

Sec. 4-236-23. Audit scope and reporting

(a) Audits will be conducted based on the year-end of the nonstate entity. The independent auditor's report may be in the form of either combined or separate reports and may be organized differently from the manner presented in this section. The independent auditor's report shall state that the audit was conducted in accordance with this section and shall include the following:

(1) An opinion or disclaimer of opinion as to whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles and an opinion or disclaimer of opinion as to whether the schedule of expenditures of state financial assistance is presented fairly in all material respects in relation to the financial statements taken as a whole;

(2) A report on internal control related to the financial statements and on compliance with applicable laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements. This report shall describe the scope of the testing of internal control and the results of the tests. Where applicable, the report shall refer to the separate schedule of findings and questioned costs described in subdivision (5) of this subsection;

(3) A report on compliance with requirements applicable to each major program and internal control over compliance requirements in accordance with section 4-233 of the Connecticut General Statutes. This report shall include an opinion or disclaimer of opinion as to whether the auditee complied with applicable laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program. When appropriate, the report shall refer to the separate schedule of findings and questioned costs described in subdivision (5) of this subsection;

(4) A schedule of expenditures of state financial assistance. Such schedule, which shall be based on the fiscal year used for the nonstate entity's financial statements, shall include the following minimum information:

(A) A list of individual programs grouped by state agency;

(B) The total state financial assistance expended for each state program identified by State Program Identification Number. If the State Program Identification Number is not available, the contract number shall be used to identify the program;

(i) The auditee may include additional information. For example, when a state program has multiple award years, the auditee may list the amount of state financial assistance expended for each award year separately.

(C) A listing of exempt programs and the amounts expended for each exempt program;

(D) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each state program;

(E) The name of the pass-through entity and identifying number assigned by the pass-through-entity shall be included; and

(F) Notes that describe the significant accounting policies used in preparing the schedule. Such notes shall include the amount of loans and loan guarantees and shall disclose any changes in loan activity during the period being audited.

(5) A schedule of findings and questioned costs which shall include the following three components:

(A) A summary of the auditor's results which shall include:

(i) The type of report the auditor issued on the financial statements of the auditee (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);

(ii) Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such deficiencies were material weaknesses;

(iii) A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee;

(iv) Where applicable, a statement that significant deficiencies in internal control over major programs were disclosed by the audit and whether any such deficiencies were material weaknesses;

(v) The type of report the auditor issued on compliance for major programs (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);

(vi) A statement as to whether the audit disclosed any audit findings, which the auditor is required to report under section 4-236-24 of the Regulations of Connecticut State Agencies;

(vii) An identification of major programs, including programs tested in accordance with section 4-233 of the Connecticut General Statutes; and

(viii) the dollar threshold used to distinguish between type A and type B programs as provided under the risk-based approach used in determining major state programs.

(B) Findings relating to the financial statements which are required to be reported in accordance with GAGAS; and

(C) Findings and questioned costs related to state financial assistance, including those set forth in subsection (a) of section 4-236-24 of the Regulations of Connecticut State Agencies.

(i) Audit findings that relate to the same issue (e.g., internal control findings, compliance findings, questioned costs, or fraud) should be presented as a single audit finding.

(ii) Audit findings that relate to both the financial statements and state financial assistance, as reported in subparagraphs (B) and (C) of this subdivision, should be reported in each appropriate section of the schedule. However, a report in one section of the schedule may be in summary form with a reference to the more detailed report in another section of the schedule.

(b) When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in section 4-233 of the Connecticut General Statutes is not required for those compliance requirements. However, the independent auditor shall report a significant deficiency (including whether any such deficiency is a material weakness) in accordance with section 4-236-24 of the Regulations of Connecticut State Agencies, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.

(1) The compliance requirements of various state programs may be ascertained by referring to the Compliance Supplement for state financial assistance programs.

(2) For those state programs not covered in the Compliance Supplement, the independent auditor shall use the types of compliance requirements contained in the Compliance

Supplement as guidance for identifying the types of compliance requirements to test, and determine the requirements governing the state program by reviewing the provisions of contracts and grant agreements and the laws and regulations referred to in such contracts and grant agreements.

(3) The independent auditor may consider the Compliance Supplement a “safe harbor” for identification of compliance requirements to be tested for the programs included therein if, the independent auditor: (A) Performs reasonable procedures to ensure that the requirements in the Compliance Supplement are current and to determine whether there are any additional provisions of contract and grant agreements that should be covered by an audit in accordance with sections 4-236-18 through 4-236-30 of the Regulations of Connecticut State Agencies, inclusive, and (B) updates or augments the requirements contained in the Compliance Supplement, as appropriate.

(4) The compliance testing shall include tests of transactions and such other auditing procedures necessary to provide the independent auditor sufficient evidence to support an opinion on compliance.

(c) The independent auditor shall follow up on audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee, and report as a current year finding, when the auditor concludes that the summary schedule materially misrepresents the status of any prior year audit finding. The independent auditor shall perform follow-up procedures regardless of whether a prior year audit finding relates to a major state program in the current year.

(Adopted effective April 2, 2001; Amended December 29, 2010)