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shall submit, in accordance with section 11-4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to judiciary and appropriations and the budgets of state agencies a report that describes the level of transportation services provided, and the cost of providing such services, before and after the proposed consolidation.

Sec. 43. (*Effective from passage*) The Commissioner of Correction and the Board of Trustees of Charter Oak State College shall, within available appropriations, enter into a memorandum of understanding, on or before November 1, 2009, for the purpose of implementing an online learning program for inmates, which shall focus on completion of high school credit requirements, preparation for the General Educational Development test and Adult High School Credit Diploma Program courses. On or before January 1, 2010, and quarterly thereafter until June 30, 2011, said commissioner and board of trustees shall submit progress and statistical reports on the program to the joint standing committees of the General Assembly having cognizance of matters relating to judiciary and appropriations and the budgets of state agencies, which shall include recommendations for expansion of the program to additional correctional facilities as appropriate.

Sec. 44. Section 4-230 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

As used in sections 4-230 to 4-236, inclusive, as amended by this act:

(1) "Cognizant agency" means a state agency which is assigned by the secretary the responsibility for implementing the requirements of sections 4-230 to 4-236, inclusive, as amended by this act;

(2) "Secretary" means the Secretary of the Office of Policy and Management;

(3) "State financial assistance" means assistance that a nonstate

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entity receives or administers which is provided by a state agency or pass-through entity in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance or direct appropriations, but does not include direct state cash assistance to individuals or payments to a vendor;

(4) "State agency" means any department, board, commission, institution or other agency of the state;

(5) "Generally accepted accounting principles" has the meaning specified in the generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA);

(6) "Generally accepted government auditing standards" (GAGAS) means the generally accepted government auditing standards issued by the Comptroller General of the United States that are applicable to financial audits;

(7) "Independent auditor" means a public accountant who is licensed to practice in the state and meets the independence standards included in generally accepted government auditing standards;

(8) "Internal controls" means a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in: (A) Reliability of financial reporting, (B) effectiveness and efficiency of operations and (C) compliance with applicable laws and regulations;

(9) "Municipality" means a town, consolidated town and city, consolidated town and borough, city or borough, including a local board of education as described in subsection (c) of section 7-392;

(10) "Audited agency" means a [fire district, fire and sewer district, sewer district or other municipal utility] district, as defined in section 7-324, the Metropolitan District of Hartford County, a regional board

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of education, a regional planning agency, any other political subdivision of similar character which is created or any other agency created or designated by a municipality to act for such municipality whose [average] annual receipts from all sources exceed [two hundred thousand] one million dollars or any tourism district established under section 10-397, as amended by this act;

(11) "Nonprofit agency" means any organization that is not a for-profit business and provides services contracted for by (A) the state or (B) a nonstate entity. It also means private institutions of higher learning which receive state financial assistance;

(12) "Major state program" means any program, excluding an exempt program, [for which total expenditures of state financial assistance by a nonstate entity during the applicable year exceed the larger of (A) one hundred thousand dollars or (B) one per cent of the total amount of state financial assistance expended, excluding expenditures of an exempt program by the nonstate entity during the audited year] determined to be a major state program by the independent auditor pursuant to the requirements of the risk-based approach, provided such requirements shall (A) encompass factors consistent with requirements established by the United State Office of Management and Budget, and (B) include, but not be limited to, current and prior audit experience, oversight by state agencies and pass-through entities and the risk inherent in state programs;

(13) "Public accountant" means an individual who meets the standards included in generally accepted government auditing standards for personnel performing government audits and the licensing requirements of the State Board of Accountancy;

(14) "Subrecipient" means a nonstate entity that receives state financial assistance from a pass-through entity, but does not include an individual who receives such assistance;

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(15) "Tourism district" means a district established under section 10-397, as amended by this act;

(16) "Nonstate entity" means a municipality, tourism district, audited agency or nonprofit agency;

(17) "Pass-through entity" means a nonstate entity that provides state financial assistance to a subrecipient;

(18) "Program-specific audit" means an audit of a single state program conducted in accordance with the regulations adopted under section 4-236;

(19) "Expended" and "expenditures" have the meanings attributed to those terms in generally accepted accounting principles, except that (A) state financial assistance received which does not specify a required use shall be assumed to be fully expended in the fiscal year of receipt, and (B) exempt programs shall be assumed to be expended in the fiscal year that the state financial assistance is received;

(20) "Exempt program" means any [of the following programs: Education cost sharing, pursuant to sections 10-262f to 10-262j, inclusive; public and nonpublic school pupil transportation, pursuant to sections 10-54, 10-97, 10-266m, 10-273a, 10-277 and 10-281; special education, excess costs equity and excess costs student-based, pursuant to subsection (e) of section 10-76d, subsections (a), (b) and (c) of section 10-76g and section 10-253; school building grants-principal and interest subsidy, pursuant to chapter 173 and section 10-264h; and school construction grants pursuant to public act 97-265 and public act 97-11 of the June 18 Special Session*] state program designated to be exempt by the secretary after consultation with the Auditors of Public Accounts and the commissioner of the state agency that awarded the state financial assistance; [and]

(21) "Vendor" means a dealer, distributor, merchant or other seller

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providing goods or services that are required for the conduct of a state program. Such goods or services may be for an organization's own use or for the use of beneficiaries of the state program; and

(22) "Single audit" means an audit, as provided in section 4-235, as amended by this act, that encompasses an entity's financial statements and state financial assistance.

Sec. 45. Section 4-231 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) (1) Each nonstate entity which expends a total amount of state financial assistance equal to or in excess of [one] three hundred thousand dollars in any fiscal year of such nonstate entity beginning on or after July 1, [1998] 2009, shall have either a single audit or a program-specific audit made for such fiscal year, in accordance with the provisions of subdivision (2) or (3) of this subsection and the requirements of regulations adopted pursuant to section 4-236. [If a provision of the general statutes or an administrative rule, regulation, guideline, standard or policy, which is effective on July 1, 1992, requires a nonstate entity to conduct a biennial audit, the audit required under this section shall be conducted on the same biennial basis and shall cover both years of the biennial period.]

(2) If the total amount of state financial assistance expended in any such fiscal year is for a single program, such nonstate entity may elect to have a program-specific audit made in lieu of a single audit, provided a grant agreement or a statutory or regulatory provision governing the program of state financial assistance does not require a financial statement audit of such nonstate entity.

(3) If the total amount of state financial assistance expended in any such fiscal year is for more than one program, such entity shall have a single audit made for such fiscal year.

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(b) Notwithstanding any provision of the general statutes or any regulation adopted under any provision of the general statutes, each nonstate entity that expends total state financial assistance of less than [one] three hundred thousand dollars in any fiscal year of such nonstate entity beginning on or after July 1, [1998] 2009, shall be exempt with respect to such year from complying with any statutory or regulatory requirements concerning financial or financial and compliance audits that would otherwise be applicable.

(c) No provision of this section shall be deemed to exempt a nonstate entity from complying with any statutory or regulatory provision requiring the entity to (1) maintain records concerning state financial assistance or (2) provide access to such records to a state agency.

Sec. 46. Section 4-232 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Each nonstate entity which is required to be audited pursuant to sections 4-230 to 4-236, inclusive, as amended by this act, shall designate an independent auditor to conduct such audit. Not later than thirty days before the end of the fiscal period for which the audit is required, the nonstate entity shall file the name of such auditor with the cognizant agency. If a nonstate entity fails to make such filing, the cognizant agency may designate an independent auditor to conduct the audit. A nonstate entity shall be responsible for paying the costs of any audit conducted by an independent auditor designated by a cognizant agency.

(b) (1) Upon the completion of the audit, pursuant to sections 4-230 to 4-236, inclusive, as amended by this act, the nonstate entity shall file [copies] a copy of the audit report with [state grantor agencies,] the cognizant agency and, if applicable, state grantor agencies and pass-through entities. Once filed, such report shall be made available by the

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nonstate entity for public inspection. Copies of the report shall be filed not later than thirty days after completion of such report, if possible, but not later than six months after the end of the audit period. The cognizant agency may grant an extension of not more than thirty days, if the auditor [making] conducting the audit and the chief executive officer of the nonstate entity jointly submit a request in writing to the cognizant agency [stating] that includes the reasons for such extension and an estimate of the time needed for completion of such audit, at least thirty days prior to the end of such six-month period. If the reason for the extension relates to deficiencies in the accounting system of the nonstate entity, the request shall be accompanied by a corrective action plan. The auditor or chief executive officer shall promptly provide any additional information the cognizant agency may require. Before determining whether to grant an extension request, the cognizant agency may [, after a hearing with] require the auditor and officials of the nonstate entity [, grant an additional extension if conditions warrant] to meet with representatives of the cognizant agency.

(2) Any nonstate entity, or auditor of such nonstate entity, which fails to have the audit report filed on its behalf within six months after the end of the fiscal year or within the time granted by the cognizant agency may be assessed, by the Secretary of the Office of Policy and Management, a civil penalty of not less than one thousand dollars but not more than ten thousand dollars. In addition to, or in lieu of such penalty, the cognizant agency may assign an auditor to perform the audit of such nonstate entity. In such case, the nonstate entity shall be responsible for the costs related to the audit. The secretary may, upon receipt of a written request from an official of the nonstate entity or its auditor, waive all such penalties if the secretary determines that there appears to be reasonable cause for the entity not having completed or provided the required audit report.

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Sec. 47. Section 4-233 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Each audit required by sections 4-230 to 4-236, inclusive, as amended by this act, shall:

(1) Be conducted in accordance with generally accepted government auditing standards, except that, for the purposes of said sections such standards shall not be construed to require economy and efficiency audits, program results audits, or program evaluations; and

(2) Except in the case of program-specific audits, cover the entire operations, including financial operations, of the nonstate entity, except that such audit may exclude public hospitals.

(b) Each such audit shall determine and report whether: (1) The financial statements of the nonstate entity are presented fairly in all material respects in conformity with generally accepted accounting principles; (2) the schedule of expenditures of state financial assistance of the nonstate entity is presented fairly in all material respects in relation to the financial statements taken as a whole; (3) in addition to the requirements of generally accepted government auditing standards, the auditor has performed procedures to obtain an understanding of internal control over state programs sufficient to (A) plan the audit to support a low assessed level of control risk for major state programs, (B) plan the testing of internal control over major state programs to support a low assessed level of control risk for the assertions relevant to the compliance requirement for each major state program, and (C) perform testing of internal controls; and (4) the nonstate entity has complied with laws, regulations and grant or contract provisions that may have a material effect upon individual compliance requirements for each major state program. In complying with the requirements of subdivision (4) of this subsection, the independent auditor shall select and test a representative number of

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transactions from each major state program to provide the auditor sufficient evidence to support an opinion of compliance. Each audit report shall identify which programs were tested for compliance.

(c) [(1)] When the total expenditures of a nonstate entity's major state programs are less than fifty per cent of such nonstate entity's total expenditures of state financial assistance, excluding exempt program expenditures, the independent auditor shall select and test additional programs as major state programs as may be necessary to achieve audit coverage of at least fifty per cent of the nonstate entity's total expenditures of state financial assistance, excluding exempt program expenditures. [The provisions of this subsection shall be carried out in accordance with the regulations adopted pursuant to section 4-236 and shall be subject to the provisions of subdivision (2) of this subsection.

(2) In achieving the audit coverage in accordance with subdivision (1) of this subsection, no more than two programs which each have total state financial assistance expenditures of twenty-five thousand dollars or more but not more than one hundred thousand dollars shall be tested, if such programs are required to be tested to achieve the audit coverage of subdivision (1) of this subsection.]

(d) If an audit conducted pursuant to this section finds any material or reportable noncompliance by a nonstate entity with applicable laws, regulations and grant or contract provisions, or finds any [reportable condition] significant deficiency or material weakness with respect to the internal controls of the nonstate entity concerning the matters described in subsection (b) of this section, the nonstate entity shall submit to appropriate state officials a plan for corrective action to eliminate such material or reportable noncompliance, [reportable condition] significant deficiency or material weakness.

Sec. 48. Section 4-235 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

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(a) The secretary shall designate cognizant agencies for audits conducted pursuant to sections 4-230 to 4-236, inclusive, as amended by this act, and shall periodically issue a state single audit compliance supplement containing information to assist independent auditors in conducting state single audits. Such information shall include, but is not limited to, identification of state financial assistance programs and their significant compliance requirements, suggested audit procedures for determining compliance, exempt programs and information relevant to the risk-based approach for use in determining major state programs.

(b) A cognizant agency shall: (1) Ensure through coordination with state agencies, that audits are made in a timely manner and in accordance with the requirements of sections 4-230 to 4-236, inclusive, as amended by this act; (2) ensure that corrective action plans made pursuant to section 4-233, as amended by this act, are transmitted to the appropriate state officials; and (3) (A) coordinate, to the extent practicable, audits done by or under contract with state agencies that are in addition to the audits conducted pursuant to sections 4-230 to 4-236, inclusive, as amended by this act; and (B) ensure that such additional audits build upon the audits conducted pursuant to said sections.

(c) (1) Each pass-through entity which is subject to the audit requirements of sections 4-230 to 4-236, inclusive, as amended by this act, shall:

(A) Advise subrecipients of requirements imposed on them by state laws, regulations, and the provisions of contracts or grant agreements, and any supplemental requirements imposed by the pass-through entity;

(B) If the subrecipient is subject to an audit in accordance with the requirements of said sections 4-230 to 4-236, inclusive, as amended by

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this act, review such audit and ensure that prompt and appropriate corrective action is taken with respect to material or reportable findings of noncompliance with individual compliance requirements or [reportable conditions] significant deficiencies or material weaknesses in internal controls pertaining to state financial assistance provided to the subrecipient by the pass-through entity; or

(C) If the subrecipient is not subject to an audit in accordance with the requirements of said sections 4-230 to 4-236, inclusive, as amended by this act, monitor the activities of subrecipients as necessary to ensure that state financial assistance is used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements.

(2) Each pass-through entity, as a condition of receiving state financial assistance, shall require each of its subrecipients to permit the independent auditor of the pass-through entity to have such access to the subrecipient's records and financial statements as may be necessary for the pass-through entity to comply with sections 4-230 to 4-236, inclusive, as amended by this act.

Sec. 49. Section 9 of public act 09-2 is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) There is established a Commission on Enhancing Agency Outcomes that shall identify functional overlaps and other redundancies among state agencies and promote efficiency and accountability in state government by identifying ways to eliminate such overlaps and redundancies and by making such other recommendations as the commission deems appropriate, with the goal of reducing costs to the state and enhancing the quality and accessibility of state services. The commission shall also consider the merging of state agencies [such as (1) the Departments of Mental Health and Addiction Services and Social Services, and (2) the