

**CONSOLIDATED AUDIT GUIDE FOR
AUDITS OF DECD PROGRAMS**

**STATE OF CONNECTICUT
DEPARTMENT OF ECONOMIC AND COMMUNITY
DEVELOPMENT
AUDIT AND ASSET MANAGEMENT DIVISION
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Web site: <http://www.state.ct.us/ecd/audit>

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Appendix A - Compliance Supplement for Department of Economic and
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**The following Appendixes are available on the DECD Web page at
<http://www.state.ct.us/ecd/audit> or upon request with the DECD Audit Division at
(860) 270-8209, 270-8210 or 270-8202:**

Appendix B – Guide for Procurement of Audit Services

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CHAPTER 1 - INTRODUCTION

A. Purpose of this Audit Guide

The purpose of this audit guide is to assist independent public accountants (IPAs) in performing financial audits of Department of Economic and Community Development (DECD) programs. These audits must be performed in accordance with generally accepted auditing standards (GAAS), *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements of this audit guide. The objectives of a DECD program audit are to assist DECD program managers in determining whether: (1) the auditee has provided financial data and reports to the Department of Economic and Community Development that can be relied upon; (2) the auditee has internal control structure policies and procedures in place to provide reasonable assurance that it is managing DECD programs in compliance with applicable laws and regulations; and (3) the auditee has complied with applicable laws, regulations, policies, procedures, and terms and conditions of the Assistance/Loan Agreement, and thus expended state funds properly and with supporting documentation.

DECD program specific audit reports are a primary tool used by DECD program managers to meet their stewardship responsibilities in overseeing these DECD programs and assuring the integrity of the funds. Program managers must act upon the areas of noncompliance and internal control weaknesses noted in these reports. To be of value, these reports must contain adequate information to give reported matters perspective and to allow the managers to take necessary corrective action.

DECD Audit Guide Applicability - Use of some or this entire guide is mandatory for all participants in the DECD programs. Exceptions are noted below. The distinction between whether all or parts of this guide should be followed depends on the different circumstances involved.

Program Specific Audits

Use of this audit guide is mandatory for audits required by State Statute, Regulation or Contract of auditees administering DECD programs when the auditee is not subject to a Federal and/or State Single Audit. This guide must be followed for all program specific audits of DECD grant/loan contracts and all audits of DECD State Housing Administration Funds.

Federal and/or State Single Audits

If an auditee is audited under a Federal and/or State Single Audit, the only additional requirements of DECD are that the DECD programs be tested for compliance with laws and regulations using the DECD Compliance Supplement contained in Appendix A of this guide and that the financial statement format outlined in Exhibit 4-2 be followed. **A cumulative statement of program cost must be presented for all DECD grant/loan contracts as either a financial statement, supplemental schedule or as a note to the financial statement.** The inclusion of this statement will facilitate the financial closeout of the program. For any program not covered in the compliance supplement, the IPA may ascertain compliance requirements by researching the statutes, regulations, and agreements governing the particular program.

Exceptions to using the DECD Audit Guide

Exceptions include those participants who are authorized to follow HUD Handbook 2000.4 REV-2, *Consolidated Audit Guide for Audits of HUD Programs*. In addition, in lieu of using the DECD audit guide, an auditor on certain DECD grant/loan contracts may perform Agreed-upon procedures in lieu of an audit in accordance with this audit guide. Agreed-upon procedure requests must be made in writing to the DECD Audit and Asset Management Division. Agreed-upon procedures

normally include procedures such as, examining a predetermined percentage of costs from certain cost categories and examining the supporting documentation to ensure that costs were in conformance with the contract/budget and physically inspecting evidence to determine that items and services contracted for were used on the project. Also, ascertaining that expenditures were made only for obligations permitted by the budget, incurred after the effective date of the budget but before the termination of the contract, and limited to those allowable deviations permitted without special authorization.

This guide is not intended to be a complete manual of procedures, nor is it intended to supplant the IPA's judgement of audit work required. Audit procedures contained herein may not cover all circumstances or conditions encountered in a particular audit. The IPA should use professional judgment to tailor the procedures so that the audit objectives may be achieved. However, the IPA must address all applicable compliance requirements contained in this guide. If the IPA desires technical assistance pertaining to DECD programs and their regulations and or operations, the IPA should contact the appropriate division or appropriate regional manager of the Department of Economic and Community Development.

For the purpose of this guide, an "auditee" means a local housing authority, municipality, limited equity cooperative, nonprofit corporation, private developer, company, regional development agency, economic development commission and any other entity that has contracted to receive State assistance in the form of a grant or loan with DECD to carry out a specific project or service.

CHAPTER 2 - DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT (DECD) ASSISTED PROGRAMS BACKGROUND

A. DECD Mission and Goals

The Department of Economic and Community Development (DECD) was created by the Connecticut General Assembly by merging the Department of Housing and the Department of Economic Development into a single agency. The mission of DECD is to make Connecticut an unparalleled place to live, work, learn, and play by providing quality technical and financial assistance in the areas of housing, economic development and tourism to businesses, local government, and community organizations. DECD as the lead agency for all housing and economic development related matters in the state, is responsible for establishing statewide housing policy and providing direction to the state concerning these issues.

DECD offers programs to improve the business environment in Connecticut, to promote job creation, and to develop and revitalize housing, neighborhoods and communities. Community development teams in DECD regional and urban offices across Connecticut manage projects and coordinate programs to assist companies, developers, and municipalities with business development assistance, housing assistance, and community programs.

B. Administration of DECD Assisted Programs

The Department of Economic and Community Development has direct responsibility for administering the state assisted housing and economic development programs. The DECD, acting through the Commissioner of Economic and Community Development, executes Assistance Agreements and contracts with auditees to provide state financial assistance in the form of grants and/or loans to assist such entities in the development and operation of a particular DECD program. As stipulated in the Connecticut General Statutes and reflected in the Assistance Agreement or Contract, the DECD may finance either in whole or in part the various types of authorized activities. The State funding requirements are based on the type of activity being financed and the source of funds. Certain activities are funded by federal, state, and local sources (e.g., municipalities) with a specified percentage rate or amount of funding for each agency. Certain other activities are funded by state and local sources with a specified percentage rate or amounts of funding for each agency and other programs are funded in full by the DECD. Refer to the Assistance Agreement and Budget to determine the specified amount of local or matching funds required.

Once the initial development of a housing or economic development project financed in whole or in part with DECD funds is completed and the project is available for occupancy, the DECD provides for an audit of the program or authorizes use of an Independent Public Accountant (IPA) to perform such an audit. After the audit is completed, DECD issues a Certificate of Approved Program Cost and State Funding or a similar document to closeout the funding provisions of a contract.

In addition, certain auditees, (particularly entities administering housing projects) are required to prepare and submit a Management Plan (Budget) for the annual operations of the projects to the DECD for acceptance and approval by the Commissioner. The auditee is then responsible to the Commissioner of Economic and Community Development for the overall administration of the program and any contracts (grants/loans).

C. Types of DECD Programs

State financial assistance is provided by the DECD to auditees for the development and operation of housing for low and moderate income families under a variety of programs and for the promotion of economic vitality through financial and technical assistance to businesses. More information may be found in the Connecticut General Statutes and the Department of Economic and Community Development regulations, if applicable, covering each program. A brief description of some DECD programs follows:

Housing Programs:

1. **Affordable Housing Program** - grants to local housing authorities and nonprofit corporations to construct or rehabilitate rental housing units for households with very low incomes. A tenant pays an established base rent or 30 percent of the tenant's adjusted monthly income, whichever is greater.
2. **Congregate Housing for the Elderly Program** - grants and loans to local housing authorities and nonprofit corporations to construct or rehabilitate congregate housing for the frail elderly who are at least 62 years old and with limited incomes. There are no asset limits for occupancy and tenants pay an established rent or 30 percent of the tenant's adjusted monthly income, whichever is greater.
3. **Federal Section 8 Housing Assistance Payment Program** - this federal funded program administered by the Connecticut Department of Economic and Community Development, provides rental subsidies to landlords (private owners and developers, nonprofit corporations, local housing authorities, and state housing finance agencies) for families with very low income (at or below 50 percent of the area median) for the difference between the amounts the families can afford to pay (30 percent of their incomes) and the fair market rents established or approved by HUD charged by the landlords. The subsidies may be used in existing or newly constructed units, or in new construction or substantially rehabilitated units.
4. **Housing for Elderly Persons Program** - grants and loans to local housing authorities, partnerships, municipalities, and nonprofit corporations to construct or rehabilitate housing for the elderly who are at least 62 years old or certified as disabled and with limited incomes. There are no asset limits. A tenant pays an established base rent or a rent based on a percentage of the tenant's adjusted monthly income, whichever is greater.
5. **Moderate Rental Housing Program** - grants and loans to acquire, construct or rehabilitate rental housing for households with low and moderate incomes.
6. **Federal HOME Investment Partnership Program** - provides grants, loans, deferred loans to housing authorities, nonprofit developers, for profit developers and individuals for a variety of activities to develop and support affordable housing including: tenant-based assistance, assistance to rental housing units, assistance to first-time homebuyers and existing homeowners, for acquisition, new construction, moderate or substantial rehabilitation and site improvements.
7. **Housing Rehabilitation Program** - grants and loans to local housing authorities to upgrade and modernize state-financed moderate rental and elderly housing units to a safe and sanitary condition. Eligible activities include modernization or replacement of heating systems, electrical service, and installation of new roofs, siding, and insulation.
8. **Resident Services Coordinator** – provides grant funds to owners/developers of State financed Elderly Housing to hire staff to perform an evaluation of all tenants. The evaluation process is used to determine the level of need of each tenant and to help coordinate those services available within the community.

9. **Limited Equity Cooperative Program** - grants, loans, or grant/loan combinations to nonprofit corporations to acquire, construct, or rehabilitate housing for the development of cooperatives for families with low and moderate incomes. Residents must contribute money, labor, or both to join a cooperative.
10. **Housing and Community Development Program** - grants to housing site development agencies and to nonprofit corporations, for as much as 67 percent of the cost of site acquisition, site improvements, relocation, and demolition, to develop housing for families with low and moderate incomes. Also, matching grants to municipalities to supply loans or grants to homeowners with low or moderate incomes to rehabilitate targeted residential areas.
11. **Rental Assistance Program** - rental subsidies in the form of grants to nonprofit organizations and housing authorities to assist elderly persons that are paying in excess of 30 percent their income toward rent and utilities.
12. **Land Bank and Land Trust Program** - grants to nonprofits to acquire property to develop and preserve affordable housing. The nonprofit sells or rents the units to low and moderate income households, and leases the land, enabling certain resale restrictions that guarantee long-term affordability for qualifying households.
13. **Federal Small Cities Community Development Program** - federally funded program provides grants annually, on a competitive basis, to eligible municipalities for economic development, affordable housing, community facilities and services and revitalization or development projects. Single -purpose discretionary grants are available for the last resort funding that address unique, unanticipated threats to public health and safety.
14. **Hazardous Materials Abatement Program** - grants and loans for hazardous materials abatement are available to homeowners for lead-based paint abatement and asbestos removal.
15. **Housing Administration Fund Program** - after the development of a housing project funded in whole or part by the DECD, the project is occupied by residents who pay rent or carrying charges. A housing project in this occupancy or management phase is referred to as the Housing Administration Fund. Housing projects in the Administration Fund are required to operate the project in accordance with the DECD approved Management Plan and follow the rules and regulations established by DECD with regards to the management and operation of the project.

Economic Development Programs:

1. **Historic Assets** - this program contributes to the state's overall historic preservation plan. It encourages quality tourism by supporting the acquisition, installation, interpretation, or renovation of historical assets in the state.
2. **Manufacturing Assistance Act** - The most comprehensive of the Department's financing programs, this act allows for the provision of financing for the projects that include planning, acquisition of real property, the purchase of machinery and equipment, construction and/or infrastructure improvements, substantial renovation, improvement or expansion of a facility, and offset the costs related to relocation.
3. **Special Act Grants** - the objectives of the special act grants program is to provide specific, targeted economic development assistance to municipalities, as decided annually through the special act appropriation of the General Assembly.
4. **Technical Assistance** - this program provides funding to municipalities and nonprofit organizations for technical assistance and planning for economic development.

5. **Urban Action Bonds** - the objectives of this program are to redirect, improve, and expand state activities that promote community conservation and development and improve the quality of life for urban residents of the state.
6. **Business Expansion - Municipalities with High Unemployment, Small Business Innovative Research** - this program promotes business expansion to create new job opportunities in municipalities with high unemployment and fund research projects that enhance small business development.
7. **Regional Economic Development Projects** - this program supports projects in thirteen self-determined economic regions that have developed long-term strategic economic plans. Grants are provided for projects that will promote economic diversification, stability and growth.
8. **Tourism Challenge Grants** – the primary goal of this program is to enhance the tourism promotion effort within the State of Connecticut by enabling applicants to create or promote attractions that will draw visitors from outside the State. The second goal is to entice residents of Connecticut to visit attractions within the State.

CHAPTER 3 - PLANNING AND CONDUCTING THE AUDIT

A. Audit Standards and Objectives

The objective of the financial audit is to obtain the IPA's opinion on the fairness of presentation of the auditee's financial statements. The audit must be conducted in accordance with generally accepted auditing standards (GAAS), *Government Auditing Standards*, issued by the Comptroller General of the United States (Yellow Book), and the requirements of the State of Connecticut Department of Economic and Community Development as contained in this audit guide.

In conducting the financial audit, it is required that the IPA determines whether:

1. The auditee's financial statements present fairly the financial position and results of operations in accordance with the basis of accounting principles prescribed or permitted by the DECD.
2. The auditee has established internal control structure policies and procedures including those policies and procedures established to ensure compliance with applicable laws and regulations that have a direct and material effect on the financial statements.
3. The auditee has complied with applicable laws, regulations, policies, and procedures that have a direct and material effect on the financial statements.

B. Qualifications and Independence of Independent Public Accountants

1. Qualifications

An IPA must meet the auditor qualifications of *Government Auditing Standards*, including the qualification relating to independence and continuing professional education. Additionally, the audit organization is to meet the quality control standard of *Government Auditing Standards*.

The standards on auditor qualifications in *Government Auditing Standards* require that accountants and accounting firms comply with the applicable provisions of the public accountancy laws and rules of the jurisdiction in which they are licensed and where the audit is being conducted. If the IPA's office is located outside of Connecticut, the IPA should submit evidence with the audit report that he/she or the accounting firm has met the licensing requirements of the Connecticut Board of Accountancy to perform audit-related services in Connecticut.

2. Independence

In all matters relating to the audit work, the audit organization and the individual IPA should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance. An IPA will not be considered independent with respect to any auditee with which such IPA has, or has during the period covered by the audit, any interest direct or indirect such as family relationship with auditee members or officials, connection as an officer or employee (whether or not paid) of the auditee, and financial interest, either direct or indirect, in any auditee activity (other than in the performance of the audit). The use of IPAs performing both accounting and auditing services will be prohibited unless prior approval is obtained from the DECD.

C. Accounting Records

In accordance with the Assistance/Loan Agreement or Contract, auditees shall maintain adequate accounting records and will, at such times as the Commissioner of Economic and Community Development may request, furnish the Commissioner with periodic financial statements and reports pertaining to the fund or program.

The auditee shall establish an adequate accounting system to ensure adequate internal control and compliance with the terms and conditions of the Assistance/Loan Agreement or Contract, state statutes, regulations, and policies of the DECD.

The auditee shall maintain, at a minimum, the following accounting records:

1. General Ledger
2. Cash Receipts Journal
3. Cash Disbursements Journal
4. Payroll Register and quarterly state and federal tax returns
5. Source documents supporting all accounting transactions
6. Bank statements and canceled checks
7. General journal vouchers or entries
8. Payment vouchers
9. Tenants' Accounts Receivable Subsidiary Ledger
10. Furniture and Equipment Ledger
11. Insurance Register
12. Employee records (attendance records, forms W-2, W-4, etc.)

When required by the terms of the Assistance/Loan Agreement or contract, the auditee must establish and maintain a separate bank account for each fund or program. All state and local program funds and all income, including interest earned on program funds, must be promptly deposited in the bank account. The bank accounts may be governed by a Bank Fund Agreement, which grants the Commissioner of DECD the right to restrict or withdraw funds under certain conditions of noncompliance with the terms of the Assistance/Loan Agreement or Contract.

D. Audit Scope and Approach

The IPA shall prepare a letter of engagement and/or an audit contract between the auditee and the IPA to document the planning and scope of the audit. The letter and/or audit contract should state that the audit is to be performed in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the requirements of this Audit Guide. It should specify that the scope of the audit and the contents of the audit report meet the requirements of this Audit Guide. It should also specify that the IPA is required to provide the DECD access to working papers or other documents to review the audit. Access to working papers by DECD representatives include making necessary photocopies.

The audit must be sufficiently comprehensive in scope to permit the expression of an opinion on the financial statements and supplementary information and/or schedules in the report. The opinion should state whether the basic financial statements present fairly, in all material respects, the financial position of the auditee as of the date of the financial statements and the results of its operations for the period then ended in conformity with the basis of accounting principles prescribed or permitted by DECD. Additionally, the opinion should state that the supplementary information and/or schedules have been subjected to the audit procedures applied in the audit of the

basic financial statements and are fairly stated in all material respects in relation to the financial statements taken as a whole.

For the purpose of expressing an opinion on the financial statements, the IPA shall obtain and evaluate evidence about management assertions that are embodied in those financial statements. To be able to express an opinion, the IPA must establish specific audit objectives related to those assertions and then design and perform audit tests to obtain evidence that can be evaluated to determine whether the objectives have been met. Throughout the process, the IPA must make decisions about whether the evidence obtained is sufficient, both qualitatively and quantitatively, to provide the necessary level of assurance for expressing an opinion. Therefore, the IPA should use professional judgment to determine the extent of testing to support his/her opinion.

Consideration of Internal Controls and Compliance

Government Auditing Standards requires the IPA to consider the internal control structure of the auditee as part of planning and performing the audit and to report on the internal control structure. *Government Auditing Standards* require the IPA to obtain a sufficient understanding of the internal control structure and to assess control risk for the assertions embodied in the financial statements. Overall guidance for the consideration of internal controls, testing and reporting requirements for State programs is provided in the *Government Auditing Standards*. The *Government Auditing Standards* require that a sufficient understanding of internal controls be obtained to plan the audit and to determine the nature, timing and extent of tests to be performed. In fulfilling the audit requirement relating to an understanding of internal controls and assessing the level of control risk, the auditor should follow, at a minimum, the guidance contained in AICPA SAS No. 55, Consideration of the Internal Control Structure in a Financial Statement Audit and SAS No. 78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55. In addition, when auditing DECD programs, the IPA should perform tests of controls to evaluate the effectiveness of the design and operation of internal controls in preventing or detecting material noncompliance with the requirements of the DECD programs. The IPA should perform these procedures regardless of whether the IPA assesses the internal control risk below the maximum. The steps performed and conclusions reached should be clearly evidenced in the auditor's working papers. The working papers should clearly demonstrate the IPA's understanding and assessment of control risk related to internal controls established for DECD activities. Tests may be omitted only in areas when internal controls are likely to be ineffective in preventing or detecting noncompliance, in which case a reportable condition or material weakness should be reported. DECD and *Government Auditing Standards* also require the IPA to test and report on the auditee's compliance with laws and regulations. The IPA should perform procedures to provide reasonable assurance that the auditee has complied with laws and regulations having a material effect on the financial statements and on each DECD program. The objectives of tests of compliance with laws and regulations are to determine whether the auditee has administered its DECD programs in accordance with applicable laws and regulations, thereby providing a basis for reporting, and to determine whether there have been instances of noncompliance that individually or in aggregate may have a material effect on the financial statements. Accordingly, tests of compliance with laws and regulations are substantive tests usually accomplished by examining supporting documentation. In determining the extent of substantive tests of compliance with laws and regulations that are required, the IPA may choose to rely on the internal control structure designed to ensure compliance with laws and regulations in order to restrict the extent of substantive testing. The IPA is also required to issue a report on compliance with laws and regulations (See Chapter 4). In order to fulfill the audit requirement of testing and reporting on compliance with laws and regulations, the

IPA should follow, at a minimum, the guidance contained in the AICPA Statement on Auditing Standards and *Government Auditing Standards*.

The tests of compliance must include the selection and testing of a representative number of transactions from each DECD assisted program and Administration Fund. The selection and testing of transactions shall be based on the IPA's professional judgment considering such factors as the amount of expenses/expenditures for the program; the newness of the program or changes in its conditions; prior experience with the program, particularly as revealed in audits and other evaluation (e.g., inspections, program reviews); the extent to which the program is carried out through subrecipients; the extent to which the program contracts for goods or services; the level to which the program is already subject to program reviews or other forms of independent oversight; the adequacy of the internal control structure established to ensure compliance with laws and regulations; the expectation of adherence or lack of adherence to the applicable laws and regulations; and the potential impact of adverse findings.

In performing the tests of transactions, the IPA shall determine whether:

- The expenses or expenditures incurred by the auditee are allowable under the provisions of the applicable statutes, regulations, rules, and policies governing the program(s);
- The expenses or expenditures incurred, by category and in total, are within the approved Management Plan/Program Financing Plan and Budget;
- The nature of the expenses or expenditures were provided for in the approved Management Plan/Program Financing Plan and Budget;
- The expenses or expenditures charged to the program(s) appear necessary and reasonable for proper and efficient performance and administration of State programs;
- Local matching was provided; and
- The expenses are adequately documented.

The IPA should test each of the compliance requirements applicable to each DECD program being audited as contained in the Compliance Supplement for Department of Economic and Community Development (DECD) Programs (Appendix A). For any program not covered in the compliance supplement, the IPA may ascertain compliance requirements by researching the statutes, regulations, and agreements governing the particular program. If the IPA decides not to perform detailed testing of a particular compliance requirement, the reasons must be appropriately explained and documented in the working papers. The IPA must also report all material instances of noncompliance and reportable conditions, including material weaknesses, in the internal control structure as findings, even in those cases where corrective action was taken by the auditee after the audit period.

The schedule of findings and questioned costs (Chapter 4, Example C) must include the following information for each finding where applicable: (a) the number of items and the dollar value of the population; (b) the number of items and the dollar value of the selected sample; and (c) the number of items and the dollar value of instances of the noncompliance.

In addition, the IPA must include in the audit report comments on the status of corrective actions taken on prior audit findings (Chapter 4, Example D). Management's corrective action plan for current audit findings must be included in or submitted with the report to DECD.

Finally, the IPA is required to obtain written representations from management that include matters concerning compliance with laws and regulations that have a material effect on the financial statements and each DECD program as prescribed by SAS No. 68.

Criteria for Questioning Costs

Costs questioned normally fall under the following categories:

- (1) Costs which are specifically ineligible under the general and specific grant/loan conditions or instructions of the DECD. These may include pre or post grant/loan costs, per diem cost in excess of maximum limits, or other expenditures in excess of authorized or limited amounts.
- (2) Costs which were not supported by adequate documentation. These may include lack of time and attendance records, personnel records, original invoices, etc.; and the IPA could not satisfy himself by any other evidential means that the costs were proper charges to the DECD program.
- (3) Costs which were not in the approved budget. Those may include renovation costs, field trips, items of equipment, or staffing patterns which were either not contemplated in the proposed budget submitted or were specifically disapproved by DECD.
- (4) Costs which were unreasonable. These costs may include costs that are not specifically ineligible or unsupported, but which are taken under the circumstances and conditions that existed at the time the decision to incur the cost was made. It may also include unreasonable valuation assigned to In-Kind or matching contributions. For example, unreasonable costs would be the purchase of a six-month supply of materials during the last month of the grant, the rental of luxurious automobiles rather than lower priced models, or the inequitable allocation of overhead costs to the program.

E. Timing of Audit

The audit of a grant/loan program is to be arranged and conducted within ninety (90) days after completion of the project unless otherwise required by the Commissioner. In the case of an auditee subject to an audit in accordance with the Federal and/or State Single Audit Act, the contract between the auditee and the IPA shall require that the audit be conducted and submitted within the time frame allowed by federal and state law, whichever is stricter. Audits conducted on ongoing Housing Administration Funds must be completed and submitted to DECD no later than six months after the end of the period under audit.

F. Reference Materials

Prior to starting the audit of the auditee, it is suggested that the IPA request the auditee to have the reference materials and documents listed below available.

It is not necessary for the IPA to have an extensive knowledge of the contents of all DECD handbooks, manuals, and/or regulations because much of the material is not germane to the audit. However, it will be necessary for the IPA to become at least generally familiar with the following materials in order to satisfy the objectives of the audit.

1. Assistance Agreements and/or contracts between the auditee and DECD.

2. Declaration, By-laws, Policies adopted by the auditee's governing body, e.g., Personnel, Procurement, Disposition of Property, Rent Collection, etc.
3. Cooperation Agreements between the auditee and the local governing body (usually the municipality).
4. Management Plan (Administration Funds), Project Financing Plan and Budget (Development Funds), and/or Program Financing Plan and Budget (Contracts).
5. The following Department of Economic and Community Development publications:
 - a. Accounting Manual for Local Housing Authorities
 - b. Accounting Manual for DECD Financial Assistance Contracts
 - c. Accounting Manual for the Rental Assistance Payments Program
 - d. Housing Manual for the Management of State Financed Housing
 - e. Accounting Manual for Limited Equity Cooperatives
6. The names of the members of the Board of Commissioners/ Directors and management officials (e.g., Executive Director).
7. Contracts or agreements between the auditee and others (e.g., Architects, Contractors, etc.).
8. Department of Economic and Community Development and/or Independent Public Accountants audit reports covering periods prior to the current audit and any other program review reports of the Department of Economic and Community Development program staff.

The various DECD publications are also available to the IPA at the Audit and Asset Management Division of the DECD.

G. Audit delays Due to Condition of Accounting Records

If the IPA determines that the auditee's records are not in a satisfactory condition for performing the audit, the audit should be discontinued unless the auditee is able to get the records in condition for audit within a short period of time (one or two weeks). If an audit is to be delayed more than two weeks because the auditee cannot get the records ready for audit, the IPA should inform the Audit and Asset Management Division of the DECD and wait for further instructions before continuing the audit. If the IPA encounters poor accounting records which are auditable but nonetheless will result in a disclaimer of opinion on the auditee's financial statements, the IPA should consult with DECD before continuing the audit. The IPA should submit a corrective action plan to DECD detailing what problems were encountered and what corrective measures must be taken by the auditee to resolve the problems before the audit can resume. In most cases it will be preferable for the IPA to suspend the audit until the records are brought into compliance with DECD requirements, thus enabling the IPA to render an opinion.

H. Errors, Irregularities, and Illegal Acts or Fraud

The IPA should specifically assess the risk of material misstatement of the financial statements due to fraud and should consider that assessment in designing the audit procedures to be performed. In

making this assessment, the IPA should consider fraud risk factors contained in AICPA SAS No. 82, Consideration of Fraud in a Financial Statement Audit.

Normally, an audit in accordance with generally accepted auditing standards does not include audit procedures specifically designed to detect illegal acts or irregularities. However, procedures applied for the purpose of forming an opinion on the financial statements may bring possible illegal acts to the IPA's attention.

If the IPA becomes aware of illegal or fraudulent acts that have occurred or are likely to have occurred, the IPA should promptly prepare a separate written report and include all questioned costs. The IPA should submit this report in accordance with the requirements of the *Government Auditing Standards* to the Commissioner of DECD.

I. Exit Conference

Upon completion of the fieldwork, the IPA should hold a closing or exit conference with senior officials of the auditee. Any audit findings and recommendations, either of a financial, compliance, or internal control nature, should be fully discussed.

The exit conference gives the IPA an opportunity to obtain management's comments on the accuracy and completeness of the facts he or she presents and the conclusions he or she has reached. This conference also provides advance information to the auditee so that it may initiate corrective action without waiting for a final audit report. Whenever possible, the concurrence or the reasons for non-concurrence by the auditee should be obtained and incorporated in the audit report. Information on any corrective measures taken or promised to be taken by the auditee should also be included in the Schedule of Findings and Questioned Costs under a caption such as "Management's Response".

J. Corrective Action Plan

To assist the DECD in resolving instances of noncompliance and reportable conditions including material weaknesses in the internal control structure identified by the IPA, the auditee is required to submit a corrective action plan as part of its audit report on DECD programs. In the corrective action plan, which should be on the auditee's letterhead, the auditee must describe the corrective actions taken or planned in response to findings identified by the IPA. In addition, the auditee must comment on the status of corrective actions taken on prior findings. The submission of the corrective action plan is considered a necessary part of the auditee audit requirement and should be submitted to DECD together with the IPA's reports and audited financial statements. DECD required audit reports submitted without a corrective action plan shall be considered incomplete. The IPA should submit as many copies of the corrective action plan as copies submitted of the audit report. Additional guidance concerning the corrective action plan is contained in Chapter 4, Example D of this guide.

K. Distribution of Audit Reports

Upon completion of the audit, the IPA shall forward sufficient copies of the audit report to the auditee as indicated in the audit contract. Three (3) copies of all audit reports must be submitted to the Audit and Asset Management Division of the DECD. Management letters and Adjusting Journal Entries rendered by the IPA, if issued, must accompany the audit reports submitted to DECD.

For audits of Housing Authorities, a copy of the audit report must be sent to the Town Clerk and appointing authority of the municipality in which the Housing Authority is located.

Audits of all DECD grant/loan contracts must be performed within ninety (90) days of the completion of the Project. Audits of Housing Administration Funds must be submitted no later than six months of the end of the audit period. In addition, if the audit was performed under the Federal and/or State Single Audit Acts, copies of the audit report must be submitted to the appropriate federal and state agencies within the time frames imposed by federal and state law.

L. Quality Control Review for Audit Reports

All audits performed by IPAs on auditees are subject to review by the DECD.

The DECD uses standard guidelines in reviewing audit work performed by IPAs. The review of IPA's work consists of two phases: desk reviews of audit reports and reviews of audit working papers. As part of this evaluation of completed audits, the audit working papers shall be made available upon request to the DECD at the completion of the audit and for a period of three years from the date of the audit report.

In general, the desk reviews of audit reports prepared by IPAs are intended to assure compliance with reporting requirements set forth by the American Institute of Certified Public Accountants (AICPA), *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133 as applicable, the State Single Audit Act, and this audit guide, as required. Particular attention is paid to the IPA's comments contained in the reports on the internal control structure and on compliance with laws and regulations and on the IPA's opinion on the financial statements. Upon completion of the desk review, a determination will be made as to the audit report's acceptability.

If the audit report is received in a format not in compliance with this audit guide, the DECD may refuse to accept such report and require that the audit report be resubmitted within such time limits as the DECD may require. If the rejected report is not resubmitted within the time frame designated by the DECD, the report may be referred to appropriate professional bodies for disciplinary review. No cost may be charged to DECD programs for audits that are not performed in accordance with this audit guide, the Federal Single Audit Act, or the State Single Audit Act, as required. In conducting reviews of an IPA's working papers, the DECD's objectives are not to criticize the IPA's work but rather to ensure adherence to the DECD Audit Guide and single audit requirements as required. A letter detailing the review results will be issued to the IPA.

Whenever an evaluation of an audit report or working papers discloses inadequacies, the IPA may be asked to take corrective action. If the DECD determines that the audit report and working papers are substandard or contain major inadequacies, it will consider filing complaints with the Connecticut State Board of Accountancy.

Failure to correct deficiencies noted during a desk review or working paper review will result in notification to the Connecticut State Board of Accountancy. This is for information only and does not constitute a referral for disciplinary action. Such notification to the Connecticut State Board of Accountancy is concurrent with notification to the IPA.

M. Retention of Audit Working Papers and Reports

Audit working papers and reports shall be retained for a minimum of three years from the date of the audit report, unless the IPA is notified in writing by the DECD to extend the retention period. When IPA's are aware that DECD or the auditee is contesting an audit finding, the IPA shall contact the parties contesting the audit finding for guidance prior to destruction of the working papers and report.

N. Audit Costs

The cost of an audit made in accordance with the provisions of this audit guide is an allowable charge for each DECD program audited unless otherwise prohibited by program requirement.

The allocation of audit cost allowed to be charged to a DECD program shall be decided by the auditee with the approval of the DECD division administering the program. In general, the amount of audit cost allowable to a DECD program shall not exceed the amount approved for audit cost as stated in the Management Plan and/or Program Financing Plan and Budget. In addition, the charges in connection with the State and Federal Single Audit portion of the audit shall only be eligible to the project to the extent that the ratio of the cost charged to the project shall not exceed the ratios outlined in the State and Federal Single Audit Acts.

O. Inquiries Relating to this Audit Guide

Any inquiries or comments pertaining to this audit guide and/or audits of an auditee's books and accounts shall be directed to the Audit and Asset Management Division of the Department of Economic and Community Development at (860) 270-8210, (860) 270-8209, or (860) 270-8202. Additional copies of this audit guide can be obtained from the DECD web site at <http://www.state.ct.us/ecd/audit>.

P. Guidance on Procurement of Audit Services

A Guide for Procurement of Audit Services from an Independent Public Accountant along with a *Sample Request for Audit Proposal Notification* and a *Sample Audit Agreement* can be obtained by contacting the Audit and Asset Management Division of the Department of Economic and Community Development at (860) 270-8210, (860) 270-8209, or (860) 270-8202 or by visiting the DECD web site at <http://www.state.ct.us/ecd/audit>.

CHAPTER 4 - REPORTING REQUIREMENTS AND SAMPLE REPORTS

A. Auditor's Reports

Government Auditing Standards requires that the IPA issue the following reports based on the audit of the financial statements: a report on the financial statements, a report on the internal controls, and a report on compliance with applicable laws and regulations. The audit report should be issued to the auditee's governing body and/or top official as appropriate and should clearly indicate the programs and periods that were audited. In addition, the auditee should transmit three (3) copies of the audit report and its corrective action plan to the DECD Audit and Asset Management Division.

It is expected that the specific compliance requirements identified in this guide will cover those laws and regulations that, if not complied with, could have a direct and material effect on the financial statements. As such, the compliance report as illustrated in this guide is the only report necessary for reporting on the auditee's compliance with laws and regulations.

To meet the requirements of this audit guide, the IPA must submit the following reports:

1. The auditor's report on the financial statements and any required supplementary schedules, according to the particular program requirements. The report should state whether the information contained in those schedules have been subjected to the auditing procedures applied in the audit of the financial statements and whether that information is fairly stated in all material respects in relation to the financial statements taken as a whole.
2. The auditor's report on the internal controls as they relate to both financial reporting and administering the DECD programs and the assessment of control risk made as part of the audit of the basic financial statements. The report must identify any reportable conditions and material weaknesses noted. Reportable conditions and material weaknesses in the internal control structure should be presented in the Schedule of Findings and Questioned Costs. In addition, nonreportable conditions may be included in this report or separately communicated in a letter to management. Such conditions when communicated in a separate letter to management should be referred to in the report on the internal controls. A copy of the Management letter shall be included with the report sent to DECD. The IPA should also include comments on the status of prior internal control structure findings noted in the prior IPA or DECD audit report. The internal control report may be issued separately or combined with the report on compliance. (See Chapter 4, Example B for a sample of a combined report.)
3. The auditor's report on compliance with applicable laws and regulations that may have a direct and material effect on the financial statements and on each DECD program. The report should identify and include all material instances of noncompliance. The findings should include an identification of all questioned costs as a result of noncompliance. In addition, the findings should contain adequate information necessary to facilitate the audit resolution process (i.e. size of the universe and corresponding dollar amount, size and dollar amount of the sample, and number and corresponding dollar amount of the instances of noncompliance). Findings should be presented in the Schedule of Findings and Questioned Costs (Example C). Nonmaterial instances of noncompliance may be disclosed in the report on compliance or separately communicated in a letter to management. Such instances of noncompliance when communicated in a separate letter to management should be referred to in the report on compliance. A copy of the Management letter shall be included with the report sent to DECD. The IPA should also include comments on the status of prior compliance findings noted in the prior IPA or DECD audit reports, or DECD management reviews.

4. Any illegal acts or indications of such acts that could result in criminal prosecution including all questioned costs found as a result of these acts that the IPA become aware of should be covered in a separate written report in accordance with the provisions of *Government Auditing Standards*. This report should be sent to the Department of Economic and Community Development. Illegal acts are to be reported on without regard to whether the condition giving rise to the questioned costs has been corrected or whether the auditee does or does not agree with the findings and questioned costs.
5. A corrective action plan developed by the auditee, wherein the auditee officials describe the corrective actions taken or planned in response to the findings identified by the IPA. The plan should also include comments on the corrective actions taken on prior findings resulting from IPA or DECD audits and DECD program reviews (Example D).

To meet the requirements of this audit guide, the IPA must include a statement in the reports on the financial statements and reports on internal controls and on compliance with laws and regulations based on an audit of the financial statements that the audit was conducted in accordance with the Consolidated Audit Guide for Audits of DECD Programs.

Sample Auditor's Reports. The example reports contained in this chapter (**Examples A - D**) are illustrations of auditor's reports on financial statements, combined report on internal controls and compliance, schedule of findings and recommendations, and the auditee's corrective action plan that may be issued in an audit in accordance with this guide. These reports are not meant to be all-inclusive; IPA's should exercise professional judgement in tailoring their reports to the circumstances of individual audits. Guidance can be obtained in the AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units, which illustrates sample auditor's reports to be issued in selected situations. It contains examples illustrating the reports required under GAAS, *Government Auditing Standards*, and the Federal Single Audit Act (OMB Circular A-133). The IPA should refer to **Exhibit 4-1** of this audit guide which illustrates the types of reports to be issued depending on the type of audit required.

B. Financial Statements

The audit report shall include the financial statements and supplementary schedules listed in **Exhibit 4-2**. The financial statements and supplementary schedules required will depend on the type of fund or contract and the status of the projects. If more than one fund and/or contract is involved, applicable financial statements are required for each; however, such statements may be presented on a combined statement by showing each fund and/or contract in a separate single column. In addition, a Schedule of Rehabilitation Program Expenditures, Rental Assistance Program Expenditures, and Congregate Subsidy Program Expenditures by line item must be presented as a supplementary schedule or included in the notes to the financial statements for those housing contracts that are accounted for in a housing administration fund. If a separate fund was established to account for those contracts, a separate Balance Sheet and Statement of Program Cost by line item must be presented as part of the basic financial statements.

The financial statements and supplementary schedules **must** be presented in the format referenced in **Exhibit 4-2** to meet the requirements of this audit guide.

C. Notes to the Financial Statements

In general, information that might affect the conclusions formed by users of the financial statements should be disclosed. Notes to the financial statements should inform the users of matters that may affect their interpretation of them, and may provide additional information that will facilitate their

understanding and use of the statements. The Department of Economic and Community Development recommends that the following information be included in the notes to the financial statements:

1. Summary of Organization and Significant Accounting Policies

- (a) Scope of Operations - must state all the units administered by the auditee by funding source (State and Federal).
- (b) Basis of Accounting and Financial Reporting - should describe the basis of accounting used by the auditee to account for its funds. This note should also include a brief description of the basis of reporting used by the auditee for its financial statement presentation. A description of the various differences between the basis of accounting used by the auditee and generally accepted accounting principles (GAAP) should be included.
- (b) Revolving Fund - should contain a brief description of the revolving fund if used by the auditee for payment of items chargeable to any or all projects of the auditee.

2. Financial Reporting Entity - should include a description of the type of legal entity the organization is formed as and the organization's mission.

3. Deposits with Financial Institutions and Investments - should disclose the amount of auditee deposits that are insured by Federal Depository Insurance or protected by collateral.

4. Analysis of Balance Sheet Accounts - an analysis of the following accounts should be included in the notes:

- (a) Reserve Cash - Savings and Investments
- (b) Furniture and Equipment
- (c) Long-Term Debt
- (d) Sundry Accounts Receivable
- (e) Sundry Accounts Payable

5. Lease Purchase Agreements - should disclose the terms, original obligation, installment payments, and outstanding obligation for any lease purchase agreements outstanding.

6. Compensated Absences - should disclose the amount of the outstanding obligation related to vacation and sickness as of the latest Balance Sheet date.

7. Capital Grant by the State of Connecticut - Development Fund - shall include a description of each active development fund (construction project) of the auditee. This note should include information regarding the following matters:

- (a) Assistance/Loan Agreement
- (b) Cooperative Agreement
- (c) Architect's Contract
- (d) Construction Contract
- (e) Site

8. Other DECD Financial Assistance Programs (Grant/Loan Contracts) - should include a description of other DECD financial assistance programs such as Housing Rehabilitation (HR),

Rental Assistance Program (RAP), Special Act Grants (SA), Manufacturing Assistance Act (MAA), Urban Act (UA) and Congregate Services Subsidy Programs (HS). The following information should be included in the description for each program:

- (a) Contract Number
 - (b) Date of the Assistance/Loan Agreement
 - (c) Amount of Contract/Loan
 - (d) Contract Period
 - (e) Total Program Cost Incurred
 - (f) Amount due to/ from DECD
 - (g) Objective of the Program
9. **Contingent Liabilities and Litigation** - should disclose any contingent liabilities and pending litigation having at least a reasonable possibility of occurrence and a direct and material effect on the financial statements.
10. **Pension Plan** - should include a description and a summary of financial information related to the pension plan that the auditee's employees participate.
11. **Adjusting Journal Entries** - should disclose whether the audited financial statements include adjusting journal entries rendered by the IPA at the balance sheet date. If the IPA renders adjusting journal entries, a copy of the entries should be included in the back of the audit report or accompany the audit report submitted.
12. **Related Party Transactions** - should disclose any transactions (e.g., receivables and payables) between the auditee and its officials and employees.
13. **Subsequent Events** - should disclose any events taking place after the Balance Sheet date having a direct and material effect on the financial statements.

The notes to the financial statements should include any other information required by generally accepted accounting principles and any other information that the IPA considers necessary to facilitate the interpretation and understanding of the auditee's financial statements and operations.

AUDIT REPORTING MATRIX AND SAMPLE REPORTS

<u>Type of Audit Report</u>	<u>Example Report</u>
1. Report on the Financial Statements and Supplemental Schedules	A
2. Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	B
3. Schedule of Findings and Questioned Costs	C
4. Corrective Action Plan	D
5. Report on Illegal Acts (issued only when illegal acts are detected)	

Note: If a State and/or Federal Single Audit are required of an auditee, only the necessary reports as required by the respective laws should be included in the audit report. **No additional reports would be required by DECD.**

UNQUALIFIED OPINION ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**Independent Auditor's Report**

[Addressee]

We have audited the accompanying financial statements of the [the Entity with respect to State Programs], as of December 31, 19xx, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the [the Entity's] management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and requirements of the *Consolidated Audit Guide for Audits of DECD Programs*. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the State of Connecticut Department of Economic and Community Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the [the Entity with respect to State Programs], as of December 31, 19xx, and the results of its operations and changes in retained earnings for the year then ended, on the basis of accounting prescribed by DECD.

In accordance with *Government Auditing Standards*, we have also issued a report dated [date of report] on our consideration of [the Entity's with respect to State Programs] internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of [the Entity with respect to State Programs] taken as a whole. The accompanying schedule(s) as listed in the table of contents are presented for purposes of additional analysis as required by DECD and are not a required part of the financial statements. The information in these schedule(s) have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Directors/Commissioners, management, and the State of Connecticut Department of Economic and Community Development. However, this report is a matter of public record and its distribution is not limited.

[Signature]

[Date]

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
[Reportable Instances of Noncompliance and Reportable Conditions Identified]

[Addressee]

We have audited the financial statements of [the Entity with respect to State Programs] as of and for the year ended December 31, 19xx, and have issued our report thereon dated [date of report]. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and requirements of the *Consolidated Audit Guide for Audits of DECD Programs*.

Compliance

As part of obtaining reasonable assurance about whether the [the Entity's with respect to State Programs] financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings, Recommendations and Questioned Costs as items [list related finding reference numbers, for example 97-1].

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the [the Entity's with respect to State Programs] internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect [the Entity's with respect to the State Programs] ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings, Recommendations and Questioned Costs as items [list related finding reference numbers, for example 97-2 and 97-3].

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Directors/Commissioners, management, and the State of Connecticut Department of Economic and Community Development. However, this report is a matter of public record and its distribution is not limited.

[Signature]

[Date]

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

When the IPA identifies a finding, this schedule must include the following information for each finding, where applicable: (a) the size and corresponding dollar value of the population, (b) the size and dollar value of the sample tested, and (c) the size and dollar value of the instances of noncompliance.

In addition, Government Auditing Standards states that well-developed findings generally consist of the following attributes:

- Statement of Condition - the nature of the deficiencies, e.g., a regulation not being followed, a control procedure not followed or one which is inadequate.
- Criteria - what the auditee should be doing, e.g., the specific regulation, a prudent management practice, or an internal control procedure.
- Effect - what happened as a result of the condition; this should be monetized in all possible instances and described as thoroughly as possible.
- Cause - why the condition exists, e.g., the auditee was unaware of the regulation or internal control was not a high priority of the auditee.
- Recommendation - what the auditee should do to correct the condition, normally addresses the cause, e.g., develop procedures to implement regulation or follow established procedures.
- Management's Response – management's response to the finding(s) and how it intends to correct the finding(s).

The IPA should attempt to identify the condition, criteria, effect, and cause to provide sufficient information to DECD officials and to permit timely and proper corrective action. These findings may also serve as a basis for DECD to conduct additional audit work. As part of the finding, the IPA is required to make a recommendation for corrective action to the auditee. The IPA is also required to include the auditee's summary comments on the findings and recommendations in this schedule. The IPA should also include comments on the status of prior internal control structure and compliance findings noted in the prior IPA or DECD audit report. In addition, the auditee is responsible for developing a separate corrective action plan (see Example D) based on the IPA's findings and recommendations and include the plan when submitting the auditor's report. If corrective action is not necessary; a statement by the auditee or IPA describing the reason it is not necessary should accompany the audit report.

CORRECTIVE ACTION PLAN

The following is a recommended format to be followed by auditees for submitting a corrective action plan:

Section I - Internal Control Structure Review

A. Comments on Findings and Recommendations

The auditee should provide a statement of concurrence or non-concurrence with the findings and recommendations. If the auditee does not agree with a finding, the auditee should provide specific information to support its position. If the information is voluminous, an appendix may be attached to the submission.

B. Actions Taken or Planned

The auditee should detail actions taken or planned to correct deficiencies identified in the report. Appropriate documentation should be submitted for actions taken. For planned actions, the auditee should provide projected date for completion of major tasks. Auditee officials responsible for completing the proposed actions should also be identified. If the auditee believes a corrective action is not required, a statement describing the reason should be included.

C. Status of Corrective Actions on Prior Findings

The auditee must comment on all prior findings whether or not corrective actions have been completed. The auditee should provide a report on the status of corrective actions taken on prior findings that remain open. An update should be included on dates for completion of major tasks and responsible officials for any actions not completed. In addition, documentation should be submitted for any actions that the auditee considers completed.

Section II - Compliance Review

A. Comments on Findings and Recommendations

(See Section I.A. above.)

B. Actions Taken or Planned

(See Section I.B. above.)

C. Status of Corrective Actions on Prior Findings

(See Section I.C. above.)

FINANCIAL STATEMENT MATRIX

FINANCIAL STATEMENTS REQUIRED AND SAMPLE FINANCIAL STATEMENT PRESENTATION

<u>Page</u>	<u>Type of Financial Statement</u>	<u>DECD Housing Programs - Administration Funds</u>	<u>DECD Financial Assistance Programs- Grant/Loan Contracts</u>
27	Balance Sheet - Housing Administration Fund	Exhibit A	
28	Operating Statement - Housing Administration Fund	Exhibit B	
29	Retained Earnings Statement - Housing Administration Fund	Exhibit C	
30	Operating Statement - Congregate Services (if applicable)	Exhibit D	
31	Balance Sheet - Financial Assistance Contracts		Exhibit E
32	Statement of Program Cost - Financial Assistance Contracts (Budget vs. Actual) (must include total cost including local share)		Exhibit F
33	Balance Sheet - Limited Equity Cooperative Administration Fund only	Exhibit G	
34	Operating Statement - Limited Equity Cooperative Administration Fund only	Exhibit H	
35	Restricted Retained Earnings Statement - Limited Equity Cooperative Administration Fund only	Exhibit I	
36	Schedule of Charges to Appropriated Retained Earnings - Housing Administration Fund (if applicable)	Schedule 1	
37	Schedule of Rehabilitation Program Expenses - Housing Administration Fund (if applicable)	Schedule 2	
38	Reconciliation of Retained Earnings to Working Capital (Limited Equity Cooperative Administration Fund only)	Schedule 3	
39	Schedule of State and Federal Financial Assistance (if single audit required)	Schedule 4	Schedule 4
40	Reconciliation of Expenditures by Contract to State Single Audit Schedule of State Financial Assistance		Schedule 5

Note: If a State and/or Federal Single Audit are required of an auditee, the financial statements and schedules required to be included in the audit report to meet DECD requirements are as follows:

A. DECD Housing Programs - Administration Funds - All applicable Exhibits and Schedules listed above are required. These may be included as either general purpose financial statements or supplemental schedules.

B. DECD Financial Assistance Programs - Grant/Loan Contracts - Cumulative Statement of Program Cost required (Exhibit F). This may be included as either a financial statement, supplemental schedule or as a note to the financial statements.

Auditee
Project No. 000-E-XYZ - Housing Administration Fund
Balance Sheet
As of December 31, 19X1 and 19X0

	19X1	19X0
ASSETS		
Checking	\$8,142.90	\$2,197.61
Reserve Cash - Savings and Investments	382,123.05	364,566.46
Petty Cash	100.00	100.00
Tenants' Accounts Receivable	113.75	0.00
Prepaid Insurance	7,007.29	5,815.01
Development Cost	1,667,170.23	1,667,170.23
Furniture and Equipment	140,347.59	140,347.59
Capital Improvements - Rehab	260,246.26	260,246.26
Rental Assistance Subsidy	348.00	0.00
Resident Services Coordinator Expense	2,500.00	2,000.00
TOTAL ASSETS	\$2,468,099.07	\$2,442,443.16
LIABILITIES AND EQUITY		
Liabilities:		
Payroll Deductions	\$148.61	\$51.91
Accrued Payment in Lieu of Taxes	12,962.47	12,008.47
Tenants' Prepaid Rents	72.00	196.75
Indebtedness to the State - Rehab	0.00	50,000.00
Debt Retirement - Rehab	0.00	(47,034.44)
Total Liabilities	13,183.08	15,222.69
Equity:		
Capital Grant - State of Connecticut	1,648,940.08	1,648,940.08
Valuation of Fixed Assets	140,347.59	140,347.59
Contribution by Municipality	18,230.15	18,230.15
Capital Grant - State of Connecticut - Rehab	210,246.26	210,246.26
Rehabilitaion Loan Liquidation	50,000.00	47,034.44
RAP - Authorized	1,044.00	0.00
RAP - Unissued	(522.00)	0.00
Resident Services Coordinator Grant-Authorized	4,000.00	2,000.00
Resident Services Coordinator Grant-Unissued	(1,500.00)	0.00
Unappropriated Retained Earnings	17,102.46	14,029.57
Appropriated Retained Earnings	367,027.45	346,392.38
Total Equity	2,454,915.99	2,427,220.47
TOTAL LIABILITIES AND EQUITY	\$2,468,099.07	\$2,442,443.16

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

Auditee
Project No. 000-E-XYZ - Housing Administration Fund
Operating Statement
For the Years Ended December 31, 19X1 and 19X0

	19X1		19X0	
	Budget	Actual	Budget	Actual
Income				
Rental - Base	\$73,776.00	\$73,776.00	\$73,776.00	\$73,776.00
Rental - Excess of Base	98,332.00	103,420.00	95,000.00	97,555.00
Vacancy Loss	(2,000.00)	(2,076.00)	(2,000.00)	(2,052.00)
Interest Income	13,250.00	18,088.30	11,000.00	10,703.29
Other Income	1,200.00	1,516.36	1,000.00	1,699.14
Total Income	184,558.00	194,724.66	178,776.00	181,681.43
Expenses				
Administrative:				
Salaries - Office	19,140.00	19,308.25	18,880.00	19,254.00
Legal	0.00	0.00	0.00	100.00
Office Supplies	600.00	363.39	600.00	673.85
Other Office Expense	1,200.00	2,319.66	1,200.00	1,869.03
Pension and Other Funds	3,500.00	4,067.20	3,600.00	2,806.01
Payroll Taxes	4,600.00	5,339.29	4,500.00	4,530.22
Total Administrative	29,040.00	31,397.79	28,780.00	29,233.11
Utilities				
Water	20,000.00	20,043.99	20,000.00	19,166.85
Electricity	12,750.00	12,974.05	12,000.00	12,349.11
Gas	950.00	894.24	800.00	1,077.82
Total Utilities	33,700.00	33,912.28	32,800.00	32,593.78
Maintenance				
Salaries - Maintenance	33,260.00	36,227.64	32,760.00	31,004.38
Materials and Supplies	3,500.00	6,971.13	3,000.00	4,216.13
Contractual Services	1,000.00	1,409.94	1,000.00	361.98
Maintenance Shop & Equipment	2,000.00	1,194.59	2,000.00	1,184.71
Total Maintenance	39,760.00	45,803.30	38,760.00	36,767.20
Other				
Refuse Removal	2,779.00	2,778.00	2,780.00	2,778.00
Insurance	13,875.00	13,558.58	13,750.00	13,946.51
Payment in Lieu of Taxes	11,908.00	12,019.00	11,696.00	11,932.62
State Service Charge	18,090.00	19,800.00	16,380.00	16,380.00
Interest	380.00	277.60	760.00	955.41
Total Other	47,032.00	48,433.18	45,366.00	45,992.54
Provisions				
Repairs, Maintenance and Replacements	29,363.00	29,362.00	21,744.00	21,644.00
Collection Loss	0.00	500.00	0.00	100.00
Total Provisions	29,363.00	29,862.00	21,744.00	21,744.00
Principal Payments				
Rehabilitation	5,663.00	2,965.56	11,326.00	11,128.87
Total Principal Payments	5,663.00	2,965.56	11,326.00	11,128.87
Total Expenses	184,558.00	192,374.11	178,776.00	177,459.50
NET OPERATING GAIN (LOSS)	\$0.00	\$2,350.55	\$0.00	\$4,221.93

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

Auditee
Project No. 000-E-XYZ - Housing Administration Fund
Retained Earnings Statement
For the Years Ended December 31, 19X1 and 19X0

Unappropriated Retained Earnings

	<u>19X1</u>	<u>19X0</u>
Beginning Balance	\$14,029.57	\$10,929.64
Gain (Loss) for the Year (See Exhibit B)	2,350.55	4,221.93
Prior Year Adjustment	722.34	0.00
Rental Assistance Payments	0.00	(1,122.00)
Ending Balance (See Exhibit A)	<u>\$17,102.46</u>	<u>\$14,029.57</u>

Appropriated Retained Earnings

	<u>1995</u>	<u>1994</u>
Beginning Balance		
Repairs Maintenance and Replacements	\$338,355.71	\$334,402.09
Collection Loss	8,036.67	8,574.67
Total Beginning Balance	<u>346,392.38</u>	<u>342,976.76</u>
Add: Provision for the Year (See Exhibit B)		
Repairs Maintenance and Replacements	29,362.00	21,644.00
Collection Loss	500.00	100.00
Total Provision for the Year	<u>29,862.00</u>	<u>21,744.00</u>
Deduct: Charges		
Repairs Maintenance and Replacements (Schedule 1)	9,226.93	17,690.38
Collection Loss	0.00	638.00
Total Charges	<u>9,226.93</u>	<u>18,328.38</u>
Ending Balance		
Repairs Maintenance and Replacements	358,490.78	338,355.71
Collection Loss	8,536.67	8,036.67
Total Ending Balance (See Exhibit A)	<u>\$367,027.45</u>	<u>\$346,392.38</u>

The accompanying notes are integral part of these financial statements.

Exhibit D

Auditee
Project No. 000-E-XYZ - Housing Administration Fund
Operating Statement - Congregate Services
For the Year Ended December 31, 19X1

	BUDGET	ACTUAL
Revenue:		
Tenants' Contribution - Congregate Services	\$117,960.00	\$110,000.00
State Subsidy	75,840.00	75,840.00
Total Congregate Revenue	193,800.00	185,840.00
Expenses:		
Bookkeeping	2,860.00	2,580.00
House Manager Salary	16,068.00	16,000.00
Attendants Salary	31,200.00	32,000.00
Overtime/Vacation Overlap	3,800.00	3,200.00
Fringe Benefits	4,000.00	4,000.00
Payroll Taxes	10,000.00	9,900.00
Insurance	10,350.00	9,000.00
Chore Service Salary	13,900.00	13,000.00
Cleaning of Common Areas	22,980.00	15,000.00
Food Cost	30,000.00	35,000.00
Meal Services	44,680.00	44,000.00
Kitchen Supplies	2,000.00	1,000.00
Social Services	1,962.00	500.00
Total Congregate Expenses	\$193,800.00	\$185,180.00
Expenditures in Excess of State Subsidy	\$0.00	\$660.00

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

Exhibit E

Auditee
Project No. 000-HC-19 - Financial Assistance Contracts
Balance Sheet
As of June 30, 1997

ASSETS

Cash - Project Account	\$8,142.90
Cash- Reich & Tang	25,000.00
Cash - Savings	5,000.00
Petty Cash	100.00
Sundry Accounts Receivable	113.75
Grant/Loan Funds Receivable - State	15,000.00
Matching Funds Receivable	15,000.00
Advances to Revolving Fund	0.00
Net Program Cost	1,970,000.00
Less : Ineligible Expenditures	0.00
 TOTAL ASSETS	 <u><u>\$2,038,356.65</u></u>

LIABILITIES AND EQUITY

Liabilities:

Sundry Accounts Payable	\$15,394.18
Contract Retentions	10,000.00
Payroll Deductions	0.00
Accrued Liabilities	12,962.47
Interest Earned on State Advances	0.00
Other Loans/Notes Payable	0.00
Advances from General Fund	0.00
Loan Authorized by the State	0.00

Total Liabilities	<u><u>38,356.65</u></u>
--------------------------	--------------------------------

Equity:

Funding Grant Authorized- State	1,500,000.00
Matching Funds Authorized - Agency	400,000.00
Matching Funds Authorized - Other	60,000.00
Contribution by Municipality	40,000.00
Income/Expenses from Revolving Loan Fund	0.00
Gifts and Donations	0.00

Total Equity	<u><u>2,000,000.00</u></u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$2,038,356.65</u></u>

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

Auditee
Project No. 000-HC-19 - Financial Assistance Contracts
Statement of Program Cost
For the Period March 30, 1994 through June 30, 1997

	TOTAL BUDGET	DECD ACTUAL	LOCAL ACTUAL	TOTAL ACTUAL	(OVERRUN) UNDERRUN
Program Income:					
Sale of Land or Buildings	\$600,000.00	\$540,000.00	\$ -	\$ 540,000.00	\$60,000.00
Rental of Land or Buildings	200.00	500.00	0.00	500.00	(300.00)
Sale of Salvage or Equipment	0.00	0.00	0.00	0.00	0.00
Investment Income	2,500.00	2,200.00	0.00	2,200.00	300.00
Other Income	1,000.00	800.00	0.00	800.00	200.00
TOTAL PROGRAM INCOME	603,700.00	543,500.00	0.00	543,500.00	60,200.00
Program Expenditures:					
Land:					
Land Cost/Site Acquisition	\$3,000.00	\$8,976.10	\$ -	\$ 8,976.10	(\$5,976.10)
Appraisal Fees	0.00	0.00	0.00	0.00	0.00
Site Improvements	0.00	20,494.08	0.00	20,494.08	(20,494.08)
Water/Utility Hookups	5,500.00	5,500.00	0.00	5,500.00	0.00
Total Land	8,500.00	34,970.18	0.00	34,970.18	(26,470.18)
Administration:					
Payroll - Office	3,600.00	3,000.00	0.00	3,000.00	600.00
Administration Salaries	0.00	0.00	0.00	0.00	0.00
Administration Salaries - In Kind	60,000.00	0.00	45,000.00	45,000.00	15,000.00
Administrative Overhead	22,000.00	0.00	20,000.00	20,000.00	2,000.00
Travel	200.00	0.00	0.00	0.00	200.00
Legal	1,000.00	15,049.89	0.00	15,049.89	(14,049.89)
Accounting	500.00	600.00	0.00	600.00	(100.00)
Contractual Services	4,000.00	2,000.00	0.00	2,000.00	2,000.00
Pension and Other Funds	7,150.00	15,714.08	0.00	15,714.08	(8,564.08)
Office Expense	200.00	887.49	0.00	887.49	(687.49)
Communications	200.00	211.74	0.00	211.74	(11.74)
Advertising	2,600.00	2,551.05	0.00	2,551.05	48.95
Total Administration	101,450.00	40,014.25	65,000.00	105,014.25	(3,564.25)
Carrying Charges:					
Interest	17,200.00	560.62	0.00	560.62	16,639.38
Development Administrative Expense	55,750.00	55,750.00	0.00	55,750.00	0.00
Insurance	4,440.00	394.07	0.00	394.07	4,045.93
Total Carrying Charges	77,390.00	56,704.69	0.00	56,704.69	20,685.31
Architectural and Engineering:					
Architectural and Engineering Fees	99,630.00	18,000.76	133,146.65	151,147.41	(51,517.41)
Extra Design Work	28,700.00	28,700.00	0.00	28,700.00	0.00
Boring and Test Pits	3,000.00	1,700.00	0.00	1,700.00	1,300.00
Concrete Testing	10,000.00	7,315.03	0.00	7,315.03	2,684.97
Blueprints and Supplies	2,500.00	840.09	0.00	840.09	1,659.91
Clerk of the Works	25,000.00	40,255.00	0.00	40,255.00	(15,255.00)
Total Architectural and Engineering	168,830.00	96,810.88	133,146.65	229,957.53	(61,127.53)
Structural:					
General Contract	2,086,000.00	1,800,000.00	227,046.09	2,027,046.09	58,953.91
Total Structural	2,086,000.00	1,800,000.00	227,046.09	2,027,046.09	58,953.91
Furniture and Equipment	82,695.00	0.00	59,807.26	59,807.26	22,887.74
Other:					
Contingency	78,835.00	0.00	0.00	0.00	78,835.00
Total Other	78,835.00	0.00	0.00	0.00	78,835.00
TOTAL PROGRAM COST	2,603,700.00	2,028,500.00	485,000.00	2,513,500.00	90,200.00
NET PROGRAM COST	\$2,000,000.00	\$1,485,000.00	\$485,000.00	\$1,970,000.00	\$30,000.00

Note - This statement must be cumulative and include all sources and uses of funds included in the Project Financing Plan and Budget (i.e. Local share, company share, other share and In-Kind contributions.).

Exhibit G

Limited Equity Cooperative
 Contract No. 000-LEC-1-Administration Fund
 Balance Sheet
 As of December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
ASSETS		
Current Assets		
Checking	\$8,529.60	\$9,305.36
Savings	13,340.82	8,338.00
Petty Cash	100.00	100.00
Members' Accounts Receivable	60.00	160.00
Total Current Assets	<u>22,030.42</u>	<u>17,903.36</u>
Fixed Assets		
Building	603,358.99	603,358.99
Furniture and Equipment	3,235.36	2,726.70
Total Fixed Assets	<u>606,594.35</u>	<u>606,085.69</u>
TOTAL ASSETS	<u><u>\$628,624.77</u></u>	<u><u>\$623,989.05</u></u>
LIABILITIES AND EQUITY		
Liabilities:		
Accrued State Service Charge	\$810.00	\$810.00
Accrued Property Taxes	2,436.31	0.00
Mortgage Notes	98,400.00	98,400.00
Debt Retirement	(2,870.00)	(410.00)
Total Liabilities	<u>98,776.31</u>	<u>98,800.00</u>
Equity:		
State Grants	407,310.63	407,310.63
Other Grants	86,608.36	86,608.36
Sweat Equity	11,040.00	11,040.00
Restricted Retained Earnings	24,889.47	20,230.06
Total Equity	<u>529,848.46</u>	<u>525,189.05</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$628,624.77</u></u>	<u><u>\$623,989.05</u></u>

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

Limited Equity Cooperative
Contract No. 000-LEC-1-Administration Fund
Operating Statement
For the Years Ended December 31, 1996 and 1995

	1996		1995	
	Budget	Actual	Budget	Actual
Revenue:				
Carrying Charges	\$19,920.00	\$19,920.00	\$19,920.00	\$19,920.00
Vacancy Loss	(600.00)	0.00	(580.00)	(900.00)
Interest Revenue	260.00	374.28	150.00	114.37
Total Revenue	19,580.00	20,294.28	19,490.00	19,134.37
Expenses:				
Administrative	650.00	661.06	859.00	900.83
Water/Sewer	2,500.00	3,452.46	1,800.00	1,560.29
Electricity	660.00	673.47	830.00	655.61
Maintenance/Supplies	600.00	1,168.83	800.00	1,217.25
Insurance	1,745.00	1,903.00	1,800.00	777.00
State Service Fee	1,080.00	1,080.00	360.00	1,080.00
Ground Lease	1.00	0.00	1.00	0.00
Legal/Accounting	250.00	0.00	640.00	1,761.00
Property Tax Expense	4,894.00	4,945.71	5,200.00	4,823.90
Total Expenses	12,380.00	13,884.53	12,290.00	12,775.88
NET OPERATING GAIN (LOSS)	\$7,200.00	\$6,409.75	\$7,200.00	\$6,358.49

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

Exhibit I

Limited Equity Cooperative
Contract No. 000-LEC-1-Administration Fund
Restricted Retained Earnings Statement
For the Years Ended December 31, 1996 and 1995

	1996	1995
Beginning Balance	\$20,230.06	\$13,782.57
Gain (Loss) for the Year	6,409.75	6,358.49
Prior Year Adjustments	64.40	449.00
Equity Payments	(500.00)	0.00
Equity Receipts	500.00	850.00
Repairs and Replacements Charges	(2,694.74)	(1,210.00)
Adjust Member Receivable	880.00	0.00
Ending Balance (See Exhibit G)	\$24,889.47	\$20,230.06

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

Auditee
Project No. 000-E-XYZ - Housing Administration Fund
Schedule of Charges to Appropriated Retained Earnings
For the Years Ended December 31, 19X1 and 19X0

Repairs Maintenance & Replacements

<u>Description</u>	<u>19X1</u>	<u>19X0</u>
Painting	\$734.07	\$429.39
Doors	1,325.00	1,765.00
Electrical Repairs	758.81	649.96
Plumbing Repairs	1,246.33	1,211.10
Snow Removal	324.00	515.01
Appliances	1,356.00	795.00
Equipment Repairs	1,206.61	263.31
Roof Vents	120.00	0.00
Maintenance Equipment Purchases	2,156.11	9,519.98
Office Equipment Purchases	0.00	1,211.94
Lock Repairs	0.00	417.00
Tile	0.00	155.00
Shades	0.00	238.91
Carpeting	0.00	420.00
Handicap Ramps	0.00	98.78
Total Charges to Repairs, Maintenance and Replacements (Exhibit C)	<u><u>\$9,226.93</u></u>	<u><u>\$17,690.38</u></u>

Auditee
Project No. 000-E-XYZ - Housing Administration Fund
Schedule of Rehabilitation Program Expenditures

Description	Contract No. 000-HR-2A # Sept. 1, 1996 - Dec. 31, 1998		Contract No. 000-HR-3B Aug. 1, 1995 - Sept. 30, 1998	
	Budget	Actual	Budget	Actual
Survey	\$1,000.00	\$200.00	\$0.00	\$0.00
Clerk of Works	5,000.00	5,000.00	4,800.00	5,000.00
Audit	1,000.00	0.00	500.00	500.00
Architect	4,702.00	4,500.00	6,850.00	7,200.00
Consumable Supplies	500.00	200.00	2,500.00	500.00
Rehab. Work Items	47,500.00	48,000.00	87,000.00	88,000.00
Contingency	1,000.00	0.00	7,700.00	0.00
Total Rehab. Program Expenditures	<u>\$60,702.00</u>	<u>\$57,900.00</u>	<u>\$109,350.00</u>	<u>\$101,200.00</u>

Contract No. 000-HR-2A was closed out during the year ended December 31, 1998. The Rehabilitation Program Expenditures have been closed out to and included in the "Capital Improvements-Rehabilitation" account.

Limited Equity Cooperative
Contract No. 000-LEC-1-Administration Fund
Reconciliation of Restricted Retained Earnings to Working Capital
For the Years Ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
RESTRICTED RETAINED EARNINGS		
Restricted Retained Earnings (See Exhibit G)	\$24,889.47	\$20,230.06
Add: Accumulated Depreciation	0.00	0.00
Deduc: Debt Retirement	(2,870.00)	(410.00)
Administration Fund Purchases of Equipment	<u>(3,235.36)</u>	<u>(2,726.70)</u>
Total Working Capital	<u><u>\$18,784.11</u></u>	<u><u>\$17,093.36</u></u>
WORKING CAPITAL		
Current Assets (See Exhibit G)	\$22,030.42	\$17,903.36
Deduct: Current Liabilities	<u>(3,246.31)</u>	<u>(810.00)</u>
Total Working Capital	<u><u>\$18,784.11</u></u>	<u><u>\$17,093.36</u></u>

Auditee
Schedule of State Financial Assistance
For the Year Ended June 30, 1996

State Grantor Program Title	State Grant Program Identification Number	State Contract Number	Program Award Amount	Assistance Received	Total Expenditures
State Department of Economic and Community Development					
Housing and Community Development					
	1801-3500-008	000-HCD-1	\$ 80,000.00	\$ 60,000.00	\$ 55,000.00
	1801-3500-008	000-HCD-2	120,000.00	120,000.00	100,000.00 *
			<u>\$ 200,000.00</u>	<u>\$ 180,000.00</u>	<u>\$ 155,000.00</u>
Rental Assistance Program					
	0-3500-102	000-RAP-1	\$ -	\$ -	\$ -
	0-3500-102	000-RAP-2	5,000.00	5,000.00	4,050.00 #
	0-3500-102	000-RAP-3	6,000.00	5,500.00	5,000.00
			<u>\$ 11,000.00</u>	<u>\$ 10,500.00</u>	<u>\$ 9,050.00</u>
Special Act Grant					
Franklin Theater Renovation	1874-3500-0		<u>\$ 1,500,000.00</u>	<u>\$ 1,200,000.00</u>	<u>\$ 950,000.00</u> * #
Urban Action Bonds					
Main St. Renovation	3795-3500-000		<u>\$ 2,000,000.00</u>	<u>\$ 900,500.00</u>	<u>\$ 800,000.00</u> * #
Total Schedule of State Financial Assistance			<u><u>\$3,711,000.00</u></u>	<u><u>\$2,291,000.00</u></u>	<u><u>\$1,914,050.00</u></u>

* Major State Program

Denotes program tested for compliance with specific requirements

**RECONCILIATION OF EXPENDITURES BY CONTRACT TO
STATE SINGLE AUDIT SCHEDULE OF STATE FINANCIAL ASSISTANCE
GRANTEE NAME _____
FYE _____**

RETURN TO:

**State of Connecticut
DECD -Audit & Asset
Management Division
505 Hudson Street
Hartford, CT 06106**

Please complete this form in order to reconcile project information to the information reported on State Single Audit Schedules of State Financial Assistance . This form should be filed at the same time as the State Single Audit report.

(1) Program Title and St.ID Number <u>MAA, UA, ETC.</u>	Contract Award	Project Name (Contract No. if applicable)	(2)Current Year Project Receipts	(3)Current Year Project Expenditures	(4)Cumulative Project Expenditures
Municipal Development Project (MAA) 1502-3500-002	\$ 500,000	Relocation Project/xxx	\$ 200,000	\$ 185,000	\$ 450,000
	400,000	Business Development	150,000	145,000	385,000
	\$ 900,000	Total MAA	\$ 350,000	\$ 330,000	\$ 835,000
Urban Action Bonds/3795-3500-000	\$ 350,000	Downtown Redevelopment Project/xxx	175,000	\$ 170,000	\$ 340,000
	250,000	Road Extension Project	250,000	250,000	250,000
	\$ 600,000	Total Urban Action Bonds	\$ 425,000	\$ 420,000	\$ 590,000
Totals	\$ 3,000,000		\$ 1,550,000	\$ 1,500,000	\$ 1,425,000

(1)Should include Program Title & State Grant Program ID Number from DECD Program Compliance Supplement.

(2)Should agree with amounts advanced from DECD during fiscal year.

(3)Current year expenditures should be reflected as \$-0- for projects which are still active but have no expenditures for the current year.

Note: Total current year project expenditures by program type should agree with program expenditures as reflected on the audited Schedule of State Financial Assistance.

(4)Cumulative Expenditures should be reflected even if there are no current year expenditures. Cumulative Expenditures should include expenditures from all approved budgeted sources including local matching funds, company matching funds, federal funds, etc.

I certify that the information contained above reflects the information as recorded in the books and records of the Grantee _____

AUTHORIZED SIGNATURE:

SIGNATURE

TITLE

PRINT OR TYPE NAME

DATE

APPENDIX A
 COMPLIANCE SUPPLEMENT FOR DEPARTMENT OF ECONOMIC AND COMMUNITY
 DEVELOPMENT PROGRAMS

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APPENDIX A
COMPLIANCE SUPPLEMENT FOR DEPARTMENT OF ECONOMIC AND COMMUNITY
DEVELOPMENT PROGRAMS

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Department of Economic and Community Development
**Business Expansion - Municipalities With High
Unemployment, Small Business Innovative Research**
0-3500-603 and 0-3500-605

I. PROGRAM OBJECTIVES

The Business Expansion – Municipalities with High Unemployment and Small Business Innovative Research programs promote business expansion to create new job opportunities in municipalities with high unemployment and fund research projects that enhance small business development.

(Section 32-3, CGS)

(Section 32-9q, CGS)

Suggested Audit Procedures

- (1) Review the grantee’s Personal Service Agreement and determine whether a match is required.
- (2) If so, test expenditure and related records and compare to the match requirement.

II. PROGRAM PROCEDURES

The state contracts for services with municipalities and not-for-profit organizations to conduct research that will help small businesses and allow the expansion of business opportunities in municipalities with high unemployment.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Allowed and disallowed services are specified in the grantee’s Personal Service Agreement with the Department of Economic and Community Development.

(Sections 32-1c and 32-9o through r, CGS)

Suggested Audit Procedures

- (1) Review the grantee’s Personal Service Agreement.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

- (1) The matching requirement, if any, is determined by project and stated in the grantee’s Personal Service Agreement.

D. Special Reporting Requirements

Compliance Requirements

Reports may be required under the grantee’s Personal Service Agreement.

(Section 32-9pq, CGS)

Suggested Audit Procedures

- (1) Review the grantee’s Personal Service Agreement for reporting requirements.
- (2) If required:
 - Obtain copies of submitted reports and review for completeness and submission by required dates.
 - Trace data in selected reports to supporting schedules.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Community Housing Development Corporation
1801-3500-015

I. PROGRAM OBJECTIVES

The objective of the Community Housing Development Corporation (“CHDC”) program is to provide funds to eligible developers to undertake the construction or rehabilitation of either owner-occupied or multi-family housing. A qualified eligible developer can receive an interest-free loan from the Department of Economic and Community Development (“DECD”) which can be used in one of two ways, or a combination of both:

- (1) The developer can use the loan to establish a Loan Fund to undertake new construction or rehabilitate existing housing structures for low and moderate income homeowners or private owners or corporations who agree to rent the housing units only to low and moderate income persons or families; or
- (2) The developer can use these funds to make rehabilitation or renovation loans to low and moderate income homeowners or to the owners of low and moderate income rental housing units.

Funds are also available as seed money which provides a developer with advance funds necessary to develop housing affordable to low and moderate income families. Advances are made solely for expenses which are recoverable in the permanent mortgage.

A qualified non-profit corporation can receive a grant for use in establishing grants, loans, or deferred loans to households for handicapped accessibility modifications. (PA 91-149)

Provide a grant-in-aid to Local Initiatives Support Corporation chartered as a state-wide HDC, for capacity building, technical assistance, and predevelopment activities. (PA 93-241)

II. PROGRAM PROCEDURES

The program contracts for services related to the rehabilitation and construction of housing for low and moderate income persons or families. Funds are made available to Community Housing Development Corporations (“CHDCs”) which are organized for the purpose of developing low and moderate income

housing upon approval by the DECD of the CHDC’s application for funding or to eligible developers as defined in Sec. 8-39, CGS.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed include:

- (1) Any repairs or rehabilitation work performed on an eligible structure, which is necessary to bring a unit up to a decent, safe, and sanitary level, or to make a unit accessible to a handicapped or developmentally disabled person, or which is necessary to bring a major building system which is in danger of failure, into good repair.
- (2) Expenses for additions for handicapped accessibility and adaptability modifications.
- (3) Repairs or rehabilitation necessary to bring ground floor commercial space to a decent, safe, and sanitary condition may be an eligible expense at the discretion of the Commissioner of the Department of Economic and Community Development (“DECD”)
- (4) Local Initiative Support Corporation (LISC) services.

Services disallowed include expenses for redecoration, additions, or refurbishing.

(Section 8-218, CGS)

Suggested Audit Procedures

- (1) Review the grant award to determine the costs allowed under the program.
- (2) Test financial records and reports by examining supporting information to determine whether costs are allowed under the grant award.

B. Eligibility

Compliance Requirements

- (1) Owners of buildings located within an approved target area and which contain at

Department of Economic and Community Development
Community Housing Development Corporation
1801-3500-015

least one unit occupied by a person of low and moderate income.

- (2) Units which are occupied by persons other than low income persons are not eligible for assistance under the program unless such unit is occupied by a person who is handicapped or developmentally disabled.
- (3) Grants for handicapped access only to eligible income limit households and grants/loans to handicapped tenants must have landlord authorization.
- (4) Eligible developers.

(Section 8-218, CGS) and (PA 92-63 and 91-149)

Suggested Audit Procedures

- (1) Review the procedures used to determine eligibility and evaluate for adequacy.
- (2) Examine related records and determine whether units are occupied by low and moderate-income persons or persons who are handicapped or developmentally disabled, and whether the landlord has approved the tenant application.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

- (1) Public and private cooperation projects require a private sector match equal to or greater than the amount of the proposed grant or loan. (Section 8-218a, CGS)
- (2) There are no matching, level-of-effort, or earmarking requirements for the CHDC program. (Section 8-218, CGS)

Suggested Audit Procedures

Determine the amount and source of funds used to fulfill the matching requirement.

D. Special Reporting Requirements

Compliance Requirements

Corporations must submit Quarterly Financial Statements (E-23 and E-24) to the DECD.

(Section 8-218, CGS)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.

E. Special Tests and Provisions

Compliance Requirement

The cost for repair of building wide systems should be prorated among the units occupied by low and moderate-income persons and those which are not so occupied.

Suggested Audit Procedures

Review the expenditures and related records and ascertain that the percentage charged to the low and moderate-income units is acceptable.

Congregate Service Subsidy

0-3500-033

I. PROGRAM OBJECTIVES

To provide financial assistance in the form of a congregate subsidy grant to assist in the provision of congregate support services which are necessary to enable semi-independent living in a residential setting for frail elderly. These services include one main meal a day, housekeeping services, personal care services to assist in the delivery and enhancement of daily living activities, and a 24 hour emergency service.

- (2) Test expenditures and related records and compare to the authorized purposes and amounts.

II. PROGRAM PROCEDURES

Any Housing Authority, nonprofit organization, or private developer (auditee) which operates a congregate housing facility may apply and contract for a congregate subsidy grant to offset the costs of congregate services not paid for by the tenants. All tenants will be required to pay an amount toward congregate services costs, based on their net income after allowances, in accordance with a formula approved by the Commissioner of Economic and Community Development. Congregate services charges, together with any available congregate subsidy grant or other available income, shall generate sufficient income to meet the costs of the congregate services.

B. Eligibility

Compliance Requirements

The auditee is required to accept applications for admission to the projects, determine whether the applicants are initially eligible, and recertify (for continued occupancy) tenants' family income, composition, and contribution to rent.

Suggested Audit Procedures

- (1) Review the auditee's procedures for: accepting and reviewing applications, determining tenant eligibility for occupancy, and prescribing unit sizes and evaluate for adequacy. (Refer to tenant selection policy)
- (2) Review selected applicant files and determine adherence to prescribed procedures.
- (3) Review the auditee's procedures for recertifying tenant eligibility and calculating rent and evaluate for adequacy, (i.e., verification of income and expenses, computation of rent, 30 day notice to tenants of rental increase, date rental increase effective.)
- (4) Review selected tenant calculation/recertification forms (K-16 Rev-6/94) for completeness; trace data to supporting documentation.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Disallowed

Compliance Requirements

Funds may be expended by the auditee for specific purposes and amounts as authorized in the approved congregate services management plan and budget.

(Regulations, Section 119g-10)

Suggested Audit Procedures

- (1) Obtain the approved Congregate Services Management Plan and Budget and review for authorized purposes and amounts.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The following financial reports must be submitted within 30 days after the end of each quarter for this program:

- (1) Balance Sheet
- (2) Operating Statement – Congregate Services

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.

Congregate Service Subsidy

0-3500-033

- (2) Trace data in selected reports to supporting documentation (i.e., worksheets, ledgers, etc.)

Compliance Requirements

A Congregate Services Management Plan (budget) must be submitted annually for the Congregate Services Subsidy Program. (Regulations, Section 8-119g-11)

Suggested Audit Procedures

Examine a copy of the Congregate Services Management Plan (budget) and determine completeness and submission by required dates.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Tests and Provisions

Compliance Requirements

The operating income and expenses (Administration Fund) and congregare services income and expenses (Congregate Subsidy) must be separately accounted for in order to permit the preparation of a DECD Certificate of Approved Program Cost and State Funding on the Congregate Services Subsidy Program.

Suggested Audit Procedures

Test financial records and determine that the amounts considered as operating income and expenses and the amounts considered as income and expenditures for congregare services are proper.

Compliance Requirements

The auditee must accurately account for any interest income generated from the use of state Congregate Subsidy Funds, and return the interest to the (Department of Economic and Community Development) upon demand. This is applicable only if a separate bank account was maintained for the Congregate Services Subsidy program.

Suggested Audit Procedures

- (1) Review the financial records and determine the amount of interest income, if any, generated by state Congregate Subsidy Funds.
- (2) Review the financial records to determine if interest income has been returned to the state (Department of Economic and Community Development), if applicable. If not, has an amount payable to the state (“DECD”) been properly recorded?

Compliance Requirements

The auditee must follow proper bidding procedures for expenditures in excess of \$25,000. (Section 8-44(h), CGS)

Suggested Audit Procedures

Test financial records and determine adherence to bidding procedures.

Historic Assets

1873-3500-000

I. PROGRAM OBJECTIVES

The purpose of the Historic Assets Grant Fund programs is to contribute to the state's overall historic preservation plan. It encourages quality tourism by supporting the installation or restoration of supportive improvements to historical assets. Historical assets refers to any building, structure, object, or site that is significant in American history, architecture, archeology, or culture, or property used in connection therewith. Supportive improvements may include, but shall not be limited to, parking lots, office space, sanitary facilities, utilities necessary to make a building functional, information booths, provisions for the handicapped, improvements necessary to bring such asset into conformance with local ordinances, or any other improvements necessary to return the property to a state or utility provided that any such supportive improvement shall not alter, destroy, or detract from the distinctive historical, aesthetic, archaeological, architectural, cultural, or stylistic qualities or characteristics of the historic asset or its environment.

(Section 32-6a, CGS)

II. PROGRAM PROCEDURES

The state contracts with municipalities and not-for-profit organizations for the installation or restoration of supportive improvements to historical assets. The grant is awarded to the grantee out of state bond appropriations.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

The grantee's Assistance Agreement specifies the allowed and disallowed services.

(Section 32-1c, CGS) and (Regulations, Section 32-6a-8)

Suggested Audit Procedures

- (1) Review the grantee's Assistance Agreement.

- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The Assistance Agreement may include a matching requirement.

(Regulations, Section 32-6a-8)

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether a match is required.
- (2) If required, test expenditure and related records and compare to the match requirement.

D. Special Reporting Requirements

Compliance Requirements

Reports may be required under the Assistance Agreement.

(Regulations, Section 32-6a-8)

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether reports are required.
- (2) If required:

- Obtain copies of submitted reports and review for completeness and submission by required dates.
- Trace data in selected reports to supporting schedules.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Home Investment Partnership Administration Fund Program
0-3500-057-035

I. PROGRAM OBJECTIVES

The objectives of the HOME Investment Partnership Administration Fund are to provide decent and affordable housing for low and very low income families for a specified period beginning after project completion (See Restrictive Covenant). The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership.

II. PROGRAM PROCEDURES

Housing projects funded with federal HOME funds and /or state DECD funds are required to comply with certain ongoing requirements identified by HUD and/or DECD during the affordability period (i.e., the period for which the owner/manager must maintain subsidized housing). The auditor should use the DECD Administration Fund compliance supplement for the DECD program the project was funded from (i.e. Moderate Rental, Limited Equity Cooperative, etc.) along with this compliance supplement. The more stringent compliance requirement must be followed in the case of any conflicts.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Unallowed

Not applicable.

B. Eligibility

Compliance Requirement

HOME-assisted units in a rental housing project must be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged. The maximum HOME rents are the lesser of: the fair market rent for comparable units in the area, as established by HUD under 24 CFR section 888.111, or a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area as determined by HUD with adjustments for the number of bedroom units. In rental projects with five or more units there are additional rent limitations. Twenty (20) percent

of the HOME-assisted units must be occupied by very low-income families and meet one of the following rent requirements: (1) the rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for larger or smaller families: or (2) the rent does not exceed 30 percent of the families adjusted income (24 CFR section 92.252).

Suggested Audit Procedures

Select a sample of tenant files for review and verify that the tenant rents were properly calculated on the tenant calculation forms, did not exceed the rent limitations described above, are supported by documentation, and that an annual recertification is done.

C. Matching, Level-Of-Effort, And/Or Earmarking Requirements

Not applicable.

D. Special Reporting Requirements

Compliance Requirement

Year-end financial reports must be submitted to DECD.

Suggested Audit Procedures

- Obtain copies of submitted reports and review for completeness and submission by required dates.
- Trace data in selected reports to supporting documents.

E. Special Tests And Provisions

1. Housing Quality Standards

Compliance Requirement

The owner/manager must perform housing quality inspections at the time of initial occupancy and at least annually thereafter to assure that the units are safe, decent, and sanitary (24 CFR section 982.401).

Suggested Audit Procedures

Department of Economic and Community Development
Home Investment Partnership Administration Fund Program
0-3500-057-035

- Verify through a review of documentation that the owner/manager identifies those units on which housing quality inspections are due.
- Verify through a review of documentation that the owner/manager performs inspections of units and that any needed repairs are completed timely.
- Test whether procedures were placed in operation as established by management through inquiry and examination of documentary evidence.
- Review a sample of correspondence files for applications rejected, including documented reasons for valid rejections, or tenants evicted and legal invoices for any evidence of litigation or potential litigation related to discriminatory rental practices.
- Determine that the HUD-approved Equal Housing Opportunity logo, slogan or statement is displayed in marketing materials and that the Fair Housing Policy statement, ADA policy, and Fair Housing posters are conspicuously displayed at the project location and project management office.

2. Tenant Utility Allowances

Compliance Requirement - The State DECD must approve maximum monthly allowances for utilities and services (excluding telephone and Cable TV) (24 CFR section 92.252).

Suggested Audit Procedures

- Select a sample of units with tenant utility allowances and their related tenant files for review.
- Verify that the tenant utility allowances are properly established and were applied to tenants correctly.

3. Affirmative Marketing and Tenant Selection

Compliance Requirement

Housing assisted with HOME funds must be affirmatively marketed in accordance with 24 CFR 92.351, if applicable. The owner/manager must comply with the Affirmative Marketing Requirements, as set forth by the Commissioner of DECD.

Suggested Audit Procedures

- Obtain a copy of the owner's approved Affirmative Marketing Plan, if applicable, (projects with 5 or more HOME-assisted units).
- Inquire of the owner/manager as to policies and procedures relating to: marketing of the units; processing, approving and rejecting applications; and providing reasonable accommodation to applicants and tenants with disabilities in accordance with the requirements of applicable federal civil rights laws.

Department of Economic and Community Development
Moderate Rental, Affordable Elderly, and Congregate Housing Programs
Housing Administration Fund Program
1801-3500-035

I. PROGRAM OBJECTIVES

The objective of the Housing – Administration Fund Program is to provide decent, safe, and sanitary Housing and related facilities for eligible low/moderate income families and/or for the elderly through and authorized public housing authority, nonprofit agency, and private developer ("auditee").

II. PROGRAM PROCEDURES

The auditee shall manage the project in an efficient manner so that the rents can be fixed at the lowest possible level. The rental charges together with other available income shall generate sufficient income to meet the costs of project operations. The Department of Economic and Community Development will provide financial assistance to auditees on the basis of need to finance rehabilitation of the housing units, provide rental assistance and congregate subsidies to eligible tenants. (Section 8-40, CGS)

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Unallowed

Compliance Requirement

Funds may be expended by the auditee for specific purposes and amounts as authorized in the approved State Management Plan (Budget) (L-208) and in accordance with the Housing Manual for the Management of State Financed Housing. (Sec. 8-115a(Eld.), R-Sec. 8-79a-11 (MR), R-Sec. 8-119g-10(Cong.) R-Sec. 8-119jj(Aff.))

Suggested Audit Procedures

- (1) Obtain the approved State Management Plan (Budget) and review for authorized purposes and amounts as well as any terms and conditions specified in the Management Plan.
- (2) Obtain and review the Housing Manual for the Management of State Financed Housing for allowable costs and management principles.
- (3) Test expenditures and related records and compare to authorized purposes and amounts.

B. Eligibility

1. Fair Housing, Non-Discrimination and Applicant Eligibility

Compliance Requirements

Management and owners of all state funded housing projects are subject to the requirements of Title VIII of the Civil Rights Act of 1968, as amended, and to the Department of Economic and Community Development Fair Housing Regulations and Manual. Management and owners are prohibited from discriminatory practices in accepting applications, tenant selection, renting/selling and designation of units of a project and are required to promote racial and economic integration.

Additionally, management and owners are required to comply with the requirements of their DECD-approved Affirmative Fair Housing Marketing Plan. The Plan outlines the marketing strategies the owner must use to attract persons identified as least likely to apply because of such factors as racial and ethnic composition of the neighborhood in which the project is located. Managers and owners of State funded projects are required to target 20% of the units to persons identified in the Plan as least likely to apply. (Section 8-37ee-1 through 8-37ee-17 and 8-37ee-300 through 8-37ee-314 CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the auditee's DECD approved Affirmative Fair Housing Marketing Plan.
- (2) Inquire of the owner as to policies and procedures relating to: marketing of the units; processing, approving and rejecting applications; and method of placing applicants on waiting list.
- (3) Review selected applicant files and determine that the family met the income eligibility guidelines (80% of HUD area median income (Low Income) for Elderly, Congregate and Moderate Rental projects and 50% of HUD area median income (Very Low Income) for Affordable Projects), and determine if placement on waiting list is in accordance with the

Department of Economic and Community Development
Moderate Rental, Affordable Elderly, and Congregate Housing Programs
Housing Administration Fund Program
1801-3500-035

Affirmative Fair Housing Marketing and Selection Procedures Manual.

- (4) Determine that the HUD-approved Equal Opportunity logo, slogan or statement is displayed in marketing materials and that the Fair Housing Policy statement and Fair Housing poster(s) are conspicuously displayed at the project location and project management office.

2. Recertification and Continued Occupancy

Compliance Requirements

The auditee is required to recertify (for continued occupancy) family income, composition, and contribution to rent. Recertification must be done annually for Moderate Rental, Affordable, Congregate, and RAP recipients and at least biennially for Elderly Projects. If the family is required to pay any of its own utilities, the rent is reduced by a utility allowance. (Sec. 8-115a(d) (Eld), R-Sec. 8-79a-12-14 (MR), R-Sec. 8-119g-4 (Cong.), R-Sec.8-119jj(Aff.))

Suggested Audit Procedures

- (1) Review the auditee's procedures for recertifying tenant eligibility (continued occupancy requirements) and calculating rent and evaluate for adequacy. (i.e., Verification of income and expenses, computation of rent, 30 day notice to tenants of rental increase, date rental increase effective.)
- (2) Review selected tenant calculation/recertification forms for completeness; trace data to supporting documentation.
- (3) Verify that the auditee established and currently maintains a Rent Roll or similar type of document to record information on total rent, tenant rental payments, and rental assistance payments. This document is used to control the recording of rental income and the requisitioning of rental assistance payments.

C. Matching, Level Effort And/Orearmarking Requirements

There are no matching, level of effort, or earmarking requirements.

D. Reporting Requirements

Compliance Requirement

At least once a year an annual report must be prepared by a Housing Authority and filed with the town/city clerk describing.

- (1) activities for the preceding year,
- (2) recommendations with reference to additional legislation or other action in order to carry out the purposes of Chapter 128, if applicable. (Sec. 8-63 (Eld., MR, Cong., Aff.))

Suggested Audit Procedure

- (1) Review copies of the report and determine that it was filed with the Town Clerk.

Compliance Requirement

The following financial reports must be submitted within 30 days after the end of each quarter for the State financed projects: (Sec. 8-115a(Eld.), R-Sec. 8-79a18(MR), R-Sec. 8-119g-6(Cong.), R-Sec. 8-119jj(Aff.))

Administration Funds

- Balance Sheet (L-203)
- Statement of Program Cost (L-117), if applicable
- Operating Statement (L-204)
- Operating Statement -Congregate Services (L-215), if applicable
- Analysis of Retained Earnings (L-214)
- Summary of Charges to Retained Earnings (L-224)

Suggested Audit Procedures

- (1) Review the procedures for preparing the financial reports and evaluate for adequacy.
- (2) Sample financial reports for each program and review for completeness and timeliness of submission.
- (3) Trace data from financial statement to the supporting documentation (i.e., general ledger, worksheets, etc.).

Department of Economic and Community Development
Moderate Rental, Affordable Elderly, and Congregate Housing Programs
Housing Administration Fund Program
1801-3500-035

Compliance Requirement

A Management Plan (Budget) (B-208) must be submitted annually for each State project. (Sec. 8-115a (Eld.), Sec. 8-72 (MR), R-Sec 8-119g-10 (Cong.), R-Sec. 8-119jj (Aff.))

Suggested Audit Procedure

Examine copy of the Management Plan (Budget) and determine completeness and timeliness of submission.

E. Special Test And Provisions

I. Compliance Requirement

The commissioners and employees must not have any interest, direct or indirect in any housing project. (Sec. 8-42 (Eld., MR, Cong., Aff.))

Suggested Audit Procedure

(1) Ascertain whether any commissioner or employee has any interest, in any housing project or in any property included in any project, or in any contract or proposed contract for materials and services to be furnished or used in connection with any housing project. (Note if minutes disclosed any interest. Ascertain any interest during expenditure test).

II. Compliance Requirement

The auditee is required to follow procedures established by the Department of Economic and Community Development for any proposed base rent increase or percentage of income increase. (Sec. 8-115a(d) (Eld.), R-Sec.8-79a-15 (MR), R-Sec. 8-119g-10(Cong.) R-Sec.8-119jj (Aff.))

Suggested Audit Procedures

- (1) Review the procedures established by the DECD in the Housing Manual for the Management of State Financed Housing for the auditee's handling and notifying tenants of rent adjustment requests
- (2) Review the files and determine if rent adjustments and notifications were provided in accordance with the DECD procedures

III. Compliance Requirement

A Housing Authority is required to pay a sum to the municipality in which the Housing Authority is located, a payment in lieu of taxes (PILOT), equal to a percentage of net shelter rent or an amount not greater than Ad Velorum tax (for a State Elderly Section 8 or MR Section 8 Project). The percentage will be determined mutually by the municipality and auditee. (Sec. 8-118a (Eld.), Sec. 8-71 (MR), Sec. 8-119k(Cong.), Sec. 8-119gg(Aff.))

Suggested Audit Procedure

(1) Calculate PILOT amount based on the percentage rate as stipulated in the Cooperation Agreement and Management Plan and the formula as specified in the LHA Accounting Manual and determine if the Housing Authority calculated PILOT properly and paid the municipality at least annually.

IV. Compliance Requirement

The auditee must follow proper bidding procedures for expenditures in excess of \$25,000.00. (Sec. 8-44(h) (Eld., MR, Cong., Aff.))

Suggested Audit Procedure

(1) Test the financial records and determine adherence to bidding procedures.

V. Compliance Requirement

For proratable expenses, the auditee may charge to the State units no more than the percentage of the number of State units to the total number of units administered by the auditee.

Suggested Audit Procedures

- (1) Review the auditee's process for reviewing, approving, and monitoring expenditures and evaluate for adequacy.
- (2) Review expenditures and related records and ascertain that the percentage charged to the State units is appropriate.

Department of Economic and Community Development
Housing and Community Development
1801-3500-008

I. PROGRAM OBJECTIVES

To provide grants to housing site development agencies or eligible nonprofit corporations for up to two-thirds of the cost of site acquisition and/or improvements associated with development of housing for low and moderate income families. Funds assist in writing down the cost of housing by reducing the price of construction which effects the subsequent mortgage financing, making the units affordable to persons of low and moderate income.

Another objective is to provide financial assistance for up to two-thirds of the cost of community development activities which are a part of a targeted neighborhood rehabilitation effort in a predominantly residential area.

Housing Site Development Agencies (“HSDAs”) must be designated by resolution. Eligible nonprofits are those which have a commitment for mortgage financing from HUD or FMHA.

II. PROGRAM PROCEDURES

Proposals are invited as funds are available. Any municipality or designated agency thereof may apply. The evaluation of the proposal will be based on the extent to which the project will benefit low and moderate income persons and its impact on housing and neighborhood revitalization.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be used for services provided for in the approved program budget. Administration expenses are allowed up to 15 percent of the hard costs.

(Section 8-216b, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the approved program budget.
- (2) Determine the type of services allowed.
- (3) Test expenditures and related records.

- (4) Note whether funds were used for unallowable services. If funds were used for items not provided for in the budget, identify approval from the Department of Economic Development (“DECD”).

B. Eligibility

Compliance Requirements

Funds are required to be used to benefit low and moderate income homeowners in the targeted area. Fifty-one percent of the residents benefited must be of low or moderate income households. Low or moderate income is defined as 100 percent of HUD median unless funds from another source requiring a lower percentage of the median (i.e., CDBG, Small Cities) are being used. The benefit must then defer to the lower percentage.

(Section 8-216b, CGS)

Suggested Audit Procedures

- (1) Review the procedures used to determine eligibility and evaluate for adequacy.
- (2) Review selected files and determine adherence to prescribed procedures.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The grantee is required to provide one-third of the cost of the program.

(Section 8-216b, CGS)

Suggested Audit Procedures

- (1) Determine the total program cost.
- (2) Determine whether local funding equals one-third of the program cost.

D. Special Reporting Requirements

Compliance Requirements

Grantees are required to submit quarterly status reports to the Department of Economic and Community Development (“DECD”).

Department of Economic and Community Development
Housing and Community Development
1801-3500-008

Suggested Audit Procedures

- (1) Obtain copies of submitted statements and reports and review for completeness and submission by required dates. (Section 31-53, CGS)
- (2) Trace data in selected reports to supporting documentation.

E. Special Tests and Provisions

Compliance Requirements

A Revolving Loan Fund Account must be established specifically for loan repayments. Funds may be mixed with loan repayments from loans made with funds from other sources. The disbursement of new loans can be made from this account only after the original grant money has been expended.

Suggested Audit Procedures

- (1) Identify a Revolving Loan Fund Account.
- (2) Test transactions and related records.
- (3) Determine whether disbursements of new loans were made prior to the expenditure of the original grant.

Compliance Requirements

Municipalities must follow proper bidding procedures as specified in the Assistance Agreement, "Special Provisions."

Suggested Audit Procedures

Test financial records and determine adherence to bidding procedures.

Compliance Requirements

Municipalities must follow wage rate requirements as specified in the Assistance Agreement, "Special Provisions."

(Section 31-53, CGS)

Suggested Audit Procedures

- (1) Identify the programs involving construction activities.
- (2) Review selected construction contracts and subcontracts and determine whether they contain provisions requiring the payment of ("prevailing" wages)

Department of Economic and Community Development
Housing Assistance and Counseling
0-3500-035

I. PROGRAM OBJECTIVES

The Housing Assistance and Counseling program provides financial assistance to not-for-profit organizations that provide the following types of housing assistance and counseling information to landlords and tenants, including but not limited to:

- (1) Educational services designed to inform landlords and tenants of their respective rights and responsibilities.
- (2) General information services on securing housing-related financing, including mortgage loans, home improvement loans, energy and weatherization assistance.
- (3) General mediation services for landlord and tenant disputes.

(Section 8-206e, CGS)

II. PROGRAM PROCEDURES

The State contracts with not-for-profit organizations for the provision of housing assistance and counseling services, following grantee application review for content and approval based on eligibility, experience, and the financial need of the applicant.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed include:

- (1) Education services designed to inform landlords and tenants of their rights and responsibilities.
- (2) Mediation services between tenants and landlords.
- (3) Information services on securing housing-related financing.
- (4) Other housing-related counseling services and assistance.

(Section 8-206e, CGS)

Suggested Audit Procedures

Test the expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The grantee shall submit quarterly financial statements and an annual report of activities to the Department of Economic and Community Development (“DECD”).

(Section 8-206e, CGS)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Housing Development Fund Program

Affordable
1801-3500-005

Moderate Rental
1801-3500-002

Congregate Elderly
1801-3500-004

Elderly
1801-3500-003

I. PROGRAM OBJECTIVES

The objective of the Housing Development Fund Program is to provide financial assistance in the form of grants and/or loans to eligible developers (housing authorities, nonprofit organizations, private developers, municipal developers, and housing partnerships) for the construction of decent, safe, and sanitary housing for eligible low and moderate income families and/or for the elderly.

(Sections 8-70 (MR), 8-114a (Eld.), 8-119h (Cong.) and 8-119dd (Aff.), CGS)

II. PROGRAM PROCEDURES

The Department of Economic and Community Development (“DECD”) may enter into a contract with an eligible applicant (i.e., housing authority, nonprofit organization, private developer, municipal developer, or housing partnership) to provide financial assistance in the form of a grant and/or loan for the development of housing for low and moderate income families and/or the elderly.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be expended by the eligible developer for specific purposes and amounts as authorized in the approved Assistance Agreement and Project Development Budget (QA-6).

Suggested Audit Procedures

- (1) Obtain the approved Assistance Agreement and Project Development Budget (QA-6) and review for authorized purposes and amounts, as well as any terms and conditions specified in the Project Development Budget.
- (2) Test expenditures and related records and compare to authorized purposes and amounts.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

An eligible developer may be required to contribute financial assistance in the form of cash, donated property, in-kind contributions, or any other assistance as a condition of receiving state assistance. The specific matching requirements are set forth in the Assistance Agreement and Cooperation Agreement.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and Cooperation Agreement and ascertain the amount of assistance required.
- (2) Determine the amount and source of funds used to fulfill the matching requirement.

D. Special Reporting Requirements

Compliance Requirements

The following financial reports must be submitted quarterly for this program:

- (1) Balance Sheet (R-76)
- (2) Statement of Development Cost (R-77)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation (i.e., worksheets, ledgers, etc.).

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

- Obtain reconciliation of expenditures by contract.
- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the

Department of Economic and Community Development

Housing Development Fund Program

Affordable

1801-3500-005

Moderate Rental

1801-3500-002

Congregate Elderly

1801-3500-004

Elderly

1801-3500-003

financial statements for each contract and the schedule of expenditures of state awards.

- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

Compliance Requirements

The cost of the Development Fund Program must be separately accounted for in a Statement Development Cost in order to permit the preparation of a DECD Certificate of Approved Program Cost and State Funding on the Development Fund Program.

Suggested Audit Procedures

Test financial records and determine that the amounts considered as costs of the Development Fund Program are proper.

Compliance Requirements

The auditee must follow proper bidding procedures for expenditures in excess of \$25,000.00.

(Sections 8-44(h) for MR, Cong., Eld., Aff., CGS)

Suggested Audit Procedures

Test the financial records and determine adherence to bidding procedures.

Department of Economic and Community Development
Housing Rehabilitation Program
1801-3500-001

I. PROGRAM OBJECTIVES

The objective of the Housing Rehabilitation Program (“HR”) is to improve and upgrade the physical condition of existing public housing projects.

II. PROGRAM PROCEDURES

Each Housing Authority, Non-Profit Corporation, Community Housing Development Corporation and Municipal Developers as Owner/Sponsor of Elderly and Moderate Rental Housing; Housing for the Homeless, Limited Equity Cooperative, Congregate Housing, Mutual Housing and Affordable Housing may prepare and submit to the Commissioner of Economic and Community Development for approval a program of project rehabilitation and improvement.

The program shall include the estimated costs of services, rehabilitation and improvement, and the method and staff required to carry out such a program. The housing rehabilitation contract shall provide for state financial assistance in the form of a grant-in-aid, loan, or combination thereof equal to the cost of such program, including administrative or other cost or expense to be incurred by the state in connection with the program as approved by the Commissioner of Economic and Community Development.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be expended by the auditee for specific purposes and amounts as authorized in the approved Assistance Agreement and Program Financing Plan and Budget (DECD-KA-1).

(Section 8-44a(b), CGS)

Suggested Audit Procedures

- (1) Obtain the approved Assistance Agreement and Program Financing Plan and Budget and review for authorized purposes and amounts.
- (2) Test expenditures and related records and compare to authorized purposes and amounts,

being particularly alert to costs improperly charged to the Housing Rehabilitation Program.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The auditee may be required to pay for a portion of the approved rehabilitation project with its own resources.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and Program Financing Plan and Budget and ascertain if the auditee is required to contribute toward the rehabilitation project.
- (2) Review the financial records and ascertain that the amount paid with auditee funds has been properly recorded.

D. Special Reporting Requirements

Compliance Requirements

The following financial reports must be submitted quarterly for this program:

- (1) Balance Sheet (L-203 or L-116)
- (2) Statement of Program Cost (L-117)

(NOTE: The auditee may report the rehabilitation program as part of the Housing Authority Administration Fund financial reports for the fund benefited by the program or report the program on separate financial reports).

Suggested Audit Procedures

- (1) Sample financial reports of each program and review for completeness and submission by required dates. Verify the date stamp on financial statements or note if a late notice was sent by the DECD.

Department of Economic and Community Development
Housing Rehabilitation Program
1801-3500-001

- (2) Trace data from financial statements to the supporting documentation (i.e., worksheets, ledger, etc.).

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

Compliance Requirements

The cost of the housing rehabilitation program must be separately accounted for in order to permit the preparation of a DECD Certificate of Approved Program Costs and State Funding on the housing rehabilitation program.

Suggested Audit Procedures

Test financial records and determine that the amounts considered as costs of the housing rehabilitation program are proper.

Compliance Requirements

The auditee must follow proper bidding procedures for expenditures in excess of \$25,000.00.

(Section 8-44(h) and (Eld., MR, Cong.)

Suggested Audit Procedures

Test the financial records and determine adherence to bidding procedures.

Infrastructure

1801-3500-023

I. PROGRAM OBJECTIVES

To provide grants, loans, or a combination thereof for the purpose of undertaking activities aimed at increasing housing for low and moderate income families.

II. PROGRAM PROCEDURES

The Department of Economic and Community Development (“DECD”) enters into contracts with any of 32 eligible municipalities to provide funding for a variety of eligible activities such as planning, construction, or renovation of housing, and for any of the following related activities: sewer connections, gas, electric and communications connections, drainage, public roadways, and water lines. The municipality must approve the Regional Fair Housing contract as prepared by them.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Grants, loans, or a combination thereof shall be made from the infrastructure fund for planning, construction or renovation of housing, and for any of the following, provided that administrative costs directly related to such construction or renovation shall not exceed 5 percent, when necessary to support the development of housing within such municipality in accordance with the Regional Fair Housing Compact:

- (1) Sanitary sewer lines, including interceptors, laterals, and pumping stations.
- (2) Natural gas, electric, telephone and telecommunications, pipes, wires, conduits, water lines and water supply facilities, except as required by any provisions of the general statutes or any special act, a regulation or order of the Department of Public Utility Control or a certificate of public conveniences and necessity.
- (3) Storm drainage facilities, including flood control facilities.
- (4) Public roadways and related appurtenances.

- (5) Community septic systems approved by the Department of Environmental Protection. (Section 8-387, CGS)

Suggested Audit Procedures

Test the expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Municipalities are required to submit quarterly status and financial reports to the DECD.

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documents.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Land Bank / Land Trust Program
1801-3500-011

I. PROGRAM OBJECTIVES

To provide grants for the costs of acquiring land or interest in land and the costs of holding and managing land to be developed as housing for low and moderate income families.

The program is divided into two components:

- (1) Land Bank – Grants provided to purchase land, which a sponsor can “bank” for a period of up to two years. The program generally funds the costs of holding and managing for a period of up to two years.
- (2) Land Trust – Grants are provided for acquisition, holding and managing costs, but land must be developed right away. The land underlying the units must be held in trust. The costs of holding and managing may be covered by the grant until the parcel goes under development.

(Sections 8-214b through e, CGS) and (Regulations, Sections 8-214d-1 through 13)

II. PROGRAM PROCEDURES

Funds are provided to nonprofit corporations upon approval of an application by the Department of Economic and Community Development (“DECD”) and subsequent approval of an allocation of funds for the project by the State Bond Commission. An Assistance Agreement is then executed between the DECD and the grantee. Only then can grant funds be requisitioned for eligible/approved costs.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Grants are for costs that include:

- (1) Property inspections
- (2) Engineering
- (3) Legal, including the cost to prepare land leases or condominium documents
- (4) Closing costs

- (5) Surveys
- (6) Appraisals
- (7) Real estate options
- (8) Land
- (9) Interests in land (e.g., retiring mortgage interest)
- (10) Taxes
- (11) Maintenance and security
- (12) Up to 2.5 percent of total grant for administrative expenses
- (13) Property insurance
- (14) Title insurance
- (15) Any tests or inspections made prior to the land purchase (e.g., percolation, test boring, environment assessments)

Generally, pre-acquisition costs to determine project feasibility, exclusive of any cost associated with the structure, are eligible.

Suggested Audit Procedures

- (1) Test expenditures and related records, including contracts, studies, and closing statements, and compare to authorized purposes and amounts.
- (2) If funds were used for costs not identified as allowed, identify authorization by the Commissioner of the DECD.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching level-of-effort or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Grantees are required to submit financial statements and other reports to the DECD.

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.

Department of Economic and Community Development
Land Bank / Land Trust Program
1801-3500-011

- (2) Trace data in selected reports to supporting documentation.

E. Special Test and Provisions

Compliance Requirements

- (1) If the land is land banked, the grantee must have a plan of development approved by the Commissioner no later than two years from the date of acquisition.
- (2) The plan must include an application under review for construction funding. The Commissioner may grant an extension if it is considered to be in the best interest of the state.
- (3) A Restrictive Covenant and Assistance Agreement must be recorded in the municipality where the property is located.

Suggested Audit Procedures

- (1) Obtain a copy of the plan of development and determine completeness and compliance with the contract and regulations.
- (2) Determine if the documents were properly recorded with the municipality.

Department of Economic and Community Development
Limited Equity Cooperatives -- Development Fund
1801-3500-013

I. PROGRAM OBJECTIVES

The objective of the program is the construction of housing for low and moderate income families which provides an alternative to traditional rental housing by ensuring security of residency, continued affordability and participation in the design and operation of housing, and to make public investment to preserve and stabilize neighborhoods.

(Section 8-214f through h, CGS)

II. PROGRAM PROCEDURES

The Department of Economic and Community Development provides financial assistance to a limited equity cooperative or an eligible not-for-profit corporation for the development of housing for low- and moderate-income families. The assistance may be in the form of grants, loans, or combination thereof in an amount not to exceed the total development cost of the project, less any equity interest required, as determined by a cost certification.

(Section 214f (c), CGS)

I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Allowed costs include, but are not limited to:

- (1) Organizational development
- (2) Predevelopment costs
- (3) Site acquisition and preparation
- (4) Construction or rehabilitation
- (5) Architect fees
- (6) Resident training
- (7) Administrative or other costs or expenses incurred by the state

(Section 8-214f(c), CGS) and (Regulations, Sections 8-214h-1(s) and 8-214h-2(c))

Suggested Audit Procedures

Test the expenditure and related records to ensure that costs are allowed.

B. Eligibility

Compliance Requirements

- (1) The admission income limits for grant (project(s)) shall not exceed 50 percent of the area median income, adjusted for family size as determined from time to time by the U.S. Department of Housing and Urban Development, unless otherwise approved by the Commissioner of Economic and Community Development.
- (2) The admission income limits for loan(s) or loan/grant combination project(s) shall not exceed 100 percent of the area median income, adjusted for family size, determined from time to time by the U.S. Department of Housing and Urban Development, unless otherwise approved by the Commissioner of Economic and Community Development.

(Sections 8-214f through h, CGS) and (Regulation, Section 8-214h-8(b) and 8(c))

Suggested Audit Procedures

Review selected files and determine that they meet the requirements for income, adjusted by family size.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

- (1) Developers must have an equity interest in the total development cost, composed of any of the following:
 - The housing site
 - A cash contribution
 - The resident's "sweat equity" investment
- (2) The family must contribute its labor ("sweat equity") during the development or operation of the project or make a cash contribution to become a member of the cooperative, or both, in an amount approved by the Commissioner of Department of Economic and Community Development. The value of the "sweat equity" may not exceed the hourly

Department of Economic and Community Development
Limited Equity Cooperatives -- Development Fund
1801-3500-013

wage rates determined by the U.S.
Department of Labor

(Section 8-214f(c), CGS) and (Regulations, Section
8-214h-7(a)(1))

Suggested Audit Procedures

- (1) Determine the amount and nature of the developer's equity interest.
- (2) Review the records for selected families and determine if there has been a "sweat equity" contribution.
- (3) Determine that the "sweat equity" of the sample did not exceed hourly wage rates.

D. Special Reporting Requirements

Compliance Requirements

The developer shall submit quarterly financial statements to the Department of Economic and Community Development ("DECD").

(Section 8-214h, CGS) and (Regulation Section 8-214h-16(b))

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected statements to supporting documentation.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
**Limited Equity Cooperative/Mutual Housing
Administration Fund Program**

I. PROGRAM OBJECTIVES

The objective of the Limited Equity Cooperative/Mutual Housing Administration Fund Program is to provide housing for eligible low/moderate income families.

The auditee is required to accept applications for admission to the projects, determine whether the applicants are initially eligible, and recertify tenants' family income, composition, and contribution to carrying charge. (R-Sec. 8-214h-7-R-Sec. 8-214h-12)

II. PROGRAM PROCEDURES

The Cooperative, Mutual Housing or Nonprofit Agency (auditee) shall manage the project in an efficient manner so that the rents can be fixed at the lowest possible level. The carrying charges together with other available income shall generate sufficient income to meet the costs of project operations.

Suggested Audit Procedures

- Review the auditee's procedures for: accepting and reviewing applications, determining tenant eligibility for initial occupancy (For grant projects, adjusted gross income can't exceed 50% of HUD area median income, adjusted for family size. For loan or loan/grant combination, adjusted gross income can't exceed 100% of HUD area median income, adjusted for family size.), determining carrying charge, and prescribing unit sizes and evaluate for adequacy.
- Review selected applicant files and determine adherence to prescribed procedures.
- Review the auditee procedures for recertifying member carrying charges and evaluate for adequacy. (An annual recertification is required for members paying carrying charges based on a percentage of their adjusted gross income.)
- Review selected member Carrying Charge Worksheets for completeness; trace data to supporting documentation.
- Verify that the auditee established and currently maintains a Carrying Charge Rent Roll or similar type of document to record information on total carrying charges and total member payments. This document should be used to control the recording of carrying charge income.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Unallowed

Compliance Requirement

Funds may be expended by the auditee for specific purposes and amounts as authorized in the approved State Management Plan (Budget) and in accordance with the Housing Manual for the Management of State Financed Housing. (Sec. 8-214f - 8-214h.)

Suggested Audit Procedures

- Obtain the approved State Management Plan (Budget) and review for authorized purposes and amounts as well as any terms and conditions specified in the Management Plan.
- Obtain and review the Housing Manual for the Management of State Financed Housing for allowable costs and management principles.
 - Test expenditures and related records and compare to authorized purposes and amounts.
 - Determine that property taxes are paid currently.

C. Matching, Level Of Effort, And/Or Earmarking Requirements

B. Eligibility

Compliance Requirement

Department of Economic and Community Development
**Limited Equity Cooperative/Mutual Housing
Administration Fund Program**

There are no matching, level of effort, and/or earmarking requirements.

D. Reporting Requirements

Compliance Requirement

Financial reports must be submitted biannually for the State financed projects. (R-Sec. 8-214h-16)

Suggested Audit Procedures

- Review the procedures for preparing the financial reports and evaluate for adequacy. (Determine if financial statement information taken from ledgers or other sources, i.e., worksheets)
- Sample financial reports for each program and review for completeness and timeliness of submission.
- Trace data from financial statement to the supporting documentation (i.e., worksheets, ledgers, etc.)

Compliance Requirement

A Management Plan (Budget) must be submitted annually for each State project. (R-Sec. 8-214h-6)

Suggested Audit Procedures

- Examine copy of Management Plan (Budget) and determine completeness and timeliness of submission.

E. Special Tests And Provisions

Compliance Requirement

The auditee is required to follow procedures established by the Department of Economic and Community Development for any proposed carrying charge changes. (R-Sec. 8-214h-13)

Suggested Audit Procedures

- Review the procedures established by the DECD in the Housing Manual for the Management of State Financed Housing for the auditee's handling and notifying

members of carrying charge adjustment requests.

- 30 day written notice to members that a meeting will be held to discuss carrying charge change.
- LEC submits recommended carrying charge change to DECD for approval.
- DECD approves/disapproves carrying charge change within 15 days of receipt from LEC.
- Members given 30 day written notice prior to effective date of carrying charge change.
- Review the files and determine if carrying charge adjustments and notifications were provided in accordance with the DECD procedures.

Compliance Requirement

The auditee must follow proper public bidding procedures for expenditures in excess of \$25,000.

Suggested Audit Procedures

- Test the financial records and determine adherence to bidding procedures.

Department of Economic and Community Development
Municipal Development Projects
Business Development Projects
(Manufacturing Assistance Act)
1502-3500-002

I. PROGRAM OBJECTIVES

(1) The Municipal Development Projects or the Business Development Projects program provides grants for the planning of industrial parks and vacated commercial and industrial buildings to meet the needs of business and industry. (Section 8-190 CGS)

(2) The Municipal Development Projects Program provides grants and/or loans for the development of industrial park site development and infrastructure projects and vacated commercial and industrial buildings for companies locating or operating the development projects. Grants may also be provided for off-site utility and rights-of-way costs.

(Sections 8-195(a), (b), (c), CGS)

II. PROGRAM PROCEDURES

(1) The State contracts with eligible applicants, municipally designated agencies (economic development commissions, redevelopment agencies, and not-for-profit development corporations) to share on a pro-rata basis eligible expenditures related to the preparation of a project plan or planning documents/studies deemed necessary by the Department of Economic and Community Development (“DECD”). This includes contractual services and administration items.

(2) The State contracts with eligible applicants for services related to property acquisition, development, infrastructure development, residential or business relocation, administration, engineering and related services, marketing, short-term interest costs, and off-site development. Pass-through grants and loans are provided to companies located in these projects.

(Section 32-222(f), CGS)

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Municipal and state funds may be used for cost items specified in the latest approved Assistance Agreement Financing Plan and Budget.

(Sections 8-190 and 32-1c, CGS) (Sections 8-195(a), (b), (c), and 32-1c, CGS)

Suggested Audit Procedures

- (1) Review the grantee’s Assistance Agreement Project Financing Plan and Budget.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

- (1) The maximum level of financial assistance to a municipal development planning project or business will be 50 percent of the total project cost, except in those projects located in targeted investment communities, where up to 90 percent is permitted.
- (2) Joint projects conducted in two or more municipalities are eligible for assistance to the levels as defined.

(Section 8-196 and 32-223c, CGS)

Suggested Audit Procedures

- (1) Determine the total expenditures of the program.
- (2) Examine receipts and disbursements to determine that the appropriate matching funds have been made by the grantee.

D. Special Reporting Requirements

Compliance Requirements

- (1) Submission of the following reports is required by the grantee:

Department of Economic and Community Development
Municipal Development Projects
Business Development Projects
(Manufacturing Assistance Act)
1502-3500-002

- Annual Financial Report.
 - Requisitions for payment of state funds.
- (2) Submission of certain other reports may be required by the grantee under the Assistance Agreement.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine what other reports are required.
- (2) If required:
- Obtain copies of submitted statements and reports and review for completeness and submission by required dates.
 - Trace data in selected reports to supporting documentation.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Mutual Housing Program -- Development Fund
1801-3500-048

I. PROGRAM OBJECTIVES

The objective of the Mutual Housing program is the construction, ownership and operation of housing, the prevention and elimination of neighborhood deterioration and the preservation of neighborhood stability achieved by affording community and resident involvement in the provision of high quality, long-term housing for low and moderate income families in which residents:

- (1) Participate in the ongoing operation and management of such housing
- (2) Have the right to continue residing in such housing for as long as they comply with the terms of their occupancy agreement
- (3) Do not possess an equity or ownership interest in such housing

(Section 8-214f(b), CGS) and (Regulations, Section 8-214h-1(v))

II. PROGRAM PROCEDURES

The Department of Economic and Community Development (“DECD”) may enter into a contract with a mutual housing association, or any other qualified nonprofit corporation, to provide financial assistance in the form of grants, loans, or combination financing for the development of housing for low and moderate income families.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Developers may receive state financial assistance for the development of a project including, but not limited to:

- (1) Organizational development
- (2) Predevelopment costs
- (3) Site acquisition and preparation
- (4) Construction or rehabilitation
- (5) Architect fees
- (6) Resident training

- (7) Administrative or other costs or expenses incurred by the sponsor and approved by the Commissioner

(Sections 8-214f through h, CGS)

Suggested Audit Procedures

- (1) Review the Grant Award to determine the costs allowed under the program.
- (2) Test financial records and reports by examining supporting information to determine whether costs are allowed under the Grant Award.

B. Eligibility

Compliance Requirements

- (1) The admission income limits for grant project(s) shall not exceed 50 percent of the area median income, adjusted for family size as determined from time to time by the U.S. Department of Housing and Urban Development, unless otherwise approved by the Commissioner.
- (2) The admission income limits for loan(s) or loan/grant combination project(s) shall not exceed 100 percent of the area median income, adjusted for family size, determined from time to time by the U.S. Department of Housing and Urban Development, unless otherwise approved by the Commissioner.

(Sections 8-214f through h, CGS) and (Regulation, Section 8-214h-8)

Suggested Audit Procedures

- (1) Review the procedures used to determine eligibility and evaluate for adequacy.
- (2) Review selected files and determine adherence to eligibility requirements.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Department of Economic and Community Development
Mutual Housing Program -- Development Fund
1801-3500-048

Compliance Requirements

Developers must have an equity interest in the total development cost of the project. Refer to contract for specific comments.

(Sections 8-214f through h, CGS) and (Regulations, Section 8-214h-2(d))

Suggested Audit Procedures

Examine related records and determine adherence to requirements.

D. Special Reporting Requirements

Compliance Requirements

Developers are required to submit quarterly financial statements to the DECD.

(Sections 8-214f through h, CGS)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected statements to supporting documentation.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Payment-In-Lieu-Of-Taxes (Pilot)
0-3500-039

I. PROGRAM OBJECTIVES

To provide grants to municipalities in which state-assisted low to moderate income housing projects are operated by Housing Authorities. The participating municipalities, which include large financially depressed cities, use this source of funds to offset the cost of municipal services proved to the project's tenants. The funds, which the Housing Authorities otherwise would have paid to the municipality, may equal up to 12.5% of the shelter rent. The authorities may use the funds for social services to the occupants, the operating costs or reserves of the property, or the maintenance or improvements of the physical quality of the property. (Section 8-216(b) of the CGS)

Suggested Audit Procedures

- (1) Obtain copies of submitted Form L-311 and review for completeness.
- (2) Compare tax payment due on Form L-311 with the assessment record and mill rate to ensure tax properly calculated.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

II. PROGRAM PROCEDURES

If reductions are deep enough, towns can refuse the PILOT payment, and will force the housing authority to pay out the funds set aside for payment of the taxes on the property. This loss will have a direct impact on the tenant rents.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

The auditor is not expected to test for allowability.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The municipality shall submit a Requisition for PILOT Payment (Form L-311) to DECD indicating the total realty tax payments due the municipality during the fiscal year.

Department of Economic and Community Development
Predevelopment Cost
1801-3500-016

I. PROGRAM OBJECTIVES

Grants are limited to \$5,000, maximum.

To provide interest-free loans and grants for predevelopment costs incurred with the construction, rehabilitation, or renovation of housing for low and moderate income persons and families. Loans are made from bond fund authorizations and \$100,000 from Account #1601. Loan repayments must be made no later than receipt of permanent financing.

(Sections 8-410 and 411, CGS)

Suggested Audit Procedures

- (1) Review the Grant Award to determine the costs allowed under the program.
- (2) Test financial records and reports by examining supporting information to determine whether costs are allowed under the Grant Award.
- (3) If funds were used for costs not identified as allowed, identify authorization by the Commissioner of Economic and Community Development.

II. PROGRAM PROCEDURES

Funds are provided to housing authorities, nonprofit corporations, municipal developers, or partnerships having at least one non-profit partner upon approval of an application by the Department of Economic and Community Development (“DECD”).

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

B. Eligibility

The auditor is not expected to test for eligibility.

Compliance Requirements

C. Matching, Level-of-Effort, and/or Earmarking Requirements

- (1) Interest-free loans are for costs that include:
 - Feasibility studies
 - Expenses incurred in project planning and design, including architectural expenses
 - Legal and financial expenses
 - Expenses incurred obtaining and paying for required permits and approvals
 - Options to purchase land
 - Expenses incurred in obtaining and paying for required project specific insurance
 - Other preliminary expenses authorized by the Commissioner of Economic and Community Development.
- (2) Grants are for costs that include:
 - Feasibility studies
 - Appraisals
 - Legal fees
 - Financial consulting expenses
 - Other planning expenses authorized by the Commissioner of Economic and Community Development.

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Grantees are required to submit quarterly financial reports to the DECD.

(Sections 8-410 and 411, CGS) and (Regulation Section 8-412-8)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Private Rental Investment and Mortgage Equity
1801-3500-017

I. PROGRAM OBJECTIVES

The objective of the PRIME Program is to provide a grant-in-aid to the Connecticut Housing Finance Authority (CHFA) for the purpose of permitting the CHFA to extend financial assistance in the form of a grant or deferred loan (second mortgage) to eligible nonprofit corporations to construct or rehabilitate 25 units or more of rental housing; provided the first mortgage is held by CHFA.

II. PROGRAM PROCEDURES

The Commissioner submits his recommendations for financing to the State Bond Commission. Upon approval by the State Bond Commission and approval of the first mortgage by the Board of CHFA, the Department of Economic and Community Development (DECD) may provide the grant-in-aid to CHFA and CHFA may enter into a contract with a developer to provide interim and/or permanent financing for the proposed rental housing development. The total amount of such grant-in-aid shall not exceed an amount equal to one-half of the project cost divided by the number of rental units multiplied by the number of low-income units in the project.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be used for the following purposes and are identified in an approved development budget:

- (1) costs of land acquisition
- (2) costs of site preparation
- (3) architectural, engineering, legal and other fees and charges in connection with planning, execution and financing
- (4) costs of studies
- (5) insurance, interest, financing, taxes
- (6) cost of construction or reconstruction
- (7) cost of land improvements
- (8) necessary expenses relating to initial occupancy

- (9) allowances for working capital, replacement and contingency reserves and anticipated operating deficits during the first two years of occupancy
- (10) reasonable profit or fee to builder and developer
- (11) cost of such other items the Commissioner deems reasonable and necessary for the development of the project (Section 8-400 (4) and (6) of CGS)

Suggested Audit Procedures

- (1) Obtain funding agreements (e.g., contract, loan or mortgage agreement, etc.) and review for authorization purposes and amounts.

B. Eligibility

The auditor is not expected to test for eligibility.

Suggested Audit Procedures

Review funding agreements to determine adherence to eligibility requirements.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

There are no reporting requirements.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Regional Economic Development Projects
1502-3500-050

I. PROGRAM OBJECTIVES

The Regional Economic Development Program provides grants for projects that will promote economic diversification, stability and growth. In addition, those such improvements, acquisitions and projects are a particularly effective investment of state funds because of their relative immobility in an increasingly global economy; such improvements, acquisitions and projects are particularly needed in communities experiencing significant military and industrial job losses; and regional cooperation in the planning and development of such improvements, acquisitions and projects is desirable and should be encouraged.

(Section 32-326, CGS)

II. PROGRAM PROCEDURES

The state contracts with eligible applicants for services related to property acquisition development, infrastructure development, residential or business relocation, administration, engineering and related services, marketing, short-term interest costs, and off-site development or any other project, which in the sole discretion of the Commissioner will significantly enhance economic diversification, stability, growth or scientific knowledge. Pass through grants and loans may be provided to companies located in these projects.

(Section 32-327(4), CGS)

“Agency” means any regional economic development commission formed under Sections 7-136 and 7-137, other regional development commission or corporation formed under any other provision of the General Statutes or any special act, any regional planning agency organized under the provisions of Chapter 127, regional council of governments organized under Section 4-124i to 4-123p, inclusive, or any regional council of elected officials organized under the provisions of Chapter 50 for planning and implementation of regional economic development.

(CGS 32-327 (2))

The total financial assistance under this act for any agency or project shall not exceed twenty million dollars of state funds plus any federal funds that the commissioner applies to the project.

(Section 32-328(d), CGS)

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

(1) Municipal, State, Federal and private funds may be used for costs items specified in the latest approved financing plan and budget and Project Assistance Agreement.

(2) These costs include but are not limited to:

- Land acquisition
- Renovation
- Engineering permits
- Rehabilitation
- Infrastructure development
- Business Relocation
- Physical development
- Administration
- Demolition
- Marketing
- Residential or site work
- Short-term interest borrowing
- Construction

Any other project, which in the sole discretion of the Commissioner will significantly enhance economic diversification, stability, growth, or scientific knowledge.

(Section 32-327(4), CGS)

Suggested Audit Procedures

- (1) Review the grantee’s Assistance Agreement and financing plan and budget.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

Department of Economic and Community Development
Regional Economic Development Projects
1502-3500-050

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirement

The maximum level of financial assistance to a project will be not more than ninety percent of total project costs in targeted investment communities, not more than seventy-five percent of total project costs in the case of a project in a region that includes a targeted investment community or not more than sixty-six and two-thirds percent of total project costs in the case of a project in a region that does not include a targeted investment community.

Suggested Audit Procedures

- (1) Determine the total expenditures by fund source of the program.
- (2) Examine revenue and expenditures to determine that appropriate matching of funds have been provided by the grantee.

D. Special Reporting Requirements

Compliance Requirements

Submission of the following reports is required by the grantee:

- (1) Requisitions for payment of state funds along with documentation describing the expenditure.
- (2) Notification to the Commissioner of any material adverse change in condition of grantee.
- (3) Notification to the Commissioner of any default under the projects documents or any other document.
- (4) Any other special reporting requirement stated in the grantee's Assistance Agreement.

Suggested Audit Procedures

- (1) Obtain copies of submitted statements and reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

- Obtain reconciliation of expenditures by contract.
- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
 - Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Rental Assistance Program
0-3500-102

I. PROGRAM OBJECTIVES

Rental assistance is provided for low income elderly persons residing in state-assisted rental housing for the elderly and congregate that will allow such person to afford decent, safe, and sanitary housing.

II. PROGRAM PROCEDURES

The state contracts with not-for-profit organizations as well as Housing Authorities who provide rental subsidies in accordance with an approved contract. (Section 17b-812, CGS)

IV. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Disallowed

Compliance Requirements

Types of services allowed or disallowed will be detailed in each individual grant.

Suggested Audit Procedures

- (1) Review the contract for specific costs allowed or disallowed.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

Compliance Requirements

- (1) Elderly persons who reside in state-assisted rental housing for the elderly or congregate and are paying in excess of thirty percent of their adjusted gross income toward rent and utilities.
- (2) The contractor is required to determine whether the elderly persons residing in rental housing for the elderly or congregate are initially eligible for the RAP and annually recertify tenants family income and contribution to rent for continued eligibility in the RAP.

Suggested Audit Procedures

- (1) Select a sample of RAP recipients from the Rent Roll or RAP register and their related tenant files for review and verify that the tenant rents and rental assistance payment amounts were properly calculated on the tenant

calculation forms, supported by documentation, and that an annual recertification is done.

- (2) Verify that the rental assistance (RAP) is based on the base rents shown in the Rent Roll and approved Management Plan.
- (3) Verify that the auditee established and currently maintains a Rent Roll or similar type of document, to record information on total rent, tenant rental payments, and rental assistance payments and that this document is used to control the recording of rental income and the requisitioning of rental assistance payments.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The contractor must submit the following DECD forms in a timely manner.

- (1) Initial Master Agreement and Exhibit A (Certification and Tenant Rent Roll)
- (2) Revised Exhibit A for any year in which an amendment is needed.
- (3) Payment requisition form, twice per year.
- (4) Quarterly financial statements, as required.

Suggested Audit Procedures

- (1) Obtain copies of submitted documents and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

Department of Economic and Community Development
Rental Assistance Program
0-3500-102

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Tests and Provisions

Compliance Requirement

Any funds remaining upon expiration of each grant must be returned to DECD within 30 days.

Suggested Audit Procedures

Examine records to determine if unexpended funds were returned to DECD.

Department of Economic and Community Development
Resident Services Coordinator
0-3500-011

I. PROGRAM OBJECTIVES

The Resident Services Coordinator Program provides grant funds to owners/developers of State financed Elderly Housing to hire staff to perform an evaluation of all tenants. The evaluation process is used to determine the level of need of each tenant and to help coordinate those services available within the community. In addition, the Resident Services Coordinator (RSC) position is used to identify conflict among tenants and/or tenants and management and to aid in the reconciliation of these conflicts.
(Public Act 98-263)

II. PROGRAM PROCEDURES

The Department provides Notice of Funding Availability, along with a program description and application. Upon a review procedure, including a rating and ranking system, applicants are chosen to participate and offered an Assistance Agreement. Based on the awarding of the agreement, grantees agree to provide services for which they are advanced funds semi annually, and to provide quarterly and annual reports on the progress of the program.

I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

- (1) Types of services allowed or disallowed will be detailed in each individual grant.
- (2) The number of employee's hours charged to the DECD grant is limited by the number of units served.

Suggested Audit Procedures

- (1) Review the contract for specific costs allowed or disallowed.
- (2) Test expenditures and related records to ensure that costs are allowed.
- (3) Review employee records to confirm hours charged to DECD grant funds.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The grantee must submit the following DECD forms in a timely manner:

- Assistance Agreement
- Application form (Exhibit A)
- Functional Assessment and Care Plan (Exhibit B)
- Quarterly Report (Exhibit C)
- Year End Narrative Report (Exhibit D)
- Payment requisition form, twice per year.

Suggested Audit Procedures

- (1) Obtain copies of submitted documents and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.
- (3) Test reports to ensure that all tenants have been evaluated and that arrangements have been made for all required services.

E. Special Test and Provisions

Compliance Requirements

- (1) Any funds remaining upon expiration of each grant must be returned to the DECD within 30 days.
- (2) The RSC grant award and program cost must be separately accounted for through the Administration Fund in order to permit the preparation of a DECD Certificate of Approved Program Cost and State Funding.

Suggested Audit Procedures

- (1) Examine records to determine if unexpended funds were returned to DECD.
- (2) Test financial records and determine that the amounts considered as grant award and program cost are properly recorded.

Department of Economic and Community Development
Special Contaminated Property Remediation And Insurance Fund (SCPRIIF)
1169-3500-301

A. I. PROGRAM OBJECTIVES

The Special Contaminated Property Remediation and Insurance Fund (SCPRIIF) is a loan program designed to help municipalities and businesses address site contamination problems and to assist in the reuse of "brownfield" sites. The Department of Economic and Community Development (DECD) and the Department of Environmental Protection (DEP) jointly administer the new Special Contaminated Property Remediation and Insurance Fund (SCPRIIF). This program was created as a vehicle to redevelop commercial and industrial property that is underutilized due to possible site contamination by providing assistance to quantify remediation costs. The program provides loans to complete environmental site assessments and for the demolition of existing structures necessary to prepare property for reuse.

The objective of the program is to encourage public and private partnerships to jointly study, remediate, and redevelop previously used industrial and commercial properties. The program seeks to "level the playing field" for underutilized properties by clarifying the environmental conditions, preparing a work plan necessary to meet the appropriate environmental standards, and removing existing obstructions to reuse. The completion of these program activities will encourage private sector reuse of such sites by identifying obstacles to redevelopment. This program is being operated in a cooperative manner between DECD and DEP to assure that remediation and development issues are addressed in a coordinated manner. Loans awarded under this program may be forgiven under certain economic conditions.

Action Work Plans, and demolition activities including lead and asbestos abatement removal in "brownfield" areas that are necessary for property redevelopment. Any demolition activities must be subsequent to a Phase III Environmental Site Investigation.

Applications for financial assistance are approved by the SCPRIIF Advisory Board, which in turn makes a recommendation for funding to the Commissioner of DECD. DECD acts as a liaison with DEP staff during the review process. The recipient of SCPRIIF funds will repay the State upon sale or lease of the property or upon approval of a final remedial action report in accordance with the terms of the program. In the event that the assessment determines that the redevelopment of the site is not feasible due to the cost of remediation, loans made under the program may be forgiven.

(Section 22a-133u, CGS)

II. PROGRAM PROCEDURES

Any municipality, corporation, business or individual is eligible to apply for SCPRIIF funds except a person or entity that has created or continues to contribute to the contamination of a site. In such cases, the person(s) or entity must arrange sponsorship from the municipality where the site is located. Eligible activities include the preparation of Phase II Environmental Site Assessments, Phase III Environmental Site Investigations and Remedial

Department of Economic and Community Development
Special Contaminated Property Remediation And Insurance Fund (SCPRIF)
1169-3500-301

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

- (1) Costs allowed are described in the grantee's project contract with the Department of Economic and Community Development and the approved project documents
- (2) These costs include but are not limited to:
 - Phase II Environmental Site Assessments
 - Phase III Environmental Site Investigations of real property and Remedial Action Work Plans
 - Demolition activities necessary to prepare a property for redevelopment, including lead and asbestos abatement removal (any demolition activities must be subsequent to a Phase III Environmental Site Investigation)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's contract and approved project documents.
- (2) Test expenditures and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

- (1) Submission of regular written progress reports setting forth in detail the work performed and including copies of all studies, reports and plans generated in connection with the Project is required by the grantee.

- (2) Submission of certain other reports may be required by the grantee under the contract agreement.

Suggested Audit Procedures

- (1) Review the grantee's contract for reporting requirements.
- (2) Review copies of submitted reports and determine that reports were filed as required.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Special Act Grants
1874-3500-000

I. PROGRAM OBJECTIVES

The objective of the Special Act Grants program is to provide specific, targeted economic development assistance to municipalities, as decided annually through the Special Act appropriation of the General Assembly.

(Section 8-151, CGS)

II. PROGRAM PROCEDURES

The state contracts for economic development with municipalities and not-for-profit agencies.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed are specified in the grantee's Assistance Agreement with the Department of Economic and Community Development.

(Sections 8-151 and 32-1c, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's Assistance Agreement and determine allowed costs.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

A matching fund requirement, if any, is determined by project.

(Section 32-1c, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's approved financing plan and budget and determine the

amount of grantee participation in the project, if any.

- (2) If applicable, examine the grantee's records and determine that the grantee has complied with the necessary participation amount.

D. Special Reporting Requirements

Compliance Requirements

- (1) Reports may be required under the grantee's Assistance Agreement.
- (2) All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether reports are required. If required:
 - Obtain copies of reports and review for completeness and submission by required dates.
 - Trace data in selected reports to supporting documents.
- (2) Obtain reconciliation of expenditures by contract.
 - Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
 - Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Tax Abatement Program
0-3500-038

I. PROGRAM OBJECTIVES

To help the financial feasibility of privately owned nonprofit and limited dividend low and moderate income housing projects by providing reimbursement for taxes abated up to \$450 per unit per year for up to 40 years. The abatement of taxes enables the owners to maintain the rents at an affordable level for the tenants.

L-507 agrees with the supporting documentation of the municipality.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

II. PROGRAM PROCEDURES

The municipalities receiving tax abatement grants are currently under contractual agreements for the current appropriated level. In the event any reductions are taken, rent levels will probably be increased if the municipality also reduces abatement of taxes to the recommended level.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

The auditor is not expected to test for allowability.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The municipality shall submit a Request for Tax Abatement Reimbursement (Form L-507) to DECD indicating the total assessment, assessment ratio, tax rate, total taxes and total taxes abated on the property.

Suggested Audit Procedures

- (1) Obtain copy of submitted Form L-507 and review for completeness.
- (2) Review the Grand List and Tax Rate Book to ensure that the information reported on Form

Department of Economic and Community Development
Tourism Challenge Grants
0-3500-362

I. PROGRAM OBJECTIVES

The Tourism Challenge Grant Program's primary goal is to enhance the tourism promotion efforts within the State of Connecticut by enabling applicants to create or promote attractions that will draw visitors from outside the State. A second goal, if funding is available, is to entice residents of Connecticut to visit attractions within the State.

II. PROGRAM PROCEDURES

The Tourism Challenge Grant Program is established to assist non-profit tourism entities in their efforts to promote tourist attractions and events. The proposed projects that will be considered for funding must have a definable impact on the travel and tourism industry. The direction of the program will be impacted by the Statewide Tourism Strategic Marketing Plan, available at the tourism district offices or at the Office of Tourism, Department of Economic and Community Development. Therefore, any proposed concept must support the State's overall plan as well as complement the regional tourism districts' efforts. The program is governed by the Connecticut Tourism Council and administered by the Office of Tourism, Department of Economic and Community Development.
(Section 32-300 (b)(5), CGS)

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

- (1) Costs allowed are specified in the grantee's approved financing plan and budget and project contract with DECD.
- (2) These costs include but are not limited to:
 - Media Advertising, Direct Mail
 - Promotional Pieces, Production Projects
 - Trade Shows/Exhibits, Public Relations
 - Research Programs and Studies
 - Expansion of Existing Programs, Internet

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's contract and financing plan and budget.

- (2) Test expenditures and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

- (1) A matching formula of 1-1 is required. Grant awards must either be matched entirely or returned.
- (2) State and/or Federal funds cannot be used as matching funds. Twenty percent (20%) of matching funds can be in-kind services. Organizations cannot use materials or staff funded by state tax dollars for their in-kind services.
- (3) Eligible matching funds can be direct grants, monies raised through memberships, sale of promotional items, fund drives and net profits.

Suggested Audit Procedures

- (1) Determine the total expenditures by fund source of the program.
- (2) Examine revenue and expenditures to determine that appropriate matching of funds have been provided by the grantee.

D. Special Reporting Requirements

Compliance Requirements

The grantee shall provide reports as required under the grantee's contract.

Suggested Audit Procedures

- (1) Review the grantee's contract for reporting requirements.
- (2) Obtain copies of submitted documents and review for completeness and submission by required dates.
- (3) Trace data in selected reports to supporting documentation.

E. Special Test and Provisions

- (1) There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Urban Action Bonds
3795-3500-000

II. PROGRAM OBJECTIVES

The objectives of the Urban Action Bonds program are to redirect, improve, and expand state activities that promote community conservation and development and improve the quality of life for urban residents of the state.

(Section 4-66c, CGS)

II. PROGRAM PROCEDURES

The state contracts with and provides bond funds to municipalities for economic development projects such as the construction or rehabilitation of commercial, industrial, and mixed use structures; and the construction, reconstruction, or repair of roads, access ways and other site improvements, or such other activities approved by the Department of Economic and Community Development (“DECD”).

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed are specified in the grantee’s Assistance Agreement with the DECD.

(Section 4-66c, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee’s Assistance Agreement to determine the allowed costs.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The amount of grantee participation, if any, is determined by project.

(Section 4-66c, CGS)

Suggested Audit Procedures

- (1) Review the grantee’s approved financing plan and budget and determine the amount of grantee participation in the project, if any.
- (2) If applicable, examine the grantee’s records and determine that it has complied with the necessary participation requirements.

D. Special Reporting Requirements

Compliance Requirements

- (1) Reports may be required under the grantee’s Assistance Agreement.
- (2) All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether reports are required. If required:
 - Obtain copies of reports and review for completeness and submission by required dates.
 - Trace data in selected reports to supporting documents.
- (2) Obtain reconciliation of expenditures by contract.
 - Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
 - Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Urban Homesteading
1801-3500-012

I. PROGRAM OBJECTIVES

To provide home-ownership opportunities to low and moderate income persons, and to return to use as decent, safe, and sanitary housing, vacant, abandoned, and deteriorating residential properties.

II. PROGRAM PROCEDURES

The program contracts with urban homesteading agencies for services related to providing low interest loans to urban homesteaders for the purchase and rehabilitation of, or construction on, urban homestead property. The urban homesteading agency shall select from among applicants for urban homestead program property those applicants who in the determination of the agency can acquire the necessary financial and technical resources to rehabilitate or construct, own and manage urban homestead program property. Such property shall be offered to qualified applicants in accordance with specific priorities.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Loans and grants shall be made from the Urban Homesteading Fund for the purchase, rehabilitation of, or construction on, eligible urban homesteading properties. Eligible costs are acquisition, rehabilitation, or construction costs determined eligible and approved by the Commissioner of Economic and Community Development.

(Section 8-169w, CGS)

Suggested Audit Procedures

- (1) Review the Grant Award to determine the costs allowed under the program.
- (2) Test financial records and reports by examining supporting information to determine whether costs are allowed under the Grant Award.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Agencies are required to submit monthly status reports and quarterly financial statements to the Department of Economic and Community Development (“DECD”).

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

GUIDE FOR PROCUREMENT OF AUDIT SERVICES

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A. INTRODUCTION

No matter the size of your organization, an effective audit can improve management operations and yield significant dollar savings. It can also help avoid wasting your organization's scarce resources on a substandard audit. This guide can help get the most for your money. An audit:

Verifies financial transactions and determines whether funds were expended according to applicable laws, regulations and procedures.

Provides DECD management with more timely reporting by recipients and IPAs of noncompliance with Laws and Regulations.

Provides the DECD and grantee management with objective appraisals of financial accounting systems and administrative controls; and

Determines reliability of financial records and reports.

A U.S. General Accounting Office (GAO) report showed that entities with ineffective audit procurement systems stood a 46 percent chance of receiving a substandard audit; that figure dropped to 17 percent for entities that followed systematic audit procurement practices.

This guide is based on guidance developed by the GAO, the National Intergovernmental Audit Forum, the Western Intergovernmental Audit Forum, the Single Audit Information Service and the LSC Audit Guide.

B. PLANNING: AN ESSENTIAL FIRST STEP

Planning to obtain a quality audit requires time and attention. However, the resources spent on planning are likely to be rewarded by a smooth, timely and less expensive audit.

Determining the specific audit requirements. To find out your audit requirements – a sometimes difficult task – your organization may want to seek the assistance of knowledgeable persons. An audit committee composed of people with backgrounds in accounting, auditing, finance or management ideally provides this assistance. Grantees without audit committees may want to seek the assistance of DECD or other DECD recipients.

Identifying the attributes necessary in an auditor. We suggest that the personnel doing the audit have experience with audits of other DECD funded recipients or similar entities. Moreover, they must comply with applicable Government Auditing Standards requirements for peer review and continuing professional education.

Deciding how to evaluate prospective audit firms. Developing a systematic procedure for evaluating firms' qualifications is essential. Although price is important, technical qualifications should be a critical measure in selecting an auditor.

Reviewing legal requirements. Review applicable laws, regulations and grant conditions to ensure that the procurement process and the audit meet legal requirements.

Considering a multiyear agreement. The first year of an audit engagement usually involves significant start-up costs for an auditor because of the time needed to learn about an organization and its internal control structure. After completing this groundwork, the auditor usually can work at less cost in the succeeding years. A multiyear agreement has a dual advantage: it enables an auditor to propose a price that considers the savings to be realized in subsequent years and saves your organization the costs associated with repeating the selection process. However, contracts or engagement letters should also contain an escape clause that would allow, without significant penalty, modification or cancellation made necessary by changes in the law.

Evaluating the auditor rotation option. Some people argue that changing auditors at the end of a multiyear contract infuses the audit process with fresh views and new perspectives. Others contend that these benefits can be achieved through internal rotation of audit staff and that maintaining a long-term, ongoing relationship with a particular auditor is more advantageous. A long-term relationship with a firm, however, will not necessarily enable your organization to seek out and take advantage of lower priced audits. Carefully consider the advantages and disadvantages of auditor rotation before setting a policy.

Establish a work schedule. Develop a schedule that sets dates for achieving certain milestones in the audit process. The only way to ensure the timely preparation and issuance of financial statements and related reports is to develop and follow such a schedule.

All these suggestions – especially creating and using an audit committee – can help a small entity achieve a quality audit. Even the smallest organization can appoint a two or three-person audit committee that understands what is to be audited and how the audit should be done.

C. COMPETITION AND SOLICITATION: COMMUNICATING AUDIT REQUIREMENTS

Full and open competition is basic to funds oversight and responsibility. Encouraging as many qualified audit firms as possible to submit audit proposals increases the likelihood of receiving a quality audit at a fair price. The next step, then, is to express your audit needs to potential bidders. This step is critical because bidders who do not clearly understand exactly what services are wanted might not respond.

Solicitation. There are many ways to solicit bids for audits, but the most reliable method – and the one we suggest – is a written request for proposal, or RFP. RFPs should be clearly written; setting forth all terms, conditions and evaluation criteria and the scope of the work required.

All potential bidders must understand the requirements of the audit and environment of your organization. Using your audit committee's advice when writing an RFP is a good idea. Committee members should have a clear understanding of both the audit function and what your organization requires of the audit.

The RFP must be sufficiently distributed and publicized to ensure open competition. Consider compiling a list of potential auditors from general and professional directories and from experiences with audit firms. The Connecticut Society of CPAs, State Board of Accountancy and other DECD funded recipients are excellent sources of potential auditors.

Connecticut Society of CPAs
179 Allyn St., Suite 201
Hartford, CT 06103-1491
(860) 525-1153

State Board of Accountancy
30 Trinity Street
Hartford, CT 06106
(860) 509-6179

It is important to design technical and cost proposal instructions that enable consistent evaluation of proposals using applied evaluation criteria. The provisions listed below should be included in an RFP. These provisions can be adapted depending on the size of your entity.

Administrative Information

Background information on your organization
Schedule of funds received and expended by project or grant and Grantor agency
Description and magnitude of your accounting records
Description of your computer system (if applicable)
Fiscal period to be audited
Term of contract engagement
Availability of prior audit reports and working papers

Time Requirements

Date records would be ready for audit
Deadlines for completing interim phases, such as fieldwork and draft report preparation
Contract award date
Final report due date
Working paper retention requirements
Requirements for making work papers available to DECD and other grantors

Work and Reporting Requirements

Auditing standards to be followed
Extent of assistance your organizations will provide the auditor
Specific scope of audit work to be done
Number and types of reports required
Exit conference requirements
Specific audit guide or program to be followed
Additional audit requirements under DECD Compliance Supplement
Minimum audit requirements under applicable laws, such as the Federal and State Single Audit Acts

Proposal Information

Evaluation criteria against which the proposal will be judged
Your right to reject the proposal

Contractual Information

Recourse in case of poor quality work
Equal employment opportunity clause
Termination of contract provisions
Administrative and/or legal remedies for contract violations

Bidders' Conference. Although your organization will have been as thorough as possible in preparing your RFP, some information that prospective bidders will find useful may be overlooked. One effective way of communicating additional information to bidders is a

bidders' conference. At a bidders' conference, additional information is provided and prospective bidders can ask any unanswered questions. Letters and individual conversations could serve the same purposes; however, bringing all bidders together simultaneously to hear the same information is efficient and helps ensure all bidders are treated equally.

Small Entities

Obtaining an extensive list of potential bidders may be difficult for small entities in rural areas. Soliciting lists from the state society of CPAs, other larger DECD funded recipients and from CPAs in your region that have experience with similar entities is often helpful. Furthermore, preparing a detailed RFP for a small engagement may be economically impractical. Abbreviated RFPs, designed for small engagements, can be designed through tailoring to meet individual needs. At a minimum, such RFPs should clearly define the work including the reports and opinions required.

D. TECHNICAL EVALUATION

Methods for evaluating the technical merit of each audit firms' proposal should be developed. These should include the evaluation criteria and their importance in choosing the audit firm best able to do the audit. The following are some critical factors for evaluating audit proposals:

Responsiveness of the proposal as demonstrated by the necessity and adequacy of proposed procedures, reasonableness of time estimates and timeliness of expected completion and appropriateness of assigned staff levels;

Qualifications of staff who will be assigned to the engagement;

Size and location of the firm;

The range of activities performed by the firm;

The firm's participation in training and continuing professional education in auditing organizations and programs receiving state and federal funds;

A description of the firm's quality control procedures;

Results of internal and external quality control reviews of the firm;

Time frames for the field work;

The firm's data processing capabilities;

The amount of assistance the firm expects from your organization;

Whether the firm is licensed to practice in the state; and

Assurance that the firm's staff meets the independence standards outlined in *Government Auditing Standards*.

E. WRITTEN AGREEMENT: DOCUMENTING EXPECTATIONS

The lack of a written agreement between your organization and the audit firm can contribute to substandard audits by public accountants. To foster sound and productive communication and to avoid misunderstandings, both parties should agree in writing on important audit-related matters. Make clear at the start – before bidders spend time assessing the nature of the job and estimating its costs – that your organization expects to sign a formal document as the culmination of the proposal process. Audit firms unwilling to commit to signing such a document are better avoided. Appendix C of this Audit Guide provides a Sample Audit Agreement.

What to Include in a Written Agreement

When using an RFP, the written agreement should incorporate by reference the terms of the RFP and those of the successful bidder's last proposal. The written agreement will then clearly specify the:

Audit Scope, objective and purpose;

Deadlines for work to be done;

Audit Cost;

Report format;

Type and timing of support by your organization to the auditor;

Professional auditing standards to be followed in performing the audit; and

Reference to the DECD Audit Guide

Furthermore, the agreement should make the following points about the auditor/entity relationship, changes in the kind or amount of work required, and access to and ownership of audit products.

The relationship of the auditing firm to your organization is that of independent contractor.

At any time, your organization may, by written notice, make changes in or additions to work or services within the general scope of the agreement. If such changes are made, an equitable adjustment will be made in the cost of the audit using the rates specified in the agreement.

If the contractor believes that a change in or addition to work is beyond the general scope of the agreement, it must notify your organization in writing within a specified time and before beginning that work. The agreement should state where the final administrative authority rests in deciding disputes.

The work papers prepared by the contracting auditor during the audit are its own property. These documents should be retained for the period designated in the DECD Audit Guide and available to authorized representatives of your organization and DECD upon request. All reports by the contracting auditor to your organization are the exclusive property of your organization and subject to its use and controls, according to applicable laws and regulations.

Small Entities

Without an RFP, many small engagements are documented with an engagement letter. The engagement letter is typically prepared by the CPA and protects the CPA more than the entity being audited. If your organization decides to use an engagement letter as the written agreement, the letter must reference that the audit was performed in accordance with the DECD Audit Guide. Contracts or engagement letters should also contain an escape clause

that would allow, without significant penalty, modification or cancellation made necessary by changes in the law.

F. ENGAGEMENT CONTRACT MANAGEMENT: ENSURING A QUALITY AUDIT

Because of the needs and expectations of third-party financial statement users, the audit must meet the requirements of the DECD Audit Guide, State Single Audit, and OMB Circular A-133, as applicable. Therefore, prudent management of the audit engagement is crucial. Monitoring the progress of the audit is the most effective way to ensure that your organization receives the type and quality of audit services specified in the written agreement. This is a role that your audit committee can carry out most effectively. The committee can evaluate the audit while it is taking place, addressing and resolving problems before the audit is completed. It can also review audit results and assist in post-audit quality evaluation. Thus, not only does the audit product improve but the working relationship with the auditor is enhanced.

Monitoring is especially beneficial during the first year of a new auditor's contract and during the audit of a particular unit or segment(s) of your organization that is unique or complex. Furthermore, monitoring is beneficial throughout the term of a multiyear contract: It provides status reports and helps coordinate the auditing firm's activities with the audit's requirements. Monitoring can be accomplished through conferences between the auditor and key auditee staff once the contract is awarded, at the completion of audit fieldwork, and at the conclusion of audit fieldwork. Meeting after the completion of the audit to discuss the draft report can help ensure a clear understanding of the report and its findings. While the responsibility for a quality audit rests ultimately with the auditor, monitoring the work being done as a quality assurance measure is a good idea.

Small Entities

Few small organizations have the resources to thoroughly monitor the work of an auditor. When audit committee members are unavailable within an organization, composing a committee of volunteers outside the organization may be the answer.

G. USE OF SMALL AND MINORITY FIRMS

DECD Contracts and OMB Circular A-133 contain policies and standards concerning procurement of audit services from small and minority firms.

The standards are based on several fundamental principles when using public funds to obtain goods and services, including:

1. All offers of services should be accorded equal treatment. There should be no favoritism granted to any firm and the relationship, to the maximum extent possible, should be "arms-length."
2. To the maximum extent possible, recipients of public funds should use free and open competition to provide the necessary services.
3. The relationship between the parties (auditee and auditor) provides rights and remedies. If either party fails to uphold its responsibilities or is forced to do more than is expected under the contract document, legal remedies are available.

H. DECD ASSISTANCE

Use of the procedures recommended in this document should result in a more effective and useful audit. Please direct questions about audit services procurement to the Audit and Asset Management Division at (860) 270-8210, (860) 270-8209 or (860) 270-8202.

SAMPLE REQUEST FOR AUDIT PROPOSAL NOTIFICATION

**"Organization"
Request For Proposal
Financial and Compliance Auditing Services For The
Period of July 1, 1996 To June 30, 1997 And Options For The Two
Ensuing Fiscal Years**

Scope of Audit

Audit to include HUD Section 8 Voucher and Certificate programs, State-Assisted Elderly Housing (E-00), Rental Assistance Program (for E-00) and other related Housing Authority programs. There are 40 vouchers, 100 certificates, 1 rental assistance program for 60 tenants, a \$300,000 operating budget for an elderly housing operation, and one(1) Rehabilitation Grant (HR-4) for \$84,000.00.

Audit must be performed in accordance with the *Consolidated Audit Guide for Audits of DECD Programs*, the Federal Single Audit Act (OMB Circular A-133) and the State Single Audit Act (CGS 4-230 to 4-236).

Contact:

A. For Financial Matters

Stan Smith, Treasurer
Organization
14 Magnolia Drive
Anytown, CT 060600
Phone:

B. For Operational and Management Matters

James Jones, Executive Director
Organization
14 Magnolia Drive
Anytown, CT 06000
Phone:

Response Due Date: May 1, 1997

**Consequence of
Late Response:**

Proposal may not be acted upon if received past the due date. This decision rests with the "Organization"

Contract Period:

One-year audit services are being solicited commencing with the July 1, 1996 to June 30, 1997 fiscal year and a two year option period for fiscal years ended June 30, 1998 and June 30, 1999.

Delivery of Response:

Responses will be accepted in the Office of the Executive Director, Organization
14 Magnolia Drive
Anytown, CT 06000. The price quotation should be included in this

sealed envelope.

**Qualifications
Of Auditor:**

Auditors must meet the independence standards of the Government Auditing Standards issued by the Comptroller General of the United States and must have experience with the Federal and State Single Audit Acts and with conducting audits of local housing authorities in Connecticut. Auditors must be familiar with HUD and State Department of Economic and Community Development accounting manuals and regulations.

**Contractual
Arrangements:**

Issues pertaining to billing, payment, cancellation, multi-year provisions, etc. will be established in accordance with Department of Economic and Community Development and HUD guidelines.

**Selection of
Auditor:**

Proposals will likely be scored based upon responsiveness, technical experience, qualification of the staff, size and structure of the firm and the cost of the audit. An interview will be conducted for the finalists being considered.

Other:

Since this audit will be comprised of both State and Federal programs, the (Organization) will make available to bidders, upon request, the *Consolidated Audit Guide for Audits of DECD Programs*.

SAMPLE AUDIT AGREEMENT

1. This Agreement, between (the Organization) and (the Contractor), shall be effective as of the date of execution below.
2. The Contractor will audit the financial records, accounts and statements of (the Organization) as of _____ and for the year ended _____. All programs to be audited are as contained in Exhibit A which is attached to and is a part of this contract.
3. The audit will be conducted in accordance with generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Consolidated Audit Guide for Audits of DECD Programs ("DECD Audit Guide"). In addition, if applicable, the audit will be conducted in accordance with the State Single Audit Act (CGS 4-230 to 4-236) and/or the Federal Single Audit Act, Office of Management and Budget (OMB) Circular A-133.
4. The audit will include tests of the accounting records and such other audit procedures as necessary to express an independent opinion on the financial statements and Reports on Compliance with Laws and Regulations and the Internal Control Structure.
5. The Contractor will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Under the concept of reasonable assurance, the Contractor will exercise its judgement about the number of transactions to be examined and the areas to be tested. There is, therefore, a risk that material errors, irregularities or illegal acts, including fraud or defalcations, may exist and not be detected. The Contractor will, however, advise immediately the DECD of any such matters that come to its attention. The Contractor's responsibility is limited to the period covered by the audit and does not extend to matters that might arise during any later periods.
6. The Contractor, as part of the engagement, will request written representations from (the Organization) attorneys. Prior to the conclusion of the audit, the Contractor will also request certain written representations from (the Organization) management about the financial statements and related matters. It is understood that these financial statements are the responsibility of management. This responsibility includes the maintenance of adequate records and related internal control structure policies and procedures, the selection and application of accounting principles, and the safeguarding of assets. The Contractor will advise management about the appropriate accounting principles and their application, and will assist in the preparation of the financial statements, if necessary.
7. The Contractor understands that it has the responsibility:
 - a. to prepare the audit reports in accordance with the requirements of Government Auditing Standards, the DECD Audit Guide (and the State Single Audit Act (CGS 4-230 to 4-236) and/or the Federal Single Audit Act (OMB Circular A-133) as applicable); and
 - b. to notify DECD within five (5) business days of its termination or cessation of services to the (organization).
1. If the Contractor ascertains that the (organization's) books and records are not in a sufficiently satisfactory condition for performing an audit, the Contractor shall disclose this deficiency to the (organization). If the (organization) cannot get its books ready for an audit

within 15 days, then the Contractor should notify the DECD. Notification to the DECD shall be by written communication addressed to the Executive Director, DECD Audit Division, 505 Hudson Street, Hartford, Connecticut 06106. The Contractor shall await further instructions from the DECD before continuing the audit.

2. Entrance and exit conferences will be held with the (the Organization) management, and the Contractor' representatives.
3. (The Organization) management responses to draft audit reports will be delivered to the Contractor for inclusion in the final reports, where practical.
4. The contractor will deliver to the (the Organization):
 - a. Two copies of the draft audit reports no later than _____.
 - b. The original and XX copies of the financial audit reports no later than 180 days after the audited year end.
 - c. If a state single audit and/or Federal Single Audit is required, copies of the report must be distributed to the agencies as indicated in the respective laws and regulations within the time frames imposed by such Acts.
1. In consideration for the satisfactory performance of the audit, the Contractor will receive \$XXXXX, paid as follows: _____
2. The Contractor will immediately notify the (Organization) of any significant and/or reportable conditions noted during the course of the audit.
3. Audit working papers will be prepared in accordance with Government Auditing Standards, and will be retained by the Contractor for at least three (3) years from the date of the final audit report. The working papers will be available for examination upon request by authorized representatives of DECD, (and the Comptroller General of the United States and the State of Connecticut Office of Policy and Management if a Federal and/or State Single Audit are performed). The audit working papers will be subject to a Quality Assurance Review conducted by the DECD. DECD or its representatives shall be entitled to reproduce any or all of such documents at their expense for which provision shall be made at the time the need for reproduction arises.
4. The certifications numbered A through H are incorporated by reference and made a part of this Agreement.
5. In the event that there is a significant change in funding from the DECD and/or a change in the legal or regulatory requirements applicable to this audit, (the Organization) shall be allowed either to:
 - 1) withdraw from this engagement after paying in full for any and all services rendered by (the Contractor) prior to the date of withdrawal; or 2) seek, without penalty, a negotiated modification of this agreement which would result in the satisfaction of the new legal requirements through the services to be performed under the modified agreement.
6. The (Organization) may, at its option and through affirmative action, extend this Agreement for the two (2) option periods covering FY9X and FY9X. (The Organization) decision on whether or not to exercise the option will be made separately for each of the option years and will be predicated upon the quality of performance during the prior contract period(s), the degree of the Contractor's compliance with the contract schedule for deliverables, the availability of funds or other justifying reasons. The contracts for the option years will be

governed by the terms of this Agreement, except that due dates will be updated and the Contractor will be paid the following amounts for each of the two option periods.

Option Period 1 (_____, 199X) \$XXXXXX

Option Period 2 (_____, 199X) \$XXXXXX

- 7. The fees set by the Agreement are based upon the following assumptions: management will respond promptly to all requests for basic information and/or documentation; the books will have been posted through the year, all adjustments will have been posted; management personnel will prepare cash and other confirmations; and that year-end schedules supporting the account balances will be provided.
- 8. The Contractor will give an oral presentation of its audit report to the Board of Directors.
- 9. If circumstances arise that will require additional services and time by the Contractor, the Contractor will notify the (Organization) and obtain its agreement prior to undertaking such activities. The hourly fee for such agreed to services will be \$XX.
- 10. The terms of this Agreement may be modified only in writing, signed by duly authorized representatives of the parties.
- 11. If the parties are unable to resolve a dispute regarding the acceptability of deliverables under this agreement, the dispute will be submitted to the American Arbitration Association for resolution through binding arbitration.
- 12. This Agreement, which includes the matter specifically incorporated by reference, constitutes the entire agreement between the parties.
- 13. This Agreement has been made, and shall be construed, in accordance with the laws of the State of Connecticut.

Executed on the _____ day of (Month), (Year) for the parties by their duly authorized representatives

[Authorized Official]

[Authorized Audit Firm]

CERTIFICATIONS

- A. The individual signing certifies that he/she is authorized to contract on behalf of the Contractor and to make these certifications.
- B. The individual signing certifies that the Contractor is not involved in any agreement to pay money or other consideration for the execution of this agreement, other than to an employee of the Contractor.

- C. The individual signing certifies that the Contractor meets the independence standards of the Government Auditing Standards issued by the Comptroller General of the United States.
- D. The individual signing certifies that he/she is aware that all individuals to be assigned to the audit have met the GAO Continuing Education Requirement of 80 hours of continuing education every two years; and that 24 hours of this education have been in subjects directly related to the auditing of government grants.
- E. The individual signing certifies that he/she has read and understands the GAO requirement of an external quality control review at least once every three years.
- F. The individual signing certifies that the Contractor, and any individuals to be assigned to the audit, do not have a record of substandard audit work and have not been debarred or suspended from doing work with any Federal, state or local government. (If the Contractor or any individual assigned to the audit has been found in violation of any state or AICPA professional standards, this information must be disclosed.)
- G. The individual signing certifies that the Contractor does carry professional malpractice insurance or is otherwise adequately self-insured.
- H. The individual signing certifies that the contractor does not discriminate against any employee or applicant for employment because of race, color, religion, sex, age, national origin, disability, or any other basis prohibited by law. The contractor shall take affirmative action to insure that employees are treated during their employment, without regard to race, color, religion, sex, age, national origin, disability, or any other basis prohibited by law. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or forms of compensation; and selection for training, including apprenticeship. The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, disability or any other basis prohibited by law.

Dated this _____ day of _____, 19_____

 (Contractor's Name)

 (Signature of Contractor's Representative)

 (Printed Name and Title of Individual Signing)

EXHIBIT A

Programs to be Audited

The audit that the Contractor is to perform is to include the following programs or funds and, unless otherwise indicated will be for the period indicated in Section 2 of this Agreement.

Programs to be included:

Programs not to be included:

Appendix E

State of Connecticut
Department of Economic and Community Development

Independent Accountant’s Report on Applying Agreed-Upon Procedures for DECD Grant/Loan Projects

Date

Mr. Frank DeJesus
Director of Audit Division
State of Connecticut Department of Economic and Community Development
505 Hudson Street
Hartford, CT 06106

Dear Mr. DeJesus:

We have been requested by {name of entity} (the “Company”) to apply the agreed-upon procedures outlined in **DECD Appendix E** and enumerated in the attached draft copy of the Report on Applying Agreed-Upon Procedures. The sufficiency of the requested procedures is solely the responsibility of the specified parties of the report. Consequently, we make no representations regarding the sufficiency of the procedures for the purpose for which this report has been requested or for any other purpose.

Because the agreed-upon procedures listed in the attached draft copy of the Report on Applying Agreed-Upon Procedures do not constitute an audit, we will not express an opinion on the specified elements, accounts, or items. In addition, we have no obligation to perform any procedures beyond those listed in the attached draft copy of the Report on Applying Agreed-Upon Procedures.

This draft is furnished solely for the purpose of indicating the form of report that we would expect to issue, the matters expected to be covered in the report, and the nature of the procedures we would expect to perform. Based on our discussions with the Company, it is our understanding that the procedures listed in this draft report are those that the State of Connecticut Department of Economic and Community Development (“DECD”) expects us to perform. Unless the DECD informs us otherwise, we shall assume that there are no additional procedures it wishes us to perform. The text of the report itself will depend, of course, on the results of the procedures, which we would not expect to complete until shortly before our report is issued.

As a specified party to the report, please review the proposed procedures and acknowledge the sufficiency of the procedures by signing the enclosed copy of this letter and returning it to us. If the procedures are not considered to be sufficient, or are not in accordance with your understanding, please provide comments in the space provided below.

Very truly yours,

Managing Partner
Name of CPA Firm

RESPONSE:

The procedures listed in the proposed draft copy of the Report on Applying Agreed-Upon Procedures (**also included in DECD Appendix E**) are _____ are not _____ sufficient for purposes of the engagement.

COMMENTS: _____

Accepted by _____ Date _____
Frank DeJesus
Audit Division - DECD

**The State of Connecticut
Department of Economic and Community Development**

**Agreed Upon Procedures for
DECD Grant/Loan Projects**

1. Obtain from the grantee a Statement of Total Project Expenditures and { name of entity }'s Representation Letter about its compliance with the Assistance Agreement, Business Proposal, and its Statement of Total Project Expenditures.
2. Review the grantee's Assistance Agreement and approved Financing Plan and Budget and test 50-60% of total reported expenditures and related records (e.g., invoices, canceled checks, contracts) to ensure that costs asserted were allowed in accordance with the Assistance Agreement and the Financing Plan and Budget.

Report all Findings and Questioned Cost:

3. Physically inspect facilities and other matter as evidence that the items and services that were agreed to were performed.

Report all Findings and Questioned Cost:

4. Ascertain that all expenditures tested were made only for obligations permitted by the budget, incurred after the effective date of the budget but before the termination of the contract.

Report all Findings and Questioned Cost:

5. Determine and report a Comparative Budget to Actual Statement of Total Project Expenditures and examine receipts and disbursements to determine that the appropriate matching funds have been made by the grantee in accordance with the Assistance Agreement and the Financing Plan and Budget.

Report all Findings and Questioned Cost:

6. Review Assistance Agreement and obtain copies of submitted financial statements and reports and review for completeness and submission by required dates. Trace data in selected reports to supporting documentation.

Report all Findings:

SAMPLE REPORT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of {name of entity}
and the State of Connecticut Department of
Economic and Community Development

We have performed the procedures enumerated below, which were agreed to by {name of entity} and the State of Connecticut Department of Economic and Community Development (the specified users), solely to assist the users in evaluating management's assertion about {name of entity}'s compliance with the Manufacturing Assistance Act Assistance Agreement dated {date} and the Project Financing Plan and Budget for the period {contract period}. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

{Enumerate the following procedures and include findings.}

1. Obtain from the grantee a Statement of Total Project Expenditures and {name of entity}'s Representation Letter about its compliance with the Assistance Agreement, business proposal and its Statement of Total Project Expenditures.
2. Review the grantee's Assistance Agreement and approved Financing Plan and Budget and test 50-60% of total reported expenditures and related records (e.g., invoices, canceled checks, contracts) to ensure that costs asserted were allowed in accordance with the Assistance Agreement and the Financing Plan and Budget.

{Report all Findings and Questioned Cost:}

3. Physically inspect facilities and other matter as evidence that the items and services that were agreed to were performed.

{Report all Findings and Questioned Cost:}

4. Ascertain that all expenditures tested were made only for obligations permitted by the budget, incurred after the effective date of the budget but before the termination of the contract.

{Report all Findings and Questioned Cost:}

5. Determine and report a Comparative Budget to Actual Statement of Total Project Expenditures and examine receipts and disbursements to determine that the appropriate matching funds have been made by the grantee in accordance with the Assistance Agreement and the Financing Plan and Budget.

{Report all Findings and Questioned Cost:}

6. Review Assistance Agreement and obtain copies of submitted statements and reports and review for completeness and submission by required dates. Trace data in selected reports to supporting documentation.

{Report all Findings:}

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of {list or refer to specified users} and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Manual or Printed Signature of Accountant's Firm
{Date of Completion}

State of Connecticut
 Department of Economic and Community Development

**JOB RETENTION AND CREATION AUDIT PROCEDURES FOR USE BY
 INDEPENDENT PUBLIC ACCOUNTANTS (effective 10/1/00)**

Audit Planning – Procedures to be performed at DECD or Client’s Office

	Done By	W/P Ref.
1. Review DECD Assistance Agreement and Business Proposal for conditions related to the determination of the number of full-time and/or part-time employment positions to be created and/or retained, the dates required achieving those positions, and the penalties related to not achieving such positions.		
2. Have Company fill out <i>Job Evaluation Form (DECD Sample Form B)</i> for period specified in Assistance Agreement when jobs were to be created and/or retained by or for earlier period if jobs met prior to the end date specified in the Assistance Agreement.		
3. If Independent Contractors and Subcontracted Employees are authorized to be included in the employee job totals, have Client fill out the <i>Job Evaluation Form – Subcontracted Employees (DECD Sample Form B-1)</i> and obtain <i>Subcontracted Employee Reporting Form (DECD Sample Form B-2)</i> for the period specified in Assistance Agreement when jobs were to be created and/or retained by or for earlier period if jobs met prior to the end date specified in the Assistance Agreement. Perform audit procedures using the <i>Audit Procedures for Testing Independent Contractors and Subcontracted Employees (DECD Sample Form D)</i> .		
4. Obtain listing of all employees from start of employment period being tested through the end of the period being tested (Usually 90 day period prior to job creation end date. The period reported by client in the <i>Job Audit Evaluation Form.</i>) (The Employee List). The Employee List may be provided by the client along with the <i>Job Evaluation Form</i> or may have to be obtained at the client’s location. The Company in lieu of a separately prepared employee listing may utilize the Payroll Register or DOL Form UC-5 depending on the number of employees involved.		

Audit Procedures to be performed at Client's Office

5. Compare the monthly total number of employees reported by the Company on the *Job Evaluation Form (DECD Sample Form B)* with the number of employees listed on the Company's Payroll Register and Department of Labor (DOL) Form UC-2/5A. Verify that the total number of employees listed on the Payroll Register and UC-2/5A were equal to or greater than the total number of employees reported on the *Job Evaluation Form*.

6. Reconcile the number of full-time and/or part-time employees reported on the *Job Evaluation Form* with the employees included on the payroll register/journal. Verify accuracy of *Job Evaluation Form*. Investigate discrepancies.

7. Interview appropriate client personnel (usually personnel and payroll staff) to obtain an understanding of the personnel and payroll process. Document process from initiation of signed W-4, use and approval of time cards/sheets, recording payroll expense in Cash Disbursements Journal and Payroll Register/Journal, recording in the employee earnings records, recording and submitting information to DOL on Form UC-2 and UC-5A and issuing Form W-2s.

8. Using the Employee List, randomly select a sample of full-time and/or part-time employees for further testing of employment data using the *Job Audit Employee Payroll Test* workpaper (**DECD Sample Form C**). For the employees selected, examine documentation to determine that the positions met the requirements under the terms of the Assistance Agreement to be classified as full-time (usually an employee working a minimum of 35-40 hrs. per week for a minimum of 12 consecutive weeks) and/or part-time. (Employment count determined by terms of Assistance Agreement)
 - Obtain payroll registers for the payroll periods to be examined (Select at least one payroll period in the first month and last month of the periods being tested).
 - Trace employee name, social security number, pay rate and classification, if necessary, from the payroll register to personnel records, including Form W-4. This documentation will be reviewed to determine that the existing employment record information is accurate (date of employment, termination, etc.)
 - Trace hours worked on time cards or time sheets to the payroll register to determine if full-time employee criteria met (if required by Assistance Agreement-for hourly employees only).
 - Trace employee name to DOL Form UC-2/UC-5A or B for three months tested.

9. If required by Assistance Agreement to create jobs for a certain time frame, obtain listing of all new hires for the specified time period. (Effective 1/1/95, all employers are required to report all new hires (With W-4) to the Department of Labor).
- Trace new hires to payroll register for selected periods.
10. If discrepancies are found with any of the procedures tested, inquire of management the reasons for such and consider the need to apply one or more additional procedures. There may be a need to test additional pay periods or additional employees if employee failed to work at least 35-40 hours or other required criteria wasn't met. (A full-time hourly employee may not work 35-40 hours every week due to time taken off with or without pay. If necessary, select additional payroll periods to determine that employee met full-time employee status as specified in Agreement.)
11. Complete job audit and conduct exit interview with Company discussing results of onsite audit. Complete *Agreed-Upon Procedures Job Audit Report (DECD Sample Form A)*.

SAMPLE AGREED-UPON PROCEDURES JOB AUDIT REPORT

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of {name of entity}
And the State of Connecticut Department of
Economic and Community Development

We have performed the procedures enumerated below, which were agreed to by the State of Connecticut Department of Economic and Community Development (DECD) under the Job Creation and Retention provisions of the Financial Assistance Agreement (Agreement) dated {date} and the Job Audit Procedures and Reporting Format as prescribed by the DECD (Appendix F of the DECD Audit Guide). These procedures were performed solely to assist DECD in evaluating the compliance with the terms of the Agreement with (*The Company*). This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

BACKGROUND INFORMATION

Provide a brief description of the information outlined in the Business Proposal and Assistance Agreement.

Example: (*The Company*) operates a manufacturing facility in XYZ, Connecticut. It has entered into an agreement with the State of Connecticut DECD to maintain a five-year average employment of 500 full time employees. The total financial assistance package consisted of a \$600,000 Manufactures Assistance Act (MAA) grant and a \$400,000 MAA loan. Under the terms of the Agreement, if certain employment levels are not maintained by (*The Company*), part of the grant/loan proceeds must be repaid in accordance with the formula outlined in Section () of the Agreement. Conversely, in accordance with Article (), Section () of the Agreement, if at least 500 employment positions are maintained by (*Date*), the principal of the loan shall be deemed to equal zero.

AGREED UPON PROCEDURES

The procedures performed were as follows:

1. We obtained the following documents from DECD and the management of (*The Company*):
 - Assistance Agreement and Business Proposal between DECD and (*The Company*).
 - Listing of all employees from the start of the project (*beginning date*) to the end of the project (*end date*) (the List).
2. We reviewed the DECD Assistance Agreement for the conditions related to the determination of full-time employment positions.
3. Using the List, we randomly selected (*number of employees tested*) employees for further testing of the employment data. For each selected employee, we obtained the employment records and examined evidence supporting the existence of the employee (signed W-4 or other documentation), and

determined that the employment information contained on the List (date of employment, and termination, assignment to new facility, etc.) was accurate.

{Report all Findings or indicate “We found no exceptions as a result of the procedures”.}

4. For the (*number of employees*) selected above, we examined documentation to determine that the positions met the requirements under the Agreement to be classified as full-time (usually full-time employees that work an average of 35-40 hours per week for at least 12 consecutive weeks prior to the end date specified in the Assistance Agreement).

{Report all Findings or indicate “We found no exceptions as a result of the procedures”.}

5. Using the *Job Evaluation Form* provided by the Company, we reconciled the number of employees listed to the Payroll Register for the periods tested and have reported the total number of full-time and/or part-time employees on Schedule 1. We have made a determination that the requirements as stipulated in the Assistance Agreement regarding employment levels (have or have not) been met. We have calculated the following amount to be repaid to DECD in accordance with the formula outlined in Section () of the Assistance Agreement. See attached Schedule 1.

{Report all Findings or indicate “We found no exceptions as a result of the procedures”.}

6. If necessary, we inquired of Company management as to why the employment level reported was less than the amount to be created and retained.

{Report all Findings}

CONCLUSION

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying employment records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the State of Connecticut DECD, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Manual or Printed Signature of Accountant’s Firm
{Date of Completion}

**Department of Economic and Community Development
Agreed-Upon Procedures – (*The Company*)
Schedule of Employment Positions**

1. Number of Full-Time and/or Part-Time Positions (depending on terms of the Assistance Agreement)

Month/Year - ____ Month/Year - ____ Month/Year - ____
Month/Year - ____ Month/Year - ____ Month/Year - ____
Month/Year - ____ Month/Year - ____ Month/Year - ____
Month/Year - ____ Month/Year - ____ Month/Year - ____

Expand form to include calculation of repayment, if necessary.

2. Calculation of Penalty for failing to meet job retention/creation terms.

DECD Sample Form B

State of Connecticut – Department of
Economic and Community
Development

JOB EVALUATION FORM

Date: _____

DECD Loan: \$ _____

DECD Grant: \$ _____

Company: _____

Address: _____

Contact: _____

Phone: _____

Jobs Retained: _____

Jobs Created: _____

Total: _____

JOB CREATION TIMEFRAME:

Start Date: _____ End Date: _____

Full Time Positions at _____ = _____

	Year	Full-Time Jobs Retained at Month End	Part-Time Jobs Retained at Month End	Total Jobs Retained
JANUARY				
FEBRUARY				
MARCH				

	Year	Full-Time Jobs Retained at Month End	Part-Time Jobs Retained at Month End	Total Jobs Retained
APRIL				
MAY				
JUNE				

	Year	Full-Time Jobs Retained at Month End	Part-Time Jobs Retained at Month End	Total Jobs Retained
JULY				
AUGUST				
SEPTEMBER				

	Year	Full-Time Jobs Retained at Month End	Part-Time Jobs Retained at Month End	Total Jobs Retained
OCTOBER				
NOVEMBER				
DECEMBER				

ATTESTED TO:

SIGNATURE: _____

TITLE: _____

DATE: _____

DECD Sample Form B-1

State of Connecticut
 Department of Economic and Community Development

**JOB EVALUATION FORM -
 SUBCONTRACTED EMPLOYEES**

Client _____ Number of Jobs to be Retained: _____
 Address _____ Number of Jobs to be Created: _____
 _____ Total Jobs Created and Retained: _____
 _____ Date Employment Obligation to be met: _____

Contact: _____
 Phone: _____

Month	Year	Total Full-Time Qualified Client Employees	Qualified Independent Contractors of Client	# of Subcontracted Employees			
				Company 1	Company 2	Others	Totals
Jan							
Feb							
Mar							
Apr							
May							
June							
July							
Aug							
Sept							
Oct							
Nov							
Dec							
Totals							
Average							

I hereby certify that the number of full-time qualified employees listed on this form are paid within the State of Connecticut, provided majority of their services to their Client in the CT facility, and worked an average of at least 35-40 hours per week for at least 12 consecutive weeks.

Certified By:
 Signature: _____
 Title: _____
 Date: _____

State of Connecticut
 Department of Economic and Community Development

**SUBCONTRACTED EMPLOYEE
 REPORTING FORM**

(To be provide by Subcontractor Company providing employees to Client)

Company Name: _____

Address: _____

State: _____

Contact: _____

Phone: _____

Month	Year	Total Full-Time Qualified Employees providing services to Client	Employee Name	Social Security Number
Jan				
Feb				
Mar				
Apr				
May				
June				
July				
Aug				
Sept				
Oct				
Nov				
Dec				
Totals				
Average				

I hereby certify that the employees listed on this form or attached form(s) are paid within the State of Connecticut, provided a majority of their services to the client in CT, and worked an average of at least 35-40 hours per week for at least 12 consecutive weeks.

Certified By:

Signature: _____

Title: _____

Date: _____

State of Connecticut
Department of Economic and Community Development

**AUDIT PROCEDURES FOR TESTING INDEPENDENT CONTRACTORS
AND SUBCONTRACTED EMPLOYEES USED TO DETERMINE TOTAL
EMPLOYEES (Effective 10/1/00)**

- All Independent Contractors working for and paid directly by the Client and Subcontractors working for and paid by a company other than the Client (the Company that entered into an Assistance Agreement with the State) that are paid within this state and that work an average of at least 35-40 hours per week for at least 12 consecutive weeks.
- All subcontracted employees must have provided services to the Client.

Audit Procedures for Independent Contractors of Client:

1. Obtain IRS Form 1096 “Annual Summary and Transmittal of US Information Returns” from the Client and determine the total number of IRS Form 1099’s issued by Client.
2. Compare total number of Independent Contractors listed on *Job Evaluation Form – Subcontracted Employees (DECD Sample Form B-1)* with total number of Independent Contractors (IRS Form 1099s) reported on IRS Form 1096.
3. For selected independent contractors, examine supporting documentation (i.e. invoices, statements, time sheets, etc.) to determine if independent contractor worked an average of at least 35-40 hours per week for at least 12 consecutive weeks for the Client.

Audit Procedures for Subcontractors hired by Client:

1. Obtain subcontractor agreements entered into with Client pertaining to the Total Number of Subcontracted Employees reported on the *Job Evaluation Form – Subcontracted Employees*.
2. For subcontracted employees, obtain listing of names and social security numbers for employees working at or providing services to Client. Have Subcontractor Company certify that employees worked in the State of Connecticut or provided majority of services to the Client in the State of Connecticut by filling out the *Subcontracted Employee Reporting Form (DECD Sample Form B-2)*.
3. Compare total number of subcontracted employees reported on *Job Evaluation Form – Subcontracted Employees* with the information provided by subcontractor on the *Subcontracted Employee Reporting Form* to reconcile the number of subcontracted employees that are providing services to the Client.
4. For each subcontractor, randomly select at least 5 employees and examine supporting documentation (i.e. payroll register, individual earnings card, time sheets, check stubs, invoices, statements, etc.) to determine if subcontracted employee worked an average of at least 35-40 hours per week for at least 12 consecutive weeks providing services to Client.
5. Determine that the total number of subcontracted employees do not exceed the ratio of qualified subcontracted employees to qualified employees outlined in the client’s proposal letter dated _____.