staff, these findings appear to be systemic. UConn reported 894 students who entered repayment during the audited period. Our sample was not statistically valid.

Central: Based on discussions with university personnel, this finding appears to be an isolated incident. Central reported 121 Perkins Loans borrowers that graduated after October 2016. The sample was not statistically valid.

Southern: Based on discussion with university staff and review of the policies and procedures, this condition appears to be systemic. The university



had 57 borrowers enter repayment during the audited period. The sample was not statistically valid.

Questioned Costs: UConn, Central, and Southern: \$0

Effect: These institutions did not comply with federal due diligence requirements.

Cause: UConn: The university's procedures do not comply with federal regulations governing repayment.

Central: Human error appears to be the cause of this condition.

Southern: The procedures at Southern Connecticut State University do not comply with federal regulations related to exit counseling. Delays in notification of student separations to the service provider caused the delay in issuing the exit counseling packages.

Prior Audit Finding: UConn, Central, and Southern: This was previously reported as finding 2016-657.

Recommendation: The University of Connecticut, Central Connecticut State University, and Southern Connecticut State University should ensure that policies and procedures regarding Perkins Loan repayments comply with federal regulations. In addition, Southern Connecticut State University should ensure that policies and procedures regarding Perkins Loan exit counseling comply with federal regulations.

Views of Responsible Officials:

UConn: "We agree with this finding. The seven instances, in which the University provided the third party servicer with incorrect separation dates, are related to a finding identified in the FY15-16 audit. As the University responded in the FY15-16 audit, the University had reported the commencement date as the last date of the semester not last date of finals, based on the understanding of the federal regulations. Using either the last date of finals or commencement date does not change the grace ending date, repayment date nor has financial implication. As stated in the FY15-16's audit response, in December 2016, the University changed the separation date reported to our third party servicer as the last day of finals, as per the audit recommendation. The seven instances occurred prior to December 2016. No corrective action is needed as our updated procedures have already been implemented.

The one instance in which the separation date reported was 8 days earlier than the actual separation date, was the result of the University reporting the last date of the Spring semester classes, rather than the last day of finals.



Again, as reported above, this occurrence was prior to the change made with the University's third party servicer to report the separation date as the last day of finals. As stated in the FY15-16's audit response, this change was implemented in Fall, 2016, therefore no correction active is needed."

Central: "We agree with this finding. In October of 2016, in response to a prior audit finding, the University changed the scheduling of a report that identifies pending graduates so that they could be separated with a future date to ensure that exit counseling occurred prior to graduation. The report was working as intended and the employee had been properly separating pending graduates. The three instances noted in this exception occurred on the same day and it appears that the employee was confused as to which report she was working with. This human error resulted in the students not being separated and therefore, not receiving the required counseling within the federal timeframes. The University will implement additional training on all of the reports used for this function coupled with a second person sign-off to mitigate the risk of human error, as well as enhance our ability to detect human errors."

Southern: "We agree with this finding. Procedures have been amended to initiate exit counseling before students graduate, when known in advance. The Registrar's Office will send the Student Accounts Office the pre-graduation list which will allow the office staff to initiate the interview process, with the students, in advance of their graduation."

2017-656 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: 2016-2017

Criteria: Title 34 Code of Federal Regulations 674.42(c) requires that an institution contact a federal Perkins Loan borrower with a 9-month grace period at the 90-day, 150-day, and 240-day points of the grace period.

The Federal Student Aid Handbook states, "Initial grace period – a nine-month period that immediately follows a period of enrollment and immediately precedes the date repayment is required to begin for the first time." The Handbook further states, "The borrower is entitled to a full initial grace period (nine consecutive months) from the date that he or she graduates, withdraws, or drops below half-time enrollment again."

Condition: We selected 10 borrowers at the University of Connecticut (UConn) whose loans went into default during the audited period and noted the following:



- Two instances in which UConn did not send the required 90-day contact letters to the borrowers.
- Six instances in which UConn did not send one or more of the required grace letters in a timely manner. UConn mailed these grace letters 2 to 11 days late.

Context: Based on discussions with UConn staff, the 2 instances in which the required 90-day contact letters were not sent to the borrowers appear to be isolated instances.

Based on the exception percentages and discussions with university staff, the part of the finding related to untimely issuance of grace letters appears to be a systemic issue. The delays in grace letter mailings were due to the delay in the grace period start date. The university provided us a report of 87 borrowers whose loans went into default during the audited period. Our sample was not statistically valid.

Questioned Costs: \$0

Effect: UConn did not comply with the federal due diligence requirements designed to minimize repayment defaults.

Cause: UConn's third party Perkins Loans servicer uses the first day of the following month to start the billing cycle for student loans. The servicer bases the grace letters on this date, rather than the actual start date of the grace period.

Prior Audit Finding: We previously reported this as finding 2016-658.

Recommendation: The University of Connecticut should ensure that it performs policies and procedures related to Perkins Loans due diligence requirements in accordance with federal regulations.

Views of Responsible Officials:

"We agree with this finding. One of the two instances in which borrowers were not sent the 90-day grace letter was associated with University's withdrawal date definition. In the past, the University's Dean of Students Office (DOS) was using the last date of attendance as the withdrawal date. However, since the University is a non-attendance taking institution, beginning Fall 2016, it was determined upon further review, that the DOS would change the withdrawal date using the date of notification. Regional campuses changed procedures as well, beginning Fall 2017. As the student's "last date of attendance" may date prior to Dean of Students being notified as in this finding, changing the withdrawal date to the date of notification will prevent such delays and allow for the grace letter to be sent in accordance with federal regulations.



The second instance in which a 90-day grace letter was not sent was the result of the University's anticipated graduation reconciliation process. Although this borrower was properly separated as part of our census reconciliation in December 2014, the borrower was later captured as an anticipated graduate for Spring, 2015. At this point, the borrower was reenrolled and the separation date was revised to May, 2015. Upon completing the final graduation reconciliation, it was discovered that this borrower was no longer active which required the University again, to change the separation date back to December, 2014. As a result of these changes, the student did not receive the 90-day grace letter.

Going forward to prevent these isolated instances, the anticipated graduation reconciliation process will include the verification of an active enrollment status in the student administration system. This will eliminate the possibility of changing inactive borrower's separation date and allow for the 90-day grace letters to be sent in accordance with federal regulations.

The six instances identified in which one or more of the required grace letters were not sent in a timely manner are associated with the timing of the billing cycle of the University's third party servicer. The third party servicer establishes their repayment date as the first subsequent month following the expiration of the grace period. Grace period notification are sent when the billing calculation occurs rather than based upon the specific separation date.

The University reached out to the third party service provider in October, 2017, regarding the state auditors' interpretation of timeliness of sending the grace letters. At that time, based on guidance from their legal counsel, the third party service provider was reluctant to change procedures that had been audited annually by the Department of Education without exception. In December, 2017, the University reached out to DOE to confirm that the third party service provider is compliant with federal regulations. Upon further review, the DOE concluded that the University's third party service provider is not compliant with Title 34 Code of Federal Regulations 674.42(c). The DOE, recommended that the third party service provider move in line with the state auditor's recommended practice that grace letters be based on the actual start date of the grace period rather than based upon the billing cycle. In addition, DOE confirmed that because the third party service provider has not received prior audit findings specific to this regulation, schools, as well as the provider, will be held harmless for this past practice."



2017-657 Special Tests – Borrower Data Transmission and Reconciliation

Federal Direct Student Loans (CFDA 84.268)

Federal Award Agency: United States Department of Education

Award Year: 2016-2017

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 records supporting the monthly Direct Loan reconciliations at Tunxis Community College (Tunxis), we noted the following:

- There was no evidence to support that Tunxis performed a monthly Direct Loan reconciliation for the months of August 2016 through November 2016, and April 2017.
- There was no evidence to support that variances were resolved for the months of December 2016, February 2017, and March 2017.

Context: Based on the exception percentage, we believe this finding is systemic. Our sample consisted of all 11 months that required the college to perform a Direct Loan reconciliation. The college disbursed \$796,427 in Direct Loan funds during the audited period.

Questioned Costs: \$0

Effect: Tunxis did not comply with the federal regulations governing the Direct Loan Program.

Cause: Tunxis was unaware that it must document Direct Loan reconciliations and the resolution to any variances and retain them for review.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: Tunxis Community College should ensure that it retains Direct Loan reconciliations and all related records and retains them for review.

Views of Responsible Officials:

“We agree with this finding. The Director of Financial Aid (DOFA) will run the DL Reconciliation Reports once the DL files are sent from COD which is



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usually the first week of every month during the academic year. The reports will be run in the Financial Aid module of the Banner student system. Once the reports have run, the DOFA will print out a copy of the DL Reconciliation Reports and check them for any monetary discrepancies between the COD DL amount paid out to Tunxis CC and the Banner system DL amounts paid to date on students' accounts.

If the monthly totals between COD and Banner are the same, no action needs to be taken. The DOFA will sign and date the printed monthly report and put it into a three-ring binder.

If the monthly DL totals between COD and Banner differ, the DOFA will meet with the Director of Finance within 4 business days to research and see what is causing the discrepancy. Once the discrepancy is corrected, the DOFA will document in writing what the cause of the discrepancy was and how it was corrected. The DOFA will print out the document and have it signed by the Director of Finance and DOFA and date it – the document will be put into the DL Reconciliation Binder.”



DEPARTMENT OF HOUSING

2017-725 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 2015-2016 and 2016-2017

Federal Award Number: ACC CT 901 VO

Background: The federal Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Vouchers Program (HCV) 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 the designated PHA and administers the program statewide with a contracted vendor.

Criteria: Title 2 Code of Federal Regulations (CFR) 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 must be adequately documented.

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's rent, 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.

- Section 982.503 requires the PHA to adopt a payment standard schedule that establishes voucher payment standard amounts for each fair market rent 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 standard, 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 until the second annual reexamination after the PHA decreases its payment standard. Decreases in the payment standard due to changes in family size are effective as of the next regular reexamination following the change.

- 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: Our review of HAP transactions noted that in 5 cases, the correct payment standard schedule and/or utility allowance schedule was not used. In 2 cases, this resulted in HAP underpayments totaling \$37 for the tested benefit month, and in 3 cases there was no financial impact to the errors. Further review noted additional underpayments totaling \$163 during the audited period.

Context: The audit universe consisted of HAP transactions and utility reimbursements totaling \$76,918,845. We selected 60 HAP transactions and utility reimbursements to review, totaling \$66,892.

Our sample was not statistically valid.

Questioned Costs: \$0

Effect: There is reduced assurance that HAP and utility reimbursements are being calculated correctly.

Cause: The errors were due to clerical mistakes. DOH and its contracted vendor used outdated schedules when calculating the HAP and utility reimbursements.

Prior Audit Finding: We reported this finding during the previous audit as finding 2016-725, and in 2 prior audits.

Recommendation: The Department of Housing and its contracted vendor should ensure that housing assistance payments and utility reimbursements are properly calculated and supported by current payment standard and utility allowance schedules.

Views of Responsible Officials:



“We agree with this finding in part. We agree that, as stated in the finding above, these minor errors were due to clerical errors. While it is impossible to eliminate all clerical errors, errors identified represent 0.05% of the \$66,892 in transactions tested, which demonstrates 99.95% accuracy. Nonetheless, the department and its contracted vendor have implemented a detailed quality control process designed to identify and quickly correct clerical errors, and will continue to look for ways to do so.”

2017-726 Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallocable Costs

Section 8 Housing Choice Vouchers (CFDA 14.871)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: ACC CT 901 VO

- Criteria:* Title 2 Code of Federal Regulations 200.405 provides that a cost is allocable to a particular federal award if the goods or services involved are chargeable or assignable to that federal award in accordance with relative benefits received. Any cost allocable to a particular federal award may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons.
- Condition:* DOH used Section 8 Housing Choice Vouchers Program (HCV) funds to support other federal programs.
- Context:* Expenditures totaling \$434,895 were charged to the Section 8 HCV program that benefited other federal programs. This amount was later returned to the Section 8 HCV program when federal reimbursement was received for the expenditures by the programs that benefitted.
- Questioned Costs:* Since DOH returned all funds used for other federal programs before the end of the fiscal year, there are no questioned costs.
- Effect:* The department was not in compliance with 2 CFR 200.405. In addition, since unallowable costs were charged to the Section 8 HCV program there were less funds available to administer the program.
- Cause:* Section 8 HCV funds were used for expenditures for other federal programs because federal funds for those programs were not available at the time the expenditures were made.



Prior Audit Finding: We reported this finding during the previous audit as finding 2016-726, and in 1 prior audit.

Recommendation: The Department of Housing should ensure that all expenses charged to the Section 8 Housing Choice Vouchers Program are allocable to the federal program.

Views of Responsible Officials:

“We agree with this finding. This cash flow practice was a customary practice when the program was first transferred from the Department of Social Service. The department has fully implemented corrective action relative to this finding. Internal controls have been strengthened to eliminate this practice. Additional staff have been brought on by the department and they have been properly trained in the necessary processes and systems.”

2017-727 Special Tests and Provisions – Housing Quality Standards Enforcement

Section 8 Housing Choice Vouchers (CFDA 14.871)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: ACC CT 901 VO

Background: The federal Department of Housing and Urban Development’s Section 8 Housing Choice Vouchers Program (HCV) 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 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 the designated PHA and administers the program statewide with a contracted vendor.

Criteria: Title 24 Code of Federal Regulations (CFR) 982.404(a) provides that the PHA must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards (HQS), unless the owner of the unit corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within 24 hours. For other defects, the owner must correct the defect within 30 calendar days (or any PHA-approved extension). The PHA must take prompt and vigorous action to enforce the owner obligations. PHA remedies for such breach of the HQS include termination, suspension, or reduction of housing assistance payments and termination of the HAP contract.



Title 24 CFR 982.54 provides that the PHA must adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements. The PHA must administer the program in accordance with its administrative plan.

DOH's administrative plan for the Section 8 HCV Program provides that, if a unit fails its HQS inspection and the unit owner is responsible, the PHA must send a letter to the owner informing them that they must immediately address the 24-hour emergency repairs. The owner must also fax or call the inspection firm within 20 hours verifying the completion of the repair. The PHA will re-inspect the unit within 10 business days after notification by the owner. If the owner does not conduct emergency repairs in the period required by the PHA, DOH or its contracted vendor will suspend the housing assistance payment.

Condition: Our review disclosed 1 case in which the PHA did not re-inspect a unit within 10 business days to verify that the owner completed a 24-hour emergency repair. DOH did not properly suspend the housing assistance payment.

Context: During the fiscal year ended June 30, 2017 the PHA contracted vendor performed 12,276 HQS inspections on dwelling units, 3,928 of which failed the initial inspection. We reviewed re-inspections of 24 rental properties that failed the initial HQS inspection to determine if the PHA verified the correction of deficiencies. If the owner did not correct the deficiencies within the specified period, we noted whether the PHA properly suspended the housing assistance payment.

The sample was not statistically valid.

Questioned Costs: Our review identified questioned costs totaling \$91.

Effect: The error resulted in a landlord being overpaid for a dwelling unit that failed to meet the HQS. Furthermore, by not conducting re-inspections within the appropriate timeframe, the PHA cannot ensure that the dwelling units are decent, safe, or sanitary.

Cause: DOH contracts with a vendor who is responsible for ensuring compliance with housing quality standards and the suspension of housing assistance payments. For the instance of noncompliance identified, the vendor did not properly perform its contractual duties.

Prior Audit Finding: We reported this finding during the previous audit as finding 2016-728.



Recommendation: The Department of Housing and its contracted vendor should ensure that they complete housing quality standards re-inspections on time and that payment is suspended if identified defects are not corrected within the required period.

Views of Responsible Officials:

“We agree with this finding. The department identified this as an issue prior to review, and has worked with the contracted vendor to increase capacity with regard to both initial HQS inspections, as well as annual HQS re-inspections. Further, internal processes of the contracted vendor have been streamlined to better insure that payments are suspended if identified defects are not corrected within the required timeframes.”

2017-728 Reporting – Financial Assessment Subsystem for Public Housing

Section 8 Housing Choice Vouchers (CFDA 14.871)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: ACC CT 901 VO

Background: The federal Department of Housing and Urban Development’s (HUD) Section 8 Housing Choice Vouchers Program (HCV) 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 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 the designated PHA and administers the program statewide with a contracted vendor.

Criteria: Title 24 Code of Federal Regulations 5.801 requires PHAs to submit financial information (prepared in accordance with Generally Accepted Accounting Principles) annually, no later than 60 days after the end of the fiscal year. The PHA should submit financial information through the HUD Financial Assessment Subsystem for Public Housing (FASS-PH).

Condition: Our review disclosed that DOH has not submitted required financial information for the fiscal years ended June 30, 2016 or 2017.

Context: The submission for the fiscal year ended June 30, 2014 was delayed while DOH worked with HUD to resolve certain issues. Until HUD approves a prior year’s submission, the department is unable to submit subsequent reports. While DOH completed the 2015 submission during the fiscal year ended June 30, 2017, it has not completed the submissions for 2016 and 2017.



Questioned Costs: \$0

Effect: Financial information submitted through the FASS-PH is used by HUD to monitor and oversee the Section 8 HCV program. Without timely information, HUD may not have the information necessary to make informed decisions about the program.

Cause: The department has not devoted the resources necessary to complete the federal financial reports after the delay in completing the 2014 submission.

Prior Audit Finding: We previously reported this as finding 2016-729.

Recommendation: The Department of Housing should submit required financial information to the Department of Housing and Urban Development in a timely manner in accordance with Title 24 Code of Federal Regulations 5.801.

Views of Responsible Officials:

“We agree with this finding. The department has implemented significant changes relative to this finding and is positioned to submit the required financial information in a timely manner when the system will allow us to do so. The department is currently awaiting HUD’s final approval of 2015 audited submission. Until this submission is approved by HUD, the 2016 audited submission cannot be entered. HUD is aware of the issue, and staff continue to work with them to resolve this issue. The department expects to enter the necessary 2016 information within 30 days of receipt of HUD’s approval of the 2015 audited submission.”

2017-729 Special Reporting – Form HUD-50058, Family Report

Section 8 Housing Choice Vouchers (CFDA 14.871)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: ACC CT 901 VO

Background: Public Housing Agencies (PHA) authorized under state law to administer the federal Department of Housing and Urban Development’s (HUD) Section 8 Housing Choice Vouchers Program (HCV) are required to submit Form HUD-50058, Family Report, electronically each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The following items included in the report are considered critical information:

- a. Type of Action
- b. Effective Date of Action
- c. Names



- d. Date of Birth
- e. Social Security Numbers
- f. Unit Address
- g. Unit Inspection Dates
- h. Total Annual Income
- i. Family's Participation in the Family Self Sufficiency (FSS) Program
- j. FSS Account Balance

In Connecticut, the state Department of Housing (DOH) is the designated PHA and administers the program statewide with a contracted vendor.

Criteria: Title 24 Code of Federal Regulations 908.101 requires PHAs that operate Section 8 HCV programs to electronically submit Form HUD-50058, including the FSS Addendum. Applicable program entities must retain at a minimum, the last three years of the form HUD-50058, and supporting documentation, during the term of each assisted lease, and for a period of at least 3 years from the end of participation date, to support billings to HUD and to permit an effective audit.

Condition: Our review noted 5 HUD-50058 forms that contained incorrect dates of birth for at least 1 member of the household.

Context: DOH's Annual Contributions Contract with HUD permits them to lease up to 7,968 units a month under the Section 8 HCV program. Form HUD-50058 would need to be completed each time the PHA completes an admission, annual reexamination, interim reexamination, transfer from another jurisdiction, or other change of unit for a family. We selected 25 HUD-50058 forms to review.

Our sample was not statistically valid.

Questioned Costs: \$0

Effect: Data submitted through Form HUD-50058 is used by HUD to analyze the program, monitor the PHAs, detect fraud, and provide information to Congress and other interested parties. If information included on Form HUD-50058 is not accurate, HUD may not have the information necessary to make informed decisions about the program.

Cause: The errors appear to be clerical mistakes.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Housing and its contracted vendor should ensure that information provided on Form HUD-50058 is accurate.



Views of Responsible Officials:

“We agree with this finding in part. We agree that, as stated in the finding above, these errors were due to clerical errors. While, it is impossible to eliminate all clerical errors, the department and its contracted vendor have implemented a detailed quality control process designed to identify and quickly correct them. Although it is a clerical error, it is not a weakness or indication of insufficient control or oversight.”

2017-730 Cash Management – Interest

Section 8 Housing Choice Vouchers (CFDA 14.871)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: ACC CT 901 VO

Background:

The federal Department of Housing and Urban Development’s (HUD) Section 8 Housing Choice Vouchers Program (HCV) 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 used for administrative fees to support the program.

In Connecticut, the state Department of Housing (DOH) is the designated PHA and administers the program statewide with a contracted vendor.

Criteria:

Office of Public and Indian Housing, Real Estate Assessment Center Accounting Brief # 19 provides that interest earned on invested HAP funds held by the PHA should be returned to the U.S. Treasury.

U.S. Department of Housing and Urban Development Notice PIH 2015-17 that was issued on October 6, 2015 provides that as of January 1, 2014 the PHA may retain up to \$500 in interest earned on HAP investments during the calendar year, but those funds shall be recorded and reported as administrative revenue reverting to the PHA’s administrative fee reserve.

Condition:

DOH has not established adequate internal controls to ensure that interest amounts in excess of \$500 are annually returned to the U.S. Treasury.

Context:

During the 2016 calendar year, there was \$536 of interest associated with the Section 8 HCV Program, of which DOH should have returned \$36 to the U.S. Treasury.



Questioned Costs: Our review identified questioned costs totaling \$36.

Effect: DOH failed to return interest income that is due to the U.S. Treasury.

Cause: DOH tracked the amount of interest associated with the Section 8 HCV Program based on fiscal year rather than calendar year. The amount of interest earned during the fiscal year did not exceed \$500.

Prior Audit Finding: We reported this during the previous audit as finding 2016-730.

Recommendation: The Department of Housing and its contracted vendor should ensure that interest earned on housing assistance payment investments is properly tracked and amounts in excess of \$500 are returned to the U.S. Treasury.

Views of Responsible Officials:

“We agree with this finding. As stated in the finding above, the amount of interest earned in the calendar year 2016 was \$536. The department is currently in the process of recovering these funds, and will be returned in accordance with the HUD requirements. As recommended, effective January 1, 2018, interest earned will be tracked by calendar year, and should it exceed the federal limits, will be recaptured and returned to the U.S. Treasury.”

2017-731 Allowable Costs/Cost Principles – Payroll Costs

Section 8 Housing Choice Vouchers (CFDA 14.871)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: ACC CT 901 VO

National Disaster Resilience Competition (CFDA 14.272)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: B-13-DS-09-0002

Criteria: Title 2 Code of Federal Regulations 200.405 provides that a cost is allocable to a particular federal award if the goods or services involved are chargeable or assignable to that federal award in accordance with relative benefits received.

Condition: Our review disclosed that DOH did not charge payroll and fringe benefit costs to the Section 8 Housing Choice Vouchers (HCV) or the National Disaster Resilience Competition (NDRC) programs in accordance with relative benefits received.



- Context:* During the fiscal year ended June 30, 2017, \$444,576 was charged to the Section 8 HCV Program for the payroll and fringe benefit expenditures of 3 employees and \$212,660 was charged to the NDRC program for the payroll and fringe benefit expenditures of 1 employee. Our review disclosed that these employees also worked on other federal or state programs.
- Questioned Costs:* We could not determine the amount of time these employees worked on programs other than the Section 8 HCV or NDRC programs. In addition, we noted employees that worked on the programs that DOH did not charge payroll and fringe benefits costs to them. Therefore, we could not determine if there were any questioned costs.
- Effect:* Payroll and fringe benefit costs may not reflect the time actually worked by the employees and may result in unallowable costs being charged to the programs.
- Cause:* The department did not consider that employees charged to the Section 8 HCV and NDRC programs also worked on other programs.
- Prior Audit Finding:* We reported this finding during the previous audit as finding 2016-727.
- Recommendation:* The Department of Housing should ensure that it allocates payroll and fringe benefit expenditures claimed under the Section 8 Housing Choice Voucher and the National Disaster Resilience Competition programs to benefiting programs in accordance with Title 2 Code of Federal Regulations 200.405.
- Views of Responsible Officials:*
- “We agree with this finding. The department recognized that employees charged to the Section 8 HCV program worked on other programs in addition to the Section 8 HCV program, but ensured that it excluded eligible staff costs of at least four (4) additional staff who worked on the Section 8 HCV program. The net result of this method of attributing staff costs to the Section 8 HCV program is that the department incurred staff costs equal to or greater than the amount for which it received reimbursement under the Section 8 HCV program.
- With regard to the National Disaster Resilience Competition (NDR), the individual staff member identified works exclusively on two federal disaster programs: NDR and Rebuild by Design (RBD). The department is currently working on adjustments in both Core-CT and the federal financial system, DRGR, to properly distribute staff activities across these two grants.
- In order to better attribute staff costs, the department has implemented the state’s primary financial management system, Core-CT. All staff will have the ability to document costs associated with actual time worked on the various programs administered by the department, and in particular those federal programs that allow the direct allocation of administrative costs.”



2017-732 Allowable Costs / Cost Principles – Benefit Payments

Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: B-13-DS-09-0001

Background: The Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Program (CDBG-DR) provides disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013.

The Department of Housing (DOH) funded the rehabilitation, reconstruction, or mitigation measures for owner-occupied homes, scattered-site properties, and multi-family houses. Scattered-site properties are non-owner occupied 1 to 4 unit rental properties. For homeowners who used personal funds or were under contract to repair storm damage within 1 year of Hurricane Sandy, DOH reimbursed for eligible home repairs. Funding was also provided for infrastructure and planning projects that would help improve the resiliency of infrastructure and public facilities, and provide mitigation measures

Criteria: Title 2 Code of Federal Regulations (CFR) 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 must be adequately documented.

76 Federal Register 221 (November 16, 2011) page 71061 provides that the Stafford Act directs administrators of federal assistance to ensure that no person, business concern, or other entity will receive duplicative assistance and imposes liability to the extent such assistance duplicates benefits available to the person for the same purpose from another source. Because assistance to each person varies widely based on individual insurance coverage and eligibility for federal funding, grantees cannot comply with the Stafford Act without completing a duplication of benefits analysis specific to each applicant.

The DOH Owner Occupied Rehabilitation and Rebuilding Program Policies and Procedures Guide provides that to ensure that projects do not result in a duplication of benefits, DOH requires that any unspent third-party duplication of benefits funds be placed in an escrow account and that an escrow agreement be executed.

The DOH's escrow agreement with homeowners provides that DOH shall advance any third-party funds from the escrow account for the payment of



the costs of the project prior to the making of any advances. An exception to this policy is made if the escrow funds are being held for a specific purpose.

The DOH Owner Occupied Rehabilitation and Rebuilding Program Policies and Procedures Guide provides that no changes in the scope of work write-up will be considered valid without an approved change order. All contractors will be paid on a reimbursement basis not to exceed the construction contract amount and approved change orders.

The DOH Owner Occupied Reimbursement Program Guide provides that the program will provide reimbursement of eligible home repairs to a maximum of \$150,000.

DOH's Substantial Amendment to its Action Plan for Tranche 2 provides that local governments shall be required to provide a 25% match toward the total development costs of the project.

Condition:

Our review of projects for owner-occupied homes and scattered-site properties disclosed the following:

- For 6 projects, the duplication of benefits analyses prepared by DOH contained improper or unsupported amounts. This resulted in DOH making overpayments totaling \$6,435 for 1 project and underpayments totaling \$33,299 for 2 projects. For the remaining 3 projects, the errors had no financial impact because their reimbursement projects were capped at \$150,000 per project.
- For 1 project, escrow funds were not used in a timely manner. Escrow funds were not being held for a specific purpose and should have been used prior to CDBG-DR funds. Ultimately, all escrow funds were used.
- For 1 project, a contractor was paid for work that was outside the initial project scope without an approved change order. The change order was approved prior to the subsequent payment.

Our review of planning projects disclosed the following:

- For 1 project, DOH paid \$500 for costs that were not necessary for the performance of the federal award and \$4,266 for costs that were inadequately documented. DOH subsequently obtained support for the inadequately documented costs as the result of our review.

Our review of infrastructure projects disclosed the following:

- For 1 project, the DOH agreement with the local government grant recipient did not require the grantee to provide a full 25% match toward



the total development costs of the project, as required by the DOH Substantial Amendment to its Action Plan for Tranche 2. As a result, DOH may have paid \$25,000 towards the project that the grantee should have covered. This project is ongoing and the grantee has not expended all funds.

- For 1 project, DOH paid \$149,717 for development costs that were inadequately documented. DOH subsequently obtained support for these costs as the result of our review; however, the documentation contained calculation errors. As a result, it appears that DOH overpaid \$44,925 for development costs. Further review also noted a 2nd identical overpayment for development costs, resulting in a total overpayment of \$89,850 during the audited period.

Context: During the fiscal year ended June 30, 2017, DOH funded 139 projects totaling \$15,566,557 for owner-occupied homes and scattered-site properties, 24 planning projects totaling \$2,339,955, and 16 infrastructure projects totaling \$5,796,917. We reviewed payments associated with 14 projects for owner-occupied homes and scattered-site properties totaling \$1,265,349, 6 planning projects totaling \$696,179, and 6 infrastructure projects totaling \$2,163,591.

Our samples were not statistically valid.

Questioned Costs: Our original sample identified questioned costs totaling \$51,860. Further review noted additional questioned costs of \$44,925. Total questioned costs were \$96,785.

Effect: There is reduced assurance that Hurricane Sandy CDBG-DR financial assistance is being correctly calculated and paid, and that available escrow funds are being used prior to CDBG-DR funds.

Cause: DOH used CDBR-DR funds prior to escrow funds so that DOH could meet a performance deadline. The remaining errors we noted were due to staff oversights that went unnoticed during the supervisory review process.

Prior Audit Finding: We reported this finding during the previous audit as finding 2016-731.

Recommendation: The Department of Housing should strengthen its internal controls to ensure that Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Program expenditures are necessary, reasonable, adequately supported, and correctly calculated.

Views of Responsible Officials:

“We agree with this finding. The department has and continues to strengthen its internal controls for allowable costs, cost principles and benefit payments through



the implementation of an additional compliance review. Over the past few months staff have embarked upon a compliance review of the completed projects ensuring that expenditures are necessary, reasonable, adequately supported and correctly calculated.”

2017-733 Cash Management – Lack of Internal Controls

Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: B-13-DS-09-0001

Criteria: Title 31 Code of Federal Regulations (CFR) 205.33 provides that a state must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. Funds must be limited to the minimum amounts needed and disbursements must be timed in accordance with the actual, immediate cash requirements of the state in carrying out a federal assistance program or project.

Title 2 CFR 200.303 provides that a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: Our review disclosed that drawdown calculations were not adequately supported.

Context: During the fiscal year ended June 30, 2017 the Department of Housing drew down \$35,876,288 of federal funds for the Hurricane Sandy Program. We reviewed 7 drawdowns totaling \$12,175,144. Our review disclosed errors in the drawdown calculations for all 7 drawdowns.

The sample was not statistically valid.

Questioned Costs: There were no questioned costs. While the drawdown calculations contained errors, excess grant funds were not drawn down.

Effect: A lack of internal controls over drawdowns increases the risk that grant funds are improperly drawn down.

Cause: Errors were made during the preparation of the drawdown calculations and went unnoticed during the supervisory review process.



Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Housing should strengthen internal controls to ensure that drawdown calculations are adequately supported and properly calculated.

Views of Responsible Officials:

“We agree with this finding. Internal controls have been strengthened to ensure that drawdown calculations are adequately supported and properly calculated. New accounting staff have been hired by the department, and they have been trained in the proper process for drawing down federal funds. They have also been instructed to ensure that the backup documentation is retained in each drawdown file.”

2017-734 Inadequate Internal Controls over Earmarking

Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: B-13-DS-09-0001

Background: The Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Program (CDBG-DR) provides disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013.

The Department of Housing (DOH) funded the rehabilitation, reconstruction, or mitigation measures for owner-occupied homes, scattered-site properties, and multi-family houses. Scattered-site properties are non-owner occupied 1 to 4 unit rental properties. Funding was also provided for infrastructure and planning projects that would help improve the resiliency of infrastructure and public facilities and provide mitigation measures.

Criteria: 78 Federal Register 43 (March 5, 2013) page 14340 provides that 50% of Hurricane Sandy CDBG-DR funds must benefit low and moderate income persons.

Title 24 Code of Federal Regulations 570.3 provides that for the purpose of determining whether a family or household is low and moderate income, grantees must estimate the annual income by projecting the prevailing rate of income of each person at the time assistance is provided.



- Condition:* Our review disclosed that DOH does not have adequate internal controls in place to ensure that expenditures are properly coded as being for low and moderate income persons.
- Context:* During the fiscal year ended June 30, 2017, DOH funded 139 projects totaling \$15,566,557 for owner-occupied homes and scattered-site properties and 16 infrastructure projects totaling \$5,796,917. We reviewed payments associated with 14 projects for owner-occupied homes and scattered-site properties totaling \$1,711,342 and 6 infrastructure projects totaling \$3,769,068 to determine if expenditures were being properly classified as benefiting low and moderate income persons. The sample was not statistically valid. Our review disclosed the following:
- For 1 infrastructure project, \$3,700 of expenditures were not properly classified as benefiting low and moderate income persons.
- For 3 owner-occupied and scattered-site properties classified as benefiting low and moderate income persons, the department did not obtain income documentation to estimate the homeowners' annual income at the time assistance was provided. DOH issued payments totaling \$111,884 prior to obtaining the necessary income documentation.
- Questioned Costs:* \$0
- Effect:* While the errors noted do not appear to impact DOH compliance with earmarking requirements, a lack of internal controls increases the risk that earmarking requirements may not be met or an improper amount is reported as being expended towards the requirements.
- Cause:* The coding error for the infrastructure project was due to a clerical mistake. In addition, while DOH did obtain income documentation from homeowners at the time of application for owner-occupied and scattered-site projects, there was often a substantial period between the receipt of the application and the provision of financial assistance. DOH did not obtain updated documentation prior to making the payments.
- Prior Audit Finding:* We reported this finding during the previous audit as finding 2016-732.
- Recommendation:* The Department of Housing should strengthen internal controls to ensure that it is properly monitoring compliance with earmarking requirements. In addition, the department should verify that adequate income documentation is on hand at the time that it provides financial assistance to ensure that expenditures meet earmarking requirements.



Views of Responsible Officials:

“We agree with this finding in part. The department operates under the HUD approved policy of applicant self-certification and base documentation at the time of application and project start. All information related to national objective, income verification, location, and eligibility are then reviewed and verified for accuracy at the project closeout as part of the department’s internal compliance review process. The department has and continues to strengthen its internal controls through the implementation of this closeout compliance review, as well as the assignment of additional staff relative to this review and information verification.”

Auditors’ Concluding Comments:

In the 3 cases noted above, the department did not receive the applicants’ income self-certification and base documentation at the start of the project.

2017-735 Suspension and Debarment – Inadequate Procedures

Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: B-13-DS-09-0001

Background:

The Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Program (CDBG-DR) provides disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013.

The Department of Housing (DOH) funded the rehabilitation, reconstruction, or mitigation measures for owner-occupied homes, scattered-site properties, and multi-family houses. Scattered-site properties are non-owner occupied 1 to 4 unit rental properties. For homeowners who used personal funds or were under contract to repair storm damage within 1 year of Hurricane Sandy, DOH provided reimbursement for eligible home repairs. Funding was also provided for infrastructure and planning projects that would help improve the resiliency of infrastructure and public facilities and provide mitigation measures.

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 with an entity, with management or supervisory responsibilities related to a 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.

The DOH Owner Occupied Reimbursement Program Step by Step Process Guide provides that in order for work to be eligible for reimbursement, the contractor must not be on the federal or state debarment lists.

Condition: Our review disclosed that DOH did not determine whether contractors providing goods or services or their principals have been excluded from participating in federal programs prior to entering into covered transactions for 1 multi-family, 4 infrastructure, 5 planning, and 4 reimbursement projects. Further review determined that DOH did not determine whether contractors or their principals have been excluded from participating in federal programs for any reimbursement projects. None of the contractors were examined were excluded.

Context: During the fiscal year ended June 30, 2017, DOH funded 2 multi-family, 24 planning, 16 infrastructure, and 139 owner-occupied and scattered-site projects, 55 of which were at least partially reimbursements. We reviewed 1 multi-family, 6 planning, 6 infrastructure, and 14 owner-occupied and scattered-site projects for compliance with the suspension and debarment requirements.

The sample was not statistically valid.

Questioned Costs: \$0

Effect: DOH has lessened assurance that contractors providing goods and services or their principals have not been suspended, debarred, or otherwise excluded from federal programs.

Cause: DOH does not have adequate procedures in place to verify that contractors providing goods or services or their principals are not suspended, debarred or



otherwise excluded from federal programs. For multi-family, planning, and infrastructure projects, DOH did not always check the SAM Exclusions prior to entering into a covered transaction. For reimbursement projects, DOH has not implemented its procedures to verify that contractors are not on the federal or state debarment lists in accordance with its Owner Occupied Reimbursement Program Step by Step Process Guide.

Prior Audit Finding: This finding was reported during the previous audit as finding 2016-733.

Recommendation: The Department of Housing should develop procedures that ensure that all contractors and their principals are not suspended, debarred, or otherwise excluded from federal programs as specified in the federal regulations.

Views of Responsible Officials:

“We agree with this finding in part. The department believes that adequate procedures specified in the federal regulations for all components of the housing activities under CDBG-DR are in place, however acknowledges that staff did not fully implement these procedures prior to the review. Since the time of the review, the department has and continues to fully implement these procedures, and continues to verify eligibility of prior transactions through our revised compliance review.

It is important to note that both the Step by Step Process Guide and the Program Guideline for the Owner Occupied Reimbursement program have been updated to exclude language regarding the debarment or suspension of contractors who performed the work for homeowners in the aftermath of Superstorm Sandy.”

2017-736 Financial Reporting – SF-425 Report

Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: B-13-DS-09-0001

Criteria: Federal Financial Reports (SF-425) to report cash transactions are required to be submitted on a quarterly basis to the Department of Housing and Urban Development (HUD) no later than 30 days after the end of each reporting period. Instructions for the preparation of the SF-425 report require the recipient to enter cumulative amounts of cash receipts and disbursements from the inception of the award through the end date of the reporting period on the report. In addition, the amount of reported cash on hand should be a positive balance.



- Condition:* Our review disclosed the following:
1. Our review of the SF-425 for the quarter ending September 30, 2016, disclosed the following:
 - a. Cash disbursements were overstated by \$181,001
 - b. Cash on hand was understated by \$3,260,350
 2. Our review of the SF-425 for the quarter ending December 31, 2016, disclosed the following:
 - a. Cash disbursements were understated by \$243,814
 - b. Cash on hand was understated by \$849,443
 3. DOH did not submit the SF-425 Federal Financial Reports for the quarters ending March 31, 2017 and June 30, 2017.
- Context:* Cumulative cash disbursements and cash on hand were reported on the quarter ended September 30, 2016 report as \$57,923,905 and (\$3,260,350), respectively. The correct amounts were \$57,742,904 and \$0. Cumulative cash disbursements and cash on hand were reported on the quarter ended December 31, 2016 report as \$73,191,397 and (\$849,443), respectively. The correct amounts were \$73,435,211 and \$0.
- The department did not prepare 2 of the 4 SF-425 Federal Financial Reports due for the fiscal year.
- Questioned Costs:* \$0
- Effect:* SF-425 Federal Financial Reports did not accurately reflect the financial status of the program. In addition, without receiving financial reports in a timely manner, HUD may not be able to adequately monitor the program.
- Cause:* Errors made during the preparation of the SF-425 Federal Financial Reports went unnoticed during the supervisory review process. It is unknown why some quarterly reports were not submitted by the required deadlines.
- Prior Audit Finding:* We reported this finding during the previous audit as finding 2016-735.
- Recommendation:* The Department of Housing should strengthen internal controls to ensure the accurate and timely submission of federal financial reports.
- Views of Responsible Officials:*
“We agree with this finding in part. Internal controls have been strengthened to facilitate accurate and timely submission of the SF-425 Federal Financial Reports. However, due to staff related issues at both DOH and the Department of Economic and Community Development (DECD), as well as



issues with the use of the federal Disaster Recovery Grant Reporting (DRGR) system, timely submission of this information continues to be an issue. Nevertheless, the department has implemented significant changes relative to this finding. Additional accounting staff have been hired by the department, and they are currently being trained in the necessary processes and systems. The department is committed to submitting the SF-425 Federal Financial Reports for the quarters ending March 31, 2017 and June 30, 2017, along with all other quarters that have been delayed as a result of staff related issues, within the next sixty days.

Please be advised that according to the instructions for preparing the FFR/SF-425 – “Cash on Hand - Accrual based accounting will usually be a negative number representing the amount of money owed to recipient (funds expended but not yet reimbursed)”. The department operates on an accrual based accounting system and therefore the cash on hand reported for the quarters ended September 30, 2016 and December 31, 2016 were reported correctly.”

Auditors’ Concluding Comments:

The instructions referenced by the department come from a document called The SF-425 De-Mystified, not the actual instructions for the SF-425 Federal Financial Report. The instructions for the preparation of the SF-425 Federal Financial Report provide that the reported cash on hand should be a positive balance. The instructions apply whether the cash or accrual basis of accounting is used. Due to the conflicting information, the Department of Housing should seek clarification from the Department of Housing and Urban Development regarding the proper way to report cash on hand on the SF-425 Federal Financial Report.

2017-737 Special Tests and Provisions – Environmental Reviews

Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Number: B-13-DS-09-0001

Background:

The Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Program (CDBG-DR) provides disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013.



Criteria: Title 24 Code of Federal Regulations (CFR) 58.4(b) designates states as recipients for purposes of directly undertaking a state project and provides that a state must assume the environmental review responsibilities for its activities and those of any non-governmental entity that may participate in the project. In these cases, the state must submit the certification and Request for Release of Funds (RROF) to the Department of Housing and Urban Development (HUD) for approval.

Title 24 CFR 58.34 provides that a recipient does not have to submit an RROF and certification, and no further approval from HUD or the state will be needed by the recipient, for the drawdown of funds to carry out exempt activities and projects. However, the responsible entity must document in writing its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section.

Condition: Our review disclosed that the Department of Housing (DOH) did not execute an exemption form until after the initiation of an infrastructure project.

Context: During the fiscal year ended June 30, 2017, DOH funded 16 infrastructure projects totaling \$5,796,917. We reviewed the environmental reviews for 6 projects totaling \$3,769,068 and found that 1 project was determined to be exempt from environmental review, but the written determination was not made until after the project had been initiated and \$12,325 of expenses had been incurred.

Our sample was not statistically valid.

Questioned Costs: Our review identified questioned costs totaling \$12,325.

Effect: There is reduced assurance that all environmental concerns are addressed before projects begin.

Cause: The error was the result of an oversight by staff that went unnoticed during the supervisory review process.

Prior Audit Finding: We reported this finding during the previous audit as finding 2016-736.

Recommendation: The Department of Housing should strengthen internal controls to ensure that it performs and adequately documents environmental review exemption determinations for all applicable Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Program projects, before the initiation of the projects.

Views of Responsible Officials:

“We agree with this finding. Internal controls have been implemented to ensure that all environmental reviews are properly completed and



Auditors of Public Accounts

documented. These internal controls were submitted to HUD for review and approval as part of the corrective action plan for the environmental monitoring. All contractors have been reminded of the environmental review requirements, and such environmental reviews are more closely monitored and screened for completeness by DOH staff. Moreover, DOH staff have begun a compliance review of all completed projects in accordance with the revised Environmental Review Record Tier 1 & 2 guidelines.”



DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

2017-800 Internal Controls

Continuum of Care Program (CoC) (CFDA 14.267)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: Various

Background: The federal Department of Housing and Urban Development's (HUD) Continuum of Care Program (CoC) is designed to promote community-wide commitment to the goal of ending homelessness; provide funding for nonprofit providers, state and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

During the fiscal year ended June 30, 2017, DMHAS was the recipient of 58 CoC grant awards, totaling \$23,663,059. Each grant award is assigned to a specific geographic region of the state.

Criteria: Title 2 Code of Federal Regulations (CFR) 200.62 defines internal control over compliance requirements for federal awards as a process implemented by a non-federal entity designed to provide reasonable assurance that (a) transactions are properly recorded and accounted for in relation to the federal program and (b) transactions are executed in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a direct and material effect on a federal program.

Standards for internal control promulgated by the US GAO include the requirement that entities establish control activities, which include the establishment of policies and procedures to ensure that management's directives to mitigate risk are accomplished.

Title 2 Code of Federal Regulations (CFR) 200.303 states that the non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The CFR further requires that the non-federal entity evaluate and monitor the non-federal entity's compliance with statutes, regulations and the terms and conditions of federal awards.



Condition: DMHAS failed to establish or document policies and procedures, which would provide reasonable assurance that it properly recorded, accounted for and executed transactions in compliance with the terms and conditions of the grant award.

Context: The lack of policies and procedures demonstrates a systemic issue which may lead to possible errors and noncompliance with federal laws and regulations.

CoC program expenditures totaled \$21,424,025 during the state fiscal year ended June 30, 2017.

Questioned Costs: \$0

Effect: Without adequate written policies and procedures, there is a significant risk that the department is not in compliance with federal laws and regulations applicable to the CoC program.

Cause: DMHAS management did not establish a comprehensive internal control system over the Continuum of Care Program.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Mental Health and Addiction Services should formally implement effective internal controls, including adequate policies and procedures, to ensure that transactions are properly recorded, accounted for and executed in compliance with the terms and conditions of the grant award.

Views of Responsible Officials:

“The department agrees with this finding. The department will develop policies and procedures covering CoC program operations. Policies and procedures will be combined in a newly created operations manual and disseminated to non-profit and state-operated agency housing staff. The department will conduct required trainings for housing agency staff with an estimated completion date of March 1, 2019.”

2017-801 Activities Allowed or Unallowed - Contracts

Continuum of Care Program (CoC) (CFDA 14.267)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: Various

Criteria: Title 2 Code of Federal Regulations Part 200, Subpart E, provides that costs should be adequately documented to be allowable under federal awards.



Sound business practice dictates that contracts be properly completed and fully executed, and that contract terms and conditions adequately describe the goods to be received or the services to be rendered.

- Condition:*
- 1) Payments were not supported with fully executed contracts between the department and the landlord.
 - 2) Payments were recorded to an incorrect CoC grant award
 - 3) Contracts did not include language relating to services provided.

- Context:*
- 1) During the fiscal year ended June 30, 2017, there were 19,409 rental assistance payments made totaling \$16,876,707. Our review of 60 rental assistance payments, totaling \$49,320, disclosed that 38 payments were not supported with a fully executed contract between the department and the landlord as follows:
 - 2 contracts lacked a signature page.
 - 34 contracts were signed late; the time delay ranged from 1 week to 4 months.
 - 2 contracts lapsed and were not renewed in a timely manner. The contracts were renewed 5 and 8 months late.
 - 2) We found that 3 of the 60 payments reviewed, totaling \$3,793, were coded to an incorrect CoC grant award.
 - 3) During the fiscal year ended June 30, 2017, there were 208 support service payments totaling \$3,455,368. We selected 25 payments, totaling \$199,975, for testing and noted that 13 of the 25 payments, totaling \$36,322, were for administrative fees. The 13 payments referenced 6 contracts that were unrelated to the administrative fees paid.

The samples were not statistically valid.

Questioned Costs: \$0

- Effect:*
- 1) Without a fully executed contract in place, the department may make payments for unallowable activities.
 - 2) Expenditures coded to incorrect federal grant awards result in incorrect data reporting on individual federal grant awards, increasing the risk that the department spends awards on unallowable activities.



- 3) Without contract language relating to the services provided, the department may make payments for unallowable activities.

Cause: There appears to be a lack of management oversight related to contract administration and the processing of rental assistance payments.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that contracts include appropriate language and are fully executed. In addition, the department should ensure that it correctly records rental assistance payments.

Views of Responsible Officials:

“The department agrees with this finding.

The department will review the internal control processes related to contract development and execution covering rental assistance, contract development, and monitoring with private non-profit agencies receiving HUD funds. New controls related to ensuring that a fully executed contract is in place for all payments will be established with an estimated completion date of January 1, 2019.

The department will also review the contracting process with its private non-profit providers to identify steps to ensure standard contract language and accurate funding levels are met with an estimated completion date of January 1, 2019.

The department has implemented and will continue to carry out a six-month data match between HMIS data (client enrollment system) and rental payment records. Corrections to the information system containing the error will be made and efforts to prevent recurrence will be ongoing.”

2017-802 Matching

Continuum of Care Program (CoC) (CFDA 14.267)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: Various

Criteria: Title 24 Code of Federal Regulations (CFR) 578.73 states that the recipient or subrecipient must match all grant funds, except for leasing funds, with no less than 25% of funds or in-kind contributions from other sources. For Continuum of Care geographic areas in which there is more than one grant agreement, the 25% match must be provided on a grant-by-grant basis.



- Condition:* The department does not have a mechanism in place to document or track the match for the Continuum of Care program grants.
- Context:* During the fiscal year ended June 30, 2017, the department was awarded 58 Continuum of Care grants, totaling \$23,663,059 and expended \$21,424,025 from those grants. The department informed us that it does not maintain documentation or otherwise track the state match for the 58 Continuum of Care grant awards received.
- The noted condition indicates a systemic issue.
- Questioned Costs:* \$0
- Effect:* Without a formal structure in place to monitor state matching funds, the department was unable to document whether the state matching requirement was satisfied.
- Cause:* Management failed to implement a system to track the state match.
- Prior Audit Finding:* We have not previously reported this finding.
- Recommendation:* The Department of Mental Health and Addiction Services should develop a formal mechanism to document and track the match of state funds for the Continuum of Care Program.
- Views of Responsible Officials:*
“The department agrees with this finding. The department will identify and track the appropriate match dollars for each grant on an ongoing basis.”

2017-803 Eligibility - Homeless Management Information System

Continuum of Care Program (CoC) (CFDA 14.267)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: Various

- Background:* The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, enacted into law on May 20, 2009, requires that all communities have a Homeless Management Information System (HMIS) with the capacity to collect unduplicated counts of individuals and families experiencing homelessness. Through their HMIS, a community should be able to collect information from projects serving the homeless to use as part of their needs analyses and to establish funding priorities. The act also codifies certain data collection requirements integral to HMIS. With



enactment of the HEARTH Act, HMIS participation became a statutory requirement for recipients and sub-recipients of Continuum of Care Program funds.

Criteria: Title 24 Code of Federal Regulations 578.7(b) requires that the Continuum of Care maintain a designated HMIS and ensure the HMIS is administered in compliance with requirements prescribed by the Department of Housing and Urban Development (HUD).

The HMIS Data Standards Data Dictionary, published by HUD, requires that all participating continuum projects using the HMIS software collect universal data elements. Universal data elements are client level data that enable the HMIS the ability to record unique, unduplicated client records, establish participation in a project within a date range, and identify clients who meet time criteria for chronic homelessness.

Condition: Our review of eligibility for the federal Continuum of Care Program revealed inconsistencies between the state's accounting system and the HMIS. There were no records in the HMIS database for 36 clients receiving assistance under CoC. In addition, 87 individuals with a record in HMIS did not receive assistance during the state fiscal year ended June 30, 2017.

Context: The condition noted above indicates a systemic problem. During the fiscal year ended June 30, 2017, there were 2,443 participants in HMIS. DMHAS made payments on behalf of 36 program participants, totaling \$280,045, with no record in HMIS during the state fiscal year ended June 30, 2017. Rental assistance payments for fiscal year ended June 30, 2017 totaled \$16,876,707.

The sample was not statistically valid.

Questioned Costs: Our review identified questioned costs for 36 clients, totaling \$280,045, during the fiscal year ended June 30, 2017.

Effect: By failing to maintain complete records of clients in HMIS, the department did not comply with HUD HMIS requirements. There is increased risk that DMHAS could make payments for ineligible individuals. In addition, maintaining eligible clients who are not currently receiving assistance in HMIS increases the risk of fraudulent payments.

Cause: DMHAS did not have procedures in place to ensure that HMIS accurately reflects current program participants or internal controls to prevent payments on behalf of program participants not entered into HMIS.

Prior Audit Finding: We have not previously reported this finding.



Recommendation: The Department of Mental Health and Addiction Services should maintain a complete and accurate Homeless Management Information System to ensure compliance with requirements prescribed by the U.S. Department of Housing and Urban Development.

Views of Responsible Officials:

“The department agrees with this finding. The department has implemented and will continue to carry out a six-month data match between HMIS data (client enrollment system) and rental payment records. Corrections to the information system containing the errors will be made and efforts to prevent recurrence will be ongoing.”

2017-804 Eligibility

Continuum of Care Program (CoC) (CFDA 14.267)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: Various

Criteria: Title 24 Code of Federal Regulations section 578.103 provides that individuals must be considered chronically homeless and have a disabling condition in order to be eligible to receive Continuum of Care Program (CoC) benefits.

Title 24 Code of Federal Regulations section 578.77 (c) provides that each program participant on whose behalf rental assistance payments are made must pay a contribution toward rent in accordance with section 3(a) (1) of the U.S Housing Act of 1937. The income of program participants must be calculated in accordance with 24 CRF 5.609 and 24 CFR 5.611 (a). Recipients must examine a program participant's income initially, and at least annually thereafter, to determine the amount of the contribution toward rent payable by the program participant.

Condition: 1) Our review of eligibility for 60 clients receiving rental assistance under CoC disclosed the following deficiencies in eligibility supporting documentation:

- Eligibility verification forms were missing for 7 of the clients; homeless verification and disability verification forms were missing for 3 of the 7 clients, and disability verification forms were missing for 4 of the 7 clients.
- For 2 of the clients, 1 or more of the verification forms to support eligibility determinations were dated after the clients were enrolled in the program. For 1 client, 2 of the eligibility verification forms were



dated 13 days after enrollment, and for the second client, 1 eligibility verification form was dated approximately 1 year after enrollment.

- The department was unable to provide documentation to support program participant income or rent contributions for 3 clients that received a total of \$2,633 in assistance.

2) The department paid 2 invoices for rental assistance, totaling \$38,057, that did not include client identifying information. The department did not verify whether the payment was made on behalf of eligible clients.

Context:

1) During the fiscal year ended June 30, 2017, there were 19,409 rental assistance payments made totaling \$16,876,707. Our review of 60 rental assistance payments, totaling \$49,320, disclosed 7 instances of missing verification forms related to payments totaling \$7,242.

2) During the fiscal year ended June 30, 2017, there were 208 support service payments, totaling \$3,455,368. We tested 25 payments, totaling \$199,975.

The conditions noted above indicate a systemic problem.

The sample was not statistically valid.

Questioned Costs: \$45,299

Effect: The department may be providing housing assistance to ineligible individuals.

Cause: DMHAS did not have established controls in place to administer the Continuum of Care Program or ensure that it supports eligibility determinations made by contracted vendors or department mental health authorities.

Prior Audit Finding: We have not previously reported this finding.

Recommendation: The Department of Mental Health and Addiction Services should develop procedures to ensure that each client receiving Continuum of Care Program benefits is eligible and that each factor of the eligibility decision is supported and documented.

Views of Responsible Officials:

“The department agrees with this finding. A uniform income calculation process will be followed using the Community Planning and Development (CPD) income eligibility calculator developed by (HUD). This will prevent errors. Calculation documentation will be uploaded to HMIS in the appropriate client record.



The department will develop policies and procedures for CoC documented program operations and will be documented in an operations manual and disseminated to private non-profit and state operated agency housing staff. The department will conduct required trainings for housing agency staff. The department will follow-up with periodic reviews of a sample of eligibility documentation every six months.”

2017-805 Period of Performance

Continuum of Care Program (CoC) (CFDA 14.267)

Federal Award Agency: United States Department of Housing and Urban Development

Award Years: Federal Fiscal Years 2015-2016 and 2016-2017

Federal Award Numbers: Various

Criteria: Title 2 Code of Federal Regulations section 200.77 states period of performance means the time during which the non-federal entity may incur new obligations to carry out the work authorized under the federal award.

Title 2 Code of Federal Regulations 200.210 (a) (5) states that each federal award must include the period of performance start and end date.

Condition: Our review of 15 Continuum of Care Program (CoC) grants awarded during fiscal year 2017 disclosed 3 instances in which the period of performance dates on the grant awards did not agree with the period of performance dates recorded in the electronic Line of Credit Control System (eLOCCS), HUD’s primary grant distribution system.

Context: The start and end dates in eLOCCS are intended to inform the nonfederal entity when they are allowed to incur obligations and expend grant funds. We reviewed of 15 of the 58 CoC grant awards charged during state fiscal year 2017.

The sampling was not statistically valid.

Questioned Costs: \$0

Effect: Incorrect dates in eLOCCS could result in funds being drawn outside of the period of performance.

Cause: It appears that the department did not seek supporting documentation from HUD when discrepancies were noted between the period of performance dates on the federal grant awards and eLOCCS.

Prior Audit Finding: We have not previously reported this finding.



Recommendation: The Department of Mental Health and Addiction Services should request supporting documentation from the U.S. Department of Housing and Urban Development when period of performance discrepancies are noted on federal grant awards.

Views of Responsible Officials:

“The department partially agrees with this finding. During the annual contract development process between HUD and DMHAS, DMHAS will ensure that the operating dates are correct. If not, staff will contact HUD to rectify. If HUD is unable to correct the operating dates on the contract, staff will obtain written verification from HUD indicating the correct dates prior to signature.”

**State of Connecticut
Fiscal Year 2017 Single Audit Reporting Package
Summary Schedule of Prior Audit Findings**

For Findings and Questioned Costs Identified Prior to the Fiscal Year Ended June 30, 2017



**Office of Policy and Management
Hartford, Connecticut**



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICE OF THE SECRETARY

**STATE OF CONNECTICUT
SINGLE AUDIT REPORTING PACKAGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Findings and Questioned Costs Identified
Prior to Fiscal Year Ended June 30, 2017**

**Reference
Number**

FY

Recommendation/Status

DEPARTMENT OF SOCIAL SERVICES

2016-001	16	<u>Eligibility – Social Security Numbers</u>
2015-001	15	Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
2014-001	14	
2013-001	13	<u>Recommendation:</u>
III.A.2.	12	The Department of Social Services should obtain and verify the social
III.A.3.	11	security numbers of all applicable Medicaid clients and enter the social
III.A.4.	10	security numbers into its Eligibility Management System.
III.A.4.	09	
III.A.5.	08	<u>Status as reported by the Department of Social Services:</u>
III.A.5.	07	The Department's ability to track missing social security numbers has
III.A.5.	06	been improved with the implementation of ImpaCT, its new eligibility

The new system has safeguards in place to prevent a grant with an invalid Social Security Number (e.g. 999-99-9999), as the system will not accept invalid numbers. In addition, the file clearance functionality looks for matches of potential numbers and requires overrides to establish a new individual with an invalid number.

If individuals report they do not have a Social Security Number (SSN), ImpaCT now requires staff to indicate whether the person has applied for a SSN, whether they are willing to apply for a SSN; or provide a reason for not willing to apply for a SSN. The Department anticipates that these system and process changes will improve its ability to verify Social Security Numbers for Medicaid clients.

A reminder email was sent to staff on 12-29-17 stating the importance of obtaining and verifying accurate social security numbers for individuals.

2016-002	16	<u>Activities Allowed or Unallowed - Non-qualified Aliens</u>
2015-005	15	Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
2014-005	14	
2013-005	13	<u>Recommendation:</u>
III.A.8.	12	The Department of Social Services should establish procedures to ensure
III.A.8.	11	that payments made for non-emergency medical services provided to non-

III.A.10. 10 qualified aliens are not claimed for federal reimbursement under the
III.A.10. 09 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.

Status as reported by the Department of Social Services:

In the Department’s new eligibility system, ImpaCT, workers can select the Federal Medical Assistance Percentage (FMAP) cohort and indicator for individuals requesting medical coverage. Workers have been directed on how to identify the correct cohort and indicator when processing medical requests for qualified non-citizens. The Department anticipates that this will improve accuracy in ensuring the correct payment source for medical coverage to non-qualified aliens.

In addition, in order to prevent a payment for a service that was not authorized, the Department designed ImpaCT so that specific dates are entered for approved emergency medical coverage. The ability to enter specific service dates should reduce claims for services prior to or after approved dates that an individual has been found eligible. The Department anticipates that these system controls will reduce or eliminate errors in paying claims for time periods an individual was not eligible and any corresponding errors in requesting federal payments.

2016-003 16 **Eligibility – Determinations**
2015-006 15 **Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)**
2014-006 14
2013-006 13 **Recommendation:**
III.A.9. 12 The Department of Social Services should ensure that each client who
III.A.9. 11 receives Medicaid benefits is eligible, that annual redeterminations are
III.A.11. 10 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 435.1009 by establishing and implementing procedures that determine whether Medicaid recipients are individuals under age 65 who are patients in an institution for mental diseases.

Status as reported by the Department of Social Services:

The Department recently completed another stage in its modernization project which includes a document imaging system, electronic task management, online application and renewal options, and now a new eligibility system. All incoming documents are scanned into the system and indexed to the appropriate client within our new eligibility system. This process reduces the misplacement of submitted client information and associates documents to the correct household’s case. This helps to ensure that all related client information is processed together at the time

of renewal. This electronic filing and organizing increases operational processing capacity and allows more work to be processed at one time. Workers have been instructed to process all documents associated with a client’s case when reviewing any one aspect of their case, using a “one-touch” approach that limits future client contacts and thereby also increases operational capacity. In addition, verifications are increasingly performed electronically without worker intervention using interfaces with the federal data services hub (FDSH) and other electronic sources which reduces the renewal processing time.

The Department has also implemented a passive renewal process for many medical clients as part of our shared system with Access Health CT (AHCT). Passive renewals allow for an automatic renewal of Medicaid eligibility without immediately requiring new information from the client. The information from the most recent application on file is electronically verified against the FDSH and other sources. If results are the same, clients are renewed without interruption of coverage. Currently HUSKY A (children, parents/caretakers and pregnant women) and HUSKY D (low income adults) clients are renewed this way. This provides for an increasingly accurate and timely renewal process for the majority of Medicaid recipients.

The Department has also begun performing automated renewals for Medicare Savings Programs recipients. This increases the timeliness of renewal process and encourages change reporting through the use of pre-populated renewal forms. The Department is also developing an automated renewal process for HUSKY C clients (aged, blind and disabled individuals), which the Department expects will increase both the timeliness and the accuracy of processing those renewals as well.

The Department send out a reminder emailing outlining the importance that living arrangements when determining eligibility on 12-29-17.

2016-004	16	<u>Reporting – Overstatement of Expenditures</u>
2015-003	15	Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
2014-003	14	
2013-003	13	<u>Recommendation:</u>
III.A.6.	12	The Department of Social Services should establish and implement
III.A.6.	11	procedures for reporting recoupment receivables for providers suspected
III.A.8.	10	of committing fraud and ensure that the claims submitted for federal
III.A.8.	09	reimbursement under the Medicaid program are accurately reported.

Status as reported by the Department of Social Services:

The Department processed a correction for the incorrectly reported third party liability refunds and the information only reporting of outstationed worker expenses in the CMS claim submitted for the quarter ending December 31, 2016.

The Department did not agree with the portion of the finding related to the reporting of certain recoupment receivables. The Department believes that it acted in accordance with CMS directions regarding the distribution and claiming of these recoupments.

2016-005 16 **Allowable Costs/Cost Principles – Fee for Service Payments**
Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)

Recommendation:

The Department of Social Services should recoup any improper payments made to medical providers and refund any corresponding federal reimbursements to the Centers for Medicare and Medicaid Services. The Department of Social Services should establish and implement controls to ensure that fee-for-service payments claimed for federal reimbursement under the Medicaid program are adequately supported.

Status as reported by the Department of Social Services:

Corrective action has been taken. The finding has been resolved. The Department contracted the provider that was highlighted in this finding. It was originally noted by the Auditors of Public Accounts that the provider only maintained records for a six month period following services. During the Department’s follow up, it was determined that the records were available but there was a misunderstanding between the provider and the Auditors.

The Department selected a sample of claims and requested the supporting documentation. The provider was able to submit adequate support for the services.

2016-006 16 **Activities Allowed or Unallowed – School Based Child Health Claims**
2015-009 15 **Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)**

2014-009 14
2013-009 13
III.A.12. 12

Recommendation:

The Department of Social Services should recoup any improper payments made to Medicaid providers and should establish and implement controls to ensure that School Based Child Health costs claimed for federal reimbursement under the Medicaid program are adequately supported by parental consent forms and Individual Education Plans.

Status as reported by the Department of Social Services:

The Department agreed in part.

The Department conducts desk reviews of all submitted School Based Child Health program cost reports. However, the LEAs are responsible to properly document and submit costs that they have all the necessary documentation for support.

The Department is in the process of confirming the questioned costs identified in this finding and will recoup any confirmed questioned costs.

2016-007 **16** **Special Tests and Provisions – ADP Risk Analysis and System Security Review**
Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)

Recommendation:

The Department of Social Services should update its information technology disaster recovery plan. The Department of Social Services should implement a client based data loss prevention solution and audit logging infrastructure for information technology that contains or processes electronic protected health information.

Status as reported by the Department of Social Services:

The Department’s consultant has been updating the Disaster Recovery/Business Continuity Plan, which is projected to be completed in the first quarter of 2018. The goal is to leverage Archer to drive annual testing/review of the DR/BCP. The procedures/processes for this will be developed once we have obtained approval from the State Department of Administrative Services for the Consulting Statement of Work that received CMS approval.

As the legacy Eligibility Management System (EMS) is slated for decommissioning, the Department will not implement a client-based DLP solution or an audit logging infrastructure for EMS.

For CCSES, DSS has implemented a Log Rhythm SEIM to receive log data and we have begun collecting logs from the CCSES database. Further enhancement is included in the Statement of Work with the Department’s consultant for development of a Continuous Diagnostics and Mitigation program, which will address the design and implementation of a comprehensive DSS Logging Infrastructure.

2016-008 **16** **Special Tests and Provisions - Provider Eligibility**
2015-004 **15** **Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)**
2014-004 **14**

2013-004 **13** **Recommendation:**

III.A.7. **12** 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.
III.A.7. **11**
III.A.9. **10**
III.A.12. **09**
III.A.9. **08**

Status as reported by the Department of Social Services:

As of this date, CMS has not resolved the SAM database access issues. The Department will continue to monitor the situation. Alternative processes remain fiscally and administratively prohibitive.

At the request of the Department, in early 2017, The Centers for Medicare and Medicaid Services (CMS) led an assessment of Connecticut's Medical Assistance Programs' provider screening and enrollment activities to determine the level of implementation for the requirements found in the Affordable Care Act (ACA) 42 CFR 455 Subpart E and as clarified in the Medicaid Provider Enrollment Compendium (MPEC). These requirements tie directly to CMS' Payment Error Rate Measurement (PERM) program for measuring improper payment in Medicaid programs. One of CMS' goals is to provide technical assistance to help Connecticut lower its PERM rate in the upcoming assessment cycle.

CMS' assessment included an intensive four-day on-site visit with the Department's staff and provider enrollment screening contractor. The assessment focused on the Department's current processes and resulted in a collaborative plan to utilize limited resources to streamline current processes and to ensure that providers are enrolled in compliance with Title 42 Code of Federal Regulations Part 455. During this assessment, CMS acknowledged the SAM database access issues.

2016-009

16

Special Tests and Provisions – Provider Health and Safety Standards – Department of Public Health (Medicaid)

**Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (CFDA #93.777)**

Recommendation:

The Department of Public Health should allocate the necessary resources to ensure that surveys of providers and follow-up procedures comply with the requirements of the CMS Schedule of Termination Procedures.

The Department of Social Services and Department of Public Health should work together to ensure that payments are only made to facilities that meet all federal requirements for participation in the Medicaid program.

Status as reported by the Department of Public Health:

At the close of business on December 29, 2017 all applicable Facility and Licensing and Investigations Section (FLIS) staff will be re-educated on the Policy and Procedure regarding the CMS schedule of termination procedures. The policy requires that if non-compliance is noted during an annual recertification inspection and/or an abbreviated inspection related to a complaint inspection, all revisits to assess compliance with the nursing

home’s plan of correction are conducted within sixty days of the exit date of the annual recertification survey.

An audit shall be completed monthly of 20% of all recertification/complaint inspections/surveys processed in the preceding month to assess compliance with the required time frames, until such time that 100% compliance is identified for 12 consecutive months. If any deviation is noted from the sixty days, re-education/remediation as appropriate will be conducted.

Status as reported by the Department of Social Services:

Although the Department 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’s section of the Federal Single Audit report. It is the Department of Public Health’s responsibility to ensure it has controls in place to properly distribute Form CMS-2567 and any related correspondences.”

- 2016-010 16
- 2015-002 15
- 2014-002 14
- 2013-002 13
- III.A.5. 12
- III.A.5. 11
- III.A.6. 10
- III.A.6. 09
- III.A.10. 08

**Special Tests and Provisions – Long-Term Care Facility Audits
Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)**

Recommendation:

The Department of Social Services should comply with or amend the auditing procedures in the State Medicaid Plan for long-term care facilities.

Status as reported by the Department of Social Services:

There is no corrective action for this finding. The Department did not agree with this finding. For long-term care facilities, the department contracts with a national accounting firm to perform audits of long term care 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. Facilities are primarily chosen for audit based on the risk of misstatement. The Department operates with limited resources and while it is neither possible nor feasible to conduct a field examination for every facility, the benefit of utilizing the desk review process must be considered when discussing the risk of mispayment. The Department ensures that a desk review is conducted on each facility's cost report annually. During the desk review process the auditors submit requests to providers for additional information to resolve questions which arise from significant risk areas identified, and follow up on prior year findings. These procedures are conducted to mitigate and reduce the risk of mispayment. It is our belief that this process is an efficient use of the resources that are available to the Department.

2016-011	16	<u>Special Tests and Provisions – Controls Over Income and Eligibility</u>
2015-025	15	<u>Verification System Related to Wage Matches</u>
2014-025	14	Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
2013-020	13	Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
III.A.22.	12	Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
III.A.19.	11	
III.A.20.	10	<u>Recommendation:</u>
III.A.16.	09	The Department of Social Services should provide the necessary resources
III.A.20.	08	and institute procedures to ensure that all information resulting from
III.A.16.	07	eligibility and income matches is used to ensure that correct payments are
III.A.10.	06	made to, or on behalf of, eligible clients.
III.A.10.	05	
III.A.12.	04	<u>Status as reported by the Department of Social Services:</u>
III.A.23.	03	The Department’s new ImpaCT eligibility system has recently been
III.A.27.	02	deployed State-wide. The Department’s new eligibility system is
III.A.2.	01	expected to facilitate the processing of alerts.
III.A.1.	00	
III.A.12.	99	
III.G.7.	98	
III.G.2.	97	
III.G.6.	96	

2016-012	16	<u>Eligibility – Application Processing</u>
2015-015	15	Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
2014-012	14	Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)
2013-012	13	
		<u>Recommendation:</u>
		The Department of Social Services should continue to implement
		procedures to ensure timely application processing to meet benchmarks
		agreed to in the Medicaid and SNAP settlement agreements.
		<u>Status as reported by the Department of Social Services:</u>
		The Department is continuously reviewing its processes for improving
		timely completion of eligibility applications.

2016-013	16	<u>Eligibility – Identity Documentation</u>
		Temporary Assistance for Needy Families (TANF) (CFDA 93.558)
		<u>Recommendation:</u>
		The Department of Social Services should strengthen internal controls to
		ensure that each recipient of cash assistance is eligible for the program and
		ensure that adequate support is obtained to allow the eligibility
		management system to make proper eligibility determinations for the
		Temporary Assistance for Needy Families according to federal
		regulations, the Temporary Assistance for Needy Families State Plan, and
		the state’s corresponding policies and regulations.

Status as reported by the Department of Social Services:

On 12-29-17 an email went out to staff reminding them of the importance that proper documentation is on file for each household prior to granting benefits.

2016-014 16
2015-019 15
2014-017 14

**Special Tests and Provisions – Child Support Non-Cooperation
Temporary Assistance for Needy Families (TANF) (CFDA #93.558)**

Recommendation:

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

Status as reported by the Department of Social Services:

The Department continues to enhance communications between program personnel and the Office of Child Support Services. On 12-29-17 an email was forwarded to staff reminding of the importance of reviewing child support sanction request.

2016-015 16
2015-018 15
2014-016 14

**Procurement
Temporary Assistance for Needy Families (TANF) (CFDA #93.558)**

Recommendation:

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

Status as reported by the Department of Social Services:

The Department’s Contract Administration Unit updated procedural emails, expiring contract reports and the internal CIRAS form that includes language related to required contract language such as: “it is imperative that Program Staff include federally required language/policies and procedures when developing/submitting your contract/procurement draft.

The Department continues to disagree with the statement that state procurement policy and procedures were not adhered to. In regards to the contract in question, the Department exercised its statutory right to request a waiver (which was granted) from the Secretary of OPM.

2016-016 16
2015-021 15
2014-021 14
2013-253 13
III.E.5. 12

**Activities Allowed or Unallowed and Allowable Costs/Cost Principles
– Eligibility Rates and Expenditure Data - Department of Children
and Families
Temporary Assistance for Needy Families (TANF) (CFDA #93.558)**

Recommendation:

The Department of Children and Families should implement procedures or further enhance the Provider Information Exchange system to obtain the information necessary to calculate the eligibility rates based on actual Temporary Assistance for Needy Families clients served. In addition, the Department of Children and Families should implement procedures to ensure that expenditure data used in the claiming process is accurate.

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 and applied to accurate expenditure information. The Department of Social Services should submit prior quarter adjustments for amounts overstated.

Status as reported by the Department of Social Services:

The Department is currently working on making corrections to the FFY 2016 TANF Claim.

Status as reported by the Department of Children and Families:

Changes to the PIE system needed to allow accurate calculation of eligibility rates were completed November 1, 2017.

2016-017	16	<u>Allowable Costs/Cost Principles – Department of Correction</u>
2015-020	15	Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
2014-018	14	
2013-018	13	<u>Recommendation:</u>
III.A.21.	12	The Department of Correction should strengthen internal controls to ensure that the amounts claimed under the Temporary Assistance for
III.A.18.	11	Needy Families program are accurate and adequately supported.
III.A.18.	10	

The Department of Social Services should establish and execute a memorandum of understanding with the Department of Correction to define each agency’s responsibilities regarding program administration, expenditure claims, and reporting requirements for the Temporary Assistance for Needy Families program.

Status as reported by the Department of Social Services:

This finding should not be reported under the DSS section of the audit report. The Department will review the documented questioned costs to determine if any adjustments need to be made.

Status as reported by the Department of Correction:

Two years have passed since the audit report in which the finding occurred was submitted to the Federal clearinghouse.

With regard to DOC internal controls associated with TANF reporting the agency has reviewed its current practices and procedures pertaining to TANF data collection and reporting and has worked with the Department of Social Services to ensure that DOC’s policies and procedures meet the Department of Social Services’ requirements. DOC entered into a Memorandum of Understanding (MOU) with the Department of Social Services on September 28, 2016. This MOU clarifies the responsibilities of both agencies.

Data collection and reporting has been standardized within the department and DOC has documented the agreed upon process and requirements in written procedures which have been distributed to staff and implemented. A copy of the procedures was provided to the APA on January 5, 2017.

The “employee benefit expenditures” charged to another Federal program, inadvertently included in the TANF data, was corrected and a revised quarterly report was forward to DSS.

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

The agency has implemented its corrective action plan to correct the deficiencies noted in the June 30, 2013, June 30, 2014, June 30, 2015 and June 30, 2016 Summary Schedules of Prior Audit Findings.

2016-018	16
2015-022	15
2015-024	15
2014-022	14
2013-254	13
III.E.6.	12
III.F.2.	11
III.F.1.	10
III.F.1.	09
III.F.1.	08
III.F.2.	07
III.F.3.	06
III.F.4.	05

Subrecipient Monitoring – Department of Children and Families and the State Department of Education
Temporary Assistance for Needy Families (TANF) (CFDA #93.558)

Recommendation:

The Department of Children and Families and the State Department of Education should ensure that subawards claimed under the Temporary Assistance for Needy Families program are reported to the subrecipients and that subrecipients are properly monitored.

The Department of Social Services should establish and execute a memorandum of understanding with the State Department of Education to define each agency’s responsibilities regarding program administration, including subrecipient monitoring requirements, for the Temporary Assistance for Needy Families program.

Status as reported 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 and SDE's responsibility to ensure it has controls in place to properly monitor its subrecipients

Status as reported by the Department of Children and Families:

Corrective action has been taken

Status as reported by the State Department of Education:

Though the Department of Education (SDE) agrees with the finding, an MOA has not yet been executed.

The first matter of being a "pass-through entity" is questionable as the federal funds were never in the possession of the SDE so as to "pass" them through to a subrecipient. As such, the SDE cannot properly book the expenditures in the state accounting system as federal pass through funds. The funds paid from the state accounting system are state appropriated funds that are controlled by SDE as per Connecticut General Statutes that oversee the program activities.

History has provided that the state TANF plan had identified programs that, through their statutorily defined activities, qualify under some aspect of TANF for claiming. By virtue of the fact that SDE operates the programs per the statute, there should not be a question about the eligibility of the claim under TANF, provided that the TANF plan had appropriately identified those programs as allowable, which is not in the control of the SDE.

SDE Finance and Internal Audit Offices had met with OPM and an outside CPA firm in the spring of 2017 to discuss options regarding the appropriateness of revising the OPM compliance supplement to reflect the federal nature of the funds that grant recipients were receiving as state grants but were required to be treated as federal funds for the purposes of their federal single audit. As the funds were never coded as federal funds in the state accounting system, and the amount of the funds claimed historically by DSS varied by program, it would be inappropriate to make any statement in the compliance supplement as to their treatment as federal funds, as it would not be clear what percentage a subrecipient should account for in their single audit. This is even further complicated by refunds that subrecipients would be paying back and the appropriate accounting of those returned funds as state or federal funds.

The result of the conversations stated above resulted in the conclusion that SDE should discuss with DSS which SDE programs will be used for the DSS TANF claim. Further, the two agencies will have to determine an appropriate process that will identify these funds as federal at the transaction level in the state accounting system, and further alert the subrecipients as to the federal responsibilities related to the funding, in advance of the issuance of pass through payments.

2016-019	16	<u>Subrecipient Monitoring</u>
2015-027	15	Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
2014-026	14	Social Services Block Grant (SSBG) (CFDA #93.667)
2013-021	13	
III.A.23.	12	<u>Recommendation:</u>
III.A.20.	11	The Department of Social Services should implement procedures to ensure compliance with its responsibility as a pass-through entity and proper monitoring of subrecipients.
III.A.21.	10	
III.A.17.	09	
III.A.22.	08	
III.A.18.	07	<u>Status as reported by the Department of Social Services:</u>
III.A.12.	06	The Department agreed in part with this finding. The Department continues to ensure that on-site visits are performed and all performance and financial reports are adequately monitored in accordance with contract stipulations.
III.A.13.	05	
III.A.15.	04	

The three Fatherhood Initiative Program (FIP) subrecipient contracts that were identified in the audit are funded by State awards and the subawards were not TANF program expenditures that were claimed under the Fatherhood Initiative. The Fatherhood Initiative utilizes State maintenance of effort (MOE) funds and there are no federal reimbursements. Since there are no federal reimbursements for the expenditures using State commingled MOE funds, DSS is not required to report the contractual agreements nor obtain unique entity identifiers from these three subrecipients funded by commingled State MOE funds and therefore we are in compliance.

2016-020	16	<u>Cash Management – Subrecipient Cash Balances</u>
2015-030	15	Social Services Block Grant (SSBG) (CFDA #93.667)
2014-029	14	
2013-023	13	<u>Recommendation:</u>
III.A.25.	12	The Department of Social Services should establish controls to ensure that sound cash management is being used for advances made to subrecipients of the Social Services Block Grant program.
III.A.22.	11	
III.A.23.	10	
III.A.19.	09	
III.A.25.	08	<u>Status as reported by the Department of Social Services:</u>
III.A.21.	07	There was no corrective action related to this finding. The Department believes the current practices for advancing funds to subrecipients are efficient based on the current staffing of the Office of Community Services.
III.A.17.	06	
III.A.19.	05	
III.A.20.	04	
III.A.25.	03	
III.A.29.	02	
III.A.12.	01	
III.A.10.	00	

2016-021	16	<u>Allowable Costs/Cost Principles – Temporary Assistance for Needy Families Transfers – Department of Children and Families</u>
		Social Services Block Grant (SSBG) (CFDA 93.667)

Recommendation:

The Department of Children and Families should seek guidance from the Department of Social Services and implement procedures to ensure that Temporary Assistance for Needy Families funds transferred to the Social Services Block Grant are used for allowable programs and services.

The Department of Social Services should provide additional guidance to the Department of Children and Families to ensure that SSBG funds are used according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Status as reported 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 agency’s responsibility to ensure that they have adequate controls in place to incur expenditures for allowed services.

The Department is working with the Department of Children and Families related to the questioned costs associated with this finding.

Status as reported by the Department of Children and Families:

Corrective action has been taken

- 2016-022 16
- 2015-031 15
- 2014-030 14
- 2013-022 13
- III.A.24. 12
- III.A.21. 11
- III.A.22. 10
- III.A.18. 09
- III.A.24. 08
- III.A.20. 07
- III.A.16. 06
- III.A.18. 05
- III.A.21. 04
- III.A.18. 03

Earmarking – Temporary Assistance for Needy Families Transfers – Department of Housing and the Office of Early Childhood Social Services Block Grant (SSBG) (CFDA #93.667)

Recommendation:

The Department of Housing and the Office of Early Childhood should establish and implement procedures to ensure that Temporary Assistance for Needy Families funds transferred to the Social Service Block Grant are used for programs and services for children or their families whose income is less than 200% of the official poverty guideline.

The Office of Early Childhood should implement procedures for on-site visits at the child day care centers to verify family income. The Office of Early Childhood should verify that the annual family income eligibility levels are correct on the program status report per the official poverty guidelines as provided by the United States Department of Health and Human Services.

The Department of Social Services should provide additional guidance to the Department of Housing and the Office of Early Childhood to ensure that Temporary Assistance for Needy Families funds transferred to the

Social Services Block Grant funds are used according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Status as reported 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.

Status as reported by the Department of Housing:

Prior to the receipt of this Summary Schedule, the Department of Housing had modified its contract language, effective July 1, 2017, to ensure that all programs that receive TANF funding were notified of the criteria that these providers can only serve households that earn less than 200% of the poverty limit. In addition, as of the start of the second quarter of state fiscal year 2017-18, the Department of Housing is no longer receiving TANF from the Department of Social Services. All corrective actions associated with this finding, relative to the Department of Housing, have been completed.

Status as reported by the Office of Early Childhood:

Corrective action has been taken by the Agency. The Office of Early Childhood (OEC) has implemented the procedures developed for verifying family income and confirms that the eligibility levels are correct on the program status report per the official poverty guidelines.

2016-023	16	<u>Subrecipient Monitoring – Department of Housing, Department of Mental Health and Addiction Services, and the Office of Early Childhood Social Services Block Grant (SSBG) (CFDA #93.667)</u>
2015-032	15	
2015-033	15	
2014-031	14	
2014-032	14	

Recommendation:

The Department of Housing and the Office of Early Childhood should establish and implement procedures and the Department of Mental Health and Addiction Services should follow established procedures to comply with Title 2 Code of Federal Regulations 200.331 concerning its responsibilities as a pass-through entity and to ensure that subrecipients are properly monitored.

The Department of Social Services should establish and execute a memorandum of understanding with the Department of Mental Health and Addiction Services to define each agency's responsibilities regarding program administration, including subrecipient monitoring requirements, for the Social Services Block Grant program.

The Department of Social Services should provide additional guidance to the Department of Housing and the Office of Early Childhood for monitoring

subrecipients to ensure that Social Services Block Grant funds are used according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Status as reported 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, DMHAS's and OEC's responsibility to ensure it has controls in place to properly monitor its subrecipients.

Status as reported by the Department of Housing:

Prior to the receipt of this Summary Schedule, the Department of Housing had already established and implemented procedures to ensure that all SSBG programs are monitored annually in accordance with its responsibilities as a pass-through entity and to ensure that subrecipients are properly monitored in accordance with Title 2 CFR Part 200.331. Effective July 1, 2016, all recipients of SSBG funds through the Department of Housing have been and will continue to be monitored annually by DOH staff.

The Department of Housing looks forward to the receipt of additional guidance from the Department of Social Services to ensure that SSBG funds are used in accordance with federal regulations and the DSS SSBG Allocation Plan.

Status as reported by the Office of Early Childhood:

Corrective action was taken by the Agency.

The Office of Early Childhood has procedures to ensure subrecipient monitoring. Further, effective Fiscal Year 2018, SSBG funds will no longer be received from DSS by the Office of Early Childhood.

2015-007	15	<u>Allowable Costs/Cost Principles – Medicare Premium Refunds</u>
2014-007	14	Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
2013-007	13	
III.A.10.	12	<u>Recommendation:</u>
III.A.10.	11	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.
		<u>Current Status:</u>
		Corrective action has been taken.
2015-008	15	<u>Allowable Costs/Cost Principles – Supplemental Inpatient Hospital Payments</u>
		Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)

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.

Current Status:

Corrective action has been taken.

2015-010 15 **Special Tests and Provisions – ADP Risk Analysis and System Security Review**
Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)

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.

Current Status:

Corrective action has been taken.

2015-011 15 **Suspension and Debarment – Medical Providers**
Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)

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.

Current Status:

Corrective action has been taken.

2015-012 15 **Allowable Costs/Cost Principles – Department of Developmental Services**
2014-011 14 **Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)**

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.

Status as reported 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.

Status as reported by the Department of Developmental Services:

The Department of Developmental Services believes this audit finding is no longer valid because two years have passed since the finding was submitted. This finding was from FY 2015 and there were no findings for FY 2016 or FY 2017.

2015-013 15 **Allowable Costs/Cost Principles – Department of Mental Health and Addiction Services**
Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)

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.

Current Status:

Corrective action has been taken.

2015-014 15 **Allowable Costs/Cost Principles – Targeted Case Management Rates**
Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)

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.

Current Status:

Corrective action has been taken.

2015-016 15 **Reporting – TANF ACF-196**
2014-014 14 **Temporary Assistance for Needy Families (TANF) (CFDA #93.558)**

2013-014 13
III.A.17. 12

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.

Status as reported by the Department of Social Services:

As stated in our original 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.

TANF Claim for Federal Fiscal Year Ending September 30, 2014 Schedule G Revision corrections have been made according to our original response, 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. The necessary revision was made within the TANF Claim Audit Corrections FFY 2014 Submission.

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. The necessary revision was made within the TANF Claim Audit Corrections FFY 2015 Submission.

2015-017 15
2014-015 14
2013-015 13

Eligibility

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)

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.

Current Status:

Corrective action has been taken.

2015-023 15 **Subrecipient Monitoring – Judicial Branch**
 2014-023 14 **Temporary Assistance for Needy Families (TANF) (CFDA #93.558)**
 2013-017 13

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.

Current Status:

Corrective action has been taken.

2015-026 15 **Allowable Costs/Cost Principles – Duplicate Payments**
 2014-013 14 **Temporary Assistance for Needy Families (TANF) (CFDA #93.558)**
 2014-033 14 **Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)**

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.

Current Status:

Corrective action has been taken.

2015-028 15 **Reporting – Federal Funding Accountability and Transparency Act**
 2014-027 14 **Temporary Assistance for Needy Families (TANF) (CFDA #93.558)**
Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)
Social Services Block Grant (SSBG) (CFDA #93.667)

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.

Current Status:

Corrective action has been taken.

2015-029 15 **Cash Management – Subrecipient Cash Balances**
 2014-028 14 **Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)**
 2013-025 13

III.A.29. Recommendation:

III.A.25. 11 The Department of Social Services should develop and implement
III.A.26. 10 procedures to ensure that sound cash management is being used for

advances made to subrecipients of the Low-Income Home Energy Assistance Program.

Current Status:

Corrective action has been taken.

2015-034	15	<u>Allowable Costs/Cost Principles – Cost Allocation Plan</u>
2014-036	14	Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
2013-026	13	Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
III.A.31.	12	Child Support Enforcement (CFDA #93.563)
III.A.27.	11	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
III.A.29.	10	
III.A.24.	09	
III.A.30.	08	<u>Recommendation:</u>
III.A.28.	07	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.
III.A.22.	06	
III.A.25.	05	
III.A.29.	04	

Status as reported by the Department of Social Services:

Corrective Action has been taken. The Department established a 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 benefitting programs for the Department of Rehabilitation Services were made by the completion date of June 30, 2015.

2014-008	14	<u>Allowable Costs/Cost Principles – Electronic Health Record Incentive Payments</u> ARRA - Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
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Recommendation:

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

Current Status:

Corrective action has been taken.

2014-010	14	<u>Allowable Costs/Cost Principles – Manual Issuance Payments</u>
2013-010	13	Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
III.A.11.	11	

Recommendation:

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

Current Status:

Corrective action has been taken.

2014-019 14 **Allowable Costs/Cost Principles – Department of Mental Health and Addiction Services**
Temporary Assistance for Needy Families (TANF) (CFDA #93.558)

Recommendation:

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

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

Current Status:

Corrective action has been taken.

2014-037 14 **Allowable Costs/Cost Principles – Payroll Charges**
2013-027 13 **Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)**
Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care & Development Fund (CCDF) (CFDA #93.596)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)
Low-Income Home Energy Assistance (LIHEAP) (CFDA #93.568)

Recommendation:

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

Current Status:

Corrective action has been taken.

- III.A.30.** 12 **Reporting – Federal Financial Report**
III.A.26. 11 **Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)**
III.A.28. 10 **Temporary Assistance for Needy Families (TANF) (CFDA #93.558)**
III.A.23. 09 **Child Support Enforcement (CFDA #93.563)**
Child Care and Development Block Grant (CFDA #93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF) (CFDA #93.596)

Recommendation:

The Department of Social Services should report the proper disbursement amount on the Federal Financial Reports.

Status as reported by the Department of Social Services:

The Department believes this finding is no longer valid because more than two years has passed since the finding was reported, the federal agency is not currently following up with the Department on the audit finding and a management decision has not been issued.

DEPARTMENT OF TRANSPORTATION

2016-100 16 **Activities Allowed or Unallowed – Costs Not Properly Approved in Advance**
Highway Planning and Construction (CFDA #20.205)

Recommendation:

The Connecticut Department of Transportation should obtain advanced formal approval by the Federal Highway Administration for federal participation in contract claim awards and settlements.

Status as reported by the Department of Transportation:

Corrective action has been taken.

In a letter from the U.S. Department of Transportation Federal Highway Administration (FHWA) Connecticut Division, Financial Manager to the CT Department of Transportation's Commissioner dated May 22, 2017, FHWA's Management Decision stated the following:

“Corrective Action by the Department of Transportation:

The auditors identified a contract claim settlement payment on a federal-aid project DOT0173401CN for which CTDOT billed FHWA and was reimbursed total cost of \$76,000, federal amount \$60,800. However, CTDOT did not obtain advanced FHWA approval for federal participation in the costs. The Office of Construction sent to the FHWA on January 6, 2017 a request for participation in the contract claim settlement payment. FHWA approval was received January 11, 2017.

Within the Single Audit Report, it is noted that the Connecticut Department of Transportation's position is that, “Prior approval of participation is not required by the CFR or the Stewardship and Oversight Agreement. Approval is required, however, as agreed between the Office of Construction and Local FHWA office at the conclusion of the claim process. In an effort to avoid recurring administrative costs in both offices required to spread sheet journal (SSJ) funds from 100% state funding to federally participating at the end of the claim process and in the spirit of the Stewardship and Oversight agreement, the project charges are applied as participating and if the FHWA disagrees with certain charges after the final request for participation is submitted, the department will SSJ the funds from participating to 100% state funding.”

In addition a Correction Action Plan was provided to FHWA identifying that the following correction actions were implemented to address the recommendations:

Construction Management and the Transportation Principal Engineer (TPE), who oversee the Claims and Litigation Section, explained to the

Claims and Litigation Section staff the need to process the requests for federal participation in a timely manner.

The Claims and Litigation Section is now using a checklist to ensure that notifications and participation requests for FHWA projects are processed as required.

The TPE instituted monthly meetings to review the subject work and necessary submissions or approvals.

FHWA's Management Decision:

FHWA has reviewed all the documents and information provided on resolution of this finding. With the Department's request and FHWA's approval of the contract claim settlement payment on a federal-aid DOT0173401CN, the implementation of the Department's Corrective Action Plan and coordination and discussions with FHWA's Engineering Team Leader, FHWA agrees with the actions the Department has taken to address this audit finding. FHWA considers this audit finding resolved."

2016-101

16

Allowable Costs/Cost Principles – Improper Payment
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (CFDA 20.319)

Recommendation:

The Connecticut Department of Transportation should improve internal controls that prevent and detect improper payments and ensure that only allowable costs are billed to the federal government.

Status as reported by the Department of Transportation:

Corrective action has been taken.

In a letter from the U.S. Department of Transportation Federal Railroad Administration's (FRA) Director of the Office of Funds Administration to the CT Department of Transportation's Commissioner dated September 25, 2017, FRA stated the following:

"As required by the Single Audit Act of 1984, this letter provides the U.S. Department of Transportation, Federal Railroad Administration's (FRA) management decision regarding the following audit finding(s) contained in the single audit report of State of Connecticut for the fiscal year ended June 30, 2016 related to FRA program(s).

Finding 2016-101: Allowable Costs/Cost Principles – Improper Payment

Based upon our evaluation of the audit finding(s), our review of your organization's comments in the single audit reporting package(s), and

additional communications with your organization regarding the audit finding(s), we believe that your organization has provided sufficient and adequate supporting documentation to close the above referenced finding(s).”

**2015-100 15 Equipment and Real Property Management
Highway Planning and Construction (CFDA #20.205)**

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.

Current Status:

Corrective action has been taken.

**2015-101 15 Special Tests and Provisions – Quality Assurance Program
2014-103 14 Highway Planning and Construction (CFDA #20.205)**

Recommendation:

The Department of Transportation should pursue deficiencies regarding materials used for federal-aid construction projects in order to comply with federal regulations and ensure that materials paid for meet the required specifications.

Current Status:

Corrective action has been taken.

DEPARTMENT OF LABOR

2016-150 16 **Cash Management – Drawdowns**
Unemployment Insurance (UI) (CFDA #17.225)

Recommendation:

The Department of Labor should ensure that responsibilities are adequately distributed in order to avoid being overly reliant on 1 individual for vital business functions.

Status as reported by the Department of Labor:

Corrective Action Taken

2016-151 16 **Reporting – ETA227**
2015-151 15 **Unemployment Insurance (UI) (CFDA #17.225)**
2014-155 14

2013-156 13 **Recommendation:**

III.C.9. 12 The Department of Labor should strengthen internal controls to ensure
III.C.5. 11 that amounts reported on the ETA 227 are accurate, complete and
III.C.4. 10 supported.

III.C.4. 09

III.C.1. 08 **Status as reported by the Department of Labor:**

III.C.1. 07 CTDOL agrees with the determination, however corrective action will
III.C.1. 06 not be available until the implementation of modernization in 2020. As
III.C.1. 05 has been the case for several years, CTDOL strives to make
III.C.1. 04 improvements to the ETA 227 reporting process wherever possible, given
III.C.1. 03 several constraints. The data elements being captured within the agency’s
III.C.1. 02 system were not designed for today’s reporting requirements.
Improvements have been made to the data that is captured for newer
overpayments; however, even these changes have had to be made within
the confines of a forty year old mainframe system. As older
overpayments are either written off per statutory authority or are repaid,
the quality of the data improves. These efforts, along with Connecticut’s
involvement in modernizing its UI system, targeted for implementation
in 2020, are helping us strive toward balanced reporting. The agency
takes reporting seriously and will continue to do what it can to make
improvements within our operational authority and capability.

2016-152 16 **Performance Reporting – Trade Activity Participant Report (TAPR)**
2015-152 15 **Unemployment Insurance (UI) (CFDA # 17.225)**
2014-154 14

2013-155 13 **Recommendation:**

III.C.8. 12 The Department of Labor should strengthen internal controls over the
preparation of the Trade Activity Participation Report.

Status as reported by the Department of Labor:

CTDOL reached out to the TAA regional representative in Boston for additional guidance on resolving this issue. Their recommendation was “please lay out a policy that outlines your internal controls around Trade reporting? It might be a trade unit policy but it should apply the financial unit too. Essentially, the policy can outline the procedure that you will undertake quarterly to ensure that there are proper internal controls around Trade Act reporting (i.e., TAPR and 9130). If there are any issues identified, then a corrective action plan should be noted in the procedure as well. As noted in the audit report’s corrective action, the policy should outline check and balance procedures prior to submitting the report (like using the TAADI tool) as well as corrective action, if needed to ensure that reporting is accurate or within the tolerances as ascribed by TAADI annually.”

Based on their guidance, the attached draft policy was developed for review by USDOL. The draft was sent to our Trade representative in Boston on 11/27/17. We are currently awaiting their feedback. All TAA policies must be approved by USDOL before being finalized and released.

**2016-153 16 Special Tests and Provisions – Match with FUTA Tax Returns
Unemployment Insurance (UI) (CFDA #17.225)**

Recommendation:

The Department of Labor should update programming used to extract data from the IBM system to create the Federal Unemployment Tax Administration Certification Data File in order to recognize all relevant data.

Status as reported by the Department of Labor:

The Unemployment Insurance (UI) Tax Division submitted a request to the Information Technology (IT) Division to review and correct the error in the automated FUTA certification program identified in this finding. Although some programming changes have been made and some testing has been conducted, all errors have not yet been resolved. UI Tax Division and IT Division staff continues to work together in an effort to resolve all remaining issues but a specific resolution date cannot be determined. We are still hopeful that the automated FUTA certification program will be corrected prior to processing the annual IRS FUTA certification submission that was received in October 2017. Based on guidelines stated in IRS Publication 4485, Guide for the Certification of State FUTA Credits, states must return that FUTA certification submission in January 2018.

**2016-154 16 Special Tests and Provisions – UI Benefit Overpayments
2015-154 15 Unemployment Insurance (UI) (CFDA #17.225)
2014-157 14**

Recommendation:

The Department of Labor should strengthen internal controls to ensure that all potential overpayments are investigated.

Status as reported by the Department of Labor:

CTDOL disagrees with the determination that its cross-match data is “unreliable”. The cross-match process produces thousands of hits every quarter that are investigated to the best of the agency’s ability. In a small number of cases, there may be issues of timing that prevent a potential overpayment from being detected by the quarterly cross-match process, for example, a payment that was released after the cross-match program was run. In an effort to ensure that all overpayments are detected, the agency employs a variety of additional strategies including multiple cross-matches, tips from the public, the RESEA program, and agency analysis of claims. Finally, all base period employers are given an opportunity to respond to charge notices to report any potential eligibility issues, including fraudulent filing.

2016-155	16	<u>Activities Allowed or Unallowed – Contracts</u>
2015-155	15	Workforce Innovation and Opportunity Act (WIOA)
2014-152	14	WIOA Adult Program (CFDA 17.258)
2013-153	13	WIOA Youth Activities (CFDA 17.259)
		WIOA Dislocated Workers (CFDA 17.278)

Recommendation:

The Department of Labor should strengthen internal controls by ensuring that contracts are properly completed and fully executed prior to the contract period start date.

Status as reported by the Department of Labor:

Corrective Action has been taken.

2016-156	16	<u>Cash Management – Subrecipient Cash Balances</u>
2015-156	15	Workforce Investment Act (WIA) Adult Program (CFDA 17.258)
2014-151	14	WIOA Youth Activities (CFDA 17.259)
2013-152	13	WIOA Dislocated Workers (CFDA 17.278)
III.C.3.	12	
III.C.3.	11	<u>Recommendation:</u>

The Department of Labor should further strengthen internal controls to ensure that sound cash management is being used for advances made to sub-grantees for the Workforce Innovation and Improvement Act.

Status as reported by the Department of Labor:

CTDOL agrees with the determination The WIOA Administration Unit has revised the Cash on Hand policy and has disseminated to all WDBs

and appropriate staff. We will also continue the following steps related to this issue;

1. All requests for drawdowns from the Workforce Development Boards will be reviewed to ensure minimal cash on hand levels;
2. Through fiscal monitoring, bank accounts will be reviewed and inquiries of WDBs will be made related to interest bearing accounts to ensure that they are complying with Uniform Guidance.

2016-157 **16** **Subrecipient Monitoring**
Workforce Innovation and Opportunity Act (WIOA)
WIOA Adult Program (CFDA 17.258)
WIOA Youth Activities (CFDA 17.259)
WIOA Dislocated Workers (CFDA 17.278)

Recommendation:

The Department of Labor should strengthen internal controls to ensure that desk reviews are performed in compliance with federal requirements associated with subrecipient monitoring.

Status as reported by the Department of Labor:

CTDOL agrees with the determination. As a result, we have submitted the attached policy and procedure for ensuring that sub-recipient desk reviews are conducted on a consistent basis in accordance with federal requirements described in the code of federal regulations 2 CFR 200.521. This procedure went into effect on November 21, 2018.

2015-153 **15** **Special Tests and Provisions – Benefit Accuracy Measurement**
Unemployment Insurance (UI) (CFDA #17.225)

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.

Current Status:

Corrective action has been taken.

2015-157 **15** **Reporting – ETA-9130**
2014-150 **14** **Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)**
2013-151 **13** **WIA Youth Activities (CFDA # 17.259)**
III.C.2. **12** **WIA Dislocated Workers (CFDA # 17.278)**
III.C.2. **11**

Recommendation:

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

Current Status:

Corrective action has been taken.

2014-153	14	<u>Subrecipient Monitoring</u>
2013-154	13	Workforce Investment Act (WIA) Adult Program (CFDA # 17.258)
III.C.11.	12	WIA Youth Activities (CFDA # 17.259)
		WIA Dislocated Workers (CFDA # 17.278)

Recommendation:

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

Current Status:

Corrective action has been taken.

DEPARTMENT OF PUBLIC HEALTH

2016-200	16	<u>Eligibility – WIC System Data Integrity and Validation</u>
2015-201	15	Special Supplemental Nutrition Program for Women, Infants, and
2014-202	14	Children (WIC) (CFDA #10.557)
2013-205	13	

Recommendation:

The Department of Public Health should establish a systematic review process to ensure that data contained in CT-WIC accurately and adequately supports participant eligibility as defined in the CT WIC State Plan.

Status as reported by the Department of Public Health:

The Department of Public Health agrees in part with this finding. 4 active families were identified by the auditor with income over the maximum who redeemed benefits using the EBT transaction file and were not adjunctively income eligible. CT-WIC has a system in place to prevent WIC participants with incomes above the 185% poverty level guidelines for their respective family size from receiving WIC benefits. When a family proves to be over income, a validation appears on the screen which will disallow the family from participating in WIC and from receiving WIC benefits. This validation was demonstrated to the auditor. We will reinforce WIC policies pertaining to income eligibility and the use of the Income Information screen within CT-WIC with local agency staff.

The Program reinforced current WIC policies pertaining to income eligibility and the use of the Income Information screen within CT-WIC with local agency staff at the June 2017 Quarterly Statewide meeting. The Program continues to monitor adherence to these WIC policies and guidance through the Program Operations and the Certification and Nutrition Education Management Evaluation Report.

The Program has determined that CT-WIC currently has 197 active participants who are marked as having a verified Medicaid account but whose Medicaid number, as entered, is invalid or missing. A valid Medicaid Number is always a 9-digit number and begins with “00”. 88 of the invalid numbers begin with “1000” and may be a case number. 66 of them are all “9”s, which in our legacy system was reserved to mean “unknown”. We will be requesting a system change to limit the amount of numbers entered for a Medicaid number to 9 digits only and to have a validation in place to disallow atypical Medicaid numbers such as “999999999” within CT-WIC. We will reinforce the importance of entering accurate Medicaid numbers in CT-WIC with local agency staff.

The Program implemented a CT-WIC system change on July 26, 2017. This change included limiting the amount of numbers entered for a Medicaid number 9 digits only. The change also disallows the same numbers to be entered (111111111, 999999999, etc...).

The Program investigated the Medicaid numbers beginning with “1000” and found through a presentation by the Department of Social Services that these numbers are valid Medicaid numbers.

The Program identified 54 families in CT-WIC who have Proof of Residency set as “Self-declared” but received benefits for more than 30 days. The 54 family ID’s who self-declared their residency but received benefits for more than the maximum time allowed occurred in CT-WIC prior to January 6, 2017. A fix was put in place in CT-WIC on January 6, 2017 to resolve this previously known issue. The Program is still investigating the auditors’ findings for 42 families identified as receiving benefits with a proof of address code “#N/A”. Information provided on January 27, 2017 from the auditors show that the results are “null” and not “#N/A” which may be a result of conversion.

The Program identified and corrected a system issue which was leaving the Proof of Residency field with a code of “null” and/or “#N/A”. A system change was implemented on December 7, 2017 and requires the Proof of Residency field to be completed for an out-of-state transfer before benefits are issued.

2016-201	16
2015-203	15
2014-204	14
2013-207	13

Special Test - WIC Enforcement Actions

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA #10.557)

Recommendation:

The Department of Public Health should conduct compliance investigations on all high-risk WIC vendors and take timely enforcement action when appropriate. The department should conduct compliance investigations on at least 5% of approved vendors as required by federal regulations.

Status as reported by the Department of Public Health:

The Department of Public Health (DPH) agrees in part with this finding. At the time of the initial request on 11/18/16, the TIP report (The Integrity Profile report due on February 1 of each year) had not yet been compiled for the previous fiscal year. Preliminary data for October 1, 2015 from the end of last year’s TIP report was provided on 11/22/16 for the list of high risk vendors and was updated on 12/22/16. The risk status can change throughout the year depending on new complaints received, vendors passing investigations, etc. The FFY16 TIP report is now completed and is a reliable source of information available for your review.

The Connecticut WIC Program had a final total of 56 high risk vendors in FY16. Of those 56 vendors, 19 are ongoing investigations that as the

provided TIP Data Dictionary instructs, investigations could take up to two years to complete. In response to the Condition and Context sections of the audit report, the number of completed investigations was not 3, but rather 37 vendors had completed compliance investigations during FFY16.

For the auditor's review, 10 vendors were selected out of the 56 vendors that were investigated between October 1, 2015 and September 30, 2016. The audit report correctly states, "eight of these had completed investigations within the federal fiscal year...". The report states that four out of the eight were acted upon six months after the investigation was completed. The Department is in compliance with the Federal Regulations, as enforcement actions *were* taken. The regulations do not state a timeline and does not mandate a period of time between the completion of an investigation and when action must be taken.

In response to the Effect section of the audit report, as noted above, there is not an absence of required compliance investigations on designated high risk WIC vendors leading to an increased risk that they will continue to violate program rules. Of the 37 completed compliance investigations, 14 vendors were disqualified, 1 received a civil money penalty, 5 received fines, 9 received a warning and 8 had no violations. The majority of the 19 ongoing investigations that continued into the next federal fiscal year have been completed in the first quarter of FFY17. Completed investigations that passed and the actions taken if violations did occur will be reported in the FY17 TIP report.

The number of authorized vendors that the Connecticut WIC Program had as of October 1, 2015 was 706, however 19 were farmers that do not get reported in the TIP report. The number that USDA will use to calculate the 5% minimum of completed investigations will be based on the number of authorized vendors from the TIP report, which is 687. Based on information provided by the auditor on January 27, 2017 that this number will be modified in the report, this comment will be removed.

USDA concurred that to count towards the 5%, investigations had to be *completed* within the federal fiscal period; however, there is not a regulation stating that they needed to begin in that same fiscal year or that the 5% is based on the vendors identified as high risk on October 1 each year. We believe that the Program is in compliance with the regulations for completion of investigations. In response to the Recommendation, the Department has met the minimum 5% requirement in FFY16 by completing 37 compliance investigations plus an additional inventory audit, for a total of 5.53%.

For FFY16, the Connecticut WIC Program exceeded the 5% requirement for investigation with a completion rate of 8.7%. On February 24, 2017, the Program received an e-mail from the Vendor Manager at the

Northeast Regional Office, USDA Food and Nutrition Service with an analysis of the Connecticut WIC Program’s FY16 TIP (The Integrity Profile) report. It stated that the Overall Completion Rate for Compliance Investigations was 8.7% and stated the following, “NERO Comments: We applaud CT WIC for exceeding the 5% minimum completion rate for compliance investigations.”

Improvements were made in the first quarter of FFY17 for compliance investigations that were completed late in 2016. After the last compliance buy is conducted, reports must be reviewed and submitted by the contractor. The State WIC Office reviews the reports for accuracy and completeness. If violations are found that mandate a federal sanction, a participant access determination is performed to determine the appropriate sanction (disqualification or a civil money penalty letter). The average time between the last compliance buy conducted and the date of the enforcement action has averaged 69.5 days.

2016-202	16	<u>Cash Management – Accounting and Use of Federal and Rebate</u>
2015-204	14	<u>Expenditures</u>
2014-207	14	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B) (CFDA 93.917)

Recommendation:

The Department of Public Health should ensure that available rebates are utilized prior to drawing and charging federal funds in accordance with federal regulations.

Status as reported by the Department of Public Health:

Effective 4/1/2016, all Ryan White (RW) Part B rebate monies available to the State is expended and exhausted first before any federal funds are drawn down to support Ryan White Part B activities. All rebate balances received prior to April 1, 2014 has been consolidated with rebates received after April 1, 2014. All rebate balances are in one account SID 30401 - Ryan White Title II Rebate account for spend down. The rebate balances are no longer segregated between old and new rebates.

When necessary, Fiscal will confer with Dept. of Social Services (DSS) to ascertain the availability of actual rebate monies at DSS and make a determination on whether or not to draw down Federal funds. Where applicable, should there be any rebate monies available at DSS at the time, DPH will deduct from its cash need/s the amount of actual rebates at DSS and perform a drawdown. Should there be no rebate monies available at DSS at the time, DPH will perform a drawdown of the full amount of cash needed.

- 2016-203 16 **Subrecipient Monitoring – Financial and Program Compliance Review**
2015-206 15 **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA 10.557)**
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B) (CFDA 93.917)

Recommendation:

The Department of Public Health should ensure that subrecipient audits are effectively monitored, promptly reviewed for applicable audit findings, and meet the requirements of the applicable federal requirements.

Status as reported by the Department of Public Health:

The Department agrees with the finding. Due to staffing vacancies there was no qualified individual available to perform the reviews for a significant period of time. Although there was an informal review of audit reports performed by the Chief of Contracts and also of findings forwarded by OPM, along with corrective action plans, there was no formal reconciliation/review with accompanying documentation performed.

An Associate Accountant, responsible for part of this activity, was hired on December 9, 2016. An additional Associate Accounts Examiner was also hired on May 12, 2017. Both employees are working on reviewing current and backlogged audit reports.

The Department's normal review includes reconciliation of pass through funds against multiple internal and external funding information exceeding what is required for compliance with this finding. The review therefor has been separated into two distinct processes to allow expedited compliance with the requirements. By the end of January, 2018 the Department will have reviewed all WIC and Ryan White Federal Single Audit reports and Corrective Action Plans to determine if appropriate corrective actions have taken place or are in process for auditor identified findings, independent of any additional verifications/reconciliations performed by the Department.

- 2015-205 15 **Eligibility – AIDS Drug Assistance Program**
2014-208 14 **HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B) (CFDA #93.917)**

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.

Current Status:

Corrective action has been taken.

DEPARTMENT OF CHILDREN AND FAMILIES

- 2016-250 16 **Allowable Costs/Cost Principles, Reporting and Special Tests and**
2015-251 15 **Provisions –Payment Rate Setting and Application**
Foster Care – Title IV-E (CFDA #93.658)

Recommendation:

The Department of Children and Families should establish or strengthen internal controls to ensure that all costs are consistently treated and properly claimed for federal reimbursement as maintenance or administrative costs in accordance with federal requirements.

Status as reported by the Department of Children and Families:

Though some administrative costs are known, adjustment to the claiming process will not occur until the complete implementation of the new data management system (CCWIS). The system will be able to provide more detailed reporting.

- 2016-251 16 **Activities Allowed or Unallowed and Allowable Costs/Cost Principles**
– Allocation of Costs
Foster Care – Title IV-E (CFDA #93.658)
Adoption Assistance – Title IV-E (CFDA #93.659)
Medical Assistance Program (Medicaid, Title XIX) (CFDA #93.778)
Temporary Assistance for Needy Families (TANF, Title IV-A)
(CFDA #93.558)

Recommendation:

The Department of Children and Families should improve internal controls over its cost allocation process to ensure that only allowable costs are claimed for federal reimbursement and are properly allocated in accordance with the approved cost allocation plan.

Status as reported by the Department of Children and Families:

Corrective action has been taken

- 2015-250 15 **Activities Allowed or Unallowed and Allowable Costs/Cost Principles**
2014-250 14 **– Unallowable Activities and Federal Claim System**
Foster Care – Title IV-E (CFDA #93.658)
Adoption Assistance – Title IV-E (CFDA #93.659)

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.

Current Status:

Corrective action has been taken.

2014-251	14	<u>Eligibility and Activities Allowed or Unallowed – Inadequate Documentation and Improper Payments</u>
2013-250	13	
III.E.2.	12	Adoption Assistance – Title IV-E (CFDA #93.659)
III.E.2.	11	ARRA - Adoption Assistance – Title IV-E (CFDA #93.659)
III.E.3.	10	
III.E.4.	09	<u>Recommendation:</u>
III.E.4.	08	The Department of Children and Families should comply with federal requirements to ensure that payments claimed for federal reimbursement under the Title IV-E Adoption Assistance program are adequately documented and that payments federally claimed on behalf of children determined to be ineligible are adjusted accordingly.

The Department of Children and Families should continue to work with the federal Administration of Children and Families to resolve the recommendations of the federal Office of Inspector General.

Status as reported by the Department of Children and Families:

Corrective action completed. OIG has agreed to accept a payment of \$696,592 to correct claims made on children found ineligible.

III.E.2.	09	<u>Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallowable Activities/Unsupported Payments</u>
III.E.2.	08	
III.E.2.	07	

Recommendation:

The Department of Children and Families should establish internal controls that accurately calculate the costs of unallowable services included in provider per diem rates and should strengthen internal controls to ensure all amounts claimed for reimbursement are adequately supported.

Current Status:

Corrective action has been taken.

DEPARTMENT OF EDUCATION

- 2016-300 16 **Eligibility**
Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, and 10.559)
- Recommendation:**
The State Department of Education’s Connecticut Technical High School System should implement policies and procedures to ensure documentation of participation data in support of the claim for reimbursement and data used in the claims review process is retained for the required periods.
- Status as reported by the Department of Education:**
This is in process. The new software is operational and protocols for the archiving of required data and its accessibility are being established.
- The CTHSS Nutrition and School Meals Unit is in the process of consolidating its existing policies and procedures into a manual that will include a policy on the retention of records and procedures for the closeout/rollover process. Corrective action is not yet complete.
- 2016-301 16 **Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP)**
Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, and 10.559)
- Recommendation:**
The State Department of Education’s Connecticut Technical High School System should implement policies and procedures to ensure an appropriate segregation of duties and that households are properly notified of the application verification process and the right to appeal or reapply in circumstances where benefits are reduced or terminated.
- Status as reported by the Department of Education:**
This is in process. CTHSS has posted for a position for Food Service Director. This position will manage all functions of the food service operation across all schools. Additional staff is also being identified to support the program and ensure compliance with the various nutritional and technical requirements of the national school lunch and breakfast program. Corrective action is not yet complete.
- 2016-302 16 **Period of Performance**
Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, and 10.559)
- Recommendation:**
The State Department of Education should implement policies and procedures to ensure obligations incurred under federal awards are liquidated within 90 calendar days after the end date of the period of performances.
-

Status as reported by the Department of Education:

We disagreed with this finding. Payments to grantees beyond the liquidation period of this grant are approved and authorized by the federal granting agency. These are known as Post Closeout payments and occur regularly due to local audits, SDE field reviews, and other circumstances beyond the control of the agency. Requests were made to the federal granting agency to issue a revised GAD (Grant Award Documents) to ensure that funds are available for the drawdown to the state for such payments. No further action is being taken.

2016-303

16

Reporting - Special Reporting

Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, and 10.559)

Recommendation:

The State Department of Education should report Average Daily Meals using a valid method as prescribed by the United States Department of Agriculture's Food and Nutrition Service.

Status as reported by the Department of Education:

The federal granting agency has resolved the issue with the software vendor. The reporting is now accurate from the Colyer System. Corrective action has been taken.

2016-304

16

Subrecipient Monitoring

Child and Adult Care Food Program (CACFP) (CFDA 10.558)

Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, and 10.559)

Recommendation:

The State Department of Education should develop and implement procedures to comply with federal laws concerning its responsibility as a pass-through entity to ensure that subrecipients are properly reporting their expenditures in their Schedule of Expenditures of Federal Awards by reconciling these amounts with the state's accounting system.

Status as reported by the Department of Education:

SDE has developed a procedure that will validate a statistical sample of SEFA data with the state financial records for Child Nutrition subrecipients. As the Child Nutrition payments are already validated annually at the time of closeout to ensure that the reimbursement payments to subgrantees matches the allowable amount calculated in the Colyar system, only a statistical sample will be selected annually for review. This process has begun with the review of the FY 2017 single audit reports received in December 2017. Corrective action has been taken.

2015-300 15 **Reporting – Federal Funding Accountability and Transparency Act**
2014-300 14 **and Subrecipient Monitoring**
Special Education-Grants to States (CFDA #84.027)
Title I Grants to Local Educational Agencies (CFDA #84.010)

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.

Current Status:

Corrective action has been taken.

2015-301 15 **Activities Allowed or Allowable Cost – Contractual Payments**
2014-301 14 **Special Education-Grants to States (CFDA #84.027)**

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.

Current Status:

Corrective action has been taken.

2015-302 15 **Activities Allowed and Allowable Costs – Surrogate Parent**
2014-302 14 **Responsibilities**
Special Education-Grants to States (CFDA #84.027)

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.

Current Status:

Corrective action has been taken.

2015-303 15 **Activities Allowed or Allowable Cost – Insufficient Supporting**
Documentation
Special Education-Grants to States (CFDA #84.027)

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.

Current Status:

Corrective action has been taken.

DEPARTMENT OF ADMINISTRATIVE SERVICES

2016-450	16	<u>Allowable Costs/Cost Principles – Billing Rates Development</u>
2015-450	15	Statewide Cost Allocation Plan (SWCAP)
2014-451	14	
2013-451	13	<u>Recommendation:</u>
III.I.3.	12	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. We noted that management is taking steps towards modifying existing rates, but the new rates will not impact the SWCAP until the 2017-2018 fiscal year.
III.J.1.	11	
III.J.1.	10	
III.I.1.	09	

Status as reported by the Department of Administrative Services:

DAS has modified our rate development procedures that establishes billed rates for central services to ensure compliance with federal regulations. This recommendation is complete.

DAS adjusted the rates submitted for FY2018 & FY2019 by applying an over / under recovery as outlined in Attachment C of the Appendix V to Part 200-State/Local Government wide Central Service Cost Allocation Plans.

Adjustments of billed central services. 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. These adjustments will be made through one of the following adjustment methods: (a) a cash refund to the Federal Government for the Federal share of the adjustment, (b) credits to the amounts charged to the individual programs, (c) adjustments to future billing rates, or (d) adjustments to allocated central service costs. Adjustments to allocated central services will not be permitted where the total amount of the adjustment for a particular service (Federal share and non-Federal) share exceeds \$500,000.

2016-451	16	<u>Allowable Costs/Cost Principles – Reconciliation of Revenue to</u>
2015-451	15	<u>Actual Allowable Costs</u>
		Statewide Cost Allocation Plan (SWCAP)

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.

Status as reported by the Department of Administrative Services:

DAS has performed reconciliation for all billed central services by comparing revenue to actual cost and adjusted the rates for the 2018-2019 fiscal year. This recommendation is complete

FY 2016 rates were compared to actuals at the end of the fiscal year as indicated in the initial response. New rates developed for FY 2017-2019 did include the over-underage and were submitted to OPM.

2014-450	14	<u>Allowable Costs/Cost Principles – No Verification Methodology for</u>
2013-450	13	<u>Employees Charged to the Revolving Fund</u>
III.I.2.	12	Statewide Cost Allocation Plan (SWCAP)
III.J.2.	11	
III.J.2.	10	<u>Recommendation:</u>
III.I.2.	09	The Department of Administrative Services should take the necessary

steps to implement a system to verify and document that all employees charged to the General Services Revolving Fund and the Technical Service Revolving Fund are considered for inclusion in the cost allocation plan and are properly documented as working on fund-related activities as required by Title 2 Code of Federal Regulations Part 225 (formerly Office of Management and Budget Circular A-87).

Current Status:

Corrective action has been taken.

2013-452	13	<u>Allowable Costs/Cost Principles – Reliability of Financial</u>
III.I.4.	12	<u>Information as Presented</u>
III.J.3.	11	Statewide Cost Allocation Plan (SWCAP)
III.J.3.	10	

Recommendation:

The Department of Administrative Services should implement internal controls to ensure that the GSRF financial statements are prepared in a manner compliant with state and federal regulations and accounting standards and pronouncements. DAS should ensure that all staff assigned to GSRF-related financial activities receives sufficient training. DAS should consider using the Core-CT financial system to increase efficiency in the reporting process and to eliminate the likelihood of errors in the data transmission process.

DAS has worked with the Office of the State Comptroller (OSC) toward resolving the disparities in reported financial position of the GSRF, but the resolution does not impact SWCAP 2013.

Current Status:

Corrective action has been taken.

UNIVERSITY OF CONNECTICUT

2016-500 16 **Period of Performance (University of Connecticut)**
Global AIDS (CFDA # 93.067)
**Family Smoking Prevention and Tobacco Control Act Regulatory
Research (CFDA # 93.077)**

Recommendation:

The University of Connecticut should return funds to grantors held beyond the period of performance.

Status as reported by the University of Connecticut:

For both awards identified above, expenses were verified and refunds were processed returning all remaining funds to the sponsoring entities.

2016-501 16 **Reporting (University of Connecticut)**
Biotechnology Risk Assessment Research (CFDA # 10.219)
Agriculture and Food Research Initiative (AFRI) (CFDA # 10.310)

Recommendation:

The University of Connecticut should ensure that all federal financial reports are subject to review by a supervisor or other higher level staff prior to submission. Copies of the report should be signed by the reviewer to document approval and maintained on file.

Status as reported by the University of Connecticut:

Effective January 2017, the Office of Sponsored Program Services implemented a secondary review and signature of a senior level supervisor for financial reports prepared and submitted to external sponsors.

CENTRAL CONNECTICUT STATE UNIVERSITY

**2015-600 15 Allowable Costs/Cost Principles – Excess Personnel Costs
Aviation Research Grants (CFDA #20.108)**

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.

Current Status:

Corrective action has been taken.

**2015-601 15 Allowable Costs/Cost Principles – Time and Effort Reporting Records
Various Federally-Sponsored Research and Development Programs**

Recommendation:

Central Connecticut State University should implement a time and effort reporting system for part-time employees whose wages are charged to federal programs.

Current Status:

Corrective action has been taken.

WESTERN CONNECTICUT STATE UNIVERSITY

2016-600	16	<u>Allowable Costs/Cost Principles – Time and Effort Reporting Records</u>
2015-602	15	Research and Development Programs – Centers for Disease Control and Prevention – Investigations and Technical Assistance (CFDA 93.283)

Recommendation:

Western Connecticut State University should take steps to ensure that it properly executes its time and effort reporting system for federal programs to which part-time employee payroll costs are charged.

Status as reported by Western Connecticut State University:

Western Connecticut State University's Fiscal Affairs Office now provides PI's of Federal grants time and effort reports for all employees on a regular basis to be completed. The time and effort reports are tracked electronically to ensure all forms are being completed.

**FEDERAL STUDENT FINANCIAL ASSISTANCE-DEPARTMENTS
OF EDUCATION AND HIGHER EDUCATION-STATEWIDE**

2016-650	16	<u>Cash Management</u>
2015-650	15	Federal Pell Grant Program (CFDA #84.063)
2014-651	14	Federal Direct Student Loans (CFDA #84.268)
2013-650	13	
III.M.1.	12	<u>Recommendation:</u>
III.I.1.	11	Central Connecticut State University and Northwestern Connecticut Community College should comply with the cash management provisions stipulated in Title 34 Code of Federal Regulations 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.
III.I.1.	10	

Status as reported by Central Connecticut State University:

Agency Response: The University agrees with this finding.

Corrective Action Plan: The deposit slip submitted to the Bursar's Office indicated that the funds were to be deposited to the Banner index FDUL16. Due to human error the funds were deposited to a closed account (Banner index FDUL13).

Effective September 2016 the Post-Awards Grants Administration Office will inform the Accounting Office of any closed accounts that should be inactivated. In addition, accounting has and will continue to examine all indexes once per calendar year to ensure if other indexes may need to be inactivated as well.

Post-Award Grants Administration office staff have also been reminded to check the coding on the deposit receipts received back from the Bursar's Office to ensure that it is in agreement with the deposit slip submitted and verify that the funds were correctly deposited.

The audit issue has been fully addressed as of September 2016.

Contact Person: Kathy Moore
Grants Administration Manager
moorek@ccsu.edu
860-832-2005

Status as reported by Northwestern Connecticut Community College:

Northwestern has corrected. Federal cash drawdowns do not exceed the amounts necessary for immediate disbursement, and any excess cash is returned within the timeframe established by the regs.

Corrective action has been taken by the following:

Eastern Connecticut State University
Southern Connecticut State University

2016-651

16

Student Eligibility

**Federal Perkins Loan – Federal Capital Contributions (CFDA 84.038)
Federal Direct Student Loans (CFDA 84.268)**

Recommendation:

Central Connecticut State University should only award and disburse federal Direct Student Loans to eligible students that are enrolled at the university at the time of disbursement.

Status as reported by Central Connecticut State University:

Agency Response: We agree with this finding.

Corrective Action Plan: The auditors brought this matter to the attention of the Financial Aid office. We immediately reviewed the student record, corrected the award disbursement and spoke with the staff member involved. We have concluded that this award error was simply human error. The student record was clearly labeled and identified as having withdrawn from the university. The staff member said he found the enrollment posted to the student record to reflect that the student was still enrolled and that the withdrawal notation belonged to an earlier term.

Additional training was provided to the team on January 10, 2017 to review how student records are to be updated to note withdrawal from the university and how to read enrollment records. As an additional measure, on December 15, 2017, an informational flyer was distributed to team members who award and disburse to emphasize proper procedures.

This audit issue has been fully addressed as of January 10, 2017.

Contact Person: Rich Bishop
Director of Financial Aid
Financial Aid Office
bishopr@ccsu.edu
860-832-2200

2016-652

16

Student Eligibility–Federal Supplemental Educational Opportunity

2015-653

15

Grant

2014-653

14

Federal Supplemental Educational Opportunity Grant (CFDA #84.007)

Recommendation:

Southern Connecticut State University and Quinebaug Valley Community College should award and disburse Federal Supplemental Educational Opportunity Grants in accordance with the requirements stipulated in Title 34 Code of Federal Regulations 676.10

Status as reported by Southern Connecticut State University:

The Assistant Director of Electronics has updated the rules in Banner starting with the 2016-2017 academic year. The rule excludes students who are seeking their second bachelor's degree from receiving the Federal Supplemental Educational Opportunity Program. The updated rules will ensure SCSU is compliance with The Federal Supplemental Opportunity Grants in accordance with the requirements stipulated in Title 34 Code of Federal Regulations Section 676.10.

Status as report by Quinebaug Valley Community College:

Corrective action has been taken

Corrective action was taken by the following:

Norwalk Community College

2016-653	16	<u>Special Tests: Verification</u>
2015-656	15	Federal Supplemental Educational Opportunity Grant
2014-657	14	(CFDA #84.007)
2013-659.	13	Federal Work-Study Program (CFDA #84.033)
III.M.7.	12	Federal Perkins Loan Program – Federal Capital Contributions
III.I.5..	11	(CFDA #84.038)
III.I.11.	10	Federal Pell Grant Program (CFDA #84.063)
III.H.6.	09	Federal Direct Student Loans (CFDA #84.268)
III.H.8.	08	
III.H.2.	07	<u>Recommendation:</u>

Eastern Connecticut State University should implement procedures to ensure compliance with the federal regulations pertaining to verification. The university should consider implementing a supervisory or peer review of completed verifications to help ensure the accuracy of those verifications.

Status as reported by Eastern Connecticut State University:

Completed: Training and Quiet Hours on February 3, 2016.

Contact: Jennifer Horner, 860.465.5775, hornerje@easternct.edu

Corrective Action Plan: We agree with this finding. The verification process continues to be streamlined. Training is conducted on a regular basis. Policies and procedures have been updated using more explicit directions. We continue to use quiet hours, or uninterrupted time for verification completion. Supervisory spot checks were instituted that will not only help to find individual and systemic errors, but aid in our training efforts.

Corrective action has been taken by the following:

University of Connecticut

2016-654	16	<u>Special Tests: Return of Title IV Funds</u>
2015-657	15	Federal Supplemental Educational Opportunity Grants
2014-659	14	(CFDA #84.007)
2013-662	13	Federal Perkins Loan Program – Federal Capital Contributions
III.M.8.	12	(CFDA #84.038)
III.I.7.	11	Federal Pell Grant Program (CFDA #84.063)
III.I.13.	10	Federal Direct Student Loans (CFDA #84.268)

Recommendation:

The state universities and Middlesex Community College should review its procedures to ensure compliance with the federal regulations contained in Title 34 Code of Federal Regulations 668.22 governing the treatment of Title IV funds when a student withdraws.

Status as reported by the State Universities:

Eastern Connecticut State University:

Completed: End of spring 2017 term.

Contact: Patrick Kelly, 860.465.4424, kellyp@easternct.edu;

Jennifer Horner, 860.465.5775, hornerje@easternct.edu.

Corrective Action Plan: We agree with this finding. We continue to work on our process. R2T4 was transferred to a different staff member for Fall 2016 to align more with individual strengths and prevent overlap of conflicting deadlines. This employee completed the NASFAA eight-week class on R2T4 in March 2017. In addition, changes to procedure were made for the Fall 2016 term to impose a two-week deadline upon faculty to respond to F grade inquiries. Calculations were performed after that deadline for all responses and nonresponses. Nonresponses utilized the 50% point of term for the calculation.

With the spring 2017 term, an additional measure was instituted. Students with a grade of F were required to have a code of 0, 1, or 2 posted in conjunction. Code 0 means the student never attended. Code 1 means the student stopped attending and must be accompanied by a date. Code 2 is for students that have fully earned the grade of F. This coding system is expected to help alleviate confusion previously surrounding the F grade.

As part of our regular policy, we review all students at census looking for withdrawn students or those that never attended making adjustments and calculations at that time as appropriate. As required, any other withdrawals that occur before or after census are handled as they arise. Further still, we now spot check calculations looking for erroneous and systemic errors. Training, spot checks, and procedure efficiency will continue to be an ongoing process.

Southern Connecticut State University:

The Director of Financial Aid updated the withdrawal procedures

September 2016 to ensure compliance with the federal regulations contained in Title 34 Code of Federal Regulations Section 668.22 governing the treatment of Title IV when a student withdraws. The Director continues to perform an internal audit each semester to ensure the correct institutional charges are used in the withdrawal calculations.

Western Connecticut State University:

Corrective Action has been taken.

Status as reported by Middlesex Community College:

Middlesex Community College returned Federal Direct Loan funds 11 days late and paid a post-withdrawal disbursement 16 days late. The Return of Title IV funds calculation that resulted in a \$51 overpayment was the result of a manual procedure that was not properly executed. The post-withdrawal disbursement had originally not been made due to a college Presidential Waiver that deleted the student's academic record.

Corrective Action Plan: We agree with this finding. The college has returned the overpayment of \$51 to the federal government and paid the post withdrawal disbursement owed from college funds. The college has established a procedure to ensure that funds are returned within the prescribed timeline. The Associate Director will immediately inform, in writing, the staff member responsible for Direct Loan processing, to update the loan record in the computer system and send the updated computer file to COD within 48 hours of notification. With regard to the condition where the incorrect number of calendar days in the summer mini session was used to calculate the Return of Title IV calculation, the college will work with the System Office programmers to ensure that the correct dates are pulled for summer mini sessions when a student is enrolled in both credit and non-credit classes during the same session. In addition, all staff awarding summer financial aid, will be required to review the mini term beginning and end dates to assure that they are correct, before proceeding with an R2T4 calculation.

Anticipated Completion Date: The return of the overpayment and payment of the post withdrawal disbursement has been completed. The Director will work with Systems Office to correct the computer selection of accurate beginning and ending dates required for a Return to Title IV calculation when students are enrolled in both credit and non-credit classes during the summer, by Summer 2017.

Contact Person: Irene Martin, Director of Financial Aid Services; **E-mail:** imartin@mxcc.edu; **Phone:** 860-343-5740.

Corrective action has been taken by the following:

University of Connecticut

Central Connecticut State University

Northwestern Connecticut Community College

2016-655

16

Special Tests - Return of Title IV Funds – Policy Issue
Federal Supplemental Educational Opportunity Grants (CFDA 84.007)
Federal Pell Grant Program (CFDA 84.063)
Federal Direct Student Loans (CFDA 84.268)

Recommendation:

Middlesex Community College should review and update the consumer information published on its website to ensure compliance with the federal regulations contained in Title 34 Code of Federal Regulations 668.22, governing the treatment of Title IV funds when a student withdraws. In addition, the college should ensure that any students who earned Title IV funds have received the amount of those funds.

Status as reported by Middlesex Community College:

Middlesex Community College has lacked the ability to identify students who have completely dropped from classes during the first two weeks of the semester, for the purpose of calculating a Return to Title IV calculation. It was the policy of the Connecticut Board of Regents System Office; and therefore the college, to base financial aid eligibility upon the frozen enrollment census data which followed the completion of the add/drop period.

Corrective Action Plan: We agree with this finding. The college has revised its consumer information posted on the website. In addition, the Records Office will work with the Connecticut Board of Regents System Office, to devise a process for identifying students who have dropped all classes during the first two weeks of each semester. That information will be shared with the Financial Aid Office, on a weekly basis, so that a Return to Title IV calculation can be made within the appropriate timeframe.

Anticipated Completion Date: Spring Semester 2018

Contact Person: Irene Martin, Director of Financial Aid Services; **E-mail:** imartin@mxcc.edu; **Phone:** 860-343-5740.

2016-656

16

Special Tests: Enrollment Reporting

2015-658

15

Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)

2014-660

14

Federal Pell Grant Program (CFDA #84.063)

2013-664

13

Federal Direct Student Loans (CFDA #84.268)

III.M.10.

12

III.I.8.

11

Recommendation:

The University of Connecticut, Central Connecticut State University, Eastern Connecticut State University, and Middlesex 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.

Status as reported by the University of Connecticut:

Corrective action was taken on September 19, 2016 by completing an internal review of procedures.

Status as reported by the State Universities:

Central Connecticut State University:

Agency Response: The University agrees with this finding.

Corrective Action Plan: This finding is a result of a system limitation with our third-party enrollment reporting servicer, The National Student Clearinghouse. Graduates who were not in attendance at CCSU the semester immediately preceding their graduation date did not have their enrollment status updated to "G" (graduated) in NSLDS. Procedures have been established where the Office of the Registrar will reconcile graduated student records from Banner with "G" records processed by the National Student Clearinghouse following each degree file transmission from CCSU to the National Student Clearinghouse. Any "G" records discovered to be missing during this reconciliation will be manually added to the National Student Clearinghouse's database.

Procedures were revised on 9/13/16. Internal testing was conducted during the fall 2016 semester when degree records were sent to the National Student Clearinghouse. Internal testing was completed on 1/18/17. On 10/12/17, the National Student Clearinghouse implemented an enhancement that auto-generates a list of students who did not have their status updated to "G" following each degree file transmission, which eliminates some of the manual workarounds which were implemented. Procedures have been revised and require manual review and action for each student identified on this list so that their G status is properly reported to NSLDS.

The Audit Issue was fully addressed on 1/18/17.

Contact Person: Patrick Tucker

Registrar

ptucker@ccsu.edu

860-832-1786

Eastern Connecticut State University:

Completed : January 1, 2016

Contact: Jennifer Huoppi, 860.465.4357, huoppij@easternct.edu

Corrective Action Plan: We agree with this finding. Students who graduate from Eastern Connecticut State University are reported to the National Student Clearinghouse at a minimum of every 30 days after their conferral date up to the end of the subsequent semester.

Students who are retroactively graduated due to a grade change are included in such reports and reported within 30 days of knowing that they graduated.

In addition to our monthly reports to the National Student Clearinghouse we will now also notify the Director of Financial Aid with any retroactive instances. The Director of Financial Aid will review and update NSLDS separately if necessary.

In January 2016, the Clearing House updated their procedures to pick up students that had been missed. We expect this change in conjunction with the above will resolve issues going forward.

Status as reported by Middlesex Community College:

Middlesex Community College believed that once the file was sent to our third-party service provider for processing that it was the service providers responsibly to report all information to the NSLDS.

Corrective Action Plan: We agree with this finding. In reference to the 1st condition, Middlesex Community College attended a service provider conference and discussed various concerns. The conference provided valuable information and resources as well as additional department contacts. We will utilize the new information and contacts to ensure the correct information is reported to the NSLDS. In reference to the 2nd condition, we do not anticipate this issue again as we now have a practice in place to address this issue by incorporating an additional degree file submission for the appropriate semester.

Anticipated Completion Date: 1st Condition – Fall 2017; 2nd Condition Spring 2017 with the submission of the Fall 2016 graduation file.

Contact Person: Joanne Faust, Associate Registrar; jfaust@mxcc.edu; 860.343.5890.

Corrective action has been taken by the following:

Northwestern Connecticut Community College

2016-657	16	<u>Special Tests: Student Loan Repayments</u>
2015-659	15	Federal Perkins Loan Program – Federal Capital Contributions
2014-661	14	(CFDA #84.038)
2013-665	13	
III.M.11.	12	<u>Recommendation:</u>
III.I.9.	11	The University of Connecticut and state universities should ensure that
III.I.15.	10	policies and procedures regarding Perkins Loan repayments and exit
III.H.10.	09	counseling are in compliance with the federal regulations.

Status as reported by the University of Connecticut:

Corrective action was taken in October 2015 and December 2016, respectively by enhancing procedures regarding the timeliness of exit counseling to graduating students and changing the separation dates from commencement to the last date of the semester.

Status as reported by the State Universities:

Central Connecticut State University:

Agency Response: The University agrees with this finding. The University changed the scheduling of an existing report in October of 2016 so that pending graduates could be identified and separated with a future date to ensure that exit counseling occurred prior to graduation.

An enhancement to this report was developed to capture a small percentage of students who don't apply for graduation. This enhancement is anticipated to be implemented by January, 2018. In addition, due to the complexities of these reports and to guard against human error, additional training on the enhanced report coupled with a second person sign-off will also be implemented.

The University expects to have this issue fully addressed by 1/31/18.

Contact Person: Betsy Fangiullo

Bursar

fangiullo@mail.ccsu.edu

860.832.2220

Eastern Connecticut State University:

Completed: July 1, 2015

Contact: Sonja Cabezas, 860.465.5714, cabezass@easternct.edu

Corrective Action Plan: We agree with this finding. A series of in house reports were created and are being utilized to review the enrollment status of our Perkin's Loan recipients. These reports are expected to allow a more timely change in student status.

Southern Connecticut State University:

Southern's procedures were amended in November 2015 to ensure that the separation date was reported as the day immediately following the last date of at least half-time enrollment. The instances identified in this audit had separation dates prior to the amended procedures. The University's amended procedures identified graduating students without further enrollment records, in advance of graduation, facilitating timely exit interviews. In December 2017 the process was further refined to capture graduating students who had continuing enrollment records.

2016-658 16 **Special Tests: Student Loan Repayments - Default**
2015-660 15 **Federal Perkins Loan Program – Federal Capital Contributions**
(CFDA #84.038)

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.

Status as reported by the University of Connecticut:

Corrective action was taken in April 2017 to enhance procedures to include sending any past grace letter regardless if some or all grace has expired.

The University has reached out to the third party service provider regarding the state auditors' interpretation of timeliness of sending the grace letters. At this time, the third party service provider has consulted their legal counsel and is unwilling to change their DOE audited procedures. The University has reached out to DOE to confirm the third party service provider is compliant and we are awaiting DOE's determination.

2016-659 16 **Special Tests - Federal Work-Study Agreements**
Federal Work-Study Program (CFDA 84.033)

Recommendation:

The University of Connecticut should ensure that students employed under the Federal-Work Study Program have the required written agreement executed and on file prior to the commencement of employment.

Status as reported by the University of Connecticut:

Corrective action was taken as of December 2016 and the Federal Work Study funds earned by the students were returned to the applicable program.

2016-660 16 **Special Tests: Borrower Data Transmission and Reconciliation**
2015-661 15 **Federal Direct Student Loans (CFDA #84.268)**

Recommendation:

Eastern Connecticut State University and Middlesex Community College should strengthen internal controls over the Direct Loan reconciliation process and ensure that the monthly reconciliations performed are completed, sufficiently documented and conducted timely.

Status as reported by Eastern Connecticut State University:

Completion Date: November 2016

Contact: MaryLu Lauer, 860.465.4429, lauerm@easternct.edu

Corrective Action Plan: We agree with this finding. New personnel have now been trained, software issues addressed and reports updated. A monthly cover sheet was created summarizing changes. Communication with the Bursar has increased to help resolve issues in a timely manner to ensure reconciliation in full occurs monthly.

Status as reported by Middlesex Community College:

Middlesex Community College did not perform a Direct Loan reconciliation for the months of October and November due to problems experienced with a software update that caused the reconciliation reports to read incorrectly. The April reconciliation was performed one month late.

Corrective Action Plan: We agree with this finding. The Director performs the monthly Direct Loan reconciliations. In the event, the Director is unable to perform the reconciliation within the required time period, the Associate Director will be the backup person assigned to the task.

Anticipated Completion Date: Direct Loan reconciliations will be run monthly, no later than the 30th day of each month.

Contact Person: Irene Martin, Director of Financial Aid Services; **E-mail:** imartin@mxcc.edu; **Phone:** 860-343-5740.

Corrective action has been taken by the following:

Western Connecticut State University
Northwestern Connecticut Community College

2016-661	16
2015-662	15
2014-665	14

Special Tests - Institutional Eligibility
Federal Direct Student Loans (CFDA 84.268)

Recommendation:

The University of Connecticut should only disburse financial aid to programs listed on the approved Program Participation Agreement. The university should work with the United States Department of Education regarding the resolution of any questioned costs associated with the federal student aid amounts disbursed for eligible non-degree programs in the fall 2015 term prior to the approval of these programs on January 14, 2016.

Status as reported by the University of Connecticut:

The final determination letter provided by the United States Department of Education indicated that the estimated actual loss to the Department as a result of the ineligible loans is \$0 and that corrective action to address this finding has been taken.

2016-662 16

Special Tests: Written Arrangements

2015-663 15

Federal Supplemental Educational Opportunity Grant

(CFDA #84.007)

Federal Work-Study Program (CFDA #84.033)

Federal Perkins Loan Program – Federal Capital Contributions

(CFDA #84.038)

Federal Pell Grant Program (CFDA #84.063)

Federal Direct Student Loans (CFDA #84.268)

Recommendation:

The University of Connecticut should ensure that enrollment information reported to the National Student Loan Data System for students with consortium credits is timely and accurate in accordance with federal regulations.

Status as reported by the University of Connecticut:

Administrative procedures related to written arrangements were enhanced in October 2016. Enrollment statuses for students in approved consortium agreements are manually reviewed in NSLDS to ensure accuracy of reporting through the University's third-party servicer.

2015-652 15

Student Eligibility – Satisfactory Academic Progress

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)

Recommendation:

Central Connecticut State University should review its procedures for calculating and monitoring Satisfactory Academic Progress to ensure that they are consistently applied.

Status as reported by Central Connecticut State University:

The Financial Aid Office reviewed the Satisfactory Academic Progress (SAP) program use to determine student SAP eligibility for the 2015 fall term. The program did not correctly account for student withdrawal grades in calculating student SAP eligibility. In November 2015, the

program was revised to correctly account for student withdrawal grades. SAP student eligibility for the 2015 fall term was reprocessed. Students who were found to not be making SAP were immediately notified and instructed on the SAP appeal process.

The Financial Aid Office will review the SAP program again. The review will make certain that all student withdrawal grades are considered in determining a students' SAP status. As a secondary part of the SAP program, a report of students with withdrawal grades may be produced and provided to Financial Aid Office staff for their review to confirm accurate SAP calculations.

The revised program is in place to determine SAP student eligibility for the 16/17 academic year.

The Audit Issue was fully addressed on 5/1/2016

Contact Person: Richard Bishop
Director of Financial Aid
Financial Aid Office
bishopr@ccsu.edu
860.832.2200

2015-654	15	<u>Reporting – Fiscal Operations Report and Application to Participate (FISAP)</u>
2014-655	14	
2013-657	13	Federal Supplemental Educational Opportunity Grant (CFDA #84.007)
III.M.5.	12	Federal Work-Study Program (CFDA #84.033)
		Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038)
		Federal Pell Grant Program (CFDA #84.063)

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.

Status as reported by Three Rivers Community College:

The college agrees with the finding. During summer of 2015, Three Rivers had experienced two retirements within the business office. The

individual responsible for the FISAP data entry had assumed some of the responsibilities for these two positions. Unfortunately, these extra duties resulted in less time dedicated to the data entry of the FISAP report. The College submitted a FISAP edit report on January 11, 2016 to correct and finalize our operations report for the award year 14/15. This report was accepted by the Department of Education.

Corrective Action Plan to the finding

As of March 3, 2017, the college has officially closed its Perkins Loan Program with the Federal government and is no longer required to include any information on Section III of the FISAP.

Individual contact with phone number and email address

Gayle O'Neill

Director of Finance and Administrative Services

(860) 215-9276

goneill@trcc.commnet.edu

Corrective action was taken by the following:

University of Connecticut

Central Connecticut State University

Northwestern Connecticut Community College

2013-660 13 **Special Tests: Disbursements**
Federal Direct Student Loans (CFDA #84.268)

Recommendation:

Southern Connecticut State University should comply with the federal requirements related to disbursing Federal Direct Student Loans.

Current Status:

Corrective action has been taken.

2013-666 13 **Special Tests: Student Loan Repayments – Deferment**
Federal Perkins Loan Program – Federal Capital Contributions
(CFDA #84.038)
Teacher Education Assistance for College and Higher Education
Grant (CFDA #84.379)

Recommendation:

Southern Connecticut State University should ensure that policies and procedures regarding Perkins Loan deferments are supported and in compliance with federal regulations.

Current Status:

Corrective action has been taken.

DEPARTMENT OF HOUSING

2016-725	16	<u>Allowable Costs/Cost Principles – Housing Assistance Payments</u> Section 8 Housing Choice Vouchers (CFDA #14.871)
2015-725	15	
2014-725	14	

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.

Status as reported by the Department of Housing:

Corrective Action Completed.

The errors were made due to clerical errors, but to state that inadequate oversight by the Department and its contracted vendor is a factual misstatement. The Department and its contracted vendor have implemented a detailed quality control process designed to identify and correct these human errors. The errors identified represent 0.3% of the \$45,317 in transactions tested, or 99.7% accuracy.

Completion Date:

This corrective action was completed July 1, 2017

Department Contact Person and Phone Number:

Steve DiLella, Program Manager, Individual and Family Assistance, 860-270-8081.

2016-726	16	<u>Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallocable Costs</u> Section 8 Housing Choice Vouchers (CFDA #14.871)
2015-726	15	

Recommendation:

The Department of Housing should ensure that all expenses charged to the Section 8 Housing Choice Vouchers program are allocable to the federal program.

Status as reported by the Department of Housing:

Corrective Action Taken

This process was inherited with the program when it was first transferred from the Department of Social Service. The Department has fully implemented corrective action relative to this finding. Additional staff have been brought on by the Department and they have been properly trained in the necessary processes and systems. Internal controls have been strengthened to eliminate this practice. Only expenses chargeable to the Section 8 Housing Choice Voucher program are allocated to this federal program.

Completion Date:

This corrective action was completed July 1, 2017.

Department Contact Person and Phone Number:

Steve DiLella, Program Manager, Individual and Family Assistance, 860-270-8081.

2016-727

16

Allowable Costs/Cost Principles – Payroll Costs
Section 8 Housing Choice Vouchers (CFDA #14.871)

Recommendation:

The Department of Housing should ensure that payroll and fringe benefit expenditures claimed under the Section 8 Housing Choice Voucher program are allocated to benefiting programs in accordance with Title 2 Code of Federal Regulations 200.405.

Status as reported by the Department of Housing:

Corrective Action Underway

Although it appears that the Department did not consider that employees charged to the Section 8 HCV program worked on other programs in addition to the Section 8 HCV program, the Department also excluded eligible staff costs of at least four (4) additional staff who worked on the Section 8 HCV program. In order to better address this issue, the Department is finalizing the implementation of a centralized work distribution process using the State's primary financial management system; Core-CT. Once implemented, all staff will have the ability to better document actual time worked on the various programs administered by the Department, and in particular those federal programs that allow the direct allocation of administrative costs.

Anticipated Completion Date:

The proper program coding is still being implemented by DOH/DECD administrative staff. Full implementation is anticipated on or before July 1, 2018.

Department Contact Person and Phone Number:

Nicholas Lundgren, Deputy Commissioner, 860-270-8190.

2016-728

16

Special Tests and Provisions – Housing Quality Standards Enforcement
Section 8 Housing Choice Vouchers (CFDA 14.871)

Recommendation:

The Department of Housing and its contracted vendor should ensure that housing quality standards inspections are completed on time and payments are suspended if identified defects are not corrected within the required time period.

Status as reported by the Department of Housing:

Corrective Action Taken

The Department identified this as an issue prior to review, and has worked with the contracted vendor to increase capacity with regard to both initial HQS inspections, as well as annual HQS re-inspections. Further, internal processes of the contracted vendor have been streamlined to better insure that payments are suspended if identified defects are not corrected within the required timeframes.

Completion Date:

This corrective action was completed effective July 1, 2017.

Department Contact Person and Phone Number:

Steve DiLella, Program Manager, Individual and Family Assistance, 860-270-8081.

2016-729

16

Reporting – Financial Assessment Subsystem for Public Housing Section 8 Housing Choice Vouchers (CFDA #14.871)

Recommendation:

The Department of Housing should submit required financial information to the Department of Housing and Urban Development in a timely manner in accordance with Title 24 Code of Federal Regulations 5.801.

Status as reported by the Department of Housing:

Corrective Action Underway

The Department has implemented significant changes relative to this finding. Additional staff have been brought on by the Department, and they have been properly trained in the necessary processes and systems. In addition, internal controls have been strengthened to ensure timely filing of the necessary information. However, we continue to experience technical issues with the electronic filing of this information into the federal system. The Department is completing these obligations as quickly as HUD's system will allow. The Department is currently awaiting HUD's final approval of 2015 audited submission. The 2016 audited submission will be entered within 30 days of receipt of HUD's approval, and we are committed to resolving this filing as soon as possible.

Anticipated Completion Date:

On or before June 30, 2018.

Department Contact Person and Phone Number:

Steve DiLella, Program Manager, Individual and Family Assistance, 860-270-8081.

2016-730

16

Cash Management – Interest
Section 8 Housing Choice Vouchers (CFDA #14.871)

Recommendation:

The Department of Housing and its contracted vendor should ensure that interest earned on housing assistance payment investments is tracked and amounts in excess of \$500 are returned to the U.S. Treasury.

Status as reported by the Department of Housing:

Corrective Action Taken

The Department has directed its contracted vendor to record monthly interest in VMS on a monthly basis. Effective May 1, 2017, this information is being reported properly. To date, annual interest does not exceed \$500, so no payment is currently due to the U.S. Treasury.

Completion Date:

Corrective Action was completed effective May 1, 2017.

Department Contact Person and Phone Number:

Steve DiLella, Program Manager, Individual and Family Assistance, 860-270-8081.

2016-731

16

Allowable Costs / Cost Principles – Improper Benefit Calculations
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Recommendation:

The Department of Housing should strengthen its internal controls to ensure that Hurricane Sandy Community Development Block Grant Disaster Recovery Grants program expenditures are necessary, reasonable, adequately supported, and correctly calculated.

Status as reported by the Department of Housing:

Corrective Action completed

The Department has and continues to strengthen its internal controls through the implementation of an additional compliance review and the assignment of additional staff relative to reimbursement review.

Completion Date:

Corrective Action was completed effective July 1, 2017, however the Department will continue to look for additional opportunities to strengthen its internal controls.

Department Contact Person and Phone Number:

Hermia Delaire, Program Manager, CDBG - Disaster Recovery Program, 860-270-8149.

2016-732

16

Inadequate Internal Controls over Earmarking
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Recommendation:

The Department of Housing should strengthen internal controls to ensure that compliance with earmarking requirements is being properly tracked. In addition, the department should verify that adequate income documentation is on hand at the time financial assistance is provided to ensure that expenditures meet earmarking requirements.

Status as reported by the Department of Housing:

Corrective Action underway.

The Department operates under the HUD approved policy of applicant self-certification and base documentation at the time of application and project start. All information related to national objective, income verification, location and eligibility are reviewed and verified for accuracy at the project closeout as part of the Department's internal compliance review process. The Department has and continues to strengthen its internal controls through the implementation of this closeout compliance review, as well as the assignment of additional staff relative to this review and information verification.

Completion Date:

This review and verification process has been completed for all closed activities, and is on-going for those activities that are still underway. This correction action will be closed out upon final closeout of the federal grant program, which is anticipated on or before June 30, 2023.

Department Contact Person and Phone Number:

Hermia Delaire, Program Manager, CDBG - Disaster Recovery Program, 860-270-8149.

2016-733

16

Suspension and Debarment - Inadequate Procedures
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Recommendation:

The Department of Housing should develop procedures as specified in the federal regulations that ensure that all contractors and their principals are not suspended, debarred, or otherwise excluded from federal programs.

Status as reported by the Department of Housing:

Corrective Action Taken

The Department believes that adequate procedures specified in the federal regulations for all components of the Housing activities under CDBG-DR are in place, however acknowledges that staff did not fully implement these procedures prior to the review. Since the time of the review, the Department

has and continues to fully implement these procedures, and continues to verify eligibility of prior transactions through our revised compliance review.

Completion Date:

This corrective action was completed effective July 1, 2017.

Department Contact Person and Phone Number:

Hermia Delaire, Program Manager, CDBG - Disaster Recovery Program, 860-270-8149.

2016-734

16

Reporting of Program Income

Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Recommendation:

The Department of Housing should establish internal controls to ensure that program income receipts and disbursements are being properly tracked in the Department of Housing and Urban Development's Disaster Recovery Grant Reporting system.

Status as reported by the Department of Housing:

Corrective Action Taken

The Department has fully implemented procedures to ensure proper tracking of program income in both CORE-CT and DRGR, and all program income received to date has been properly recorded and documented.

Anticipated Completion Date:

This corrective action was completed effective July 1, 2017.

Department Contact Person and Phone Number:

Hermia Delaire, Program Manager, CDBG - Disaster Recovery Program, 860-270-8149.

2016-735

16

Reporting – SF-425 Report

Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Recommendation:

The Department of Housing should strengthen internal controls to ensure that the amounts reported on federal financial reports are accurate and reports are submitted by the federal deadline.

Status as reported by the Department of Housing:

Corrective Action Underway.

Internal controls have been strengthened to facilitate accurate and timely submission of these reports. However, due to staff related issues at both DOH

and DECD, as well as issues with the use of the federal DRGR system, timely submission of this information continues to be an issue. However, recent staff hiring's are anticipated to resolve the remaining issue of timely reporting.

Anticipated Completion Date:

This Corrective Action will be completed before the end of the next quarterly submission; on or before March 31, 2018.

Department Contact Person and Phone Number:

Hermia Delaire, Program Manager, CDBG - Disaster Recovery Program, 860-270-8149.

2016-736

16

Special Tests and Provisions – Environmental Reviews
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CFDA 14.269)

Recommendation:

The Department of Housing should establish internal controls to ensure that environmental reviews are performed and adequately documented for all Hurricane Sandy Community Development Block Grant Disaster Recovery Grants program projects.

Status as reported by the Department of Housing:

Corrective Action Taken

Additional internal controls have been implemented to ensure that all environmental reviews are properly completed and documented. All contractors have been reminded of the Environmental Review requirements, and such environmental reviews are more closely monitored and screened for completeness by DOH staff.

Anticipated Completion Date:

This corrective action has been completed effective July 1, 2017.

Department Contact Person and Phone Number:

Hermia Delaire, Program Manager, CDBG - Disaster Recovery Program, 860-270-8149.

2015-727

15

Reporting – Form HUD-52681-B
Section 8 Housing Choice Vouchers (CFDA #14.871)

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.

Current Status:

Corrective action has been taken.

OFFICE OF EARLY CHILDHOOD

2016-775	16	<u>Reporting – ACF 696</u>
2015-775	15	Child Care and Development Block Grant (CFDA #93.575) Child Care Mandatory and Matching Funds of the Child Care & Development Fund (CCDF) (CFDA #93.596)

Recommendation:

The Office of Early Childhood should establish and implement procedures to ensure that the information used to prepare each quarterly ACF-696, Child Care and Development Fund Financial Report, is prepared accurately. The final report should undergo supervisory review prior to submission.

Status as reported by the Office of Early Childhood:

Corrective action has been taken by the Agency.

OEC has implemented changes to the procedure for compiling the information for the ACF-696 and has established a procedure for appropriate review.

2016-776	16	<u>Special Tests and Provisions – Health and Safety Requirements and</u>
2015-776	15	<u>Criminal Background Checks</u>
2014-035	14	Child Care Development Block Grant (CFDA #93.575)
2013-209	13	Child Care Mandatory and Matching Funds of the Child Care
III.D.7.	12	Development Fund (CCDF) (CFDA #93.596)

Recommendation:

The Office of Early Childhood should adopt a pre-certification or licensing process for prospective employees of childcare providers.

Status as reported by the Office of Early Childhood:

The Office of Early Childhood has proposed legislation to address this finding. That proposed legislation can be found in H. R. 7035. Specifically, the proposed language reads “[n]o such prospective employee shall have unsupervised access to children in the child care center or group child care home until such comprehensive background is completed and the Commissioner of Early Childhood permits such prospective employee to work in such child care center or group child care home.” In addition, the Office of Early Childhood is in the process of acquiring a new background check system that would provide center directors with real-time information about the status of their employees’ background checks.”

The proposed language which prohibits prospective employees from having unsupervised access to children until a background check is

complete was passed in Sec. 74 of June Special Session, Public Act No. 17-2. In addition, the Office of Early Childhood has acquired and is in the development stages of a new background check system that will provide child care center directors with real-time information about the status of their employees' background checks.

- 2016-777 16 **Compliance with Federal Encryption Requirements and Access Privileges**
2015-777 15 **Child Care and Development Block Grant (CFDA #93.575)**
Child Care Mandatory and Matching Funds of the Child Care & Development Fund (CCDF) (CFDA #93.596)

Recommendation:

The Office of Early Childhood should develop a memorandum of understanding with the Department of Emergency Services and Public Protection specifying the systems and services that the Office of Early Childhood will have access to and policies and procedures of the FBI Criminal Justice Information Services Division that must be followed.

Status as reported by the Office of Early Childhood:

The Memorandum of Understanding between the Office of Early Childhood and the Department of Emergency Services and Public Protection was executed on April 6, 2017.

State of Connecticut Fiscal Year 2017 Single Audit Reporting Package Corrective Action Plan

For Findings and Questioned Costs Identified for the Fiscal Year Ended June 30, 2017



**Office of Policy and Management
Hartford, Connecticut**



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICE OF THE SECRETARY

**STATE OF CONNECTICUT
SINGLE AUDIT REPORTING PACKAGE
CORRECTIVE ACTION PLAN
For Findings and Questioned Costs for the Fiscal Year Ended June 30, 2017**

Reference

Number **Recommendation/Corrective Action Plan**

DEPARTMENT OF SOCIAL SERVICES

2017-001 **Recommendation:**

The Department of Social Services should verify the social security numbers of all applicable Medicaid clients and enter the social security numbers into its eligibility management system.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. The four clients cited within the finding provided the Department with SSN information during the timeframe of 2013 through 2016. Since then, the Department has launched its new eligibility system, ImpaCT. The new system has safeguards in place to prevent a grant with an invalid Social Security Number (e.g. 999-99-9999), as the system will not accept invalid numbers. In addition, the file clearance functionality looks for matches of potential numbers and requires overrides to establish a new individual with an invalid number.

If individuals report they do not have a Social Security Number (SSN), ImpaCT now requires staff to indicate whether the person has applied for a SSN, whether they are willing to apply for a SSN; or provide a reason for not willing to apply for a SSN. The Department anticipates that these system and process changes will improve its ability to verify Social Security Numbers for Medicaid clients.

A reminder email was sent to staff on 12-29-17 stating the importance of obtaining and verifying accurate social security numbers for individuals.

Anticipated Completion Date:

Corrective Action has been taken. The ImpaCT system was deployed agency-wide during the 2018 fiscal year. An email was sent to staff related to the issue.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-002

Recommendation:

The Department of Social Services should establish procedures to ensure that it does not claim payments made for non-emergency medical services provided to non-qualified aliens 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.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. In the Department's new eligibility system, ImpaCT, workers can select the Federal Medical Assistance Percentage (FMAP) cohort and indicator for individuals requesting medical coverage. Workers have been directed on how to identify the correct cohort and indicator when processing medical requests for qualified non-citizens. The Department anticipates that this will improve accuracy in ensuring the correct payment source for medical coverage to non-qualified aliens.

In addition, in order to prevent a payment for a service that was not authorized, the Department designed ImpaCT so that specific dates are entered for approved emergency medical coverage. The ability to enter specific service dates should reduce claims for services prior to or after approved dates that an individual has been found eligible. The Department anticipates that these system controls will reduce or eliminate errors in paying claims for time periods an individual was not eligible and any corresponding errors in requesting federal payments.

Anticipated Completion Date:

Corrective Action has been taken. The ImpaCT system was deployed agency-wide during the 2018 fiscal year.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-003

Recommendation:

The Department of Social Services should ensure that each recipient of Medicaid benefits is eligible, that annual redeterminations are performed in a timely manner, and that each factor of the eligibility decision is adequately supported and properly verified according to federal requirements.

The Department of Social Services should ensure compliance with Title 42 Code of Federal Regulations 435.1009 by establishing and implementing procedures that determine whether Medicaid recipients are individuals under age 65 who are patients in an institution for mental diseases.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. The Department recently completed another stage in its modernization project that includes a document imaging system,

electronic task management, online application and renewal options, and now a new eligibility system. All incoming documents are scanned into the system and indexed to the appropriate client within our new eligibility system. This system prevents misplacing submitted client information and associates documents to the correct household's case. This helps to ensure that all related client information is processed together at the time of renewal. This electronic filing and organizing increases operational processing capacity and allows more work to be processed at one time. Workers have been instructed to process all documents associated with a client's case when reviewing any one aspect of their case, using a "one-touch" approach that limits future client contacts and thereby also increases operational capacity. In addition, verifications are increasingly performed electronically without worker intervention using interfaces with the federal data services hub (FDSH) and other electronic sources which reduces the renewal processing time.

The Department has also implemented a passive renewal process for many medical clients as part of our shared system with Access Health CT (AHCT). Passive renewals allow for an automatic renewal of Medicaid eligibility without immediately requiring new information from the client. The information from the most recent application on file is electronically verified against the FDSH and other sources. If results are the same, clients are renewed without interruption of coverage. Currently HUSKY A (children, parents/caretakers and pregnant women) and HUSKY D (low income adults) clients are renewed this way. This provides for an increasingly accurate and timely renewal process for the majority of Medicaid recipients.

The Department has also begun performing automated renewals for Medicare Savings Programs recipients. This increases the timeliness of renewal process and encourages change reporting through the use of pre-populated renewal forms. The Department is also developing an automated renewal process for HUSKY C clients (aged, blind and disabled individuals), which the Department expects will increase both the timeliness and the accuracy of processing those renewals as well.

The Department sent out an email reminding staff of the importance that living arrangements when determining eligibility on 12-29-17.

Anticipated Completion Date:

Corrective Action has been taken. The processes outlined in the Department's response have been implemented and a reminder email has been sent to staff.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-004

Recommendation:

The Department of Social Services should ensure that it adequately reviews and accurately reports claims submitted for federal reimbursement under the Medicaid program.

The Department of Social Services should return the federal share of refunds received for Medicare premiums to the Centers for Medicare and Medicaid Services.

The Department of Social Services should resolve the issues impacting the Medicaid receivable balances and file the proper adjustment to correct the errors, unsupported amounts, and corresponding federal reimbursements on CMS 64 reports.

Corrective Action Plan as Reported by the Department of Social Services:

This finding is comprised of multiple separately identifiable conditions. Some of which we agree and some that we disagree with. The Department will address each condition in a separate response:

Condition 1: We agree with this finding. The \$300,000 error was the result of a formatting error. The calculation that was created for the CMS 64 9D Collections summary included \$300,000 in collections from a single provider. It was later decided that the collections for this provider should not be included in the FFP calculations. In revising the calculation, the correction to the line item was made but a bottom line total was not corrected. The bottom line total was used in the final CMS 64 report and included the \$300,000 in error. We would note that a Prior Period Adjustment correction was made to the QE 12-31-2016 CMS 64 report for this item.

Condition 2: The Department will review the Medicare premium details further. Upon further review if it is found that any payments were miscoded we will make the necessary adjustments to the subsequent filing of the CMS 64 claim.

Condition 3: Note 1 – We disagree with this note. The auditor’s calculations are incorrect because the auditor did not include the correct amounts for Rate Recoupments and Misc Closed categories of Receivables. Rate Recoupments should include the item labeled “Old for 15”. The Misc Closed should also include the category “old items”.

Write-off Issues 1-4- We agree that there are problems with the write-offs reported on the CMS 64 as stated by the auditors. We are reviewing the write-off data and will make any necessary adjustments to the CMS 64 in QE 3/31/18. Medicaid write-offs are complicated because the Department can reclaim Federal Financial Participation (FFP) amounts claimed in prior quarters for certain receivables but not all receivables. In addition, the CMS 64 report has a complicated mechanism to report write offs for which we can reclaim FFP and for write offs that the Department is not allowed to reclaim FFP. In order to accurately claim and reclaim FFP due to aged receivables on the CMS 64, all ARs that are written off must remain on all CMS 64 reports after their date of write-off. Failure to do so will result in the Department incorrectly reclaiming FFP.

Condition 4: We agree with this finding. For QE 3-31-2017, the query that was used to pull the outstationed worker collections was mistakenly run with a date range of 1/1/2017 through 4/30/17. This resulted in an over-reporting of donations by an amount equal to \$123,709.23. We will correct this when we file the QE 3/31/2018 CMS 64 claim.

Condition 5: The error related to ICF taxes totaling \$35,367 was corrected in the QE 12-31-16 claim filing. However, it looks like when making this adjustment, the current quarter figure for October 2016 was inadvertently excluded and only the prior quarter adjustment was included. We will make an adjustment in the QE 3-31-18 claim to correct the \$982,174 which was omitted in error. Moving forward, we will begin an additional peer review process of this informational form prior to supervisory review and submission. We would note that there is no impact to revenue as a result of these changes.

Anticipated Completion Date:

For the conditions the Department does not agree with, there is no corrective action. For the items that the Department agrees with the items have been corrected in subsequent CMS 64 reports or will be corrected in future CMS 64 reports during the current fiscal year.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-005

Recommendation:

The Department of Social Services should ensure that claims submitted for federal reimbursement under the Medicaid program are accurately calculated, adequately reviewed, and properly reported.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. This error was the result of a clerical error in the formula development in our calculation. Given the complexity and extensive support calculations involved in the development of the CMS 64 filing, the error went unnoticed in our review of the backup. We will process a prior period adjustment to correct this error in a future filing, allowing the state to fully recover this reimbursement.

Anticipated Completion Date:

The Department will process a prior period adjustment in a future CMS-64 filing during the current fiscal year.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-006

Recommendation:

The Department of Social Services should recoup any improper payments made to School Based Child Health service providers, and refund any corresponding federal reimbursements to the Department of Health and Human Services' Centers for Medicare and Medicaid Services. In addition, DSS should establish and implement controls to ensure that it adequately supports School Based Child Health costs claimed for federal reimbursement under the Medicaid program with parental consent forms and individual education plans.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees in part with this finding. The Department conducts desk reviews of all submitted School Based Child Health program cost reports. LEAs are responsible for obtaining parental consent and only submitting claims for those children that they have parental consent authorized. LEAs should be monitoring the frequency of services in the IEP and should make modifications if needed to allow some flexibility in service delivery for providing the appropriate services to children with regard to the many unplanned issues that arise throughout the school year. LEAs are responsible to properly document and submit costs that they have all the necessary documentation for support.

Anticipated Completion Date:

The Department will research any questioned costs and reach out to the providers before December 31, 2018.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-007

Recommendation:

The Department of Social Services and the Department of Developmental Services should establish procedures to ensure that DDS informs DSS of fraud investigations in a timely manner.

The Department of Social Services should process an adjustment to return federal reimbursements for the fraudulent expenditures to the Department of Health and Human Services' Centers for Medicare and Medicaid Services.

Corrective Action Plan as Reported by the Department of Developmental Services:

The Department of Developmental Services agrees with this finding in part. The department agrees with the recommendation that DSS and DDS should establish procedures to ensure that DSS is informed of investigations of possible fraud in a timely manner. The department will work towards implementing processes to ensure that there is adequate communication between the two state agencies. The department has created a financial exploitation task force to make recommendations to strengthen existing systems.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees in part with this finding.

The condition cited by the Auditors of Public Accounts: “An internal investigation at DDS revealed that timesheets submitted between January 1, 2013 and April 30, 2016 by two service providers were fraudulent,” does not constitute a control deficiency.

Implementation of certain internal controls can lessen the opportunities to commit fraud but a suitable internal control structure cannot prevent every fraudulent activity from occurring. One of the most useful anti-fraud controls is the implementation of a fraud hotline or other means whereby both internal and external sources may report activities where there may be a suspicion of fraud. According to DDS, the Auditors of Public Accounts did not discover this alleged financial abuse. This particular situation was investigated by DDS after it was discovered through its hotline. DDS has an active Division of Investigations and a unit that is available to investigate any issue of abuse and neglect such as the cited instance. In this particular case, after a complaint was made, DDS performed a thorough investigation that has been forwarded to the Chief State’s Attorney Office of Medicaid Fraud Unit. The current internal control structure identified the possible fraudulent expenditures, the mere fact that there was an instance of a potential fraudulent activity does not constitute a reportable finding.

The Department agrees with the recommendation that DSS and DDS should establish procedures to ensure that DSS is informed of investigations of possible fraud in a timely manner. The Department will work towards implementing processes to ensure that there is adequate communication between the two State agencies.

The Department disagrees with the recommendation that an adjustment should be made to return federal reimbursements to the Department of Health and Human Services’ Centers for Medicare and Medicaid Services for the “potential” fraudulent expenditures at this time. This action is not appropriate until the investigation is completed by the Chief State’s Attorney Office. It should be noted that DDS cannot reach a conclusion that the costs were fraudulent. The determination of whether funds paid to the provider are considered fraudulent would be made by the Chief State’s Attorney Office at the conclusion of the investigation. Therefore, any overpayments identified as a result of the investigation by the Chief’s State’s Attorney Office review will be returned to the Federal Government at the time the investigation is concluded. We also do not agree with the conclusion reached by the auditors of public accounts that the entire \$160,020 used to determine the questioned costs. This conclusion should not be reached based solely on DDS indicating it’s “likely” that no services were provided. Again, the amount of the overpayment cannot be determined at this time until the investigation is completed.

Anticipated Completion Date:

The anticipated date of the return of any anticipated questioned costs cannot be determined at this point in time because the matter has to be reviewed by other entities than the Department of Social Services.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-008

Recommendation:

The Department of Social Services should provide the Auditors of Public Accounts (APA) access to all requested Medicaid Electronic Health Records Incentive Program post-payment audit records in a timely manner.

Corrective Action Plan as Reported by the Department of Social Services:

The Department does not agree with this finding. The Department provided all of the requested documentation electronically to the Auditors of Public Accounts.

Anticipated Completion Date:

N/A – The Department does not agree with this finding, therefore there is no anticipated completion date.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-009

Recommendation:

The Department of Social Services should establish a formal, written and approved information technology disaster recovery plan. The Department of Social Services should implement a client-based data loss prevention solution and audit logging infrastructure for information technology that contains or processes electronic protected health information or personally identifiable information. The Department of Social Services should establish and implement policies and processes for responding to incidents and security breaches. The Department of Social Services should strengthen privileged access management controls, apply encryption to the CCSES file server, and eliminate direct access from users to the back end SQL database from the file share security model.

The Department of Social Services should ensure that service organizations responsible for maintaining significant financial applications and processes obtain an appropriate Service Organization Controls 1 Report (SOC 1 report). Management should review the opinion of the service auditor to determine the effectiveness of controls in place at the service organization and to determine whether complementary user control considerations are in place and operating effectively.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding in part. We will address each condition separately:

1. The disaster recovery plan is underway with an estimated completion date as follows: Draft circulation 3/16/2018 and projected approval of the plan 5/31/2018.
2. EMS is the legacy system that has a sunset date of 6/30/18. There is no corrective action related to this component of the finding.
3. The Department experienced delays with contracting. The Statement of Work was recently updated to adjust the timelines due to the delay and the Department is anticipating the issuance of the contract shortly.
4. The Department experienced delays with contracting. The Statement of Work was recently updated to adjust the timelines due to the delay and the Department is anticipating the issuance of the contract shortly.
5. The Department's CCSES file server has been migrated to Red Hat using LUKS – Linux Unified Key Setup for encryption.
6. The access database replacement/conversion to MS-SQL/Oracle remains ongoing.
7. The Department disagrees with the portion of the recommendation that a SOC 1 report is required to be obtained to meet the requirements of 45 CFR 95.621. A SOC 1 audit is not required and is not necessary for states to comply with the provisions of 45 CFR 95.621. The Auditors of Public Accounts recommendation to specifically require a SOC 1 audit exceeds the scope of OMB Circular A-133 paragraph .500(d). This paragraph provides that the auditor shall determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs. The principal compliance requirements applicable to most Federal programs and the compliance requirements of the largest Federal programs are included in the compliance supplement. As reported in the criteria section of this finding, there is no provision in 45 CFR 95.621 that requires states to obtain a SOC 1 audit. In fact the OMB compliance supplement provides that "as part of complying with the [ADP Risk Analyses and System Security Reviews], a state may obtain a Statement on Standards for Attestation Engagements (AT) Section 801, Reporting on Controls at a Service Organization SOC 1 type 2 report from its service organization (if the State has a service organization).

Anticipated Completion Date:

For the conditions that the Department disagrees with there is no anticipated completion date. Additionally, any conditions that are directly related to the EMS system will not have an anticipated completion date due to the fact that the system's sunset date is 6/30/18. For the remaining conditions, the Department cannot comment on a specific date because this will be on on-going effort.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-010

Recommendation:

The Department of Social Services should establish and implement internal controls to determine the System for Award Management exclusion status of Medicaid and Money Follows the Person providers. DSS should strengthen controls to ensure that the enrollment of providers complies with Title 42 Code of Federal Regulations 455 and the department's Provider Enrollment/Re-enrollment Criteria Matrix, Application Form and Provider Agreement.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this recommendation. Regarding access to the System for Award Management, corrective action cannot be implemented at this time. Currently, all states lack access to this database.

Anticipated Completion Date:

N/A – Corrective Action cannot be taken at this time. All states lack access to the specified database.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-011

Recommendation:

The Department of Social Services should establish and implement formal written guidelines and procedures for determining reductions in overpayments. Such guidelines and procedures should include adequate segregation of duties and a requirement to maintain documentation supporting reductions in overpayments.

Corrective Action Plan as Reported by the Department of Social Services:

The Department disagrees with this recommendation. The recommendation ignores the importance of professional judgment, institutional knowledge and discretion. When a request is made to review an audit for possible reduction to the audit adjustment, the Director of the Office of Quality Assurance considers the following factors:

- A pending request for hearing
- Amount paid to the provider
- Audit history of the provider
- Audit findings and related disallowances
- Litigation risk
- Fairness of the financial impact of the audit findings
- Audit staff resources
- Maintenance of compliance impact

The Department has adequate segregation of duties. The Director of the Audit Division does not have authority to reduce an audit adjustment without the approval of the Director of the Office of Quality Assurance. The Director of the Office of Quality Assurance communicates all audit adjustments to either the

Office of Legal Counsel, Regulations and Administrative Hearings or the Deputy Commissioner, Administration.

The Department disagrees with the question costs, the mere reduction of an audit adjustment is not a basis for the determination of a questioned cost.

Anticipated Completion Date:

N/A – The Department does not agree with this finding, therefore, there is no anticipated completion date.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-012

Recommendation:

The Department of Social Services should comply with the auditing procedures in the State Medicaid Plan for long-term care facilities.

Corrective Action Plan as Reported by the Department of Social Services:

The Department does not agree with this finding. For long-term care facilities, the Department contracts with a national accounting firm to perform audits of long-term care 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. Facilities are primarily chosen for audit based on the risk of misstatement. The Department operates with limited resources and while it is neither possible nor feasible to conduct a field examination for every facility, the benefit of utilizing the desk review process must be considered when discussing the risk of mispayment. The Department ensures that a desk review is conducted on each facility's cost report annually. During the desk review process the auditors submit requests to providers for additional information to resolve questions which arise from significant risk areas identified, and follow up on prior year findings. These procedures are conducted to mitigate and reduce the risk of mispayment. It is our belief that this process is an efficient use of the resources that are available to the Department.

Anticipated Completion Date:

N/A – The Department does not agree with this finding, therefore, there is no anticipated completion date.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-013

Recommendation:

The Department of Social Services should provide the necessary resources and institute procedures to ensure that it uses all information resulting from eligibility and income matches to ensure that correct payments are made to, or on behalf of, eligible clients.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. The Department's new ImpaCT eligibility system has recently been deployed State-wide. The Department's new eligibility system is expected to facilitate the processing of alerts.

Anticipated Completion Date:

Corrective Action has been taken. The ImpaCT system was deployed agency-wide during the 2018 fiscal year.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-014

Recommendation:

The Department of Social Services should continue to implement procedures to ensure timely application processing to meet benchmarks agreed to in the Medicaid and SNAP settlement agreements.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. The Department is continuously reviewing its processes for improving timely completion of eligibility applications.

Anticipated Completion Date:

The Department is continuously reviewing its processes for improving timely completion of eligibility applications.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-015

Recommendation:

The Department of Social Services should recoup any improper payments made to medical providers and refund any corresponding federal reimbursements to the Centers for Medicare and Medicaid Services. The Department of Social Services should establish and implement controls to ensure that benefit payments claimed for federal reimbursement under the Money Follows the Person Demonstration program are adequately supported and allowable.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. The Department has not been able to replicate the findings. The Department will recoup any improper payments made to medical providers and refund the corresponding federal reimbursement to the Centers for Medicare and Medicaid Services. The Department has implemented an electronic visit verification system that will provide adequate support for allowable claims moving forward.

Anticipated Completion Date:

The Department will recoup any improper payments made to medical providers and refund the corresponding federal reimbursement once an internal review has been completed.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-016

Recommendation:

The Department of Social Services should strengthen internal controls to ensure that claims for federal reimbursement under Money Follows the Person comply with federal statutes, regulations, and the terms and conditions of the federal award. DSS should refund improper reimbursements to the federal government.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. The Department has not been able to replicate the all of the findings. To ensure appropriate claiming and questioned costs, the Department plans to work with DXC to use the MFP participation file which establishes the period of participation for each person in the MFP Demonstration and match it with all Qualified service claims in the MMIS. The result will be submitted to CMS as an adjustment to prior period claims. Moving forward, the Department will work with DXC to develop a process to ensure the proper connection between the MFP participation file and the MFP claims identifier in the MMIS.

Anticipated Completion Date:

The Department will recoup any improper payments made to medical providers and refund the corresponding federal reimbursement once an internal review has been completed.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-017

Recommendation:

The Department of Social Services and the Department of Developmental Services should strengthen internal controls over claims processed by the fiscal intermediary to ensure that they code claims to the correct budgets.

Corrective Action Plan as Reported by the Department of Developmental Services:

The Department agrees with this finding in part. In the Money Follows the Person (MFP) program the Department of Developmental Services (DDS) has the following oversight responsibilities:

1. Ensure that DDS does not pay for any service that is not covered by DDS.
 2. Ensure that the fiscal intermediary is paid for services covered by DDS.
-

3. Ensure services that are paid by DDS are billed correctly to the Federal Waiver Program for financial reimbursement to the State of Connecticut.

The audit sample identified 5 MFP participants (8 Samples) for which the fiscal intermediary was not paid. In all of the examples identified: DDS did not pay for any residential services authorized by DSS. DDS paid for all services covered by DDS. DDS ensured that services paid by DDS were correctly billed to the waiver.

Based on the outcome of this audit, DDS will work with DSS to improve the MFP process.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. Service plans for DDS participants authorized by the Department of Social Services will specify the billing number Allied is required to use. DSS will review claims coding on 100% of DDS participants on a quarterly basis with quarter ending June 30, 2018. DSS will convene discussions to review current tracking, budgeting and coordination efforts in order to evaluate potential adjustments to processes to ensure full compliance with federal requirements.

The review of service plans and claims coding will be completed by June 30, 2018 with ongoing efforts completed on a quarterly basis. Any necessary process adjustments with DDS will be completed no later than September 30, 2018.

Anticipated Completion Date:

The review of service plans and claims coding will be completed by June 30, 2018 with ongoing efforts completed on a quarterly basis. Any necessary process adjustments with DDS will be completed no later than September 30, 2018

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-018

Recommendation:

The Department of Social Services should establish and implement internal controls over performance reporting of the Money Follows the Person Rebalancing Demonstration to ensure that DSS maintains data to support amounts reported to the Department of Health and Human Services' Centers for Medicare and Medicaid Services. The Department of Social Services should provide the information needed for the auditor to perform the single audit.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees in part. There appears to have been a misunderstanding with the documentation requested for the purpose of the review. Although the Department did not present all essential reports to the audit test, the MFP staff have the supporting documentation and are prepared to present that documentation.

While there was a question raised by auditors about semiannual reports during the initial meeting on November 28, 2017, MFP staff thought that the discussion was about proof of submission and that the screen shot demonstrating proof was sufficient. This screenshot was sent to the auditors (through email) documenting the submission of the June 2017 semiannual report. MFP staff thought that the requirement had been met until January 29, 2018 when a request for 4 reports was received from the auditors. MFP worked with CMS to retrieve reports since the reports are no longer accessible through the CMS report management system. A follow up message was received from the auditors on February 5, 2018 indicating that February 9, 2018 was the deadline. Reports were submitted to the auditors on February 6, 2018. The auditors requested the additional information to support the reports on Feb 7, 2018. MFP was working towards completion and not aware of a new deadline. As previously mentioned, we are prepared to present the additional documentation. In fact, all of the supporting documentation is in the web-based reporting system to which the auditors now have access.

Anticipated Completion Date:

N/A – The Department maintains that all of the supporting documentation needed to complete the audit testing is available to the auditors.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-019

Recommendation:

The Department of Social Services should comply with the Supplemental Nutrition Assistance Program FNS-209 reporting requirements established by the United States Department of Agriculture.

Corrective Action Plan as Reported by the Department of Social Services:

As a result of the implementation of the Department's new replacement eligibility management system, ImpaCT, we are working through reporting issues necessary to meet the FNS 209 reporting requirements. We are meeting and discussing the clarifying questions related to the FNS 209 reporting requirements with Deloitte and the ImpaCT project team. Additionally, we remain in contact with FNS about questions specific to the correct approach to handling certain overpayment transactions on the FNS 209 report. Once the reporting requirements have been finalized and implemented, our plan is to rerun all of the ImpaCT FNS 209 reports back to the implementation of ImpaCT.

Additionally, the Department is still awaiting further correspondence from FNS concerning the status of the FNS 209 report.

Anticipated Completion Date:

The corrective action anticipated completion date cannot be determined. The Department is awaiting further correspondence from FNS concerning the status of the FNS 209 report.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-020

Recommendation:

The Department of Social Services should strengthen internal controls to ensure that each recipient of cash assistance is eligible for the program. DSS should also ensure that it obtains adequate support to allow the eligibility management system to make proper eligibility determinations for the Temporary Assistance for Needy Families program according to federal regulations, the Temporary Assistance for Needy Families State Plan, and the state's corresponding policies and regulations.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. The Department expects that internal controls will be strengthened in part by the recently completed implementation of the new ImpaCT eligibility system (the last office was converted in August 2017). Program rules have gone through a thorough review as part of the system design and build process, and there are built-in prompts for obtaining required verification. The Department expects that these system updates will improve benefit accuracy and documentation.

Anticipated Completion Date:

Corrective action has been taken. The ImpaCT system was deployed agency-wide during the 2018 fiscal year.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-021

Recommendation:

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

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with this finding. The Department continues to enhance communications between program personnel and the Office of Child Support Services. On 12-29-17 an email was forwarded to staff reminding of the importance of reviewing child support sanction request.

Anticipated Completion Date:

Corrective action has been taken. An email was forwarded to staff reminding of the importance of reviewing child support sanctions request.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-022

Recommendation:

The Department of Social Services should strengthen internal controls to ensure compliance with Temporary Assistance for Needy Families mandatory work requirements.

Corrective Action Plan as Reported by the Department of Social Services:

The Department disagrees with this finding. The Department maintains that processing 59 out of 60 sampled cases correctly indicates that internal controls are working and that training generally is good, despite the unavoidable potential for the occasional human error. In the case of isolated instances of worker error, the Department believes that having the worker and a supervisor review and correct the specific error is the appropriate corrective action. This was done in this case.

Anticipated Completion Date:

N/A – The Department does not agree with this finding, therefore, there is no anticipated completion date.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-023

Recommendation:

The Department of Social Services should provide additional training to eligibility workers regarding the application of penalties related to work requirements for the Temporary Assistance for Needy Families program.

Corrective Action Plan as Reported by the Department of Social Services:

The Department disagrees with this finding. The Department maintains that processing 59 out of 60 sampled cases correctly indicates that internal controls are working and that training generally is good, despite the unavoidable potential for the occasional human error. In the case of isolated instances of worker error, the Department believes that having the worker and a supervisor review and correct the specific error is the appropriate corrective action. This was done in this case.

Anticipated Completion Date:

N/A – The Department does not agree with this finding, therefore, there is no anticipated completion date.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-024

Recommendation:

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

Corrective Action Plan as Reported by the Department of Social Services:

The Department agrees with the finding regarding TPP Programs lack of language regarding Pro-Child Act of 1994 and shall include such language with the next amendment.

The Department continues to disagree with the APA's position statement that state procurement policy and procedures were not adhered to regarding competitive bidding. The Department exercised its statutory right to request a waiver (which such justification was provided and granted) from the Secretary of OPM to waive the procurement process in these cases.

Anticipated Completion Date:

The Department will include Pro-Child Act of 1994 language with the next amendment to the contracts.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-025

Recommendation:

The Department of Social Services should strengthen its internal controls to ensure that the ACF-204 is accurately completed and that it maintains all supporting documentation. The department should also ensure that the state properly meets its required maintenance of effort levels.

Corrective Action Plan as Reported by the Department of Social Services:

The Department disagrees with the finding. In October 2017, DSS discovered that the amounts that can be counted for both CCDF and TANF are limited to the CCDF-required MOE and must meet the requirements of both programs. CCDF excess MOE related to C4K expenses can also be counted for TANF since it meets the purposes of TANF and is not claimed for CCDF (CCDF MOE is limited on the CCDF claim to the required CCDF MOE). We had previously claimed 50% state share of the CCDF matching of \$16,885,074 and all of the CCDF required MOE of \$18,738,357 for a total of \$35,623,431. The amount that was counted for both TANF and CCDF in excess of the CCDF required MOE limit was \$16,885,074 (This differs from the \$6,797,671 that was mentioned in the draft audit finding – we believe that audit finding calculation was incorrectly calculated as the combined required MOE and matching for only CCDF Child Care Certificate, Employment Services, and Transitional of \$25,536,029 – CCDF required MOE of \$18,738,357 = \$6,797,671 rather than being correctly calculated as the combined required MOE and matching for CCDF Child Care Certificate, Employment Services, Transitional, and CCMIS of \$35,623,431 – CCDF required MOE of \$18,738,357 = \$16,885,074).

We recognized this issue based upon our own independent review and we had already retroactively revised our FFY 2017 TANF claim through 9/30/17 to reflect this. We had not yet had time to revise the FFY2016 TANF claim to reflect

similar revisions. However, we plan to make revisions to remove the 50% state share of the CCDF matching of \$16,885,074. We plan to then continue to claim the CCDF required MOE of \$18,738,357 (this part can be claimed for both CCDF and TANF and is within the limit) and add the CCDF excess MOE of \$49,441,497 (this part is NOT claimed for CCDF but is claimed only for TANF so is not subject to the limit) for a revised total of \$68,179,854.

Once the revisions are made, we will actually be claiming more MOE (\$68,179,854 vs. \$35,623,431) on the FFY16 TANF claim. Therefore, we will continue to meet the MOE requirement at both the 75% and 80% levels.

The other errors on the ACF-204 Annual Report on State MOE Programs (double reporting of non-citizens aliens TFA and understatement of Jobs First Employment Services) were due to the ACF-204 differing from the FFY16 TANF claim. Therefore, these errors impacted only the ACF-204 report and these items were correct on the TANF claim.

Anticipated Completion Date:

N/A – The Department does not agree with this finding, therefore, there is no anticipated completion date.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-026

Recommendation:

The Department of Children and Families (DCF) should implement procedures or further enhance the Provider Information Exchange system to obtain the information necessary to calculate the eligibility rates based on actual Temporary Assistance for Needy Families (TANF) clients served. In addition, DCF should implement procedures to ensure that expenditure data used in the claiming process is accurate.

The Department of Social Services should not claim the DCF in-home and community-based services expenditures until the eligibility rates are calculated based on the actual TANF clients served and applied to accurate expenditure information. DSS should submit prior quarter adjustments for overstated amounts.

Corrective Action Plan as Reported by the Department of Children and Families:

The Department agrees with this finding. The query was corrected and the duplicate claims totaling \$3.3 million were identified to DSS for prior quarter adjustments. The query results for subsequent quarters are being compared to the general ledger prior to reporting them to DSS.

The Provider Information Exchange System was updated to accept encounter data for each client on November 1, 2017. This information will be used to accurately

compute the percentage of service delivered to TANF eligible clients from the quarter ending March 31, 2018.

Corrective Action Plan as Reported by the Department of Social Services:

Although the Department 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's section of the Federal Single Audit report. It is the Department of Children and Families' responsibility to ensure it has controls in place to ensure that accurate eligibility rates and expenditure data are calculated.

The Department will review any noted questioned costs to determine if any claim adjustments need to be processed.

Anticipated Completion Date:

March 31, 2018

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-027

Recommendation:

The Department of Correction should strengthen internal controls to ensure that the amounts claimed under the Temporary Assistance for Needy Families program are accurate and adequately supported.

As the state's lead agency designated under 45 CFR 205.100, DSS is ultimately accountable for the proper use of the TANF funds and has the authority to administer or supervise the administration of the program.

Corrective Action Plan as Reported by the Department of Correction:

The agency agrees with this finding.

The department will reiterate to applicable staff that timesheets must not be turned in prior to the end of a given pay period.

With regard to internal controls associated with TANF reporting, the agency is reviewing its current practices and procedures with regard to TANF data collection and reporting and will work with the Department of Social Services to ensure that DOC's policies and procedures meet the Department of Social Services' requirements to ensure that amounts claimed under the TANF program are accurate and adequately supported. 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.

Corrective Action Plan as Reported by the Department of Social Services:

Although the Department 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's section of the Federal Single Audit report. It is the Department of Correction's responsibility to ensure it has controls in place to ensure that timesheets are signed by supervisors prior to the end of the pay period.

Anticipated Completion Date:

December 31, 2018

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-028

Recommendation:

The Department of Correction and the State Department of Education should ensure that they report subawards claimed under the Temporary Assistance for Needy Families program to the subrecipients and they should properly monitor subrecipients.

The Department of Social Services and the State Department of Education should continue to work together on executing a memorandum of understanding to define each agency's responsibilities regarding program administration, including subrecipient monitoring requirements, for the Temporary Assistance for Needy Families program.

Corrective Action Plan as Reported by the Department of Correction:

The Department disagrees with this finding in part.

With regard to ensuring "that every sub-award is clearly identified to the sub-recipient as a sub-award, which includes providing the unique entity identifier, federal award identification number, federal award dates, the name of the federal awarding agency, and the Catalog of Federal Domestic Assistance (CFDA) number and name" DOC does not receive any unique identifier/federal award number or dates that it would be able to provide to its providers that would confirm that the funding it receives is actually specific to a federal award.

However, DOC's contract with its providers does contain language indicating that their expenses may be claimed by the State of Connecticut and reimbursed by the federal government through TANF. The agreement, amongst other requirements, indicates that the Contractor shall comply with applicable State and federal TANF requirements, including the need for an audit.

With regard to advising "sub-recipients 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",

consistent with DOC's MOU with DSS, DOC contracts with its providers contain language indicating that the provider's expenses may be claimed by the State of Connecticut and reimbursed by the federal government through TANF. The agreement, amongst other requirements, indicates that the Contractor shall comply with applicable State and federal TANF requirements, including the need for an audit.

With regard to monitoring "the activities of the sub-recipients as necessary to ensure that the sub-award is used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the sub-award and" ensuring "that performance goals are achieved", including "reviewing financial and performance reports required by the pass-through entity", pursuant to DOC's MOU with DSS, DOC is required to have its providers report the number of TANF eligible families/clients. All TANF related information that DOC receives from its providers is self-reported by the offenders at these residential and non-residential programs. DOC has no effective way to confirm/monitor the accuracy of this self-reported information without dedicating significant resources to research and confirm local and state records both inside and outside of Connecticut.

DOC agrees that the agency should verify that sub-recipients, if required, have met the audit requirements for the fiscal year and DOC staff are currently in the process of developing its monitoring plan for 2018 which will include this in the monitoring checklist.

DOC continues to work with DSS on its responsibilities related to TANF and it is our understanding that a revised MOU is being developed. As an example of the challenges that this program creates, DSS provided a TANF eligibility form that DOC was to supply to provider staff who would then complete the document with the offender so that eligibility can be determined. However, based on the qualifying questions on the form, no DOC offenders would be TANF eligible as an offender's child does not reside with them at a halfway house. DSS is reviewing the document for changes.

Corrective Action Plan as Reported by the State Department of Education:

Though the Department of Education (SDE) agrees with the finding, an MOA has not yet been executed.

The first matter of being a "pass-through entity" is questionable as the federal funds were never in the possession of the SDE so as to "pass" them through to a subrecipient. As such, the SDE cannot properly book the expenditures in the state accounting system as federal pass through funds. The funds paid from the state accounting system are state appropriated funds that are controlled by SDE as per Connecticut General Statutes that oversee the program activities.

History has provided that the state TANF plan had identified programs that, through their statutorily defined activities, qualify under some aspect of TANF for

claiming. By virtue of the fact that SDE operates the programs per the statute, there should not be a question about the eligibility of the claim under TANF, provided that the TANF plan had appropriately identified those programs as allowable, which is not in the control of the SDE.

SDE Finance and Internal Audit Offices had met with OPM and an outside CPA firm in the spring of 2017 to discuss options regarding the appropriateness of revising the OPM compliance supplement to reflect the federal nature of the funds that grant recipients were receiving as state grants but were required to be treated as federal funds for the purposes of their federal single audit. As the funds were never coded as federal funds in the state accounting system, and the amount of the funds claimed historically by DSS varied by program, it would be inappropriate to make any statement in the compliance supplement as to their treatment as federal funds, as it would not be clear what percentage a subrecipient should account for in their single audit. This is even further complicated by refunds that subrecipients would be paying back and the appropriate accounting of those returned funds as state or federal funds.

The result of the conversations stated above resulted in the conclusion that SDE should discuss with DSS which SDE programs will be used for the DSS TANF claim. Further, the 2 agencies will have to determine an appropriate process that will identify these funds as federal at the transaction level in the state accounting system, and further alert the subrecipients as to the federal responsibilities related to the funding, in advance of the issuance of pass through payments.

Corrective Action Plan as Reported by the Department of Social Services:

Although the Department 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's section of the Federal Single Audit report. It is the Department of Correction's and the State Department of Education's responsibility to ensure it has controls in place to properly monitor its subrecipients.

Anticipated Completion Date:

December 31, 2018

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-029

Recommendation:

The Department of Social Services should strengthen procedures to ensure compliance with its responsibility as a pass-through entity.

Corrective Action Plan as Reported by the Department of Social Services:

The Department agreed in part with this finding. The Department continues to ensure that on-site visits are performed and all performance and financial reports are adequately monitored in accordance with contract stipulations.

The three Fatherhood Initiative Program (FIP) subrecipient contracts that were identified in the audit are funded by State awards and the subawards were not TANF program expenditures that were claimed under the Fatherhood Initiative. The Fatherhood Initiative utilizes State maintenance of effort (MOE) funds and there are no federal reimbursements. Since there are no federal reimbursements for the expenditures using State commingled MOE funds, DSS is not required to report the contractual agreements nor obtain unique entity identifiers from these three subrecipients funded by commingled State MOE funds and therefore we are in compliance.

Anticipated Completion Date:

The corrective action is an on-going effort to ensure that on-site visits are performed and all performance and financial reports are adequately monitored in accordance with contract stipulations.

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-030

Recommendation:

The Department of Social Services should work with the Department of Housing to establish and implement procedures to comply with Title 2 Code of Federal Regulations 200.331 concerning its responsibilities as a pass-through entity and to ensure that DOH properly monitors its subrecipients.

The Department of Social Services should provide additional guidance to the Department of Housing for monitoring subrecipients to ensure that DOH uses Social Services Block Grant funds according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Corrective Action Plan as Reported by the Department of Housing:

The Department of Housing agrees with this finding. The department implemented new procedures during FY 16-17 in response to previous audit findings. In its review of the effectiveness of these procedures, the department has identified potential inadequacies and will adopt modifications to its procedures to properly track document submission. In terms of the reports submitted late, the department has implemented a system to identify late submissions and work with its recipients to obtain the documents in a timely fashion. All SSBG contracts were monitored during FY 16-17, but as part of a conversion of all documents to an electronic format, 1 staff member mistakenly used incorrect forms. That issue has been addressed and all staff have been properly trained in the use of the correct forms. The department looks forward to the receipt of additional guidance from the Department of Social Services (DSS) to ensure that SSBG funds are used in accordance with federal regulations and the DSS SSBG Allocation Plan.

Corrective Action Plan as Reported by the Department of Social Services:

The Department disagrees with this finding. The Department maintains that 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.

Anticipated Completion Date:

July 1, 2018

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-031

Recommendation:

The Department of Mental Health and Addiction Services should follow established procedures to comply with Title 2 CFR 200.331 concerning its responsibilities as a pass-through entity and to ensure that it properly monitors subrecipients and notifies them of federal awards.

The Department of Social Services (DSS) should provide additional guidance to the Department of Mental Health and Addiction Services for monitoring subrecipients to ensure that Social Services Block Grant funds DMHAS uses according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Corrective Action Plan as Reported by the Department of Mental Health and Addiction Services:

1. The Department agrees with this finding. Going forward, the Department will provide the CFDA number and name, federal award identification number, project description, award date, and name of the federal awarding agency in a timely manner.
2. The Department agrees with this finding. Currently, the DMHAS is transitioning the responsibility of reviewing Single Audit Reports to its Internal Audit Division from its Fiscal Services Office. Once this transition is complete Single Audit Reports will be timely reviewed.
3. The Department agrees with this finding in part. Due to staff constraints, on site monitoring has, by necessity, been limited to our highest intensity levels of care: detox, residential services and methadone maintenance. Providers of services such as outpatient, case management and outreach and engagement may be met with as a group on a quarterly or on a bi-annual basis for information exchange and technical assistance.

Corrective Action Plan as Reported 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 DMHAS's responsibility to ensure it has controls in place to properly monitor its subrecipients.

Anticipated Completion Date:

June 30, 2018

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-032

Recommendation:

The Office of Early Childhood should establish and implement procedures to comply with Title 2 Code of Federal Regulations Part 200.331 concerning its responsibilities as a pass-through entity and to ensure that it properly monitors subrecipients.

The Department of Social Services should provide additional guidance to the Office of Early Childhood for monitoring subrecipients to ensure that OEC used Social Services Block Grant funds according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Corrective Action Plan as Reported by the Office of Early Childhood:

The Office of Early Childhood agrees with the recommendation regarding the need for 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, but also wishes to indicate that procedures have actually been established and progress has been made with implementation since the previous finding.

The Office of Early Childhood established a protocol and began carrying out compliance monitoring of funded early childhood programs during State Fiscal Year 2017. Monitoring is completed by a team from the OEC's Division of Early Care and Education (with assistance from the PDG Coordinator as needed). A monitoring tool collects information on implementation of these program aspects:

- Licensing
- Contract monitoring
- Subcontractor monitoring
- NAEYC Accreditation
- Head Start approval
- Registry/Staff Qualifications Compliance
- Reporting
- Fiscal
- Classroom implementation

A closing meeting summarizes findings at each monitoring visit and then a written summary report is provided. Resources, guidance and follow up items are

clearly identified. Areas identified for quality improvement can be addressed in four ways: technical assistance provided during the visit; print and web resources identified; follow up meetings with OEC staff; and/or referral for consultation through our vendor, United Way 211.

The appearance of any discrepancies may be due to several factors. Payments are made quarterly in advance based upon the maximum contract value and not based upon actual utilization. At the end of the State fiscal year, data on actual utilization is finalized and reconciliation adjustments are then made to a payment in the subsequent State fiscal year. While the final (4th quarter) payment for the State fiscal year is made at the end of April, final utilization data is not made available until the end of August. By then, the 1st quarter payment for the next State fiscal year will have already been made. As a result, reconciliation adjustments are not usually made until well into the subsequent fiscal year.

The creation of a new reconciliation process by the OEC's Grants & Contracts Specialist in the 2016 SFY necessitated that adjustments be made against the final (4th quarter) payment of the 2017 SFY. With the reconciliation process fully developed and tested, the reconciliation for the 2017 SFY occurred against the 2nd quarter payment of the 2018 SFY. These deductions – taken retroactively, can create the appearance of discrepancies. This can be further compounded by CHEFA Intercepts that are made twice each State fiscal year (usually October and April).

The Grants & Contracts Specialist implemented a new process of sending individualized reconciliation grids to contractors (sub-recipients) that will be impacted by reductions due to underutilization. This offers contractors a chance to review the information, offer feedback, seek clarification, and share the materials with their fiscal personnel (including accountants and independent auditors). The reconciliation grids, coupled with the Summary Expenditures created by SDE, are also shared with independent auditors when they submit inquiries related to state and federal single audits.

The State Department of Education, under its APO responsibility to OEC, captures all CDC payment recipients for SFY 2017 in the single audit database. SDE staff reviews single audit reports that are received by OPM, if applicable, and follows-up on findings if warranted.

Corrective Action Plan as Reported 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 OEC's responsibility to ensure it has controls in place to properly monitor its subrecipients.

Anticipated Completion Date:

March 2018

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

2017-033

Recommendation:

The Office of Early Childhood should verify that the annual family income eligibility levels are correct on the Program Status Report per the official poverty guidelines provided by the United States Department of Health and Human Services.

The Department of Social Services should provide additional guidance to the Office of Early Childhood to ensure that OEC uses Temporary Assistance for Needy Families funds transferred to the Social Services Block Grant funds according to federal regulations and the DSS Social Services Block Grant Allocation Plan.

Corrective Action Plan as Reported by the Office of Early Childhood:

The Office of Early Childhood agrees with the recommendation to verify that the annual family income eligibility levels are correct on the Program Status Report per the official poverty guidelines as provided by the United States Department of Health and Human Services.

The Program Status Report will be updated to reflect the official poverty guidelines as provided by the United States Department of Health and Human Services. It should be noted that as of October 1, 2017, SSBG funds are no longer utilized to fund the Child Day Care Program.

Corrective Action Plan as Reported 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 OEC's responsibility to ensure child day care providers are provided with a PSR template that contains accurate SSBG family income eligibility guidelines.

Anticipated Completion Date:

September 2018

Department of Social Services Contact Person:

Frank LaRosa, Director of Internal Audit, 860-424-5855

DEPARTMENT OF LABOR

2017-150 **Recommendation:**

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

Corrective Action Plan as Reported by the Department of Labor:

CTDOL agrees with the determination, however corrective action will not be available until the implementation of modernization in 2020. As has been the case for several years, CTDOL strives to make improvements to the ETA 227 reporting process wherever possible, given several constraints. The data elements being captured within the agency's system were not designed for today's reporting requirements. Improvements have been made to the data that is captured for newer overpayments; however, even these changes have had to be made within the confines of a forty-year-old mainframe system. As older overpayments are either written off per statutory authority or are repaid, the quality of the data improves. These efforts, along with Connecticut's involvement in modernizing its UI system, targeted for implementation in 2020, are helping us strive toward balanced reporting. The agency takes reporting seriously and will continue to do what it can to make improvements within our operational authority and capability.

Anticipated Completion Date:

2020

Department of Labor Contact Person:

Daryle Dudzinski, UI Benefits Director, Telephone 860-263-6571

2017-151 **Recommendation:**

The Department of Labor should update the program code used to extract data from the IBM system to create the Federal Unemployment Tax Administration Certification Data file in order to recognize all relevant data.

Corrective Action Plan as Reported by the Department of Labor:

We agree with this finding. The Unemployment Insurance Tax Division submitted a request to the Information Technology Division to review and correct the error in the automated FUTA certification program identified in this finding. Programming changes have been made, testing has been completed and required changes have been promoted to our production systems. The annual IRS FUTA certification submission was received in October 2017. Based on guidelines stated in IRS Publication 4485, Guide for the Certification of State FUTA Credits, states must return that FUTA certification submission in January 2018. The Department is on target to return the submission in a timely fashion. We do not anticipate any errors.

Anticipated Completion Date:

January 2018

Department of Labor Contact Person:

Carl Guzzardi, UI Tax Director, Telephone 860-263-6452

2017-152 **Recommendation:**

The Department of Labor should strengthen internal controls to ensure that all potential overpayments are investigated.

Corrective Action Plan as Reported by the Department of Labor:

CTDOL disagrees with the determination that its cross-match data is “unreliable”. The cross-match process produces thousands of hits every quarter that are investigated to the best of the agency’s ability. In a small number of cases, there may be issues of timing that prevent a potential overpayment from being detected by the quarterly cross-match process, for example, a payment that was released after the cross-match program was run. In an effort to ensure that all overpayments are detected, the agency employs a variety of additional strategies including multiple cross-matches, tips from the public, the RESEA program, and agency analysis of claims. Finally, all base period employers are given an opportunity to respond to charge notices to report any potential eligibility issues, including fraudulent filing.

Anticipated Completion Date:

Completed

Department of Labor Contact Persons:

Daryle Dudzinski, UI Benefits Director, Telephone 860-263-6571

2017-153 **Recommendation:**

The Department of Labor should strengthen internal controls by ensuring that contracts are properly completed and fully executed prior to the contract period start date.

Corrective Action Plan as Reported by the Department of Labor:

The Department of Labor agrees with the recommendation. The finding has since been corrected and should no longer be a finding for FY2018 with the implementation of the Contract Management Policy.

Anticipated Completion Date:

Completed

Department of Labor Contact Person:

Mark Polzella, WIOA Admin Manager, Telephone 860 263-6031

2017-154

Recommendation:

The Department of Labor should further strengthen internal controls to ensure that it uses sound cash management for advances made to sub-grantees for the Workforce Innovation and Improvement Act.

Corrective Action Plan as Reported by the Department of Labor:

We agree with this finding. The WIOA Administration Unit has revised the Cash on Hand policy and has disseminated to all WDBs and appropriate staff. We will also continue the following steps related to this issue;

1. All requests for drawdowns from the Workforce Development Boards will be reviewed to ensure minimal cash on hand levels;
2. Through fiscal monitoring, bank accounts will be reviewed and inquiries of WDBs will be made related to interest bearing accounts to ensure that they are complying with Uniform Guidance.

Anticipated Completion Date:

Completed 11/28/17

Department of Labor Contact Person:

Mark Polzella, WIOA Admin Manager, Telephone 860 263-6031

2017-155

Recommendation:

The Department of Labor should strengthen its internal controls in order to effectively monitor its subrecipients.

Corrective Action Plan as Reported by the Department of Labor:

CTDOL agrees with the determination. As a result, we have adopted the new policy and procedure for ensuring that sub-recipient desk reviews are conducted on a consistent basis in accordance with federal requirements described in the code of federal regulations 2 CFR 200.521. This procedure went into effect on November 21, 2017. This finding was corrected by USDOL on 12/21/17 and is no longer a finding.

Anticipated Completion Date:

Completed 11/21/17

Department of Labor Contact Person:

Theresa A. Peterson, CFAS1, Telephone 860 263-6062

2017-156

Recommendation:

The Department of Labor should implement procedures to ensure that sub-grantees of Workforce Innovation and Opportunity Act funds appropriately meet federal Youth Activities earmarking requirements.

Corrective Action Plan as Reported by the Department of Labor:

CTDOL agrees with this finding. After consultation with USDOL Region I, TEGL 23-14 was cited as indicating the following for tracking these expenditures: “Because states have three years to expend funds and local areas have at least two years to expend funds, it may not be until the end of PY 2016, or in some cases PY 2017, before ETA can determine whether a state or local area has met the OSY expenditure requirement for PY15.” Therefore, CTDOL has been advised that the 20% Work Experience Expenditure rate requirement is over the grant period and not the program year period.

Having gained clarification regarding the appropriate period to be considered, the CTDOL WIOA Administration unit reached out to the WDBs regarding the status and trends for their Work Experience expenditure going forward. Based on the responses, it appears that all WDBs are trending toward meeting the required expenditure rate. Responses also indicated that expenditures allowable towards the Work Experience rate may not have been considered or included in quarterly financial reports.

The CTDOL WIOA Administration unit will continue to work with WDBs on the Work Experience Expenditures and provide technical assistance through monthly meetings with WDBs in order to ensure the WDBs understand and are reporting all allowable expenses towards the Work Experience rate. The CTDOL WIOA Administration unit will also be reviewing 9130s with CTDOL Business Management in order to better track expenditure rates throughout the program year as well as the grant period in order to better address any concerns related to the targeted 20% rate of expenditures. The above actions took effect June 30, 2017.

Anticipated Completion Date:

June 30, 2017

Department of Labor Contact Person:

Mark Polzella, WIOA Administration, (860) 263-6031

DEPARTMENT OF PUBLIC HEALTH

2017-200 **Recommendation:**

The Department of Public Health should comply with Title 45 Code of Federal Regulations (CFR) Part 75, Subpart E, United States Code (USC) 300ff-22a, 42 USC 300ff-28(b) (3) and Policy Clarification Notice 15-04 by obtaining and reviewing supporting documentation from the Department of Social Services to determine that costs are allowable for the Ryan White HIV/AIDS Part B program. In addition, the department should discontinue its practice of having blank program cost invoices signed by the subrecipients' authorized representatives.

Corrective Action Plan as Reported by the Department of Public Health:

The Department of Public Health (DPH) agrees with this finding in part. The DPH has implemented a policy and procedure that requires Ryan White Part B sub-recipients to provide supporting information to be used in verifying and validating payment requests. (See attached policy and procedure Ryan White Part B Sub-Recipient Financial Reporting Requirements and Deadlines).

The DPH currently requires the Department of Social Services (DSS) to provide the following monthly expenditure information as supporting documentation for payments; Paid Case load, Net Expenditures prior to rebates, gross expenditures, actual expenditures, actual expenditures for administration including CADAP staff salaries, fringe and indirect cost, Medicare Part D premium payments, retroactive eligibility/other transactions, third party liability reimbursements, drug rebate amounts identified separately and rate of increase/decrease of expenditures, cases and cost per case of the month reported compared to the previous month reported. The DPH utilizes this information to determine the adequacy of payment request made by DSS. This policy will be revised to include additional requirements such as information to verify and validate that expenditure activities are allowable ADAP expenses and consistent with HIV/AIDS HAB policy.

The DPH will also implement a policy and procedure to address the invoicing methodology used for the Ryan White Part B sub-recipients, which will no longer use pre-signed hard copy invoices to support the administrative payment process.

Anticipated Completion Date:

July 31, 2018

Department of Public Health Contact Person:

Abdi Elmi – (860) 509-7225

2017-201 **Recommendation:**

The Department of Public Health should ensure that it uses available rebates prior to drawing and charging federal funds in accordance with federal regulations.

Corrective Action Plan as Reported by the Department of Public Health:

The Department of Public Health (DPH) agrees in part with this finding. The above referenced cash draw down of \$3,319,583 was to close out of the FY15 grant activities that ended March 31, 2016. Effective April 1, 2016, the DPH implemented a revised policy and procedure that requires rebate monies to be fully expended prior to requesting federal monies to support any Ryan White Part B expenditure activities.

Anticipated Completion Date:

March 30, 2017

Department of Public Health Contact Person:

Kimberly Boulette, 860-509-7845

2017-202 **Recommendation:**

The Department of Public Health should continue to monitor that subrecipients are properly determining eligibility of clients in accordance with Title 42 United States Code 300ff-26 and the HIV/AIDS Bureau policy. DPH should take corrective action when necessary.

Corrective Action Plan as Reported by the Department of Public Health:

The Department of Public Health (DPH) agrees with this finding. Currently, the DPH is attempting to transition the Connecticut AIDS Drug Assistance Program (CADAP) Program to an outside vendor. Transitioning the program to DPH will ensure compliance with the eligibility requirements as mandated. Until the transition occurs, the Health Care Support Services (HCSS) program staff and the Accounts Examiner will continue to monitor CADAP enrollment eligibility data, including on site fiscal and program monitoring to ensure elimination of the grace period and presumptive eligibility. If discrepancies are noted, the Department of Social Services (DSS) will be notified and a resolution will be imposed. In addition, the HCSS program staff will continue to request Human Resources and Services Administration (HRSA) to facilitate discussion between DPH and DSS around AIDS Drug Assistance Program (ADAP) eligibility requirements and actions to be taken when issues are not resolved in a timely manner.

Anticipated Completion Date:

August 31, 2018

Department of Public Health Contact Person:

Laura Aponte – (860) 509-8007

Heidi Jenkins – (860) 509-7924

2017-203 **Recommendation:**

The Department of Public Health should adhere to the Ryan White HIV/AIDS Program Maintenance of Effort compliance requirement. In addition, the

department should require and maintain adequate supporting documentation for all reported amounts.

Corrective Action Plan as Reported by the Department of Public Health:

The Department of Public Health (DPH) agrees with this finding. The DPH recognizes that amounts reported for the FY14 Maintenance of Effort (MOE) included miscalculations. These miscalculations were inadvertent. A revised report will be prepared to reflect the corrected amounts and filed accordingly. Additionally, the existing policy and procedure for calculating and preparing the MOE will be reviewed for adequacy, and revised as applicable to ensure that the proper amounts are reported consistent with MOE requirements.

Anticipated Completion Date:

July 31, 2018

Department of Public Health Contact Person:

Fiscal Office: Abdi Elmi – (860) 509-7225

Ryan White Part B Program: Laura Aponte – (860) 509-8007

2017-204

Recommendation:

The Department of Public Health, as a pass-through entity, should implement procedures to comply with its responsibility to monitor subrecipients of the Ryan White Part B HIV/AIDS program in accordance with the federal guidance and regulations.

Corrective Action Plan as Reported by the Department of Public Health:

The Department of Public Health (DPH) agrees with this finding in part. Previously the program staff conducted combined programmatic and limited fiscal reviews of sub-recipients. During the 2017 contract year it was decided, at the request of HRSA, to separate the programmatic and financial reviews and broaden the scope of the financial review, with responsibility for that review residing with the Contracts and Grants Management Section (CGMS).

Financial Reviews:

Because CGMS did not have qualified staff to conduct such financial reviews at the time, an independent audit firm was hired to conduct reviews for the 2017 fiscal year, which ended on March 31, 2017. The contractual agreement for the engagement was executed at the end of April 2017 and the Department elected to have conduct reviews for the recently completed contract year, which covers the period from April 1, 2016 to March 31, 2017.

While the on-site work is complete, delayed response to additional supporting documentation requested from the sub-recipients delayed completion of final reporting packages, which the audit firm is currently completing. At the beginning of February CGMS provided those reports which were available to the Auditors

of Public Accounts. Reported deficiencies are being reviewed as the reports are received/reviewed and Ryan White program staff, in conjunction with CGMS, will follow-up on reported deficiencies through monitoring of submitted reports and data as well as at future site-visits.

The DPH was successful in hiring an Associate Accounts Examiner on May 12, 2017 to conduct reviews going forward. That employee has been interacting with the current audit firm to gain knowledge of the review process and has begun conducting reviews for the 2018 fiscal year that covers the period April 1, 2017 to March 31, 2018.

Programmatic Reviews:

Prior to July of 2017, program staff followed-up on sub-recipient\ deficiencies identified during a comprehensive site visit by monitoring program reports, reviewing; CAREware service data, updated policies and procedures, and programmatic reports. To enhance monitoring of sub-recipients compliance with implementation of Corrective Action Plans, the Comprehensive Site Visit Policy and Procedure Manual was updated, and implemented in July of 2017, to establish protocols for a follow up visit by Department Contract Managers. The one sub-recipient out of eight who did not receive a follow-up visit was reviewed and approved by the Program Supervisor prior to the implementation of the new follow-up protocol.

Anticipated Completion Date:

August 31, 2018

Department of Public Health Contact Person:

Financial Reviews: Bruce Wallen – (860) 509-7121

Programmatic Reviews: Laura Aponte – (860) 509-8007

DEPARTMENT OF CHILDREN AND FAMILIES

2017-250 **Recommendation:**

The Department of Children and Families should establish or strengthen internal controls to ensure that all costs are consistently treated and properly claimed for federal reimbursement as maintenance or administrative costs in accordance with federal requirements.

Corrective Action Plan as Reported by the Department of Children and Families:

Because the LINK computer system is not capable of identifying and reporting payment components, we are building this capability into a new CCWIS system currently under development. The payments to Therapeutic Foster Care providers are split as indicated by the table above; however, portions of those provider payments are used to insure needed services, such as transportation, are available so that the placement will be maintained. Since the FMAP and FPP are the same percentage, it has not seemed critical to separate these payments in the manner described. The Department will adjust the claim to apportion the payments between maintenance and administrative pools as described until the CCWIS system can provide more specific reporting on payment components.

Anticipated Completion Date:

Unknown

Department of Children and Families Contact Person:

Olga Coleman-Williams, Director Revenue Enhancement Division (860) 550-6651

DEPARTMENT OF EDUCATION

2017-300 **Recommendation:**

The State Department of Education should make adjustments to the calculation used to allocate Title I, Part A funds sufficient to ensure compliance with Federal laws, regulations and guidance.

Corrective Action Plan as Reported by the State Department of Education:

We disagree with the APA's finding that the Title I calculation is not in compliance with the Title I federal law. SDE maintains that we are calculating the Title I grant appropriately and that all districts currently receiving or have received Title I funds in the past are eligible for those funds.

The federal government determines the eligibility of the districts, and SDE is responsible for adjusting the allocations for districts that the federal government could not determine. The current calculation that SDE performs has not changed since fiscal year 2003 when the federal government started calculating the Title I district entitlements and SDE was responsible for reallocating those entitlements not included in the federal amounts, such as Regional Educational Service Centers, Charter schools and the CTHSS.

In September of 2007, there was an on-site audit by the Federal Title I office that reviewed the calculation in detail. Connecticut was found to be in compliance with the procedures for adjusting ED-determined allocations outlined in sections 200.70 through 200.75 of the regulations. The basis of that review used the same 2003 guidance that APA used for this audit that resulted in this finding. Further, the SDE calculation has been reviewed several times by other teams from the APA and with no findings of the calculation being non-compliant.

We further disagree with any questioned costs as a result of the School Improvement Reservation hold harmless, as that part of the calculation was correctly adjusted in 2010, with input from the federal grant office, to break out the pieces of the grant (basic, EFIG, targeted, and concentration) so as to properly reflect the ARRA funding only in the basic portion of the calculation, to ensure all of the ARRA funds were distributed.

Anticipated Completion Date:

N/A

State Department of Education Contact Person:

Gary Pescosolido, Chief of Fiscal/Administrative Services, 860-713-6667

2017-301 **Recommendation:**

The State Department of Education's Connecticut Technical High School System should implement policies and procedures to ensure Title I, Part A funding is used in accordance with the laws and regulations of the program.

Corrective Action Plan as Reported by the State Department of Education:

We agree with this finding. The district will be meeting with appropriate agency and district central office staff to review and implement appropriate policies and procedures to ensure compliance with laws and regulations of the Title I program.

Members of the central office fiscal staff attended purchasing training in November 2017 led by the Department of Administrative Services (DAS). An internal review of the appropriate purchasing and payment policies and procedures has already taken place.

District staff having a role in administering federal grants will be meeting with representatives from the State Department of Education to review all requirements.

Anticipated Completion Date:

June 30, 2018

State Department of Education Contact Person:

Jeff Wihbey, Superintendent, CTECS (formerly CTHSS), 860-807-2200

2017-302

Recommendation:

The State Department of Education should implement subrecipient monitoring policies and procedures at the program level for Title I, Part A to evaluate the risk of subrecipient noncompliance and provide reasonable insurance that program funds were used in accordance with the approved application and the requirements of the program.

Corrective Action Plan as Reported by the State Department of Education:

We agree with this finding. In Connecticut's "Consolidated State Plan Under the Every Student Succeeds Act" that was approved by the U.S. Department of Education on August 4, 2017 a section on Title I, Part A monitoring is included. As described in the State Plan, the following Title I monitoring and evaluation activities will be conducted:

- annual Title I self-assessment for all districts;
- annual desk audits of a minimum of six districts across CT's geographic regions and socio-economic levels;
- additional site visits, if warranted; and
- increasing frequency of monitoring, if warranted.

Districts will be selected for a desk review based on a risk-assessment protocol that will include information developed by the Department's Office of Internal Audit (OIA). (Commencing with OIA's review of the 2016-2017 Federal Single Audits, a report that will identify 1) districts that are not required to have a Federal Single Audit performed, 2) the Major Federal Education programs that were selected as part of the Federal Single Audit, and 3) Federal Education programs that have a finding applicable to a Federal Education program). The

desk review will consist of a Title I program and fiscal component. The Office of Internal Audit will participate in the fiscal review component.

To ensure that the Title I, Part A comparability requirement is met, the written comparability assurance under Sec.1120A(c)(2) is included in the new electronic “Consolidated Application for Title I, Part A Funds” that all Title I districts complete. In addition, as part of the Title I, Part A monitoring process, districts selected for a desk review will be required to demonstrate comparability by completing a Title I, Part A Comparability Report.

Anticipated Completion Date:

June 30, 2018

State Department of Education Contact Person:

Nora Chapman, Office of Internal Audit, 860-713-6536

2017-303 Recommendation:

The State Department of Education’s Connecticut Technical High School System should implement policies and procedures to ensure the application verification process is performed according to Federal Regulations and within the required timeframe; the Verification Collection Report is completed and submitted within mandated timeframe; households are given a 10 day notification period about reduction or termination of benefits; and eligibility status changes are made at the point of service after the verification activities are completed.

Corrective Action Plan as Reported by the State Department of Education:

We agree with this finding. The CTHSS Nutrition and School Meals Unit will be consolidating its existing policies and procedures into a manual that will include the assurances that the application verification process is performed according to Federal Regulations and within the required timeframe; the Verification Collection Report is completed and submitted within mandated timeframe; households are given a 10-day notification period about reduction or termination of benefits; and eligibility status changes are made at the point of service after the verification activities are completed.

Anticipated Completion Date:

June 30, 2018

State Department of Education Contact Person:

Jeff Wihbey, Superintendent, CTECS (formerly CTHSS), 860-807-2200

2017-304 Recommendation:

The State Department Education’s Connecticut Technical High School System should implement policies and procedures to ensure that applications containing the required information are processed and that the eligibility determination is made and the status is implemented within 10 operating days of the receipt of the application.

Corrective Action Plan as Reported by the State Department of Education:

We agree with this finding. CTHSS is currently making staffing adjustments to ensure that applications containing the required information are processed and that the eligibility determination is made and the status is implemented within 10 operating days of the receipt of the application.

Anticipated Completion Date:

June 30, 2018

State Department of Education Contact Person:

Jeff Wihbey, Superintendent, CTECS (formerly CTHSS), 860-807-2200

2017-305 Recommendation:

The State Department of Education should make adjustments to the calculation used to determine fiscal effort sufficient to ensure compliance with Federal laws, regulations and guidance. We recommend these adjustments be applied to previous years to ensure compliance with Maintenance of Effort requirements.

Corrective Action Plan as Reported by the State Department of Education:

We disagree with this finding. SDE has consistently been using state payroll that has been identified by management (Program Managers and/or Bureau Chiefs) as well as specified state grants to comprise Maintenance of Effort (“MOE”). The calculation has been accurate and consistent using the criteria above. SDE’s primary concern is to meet the MOE required by the grant and ensure that there is a no danger of falling under that requirement. To that end, SDE must look into what is included and add appropriate expenses if needed.

SDE had to use that consistent method to calculate the MOE, and exactly the same data was used as was used in the last 10 years, except to add fringe benefits, so as to meet match. This resulted in no longer needing to use the much smaller “general administration” piece in the calculation. This was a conscious decision to avoid unnecessarily overinflating the MOE for the future.

Based on the existing methodology, SDE is unclear what the association of “one-time project costs or pilot program costs” would be, and could not identify any in the current expenditures used to calculate the MOE. Further, there is no concern of that in the future based on the current methodology.

Anticipated Completion Date:

N/A

State Department of Education Contact Person:

Gary Pescosolido, Chief of Fiscal/Administrative Services, 860-713-6667

FEDERAL STUDENT FINANCIAL ASSISTANCE - DEPARTMENTS OF EDUCATION AND HIGHER EDUCATION - STATEWIDE

2017-650 **Recommendation:**

Western Connecticut State University and Gateway Community College should award and disburse Federal Supplemental Educational Opportunity Grants in accordance with the requirements stipulated in Title 34 Code of Federal Regulations 676.10.

Corrective Action Plan as Reported by Western Connecticut State University:

The finding was corrected upon notice. Although the student was otherwise needy and Pell eligible, they exhausted their lifetime eligibility. In the future, WCSU will ensure that all FSEOG recipients are also Pell award recipients in accordance with the requirements.

Anticipated Completion Date:

Completed previously.

Western Connecticut State University Contact Person:

Melissa M. Stephens, Director of Financial Aid
(203) 837-8582 or stephensm@wcsu.edu

Corrective Action Plan as Reported by Gateway Community College:

The college will reconcile the FSEOG Program annually and prior to year-end.

Anticipated Completion Date:

June 1, 2018

Gateway Community College Contact Person:

Raymond R. Zeek, Director of Financial Aid
(203) 285-2032 or rzeek@gwcc.commnet.edu

2017-651 **Recommendation:**

The University of Connecticut should review its procedures to ensure compliance with the federal regulations pertaining to verification.

Corrective Action Plan as Reported by the University of Connecticut:

Although the July 2016 premature disbursement authorization was a result of human error, the Student Financial Aid Services Office conducted mandatory verification training sessions as part of the FY18 In-Service Training Program on January 17, 2017 and January 18, 2017. Additional supplemental training sessions were conducted on March 28, 2017 and March 29, 2017. Further, effective May 2017, every Student Financial Aid Services Office employee involved in the FY18 verification process was required to have successfully completed the formal verification training offered by the National Association of Student Financial Aid Administrators (NASFAA). Finally, effective November 1,

2017, the Student Financial Aid Services Office conducts monthly verification reviews to ensure compliance with existing regulations.

Anticipated Completion Date:

Completed November 2017

University of Connecticut Contact Person:

Suzanne Peters, Director of Student Financial Aid Services
(860) 486-2470 or suzanne.peters@uconn.edu

2017-652 **Recommendation:**

Eastern Connecticut State University should ensure that it distributes disbursement notifications to students as required by Title 34 Code of Federal Regulations 668.165.

Corrective Action Plan as Reported by Eastern Connecticut State University:

The Bursar's Office has instituted an audit system to monitor the notification process so errors can be quickly identified and remedied.

Anticipated Completion Date:

September 27, 2017

Eastern Connecticut State University Contact Person:

Michael Kowalczyk, Bursar
(860) 465-5287 or kowalczukm@easternct.edu

2017-653 **Recommendation:**

The University of Connecticut, Eastern Connecticut State University, and Tunxis Community College should review their procedures to ensure compliance with the federal regulations contained in 34 CFR 668.22. In addition, Eastern Connecticut State University should revise its policies to include a procedure to manually review part-time Pell Grant recipients when performing Return of Title IV Funds calculations.

Corrective Action Plan as Reported by the University of Connecticut:

The two instances in which the University incorrectly calculated total institutional charges were due to human error as a result of personnel changes in the department. Immediately after the University was made aware of these findings, financial aid adjustments were made and the funds were returned accordingly.

To help prevent such oversights in the future, the University has updated procedures specific to the review of the Return to Title IV Funds calculations. In addition, personnel in this area have been re-training.

Anticipated Completion Date:

The return of federal funds to the US Dept. of Education was completed in September and October, 2017. Internal Return of Title IV Funds procedures were revised and additional departmental training was performed in August, 2017.

University of Connecticut Contact Person:

Margaret Selleck, Bursar

(860) 486-1675 or margaret.selleck@uconn.edu

Corrective Action Plan as Reported by Eastern Connecticut State University:

The Financial Aid Office is now making manual adjustments to Pell amounts in the FAM system to ensure proper calculation. In addition, a manual calculation check is performed on these students to ensure the new process is working appropriately.

Anticipated Completion Date:

September 13, 2017

Eastern Connecticut State University Contact Person:

Jennifer Horner, Financial Aid Director

(860) 465-57 75 or hornerje@easternct.edu

Corrective Action Plan as Reported by Tunxis Community College:

The Director of Financial Aid will work along with the Associate Director to ensure any Return of Title IV Funds will be processed within the time frame allowed by the Department of Education.

We will have the Registrar run the Title IV Report weekly (SFRNOWD) every Friday once the grades for the semester have been frozen. Currently the grades are frozen approximately three weeks after the semester starts.

The Registrar will forward the SFNOWRD file as an electronic file to the Associate Director of Financial Aid and the Director of Financial Aid. The Associate Director will be responsible for completing the Return of Title IV Funds in Banner within 10 business days.

The Associate Director of Financial Aid will complete the R2T4 process.

Once the Associated Director of Financial Aid completes the R2T4 process, the Director of Financial Aid will review all R2T4 calculations for accuracy. The Director of Financial Aid will then have the Financial Aid Assistant review each student on the RPATIVC and ensure their Pell updates are accurate and locked on the RPAAWRD screen. The Financial Aid Assistant will review the Option Tab looking to see that any Pell changes located under the Award Schedule Tab have a Y in the Period Lock field. Once all students' locks have been verified, the Director of Financial Aid will ensure all COD files are extracted on the 10th business day and all R2T4 returns will be sent electronically to COD through the ED Connect Gateway.

Anticipated Completion Date:

The corrective action plan will start with the Spring 2018 semester and will be followed continually for every future semester.

Tunxis Community College Contact Person:

Sandra Vitale, Financial Aid Director
860-773-1424 or svitale@txcc.commnet.edu

Nancy Eschenbrenner, Director of Finance and Administrative Services
860-773-1304 or neschenbrenner@txcc.commnet.edu

2017-654 **Recommendation:**

The University of Connecticut and Southern Connecticut State University should review their procedures to ensure that they submit enrollment status changes to the NSLDS in a timely manner, via the National Student Clearinghouse, in accordance with federal regulations.

Corrective Action Plan as Reported by the University of Connecticut:

Although the University reported the correct enrollment status to the National Student Clearinghouse, the status was not successfully updated/accepted on their end. The National Student Clearinghouse has since identified the cause for the unsuccessful update and the enrollment status for the student identified has been corrected. In order to confirm that additional enrollment submissions for students in this isolated category were updated/accepted correctly by the National Student Clearinghouse, the University will review each of the 2016/17 cases and will follow up with the Clearinghouse as necessary. Further, the Enrollment Reporting quality assurance process will be enhanced to include regular reviews of enrollment submissions for this isolated category to ensure timely updates as appropriate.

Anticipated Completion Date:

April 30, 2018

University of Connecticut Contact Person:

Gregory Bouquot, University Registrar
(860) 486-3903 or gregory.bouquot@uconn.edu

Corrective Action Plan as Reported by Southern Connecticut State University:

Training was provided upon initial notification of the finding, including a review of existing withdrawal procedures, with the administrative staff responsible for processing withdrawal forms. The process documentation will be updated to include situational clarification regarding the effective date when a withdrawal is received between semesters.

Anticipated Completion Date:

The staff training was completed upon notification of the initial finding report on November 15, 2017. The written procedures will be completed by January 15, 2018.

Southern Connecticut State University Contact Person:

Alicia Carroll, Registrar
(203) 392-7078 or carrolla8@southernct.edu

2017-655

Recommendation:

The University of Connecticut, Central Connecticut State University, and Southern Connecticut State University should ensure that policies and procedures regarding Perkins Loan repayments comply with federal regulations. In addition, Southern Connecticut State University should ensure that policies and procedures regarding Perkins Loan exit counseling comply with federal regulations.

Corrective Action Plan as Reported by the University of Connecticut:

The seven instances, in which the University provided the third party servicer with incorrect separation dates, are related to a finding identified in the FY15-16 audit. As the University responded in the FY15-16 audit, the University had reported the commencement date as the last date of the semester not last date of finals, based on the understanding of the federal regulations. Using either the last date of finals or commencement date does not change the grace ending date, repayment date nor has financial implication. As stated in the FY15-16's audit response, in December 2016, the University changed the separation date reported to our third party servicer as the last day of finals, as per the audit recommendation. The seven instances occurred prior to December 2016. No corrective action is needed as our updated procedures have already been implemented.

The one instance in which the separation date reported was 8 days earlier than the actual separation date, was the result of the University reporting the last date of the Spring semester classes, rather than the last day of finals. Again, as reported above, this occurrence was prior to the change made with the University's third party servicer to report the separation date as the last day of finals. As stated in the FY15-16's audit response, this change was implemented in Fall, 2016, therefore no correction active is needed.

Anticipated Completion Date:

Completed December, 2016

University of Connecticut Contact Person:

Margaret Selleck, Bursar
(860) 486-1675 or margaret.selleck@uconn.edu

Corrective Action Plan as Reported by Central Connecticut State University:

In October of 2016, in response to a prior audit finding, the University changed the scheduling of a report that identifies pending graduates so that they could be separated with a future date to ensure that exit counseling occurred prior to graduation. The report was working as intended and the employee had been

properly separating pending graduates. The three instances noted in this exception occurred on the same day and it appears that the employee was confused as to which report she was working with. This human error resulted in the students not being separated and therefore, not receiving the required counseling within the federal timeframes. The University will implement additional training on all of the reports used for this function coupled with a second person sign-off to mitigate the risk of human error, as well as enhance our ability to detect human errors.

Anticipated Completion Date:

The University expects to have the training and additional sign-off in-place by January 5, 2018.

Central Connecticut State University Contact Person:

Betsy Fangiullo, Bursar
(860) 832-2220 or fangiullo@ccsu.edu

Corrective Action Plan as Reported by Southern Connecticut State University:

Procedures have been amended to initiate exit counseling before students graduate, when known in advance. The Registrar's Office will send the Student Account's Office the pre-graduation list which will allow the office staff to initiate the interview process, with the students, in advance of their graduation.

Anticipated Completion Date:

December, 2017

Southern Connecticut State University Contact Person:

Nina Cote, Bursar
(203) 392-6140 or coten1@southernct.edu

2017-656

Recommendation:

The University of Connecticut should ensure that it performs policies and procedures related to Perkins Loans due diligence requirements in accordance with federal regulations.

Corrective Action Plan as Reported by the University of Connecticut:

One of the two instances in which borrowers were not sent the 90-day grace letter was associated with University's withdrawal date definition. In the past, the University's Dean of Students Office (DOS) was using the last date of attendance as the withdrawal date. However, since the University is a non-attendance taking institution, beginning Fall 2016, it was determined upon further review, that the DOS would change the withdrawal date using the date of notification. Regional campuses changed procedures as well, beginning Fall 2017. As the student's "last date of attendance" may date prior to Dean of Students being notified as in this finding, changing the withdrawal date to the date of notification will prevent such delays and allow for the grace letter to be sent in accordance with federal regulations.

The second instance in which a 90-day grace letter was not sent was the result of

the University's anticipated graduation reconciliation process. Although this borrower was properly separated as part of our census reconciliation in December 2014, the borrower was later captured as an anticipated graduate for Spring, 2015. At this point, the borrower was reenrolled and the separation date was revised to May, 2015. Upon completing the final graduation reconciliation, it was discovered that this borrower was no longer active which required the University again, to change the separation date back to December, 2014. As a result of these changes, the student did not receive the 90-day grace letter.

Going forward to prevent these isolated instances, the anticipated graduation reconciliation process will include the verification of an active enrollment status in the student administration system. This will eliminate the possibility of changing inactive borrower's separation date and allow for the 90-day grace letters to be sent in accordance with federal regulations.

The six instances identified in which one or more of the required grace letters were not sent in a timely manner are associated with the timing of the billing cycle of the University's third party servicer. The third party servicer establishes their repayment date as the first subsequent month following the expiration of the grace period. Grace period notification are sent when the billing calculation occurs rather than based upon the specific separation date.

The University reached out to the third party service provider in October, 2017, regarding the state auditors' interpretation of timeliness of sending the grace letters. At that time, based on guidance from their legal counsel, the third party service provider was reluctant to change procedures that had been audited annually by the Department of Education without exception. In December, 2017, the University reached out to DOE to confirm that the third party service provider is compliant with federal regulations. Upon further review, the DOE concluded that the University's third party service provider is not compliant with Title 34 Code of Federal Regulations 674.42(c). The DOE, recommended that the third party service provider move in line with the state auditor's recommended practice that grace letters be based on the actual start date of the grace period rather than based upon the billing cycle. In addition, DOE confirmed that because the third party service provider has not received prior audit findings specific to this regulation, schools, as well as the provider, will be held harmless for this past practice.

Anticipated Completion Date:

Instances in which borrowers were not sent the 90-day grace letter due to the University's withdrawal date definition - completed Fall 2016 at Storrs campus and Fall 2017 at the regional campus.

Instance in which a 90-day grace letter was not sent due to the University's anticipated graduation reconciliation process – Spring, 2018.

Instances in which one or more of the required grace letters were not sent in a timely manner due to the timing of the billing cycle of the University's third party

servicer - DOE, notified the third party service provider of this finding, in December 2017. The provider is currently reviewing system logistics and is working very closely with DOE to get this matter resolved. Currently, there is a plan in place and the steps to correct the process are underway. The third party service provider has provided an estimated completion date of June, 2018.

University of Connecticut Contact Person:

Margaret Selleck, Bursar
(860) 486-1675 or margaret.selleck@uconn.edu

2017-657 Recommendation:

Tunxis Community College should ensure that it retains Direct Loan reconciliations and all related records and retains them for review.

Corrective Action Plan as Reported by Tunxis Community College:

The Director of Financial Aid (DOFA) will run the DL Reconciliation Reports once the DL files are sent from COD which is usually the first week of every month during the academic year. The reports will be run in the Financial Aid module of the Banner student system. Once the reports have run, the DOFA will print out a copy of the DL Reconciliation Reports and check them for any monetary discrepancies between the COD DL amount paid out to Tunxis CC and the Banner system DL amounts paid to date on students' accounts.

If the monthly totals between COD and Banner are the same, no action needs to be taken. The DOFA will sign and date the printed monthly report and put it into a three-ring binder.

If the monthly DL totals between COD and Banner differ, the DOFA will meet with the Director of Finance within 4 business days to research and see what is causing the discrepancy. Once the discrepancy is corrected, the DOFA will document in writing what the cause of the discrepancy was and how it was corrected. The DOFA will print out the document and have it signed by the Director of Finance and DOFA and date it – the document will be put into the DL Reconciliation Binder.

Anticipated Completion Date:

This corrective action will be implemented starting January 2018 and will be continued for future semesters.

Tunxis Community College Contact Person:

Sandra Vitale, Director of Financial Aid
(860) 773-1424 or svitale@txcc.commnet.edu

Nancy Eschenbrenner, Director of Finance
(860) 773-1304 or neschenbrenner@txcc.commnet.edu

DEPARTMENT OF HOUSING

2017-725 **Recommendation:**

The Department of Housing and its contracted vendor should ensure that housing assistance payments and utility reimbursements are properly calculated and supported by current payment standard and utility allowance schedules.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding in part. We agree that, as stated in the finding above, these minor errors were due to clerical errors. While it is impossible to eliminate all clerical errors, errors identified represent 0.05% of the \$66,892 in transactions tested, which demonstrates 99.95% accuracy. Nonetheless, the department and its contracted vendor have implemented a detailed quality control process designed to identify and quickly correct clerical errors, and will continue to look for ways to do so.

Anticipated Completion Date:

This corrective action was completed July 1, 2017

Department of Housing Contact Person:

Steve Dilella, Program Manager, Individual and Family Assistance, (860) 270-8081

2017-726 **Recommendation:**

The Department of Housing should ensure that all expenses charged to the Section 8 Housing Choice Vouchers Program are allocable to the federal program.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding. This cash flow practice was a customary practice when the program was first transferred from the Department of Social Service. The department has fully implemented corrective action relative to this finding. Internal controls have been strengthened to eliminate this practice. Additional staff have been brought on by the department and they have been properly trained in the necessary processes and systems.

Anticipated Completion Date:

This corrective action was completed July 1, 2017.

Department of Housing Contact Person:

Steve Dilella, Program Manager, Individual and Family Assistance, (860) 270-8081

2017-727 **Recommendation:**

The Department of Housing and its contracted vendor should ensure that they complete housing quality standards re-inspections on time and that payment is suspended if identified defects are not corrected within the required period.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding. The department identified this as an issue prior to review, and has worked with the contracted vendor to increase capacity with regard to both initial HQS inspections, as well as annual HQS re-inspections. Further, internal processes of the contracted vendor have been streamlined to better insure that payments are suspended if identified defects are not corrected within the required timeframes.

Anticipated Completion Date:

This corrective action was completed July 1, 2017.

Department of Housing Contact Person:

Steve Dilella, Program Manager, Individual and Family Assistance, (860) 270-8081

2017-728

Recommendation:

The Department of Housing should submit required financial information to the Department of Housing and Urban Development in a timely manner in accordance with Title 24 Code of Federal Regulations 5.801.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding. The department has implemented significant changes relative to this finding and is positioned to submit the required financial information in a timely manner when the system will allow us to do so. The department is currently awaiting HUD's final approval of 2015 audited submission. Until this submission is approved by HUD, the 2016 audited submission cannot be entered. HUD is aware of the issue, and staff continue to work with them to resolve this issue. The department expects to enter the necessary 2016 information within 30 days of receipt of HUD's approval of the 2015 audited submission.

Anticipated Completion Date:

This corrective action is pending HUD approval, and is anticipated on or before March 31, 2018.

Department of Housing Contact Person:

Steve Dilella, Program Manager, Individual and Family Assistance, (860) 270-8081

2017-729

Recommendation:

The Department of Housing and its contracted vendor should ensure that information provided on Form HUD-50058 is accurate.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding in part. We agree that, as stated in the finding above, these errors were due to clerical errors. While, it is impossible to eliminate all clerical errors, the department and its contracted vendor have implemented a detailed quality

control process designed to identify and quickly correct them. Although it is a clerical error, it is not a weakness or indication of insufficient control or oversight.

Anticipated Completion Date:

This corrective action was completed July 1, 2017

Department of Housing Contact Person:

Steve Dilella, Program Manager, Individual and Family Assistance, (860) 270-8081

2017-730

Recommendation:

The Department of Housing and its contracted vendor should ensure that interest earned on housing assistance payment investments is properly tracked and amounts in excess of \$500 are returned to the U.S. Treasury.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding. As stated in the finding above, the amount of interest earned in the calendar year 2016 was \$536. The department is currently in the process of recovering these funds, and will be returned in accordance with the HUD requirements. As recommended, effective January 1, 2018, interest earned will be tracked by calendar year, and should it exceed the federal limits, will be recaptured and returned to the U.S. Treasury.

Anticipated Completion Date:

This corrective action will be completed beginning January 1, 2018 and tracked accordingly for the calendar year.

Department of Housing Contact Person:

Steve Dilella, Program Manager, Individual and Family Assistance, (860) 270-8081

2017-731

Recommendation:

The Department of Housing should ensure that it allocates payroll and fringe benefit expenditures claimed under the Section 8 Housing Choice Voucher and the National Disaster Resilience Competition programs to benefiting programs in accordance with Title 2 Code of Federal Regulations 200.405.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding. The department recognized that employees charged to the Section 8 HCV program worked on other programs in addition to the Section 8 HCV program, but ensured that it excluded eligible staff costs of at least four (4) additional staff who worked on the Section 8 HCV program. The net result of this method of attributing staff costs to the Section 8 HCV program is that the department incurred staff costs equal to or greater than the amount for which it received reimbursement under the Section 8 HCV program.

With regard to the National Disaster Resilience Competition (NDR) program, the individual staff member identified works exclusively on two federal disaster programs: NDR and Rebuild by Design (RBD). The department is currently working on adjustments in both Core-CT and the federal financial system, DRGR, to properly distribute staff activities across these two grants.

In order to better attribute staff costs, the department has implemented the state's primary financial management system, Core-CT. All staff will have the ability to document costs associated with actual time worked on the various programs administered by the department, and in particular those federal programs that allow the direct allocation of administrative costs.

Anticipated Completion Date:

The proper program coding is still being implemented by DOH/DECD administrative staff. Full implementation is anticipated on or before July 1, 2018.

Department of Housing Contact Person:

Nicholas Lundgren, Deputy Commissioner, (860) 270-8190

2017-732

Recommendation:

The Department of Housing should strengthen its internal controls to ensure that Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Program expenditures are necessary, reasonable, adequately supported, and correctly calculated.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding. The department has and continues to strengthen its internal controls for allowable costs, cost principles and benefit payments through the implementation of an additional compliance review. Over the past few months staff have embarked upon a compliance review of the completed projects ensuring that expenditures are necessary, reasonable, adequately supported and correctly calculated.

Anticipated Completion Date:

Additional internal controls to ensure that Hurricane Sandy Community Development Block Grant Disaster Recovery Grants program expenditures are necessary, reasonable, adequately supported, and correctly calculated were implemented effective July 1, 2017. In addition, the department intends to continue to look for additional opportunities to strengthen its internal controls.

Department of Housing Contact Person:

Hermia Delaire, CDBG-DR Program Manager, (860) 270-8149

2017-733

Recommendation:

The Department of Housing should strengthen internal controls to ensure that drawdown calculations are adequately supported and properly calculated.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding. Internal controls have been strengthened to ensure that drawdown calculations are adequately supported and properly calculated. New accounting staff have been hired by the department, and they have been trained in the proper process for drawing down federal funds. They have also been instructed to ensure that the backup documentation is retained in each drawdown file.

Anticipated Completion Date:

Corrective action was completed effective December 19, 2017, however the department will continue to look for additional opportunities to strengthen its internal controls.

Department of Housing Contact Person:

Hermia Delaire, CDBG-DR Program Manager, (860) 270-8149

2017-734

Recommendation:

The Department of Housing should strengthen internal controls to ensure that it is properly monitoring compliance with earmarking requirements. In addition, the department should verify that adequate income documentation is on hand at the time that it provides financial assistance to ensure that expenditures meet earmarking requirements.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding in part. The department operates under the HUD approved policy of applicant self-certification and base documentation at the time of application and project start. All information related to national objective, income verification, location, and eligibility are then reviewed and verified for accuracy at the project closeout as part of the department's internal compliance review process. The department has and continues to strengthen its internal controls through the implementation of this closeout compliance review, as well as, the assignment of additional staff relative to this review and information verification.

Anticipated Completion Date:

This review and verification process has been completed for all closed activities, and is on-going for those activities that are still underway. This correction action will be closed out upon final closeout of the federal grant program, which is anticipated on or before June 30, 2023.

Department of Housing Contact Person:

Hermia Delaire, CDBG-DR Program Manager, (860) 270-8149

2017-735

Recommendation:

The Department of Housing should develop procedures that ensure that all contractors and their principals are not suspended, debarred, or otherwise excluded from federal programs as specified in the federal regulations.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding in part. The department believes that adequate procedures specified in the federal regulations for all components of the housing activities under CDBG-DR are in place, however acknowledges that staff did not fully implement these procedures prior to the review. Since the time of the review, the department has and continues to fully implement these procedures, and continues to verify eligibility of prior transactions through our revised compliance review.

It is important to note that both the Step by Step Process Guide and the Program Guideline for the Owner Occupied Reimbursement program have been updated to exclude language regarding the debarment or suspension of contractors who performed the work for homeowners in the aftermath of Superstorm Sandy.

Anticipated Completion Date:

This corrective action was completed effective February 23, 2018. The revised Step by Step Process Guide and Program Guideline for the Owner Occupied Reimbursement Program has been posted on the website.

Department of Housing Contact Person:

Hermia Delaire, CDBG-DR Program Manager, (860) 270-8149

2017-736

Recommendation:

The Department of Housing should strengthen internal controls to ensure the accurate and timely submission of federal financial reports.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding in part. Internal controls have been strengthened to facilitate accurate and timely submission of the SF-425 Federal Financial Reports. However, due to staff related issues at both DOH and the Department of Economic and Community Development (DECD), as well as issues with the use of the federal Disaster Recovery Grant Reporting (DRGR) system, timely submission of this information continues to be an issue. Nevertheless, the department has implemented significant changes relative to this finding. Additional accounting staff have been hired by the department, and they are currently being trained in the necessary processes and systems. The department is committed to submitting the SF-425 Federal Financial Reports for the quarters ending March 31, 2017, June 30, 2017, along with all other quarters that have been delayed as a result of staff related issues within the next sixty days.

Please be advised that according to the instructions for preparing the FFR/SF-425 – “Cash on Hand - Accrual based accounting will usually be a negative number representing the amount of money owed to recipient (funds expended but not yet reimbursed)”. The department operates on an accrual based accounting system and therefore the cash on hand reported for the quarters ended September 30, 2016 and December 31, 2016 were reported correctly.

Anticipated Completion Date:

This corrective action will be completed before the end of the next quarterly submission on or before April 30, 2018.

Department of Housing Contact Person:

Hermia Delaire, CDBG-DR Program Manager, (860) 270-8149

2017-737

Recommendation:

The Department of Housing should strengthen internal controls to ensure that it performs and adequately documents environmental review exemption determinations for all applicable Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Program projects, before the initiation of the projects.

Corrective Action Plan as Reported by the Department of Housing:

We agree with this finding. Internal controls have been implemented to ensure that all environmental reviews are properly completed and documented. These internal controls were submitted to HUD for review and approval as part of the corrective action plan for the environmental monitoring. All contractors have been reminded of the environmental review requirements, and such environmental reviews are more closely monitored and screened for completeness by DOH staff. Moreover, DOH staff have begun a compliance review of all completed projects in accordance with the revised Environmental Review Record Tier 1 & 2 guidelines.

Anticipated Completion Date:

The internal controls have been implemented to ensure that all environmental reviews have been properly completed and documented as of December 7, 2017. Staff compliance reviews of all completed projects is ongoing and will be completed upon final closeout of the federal grant program, which is anticipated on or before June 30, 2023.

Department of Housing Contact Person:

Hermia Delaire, CDBG-DR Program Manager, (860) 270-8149

DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

2017-800 **Recommendation:**

The Department of Mental Health and Addiction Services should formally implement effective internal controls, including adequate policies and procedures, to ensure that transactions are properly recorded, accounted for and executed in compliance with the terms and conditions of the grant award.

Corrective Action Plan as Reported by the Department of Mental Health and Addiction Services:

The Department will develop policies and procedures covering CoC program operations. Policies and procedures will be combined in a newly created operations manual and disseminated to non-profit and state-operated agency housing staff. The Department will conduct required trainings for housing agency staff with an estimated completion date of March 1, 2019.

Anticipated Completion Date:

March 1, 2019.

Department of Mental Health and Addiction Services Contact Person:

William M. Quinn, MSAT, CPA, CGMA, Director of Internal Audit

Department of Mental Health and Addiction Services

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Email: William.quinn@ct.gov; Phone: (860) 418-6798; Fax: (860) 418-6698

2017-801 **Recommendation:**

The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that contracts include appropriate language and are fully executed. In addition, the department should ensure that rental assistance payments are recorded correctly.

Corrective Action Plan as Reported by the Department of Mental Health and Addiction Services:

The Department will review the internal control processes related to contract development and execution covering rental assistance, contract development and monitoring with private non-profit agencies receiving HUD funds. New controls related to ensuring that a fully executed contract is in place for all payments will be established with an estimated completion date of January 1, 2019.

The Department will also review the contracting process with its private non-profit providers to identify steps to ensure standard contract language and accurate funding levels are met with an estimated completion date of January 1, 2019.

The Department has implemented and will continue to carry out a six-month data match between HMIS data (client enrollment system) and rental payment records.

Corrections to the information system containing the error will be made and efforts to prevent recurrence will be ongoing.

Anticipated Completion Date:

January 1, 2019

Department of Mental Health and Addiction Services Contact Person:

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2017-802

Recommendation:

The Department of Mental Health and Addiction Services should develop a formal mechanism to document and track the match of state funds for the Continuum of Care program.

Corrective Action Plan as Reported by the Department of Mental Health and Addiction Services:

The Department will identify and track the appropriate match dollars for each grant on an ongoing basis. Estimated completion date of March 1, 2019.

Anticipated Completion Date:

March 1, 2019

Department of Mental Health and Addiction Services Contact Person:

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2017-803

Recommendation:

The Department of Mental Health and Addiction Services should maintain a complete and accurate Homeless Management Information System to ensure compliance with requirements prescribed by the U.S. Department of Housing and Urban Development.

Corrective Action Plan as Reported by the Department of Mental Health and Addiction Services:

The Department has implemented and will continue to carry out a six-month data match between HMIS data (client enrollment system) and rental payment records. Corrections to the information system containing the error will be made and efforts to prevent recurrence will be ongoing.

Anticipated Completion Date:

Corrections to the information system containing the error will be made and

efforts to prevent recurrence will be ongoing.

Department of Mental Health and Addiction Services Contact Person:

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2017-804 Recommendation:

The Department of Mental Health and Addiction Services should develop procedures to ensure that each client receiving Continuum of Care benefits is eligible and that each factor of the eligibility decision is supported and documented.

Corrective Action Plan as Reported by the Department of Mental Health and Addiction Services:

A uniform income calculation process will be followed using the Community Planning and Development (CPD) income eligibility calculator developed by (HUD). This will prevent errors. Calculation documentation will be uploaded to HMIS in the appropriate client record. Estimated completion date September 1, 2018.

The Department will develop policies and procedures for CoC documented program operations and will be documented in an operations manual and disseminated to private non-profit and state operated agency housing staff. The Department will conduct required trainings for housing agency staff. The Department will follow-up with periodic reviews of a sample of eligibility documentation every six months. Estimated completion date of March 1, 2019.

Anticipated Completion Date:

March 1, 2019

Department of Mental Health and Addiction Services Contact Person:

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2017-805 Recommendation:

The Department of Mental Health and Addiction Services should request supporting documentation from the U.S. Department of Housing and Urban Development when period of performance discrepancies are noted on federal grant awards.

Corrective Action Plan as Reported by the Department of Mental Health and Addiction Services:

During the annual contract development process between HUD and DMHAS, DMHAS will ensure that the operating dates are correct. If not, staff will contact HUD to rectify. If HUD is unable to correct the operating dates on the contract, staff will obtain written verification from HUD indicating the correct dates prior to signature.

Anticipated Completion Date:

Annual contract development process between HUD and DMHAS

Department of Mental Health and Addiction Services Contact Person:

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