

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009*

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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January 28, 2011

AUDITORS' REPORT
CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

We have examined the books, records and accounts of the Connecticut Health and Educational Facilities Authority (the Authority), as provided in Section 2-90 and Section 1-122 of the General Statutes, for the fiscal year ended June 30, 2009.

SCOPE OF AUDIT:

This audit was primarily limited to performing tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants, including but not limited to, a determination of whether the Authority has complied with its written operating procedures, that are required per Section 10a-179(h) of the General Statutes, concerning the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

We also considered the Authority's internal control over its financial operations and its compliance with requirements that could have a material or significant effect on the Authority's financial operations in order to determine our auditing procedures for the purpose of evaluating the Authority's financial operations and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives. Our consideration of internal control included the five areas identified above.

Our audit included a review of a representative sample of the Authority's activities during the fiscal year in the five areas identified above and a review of such other areas as we considered

necessary. The financial statement audit of the Authority, for the fiscal year indicated above, was conducted by the Authority's independent public accountants.

This report on our examination consists of the Comments, Condition of Records, Recommendations, and Certification that follow.

COMMENTS

FOREWORD:

The State of Connecticut Health and Educational Facilities Authority (hereafter CHEFA or the Authority) operates under the provisions of Title 10a, Chapter 187, of the General Statutes. The Authority is a public instrumentality and political subdivision of the State whose Board of Directors is appointed by the Governor. Pursuant to Chapter 12 of the General Statutes, CHEFA is classified as a quasi-public agency. As a quasi-public agency, the Authority's financial information is included as a component unit in the State of Connecticut's Comprehensive Annual Financial Report (CAFR).

The purpose of the Authority is to assist certain health care institutions, institutions of higher education, and qualified not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions. The Authority is empowered to issue its own bonds, bond anticipation notes and any other obligations for any of its corporate purposes and to fund and refund the same. As of June 30, 2009, CHEFA had issued \$12,188,710 in bonds, of which \$6,823,963 are outstanding. The Authority issued general obligation bonds through June 1979, for which the Authority is ultimately responsible for the payment of principal and interest when due. Subsequent to July 1, 1979, the Authority has issued only special obligation bonds for which principal and interest is solely payable from the revenues of the institutions and is not a debt of the Authority or the State of Connecticut. As of June 30, 2009, there were no general obligation bonds outstanding. The State is not obligated for the debt, except for debt that is issued under the Child Care Facilities Loan Program and the Special Capital Reserve Program.

Under the Child Care Facilities Loan Program, the State of Connecticut is responsible for paying a portion of the debt service on bonds issued under the program as specified in Section 17b-749i of the General Statutes. Under the Special Capital Reserve Program, debt is guaranteed by the State under Section 10a-186a of the General Statutes. Section 10a-186a of the General Statutes provides for the maintenance of a Special Capital Reserve Fund to be used for the payment of principal and interest on Authority bonds to finance projects at participating nursing homes and public institutions of higher education. The State is contingently liable to provide annual debt service requirements for such bonds if the Authority's funds are not sufficient to meet minimum reserve requirements for the Special Capital Reserve Fund.

The Authority's operations do not rely upon any State appropriation either from the General Fund or from bond funds. CHEFA generates revenue from fees on its portfolio of bonds and investment income.

The Authority provides grants to non-profit organizations that provide essential health, educational, culture, and childcare services to Connecticut residents in targeted geographic areas of Connecticut. During the fiscal year ended June 30, 2009, CHEFA administered three grant programs, the Client Grant Program, the Open Grant Program, and the Focused Investment Grant Program. The awarding of new grants under the Client and Open Grant Programs was temporarily suspended during 2009 due to the Authority's participation in the State's Deficit Mitigation Plan which required a \$13,150,000 transfer to the State of Connecticut.

Board of Directors and Administrative Officials:

The results of our tests disclosed no material or significant instances of noncompliance. However, we noted certain matters which we reported to Authority management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

Pursuant to Section 10a-179(a) of the General Statutes, the Authority operates under a ten person Board of Directors. The Board of Directors includes the State Treasurer and the Secretary of the Office of Policy and Management as ex-officio members and eight residents of the State who are appointed by the Governor. Not more than four of the eight members appointed by the Governor can be of the same political party. In addition, three appointed members shall be trustees, directors, officers or employees of institutions for higher education, two appointed members shall be trustees, directors, officers or employees of health care institutions and one shall be a person having a favorable reputation for skill, knowledge, and experience in State and municipal finance. Members of the Board of Directors as of June 30, 2009, were as follows:

Ex-Officio:

Denise L. Nappier, State Treasurer
Robert L. Genuario, Office of Policy and Management

Appointed by the Governor:

Barbara Rubin, Chairperson
Patrick A. Colangelo, Vice Chairperson
John M. Biancamano
William J. Cibes, Jr., Ph.D.
Benson R. Cohn
Bryan K. Pollard, Esq.

There were two vacancies as of June 30, 2009. Board Member Dori T. Sullivan, Ph.D. resigned on May 28, 2008. Her successor, Paul Mutone was appointed on June 10, 2010. Board Member Steven Blackburn, Ph.D.'s, term expired on June 30, 2008. He was replaced by Peter W. Lisi, effective May 6, 2010.

The Executive Director of the Authority is appointed by the Board of Directors. Jeffrey A. Asher served in that capacity throughout the audited period.

Significant State Legislation:

Public Act 09-110 established a Student Loan Guarantee Program Reserve Fund to which the Authority allocated \$3.5 million dollars for purposes of guaranteeing qualifying student loans under the Credit Union League of Connecticut Student Loan Program.

Accounting Policies:

The Authority maintains books of accounts for its own operations and for each of the issues of debt outstanding. In accordance with the requirements of bond issue documents, separate funds are maintained for each issue. A brief description of the various types of funds maintained by the Authority and their purpose follows.

General Fund – This fund accounts for the revenues and expenses applicable to the operations of the Authority.

Construction and Project Funds – These funds reflect the receipt of bond proceeds, costs of issuance and disbursement of moneys for the payment of construction or renovation projects and equipment for the institutions.

Debt Service and Bond Funds – These funds account for the receipt of payments from the institutions and disbursement of monies for the payment of bond interest and principal.

Debt Service Reserve Funds – These funds record the receipt of a portion of the bond proceeds held in reserve to comply with the various bond resolutions. The balances are generally required to be maintained at an amount equal to the greatest amount of principal and interest payable in the current or any future bond year.

Loan Reserve Funds – These funds are used to repay the principal and interest of the institutions' repayment schedule.

Project Reserve Funds – These funds account for the receipt and disbursement of assets that are held for major repairs. The establishment of these funds is required by some bond issue documents.

Rebate Funds – These funds account for the accumulation of assets used to make arbitrage rebate payments to the Federal government under the Internal Revenue Code. The Federal government requires the rebate of amounts earned on the investment of tax-exempt bond proceeds in excess of the yield on the bonds.

Redemption Funds – These funds account for the accumulation of assets not required by other funds for the eventual redemption or purchase of bonds.

Renewal and Replacement Funds – These funds account for moneys that are deposited to cover anticipated expenses for major repairs of the project whose revenues are pledged to the bonds or for repair and replacement of related equipment.

Special Capital Reserve Funds – These funds are maintained to ensure compliance with minimum capital reserve requirements of bond issues. Any deficiencies in the reserves are required to be funded by the institution after notification by the trustee. If the bond was issued under Section 10a-186a of the General Statutes, the State is obligated to replenish the fund if the institution does not.

Working Capital Reserve Funds – These funds are used if an institution fails to make its principal or interest payments on its loan. These funds are used before any withdrawals from the Special Capital Reserve Fund are made.

The assets of the Debt Service and Bond Funds, Debt Service Reserve Funds, Loan Reserve Funds, Project Reserve Funds, Rebate Funds, Redemption Funds, Renewal and Replacement Funds, Special Capital Reserve Funds, and Working Capital Reserve Funds are held by trustees in accordance with the bond resolutions. The funds of the Construction and Project Funds are controlled by CHEFA, which has a fiduciary responsibility for them.

RÉSUMÉ OF OPERATIONS:

The financial position of the Authority as of June 30, 2008 and 2009, per its audited financial statements, is presented below. The amounts differ from the presentation in 2008 due to the reclassification of investments by the new certified public accountants. In accordance with Public Act 97-259, the Authority placed \$4,320,000 (\$4,500,000 less \$180,000 due to a facility default) into a reserve fund (Guarantee Loan Fund) for the Child Care Facilities Loan Guarantee Program. In 2008, this amount was presented as unrestricted.

	<u>As of June 30,</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Current Assets:		
Unrestricted Assets:		
Cash	\$ 505,000	\$ 1,349,000
Accounts Receivable, Net of Allowance for Bad Debt	123,000	174,000
Investments	3,206,000	17,530,000
Prepaid Expenses and Other	<u>154,000</u>	<u>156,000</u>
Total Unrestricted Assets	<u>3,988,000</u>	<u>19,209,000</u>

Restricted Assets:		
Cash	81,000	165,000
Fund Investments	439,673,000	1,133,962,000
Other Investments	6,160,000	4,851,000
Interest Receivables	306,000	495,000
Other Receivables	<u>10,000</u>	<u>89,000</u>
Total Restricted Assets	<u>446,230,000</u>	<u>1,139,562,000</u>
Total Current Assets	<u>450,218,000</u>	<u>1,158,771,000</u>
Noncurrent Assets:		
Investments (Restricted)	10,045,000	6,567,000
Capital Asset, Net of Depreciation	<u>349,000</u>	<u>296,000</u>
Total Noncurrent Assets	<u>10,394,000</u>	<u>6,863,000</u>
Total Assets	<u>\$ 460,612,000</u>	<u>\$ 1,165,634,000</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,372,000	\$ 1,739,000
Amounts Held for Institutions	<u>446,227,000</u>	<u>1,139,532,000</u>
Total Current Liabilities	<u>447,599,000</u>	<u>1,141,271,000</u>
Noncurrent Liabilities:		
Amount Held on Behalf of State of CT	<u>2,225,000</u>	<u>2,247,000</u>
Total Liabilities	<u>449,824,000</u>	<u>1,143,518,000</u>
Net Assets:		
Invested in Capital Assets	349,000	296,000
Restricted	7,820,000	4,320,000
Unrestricted	<u>2,619,000</u>	<u>17,500,000</u>
Total Net Assets	<u>10,788,000</u>	<u>22,116,000</u>
Total Liabilities and Net Assets	<u>\$460,612,000</u>	<u>\$ 1,165,634,000</u>

The Authority invests any excess funds in short-term investments and marketable securities, including the State Treasurer's Short Term Investment Fund (STIF) to earn investment income. Decreases in the Authority's investments during the fiscal year ended June 30, 2009, are primarily from the transfer of \$13,150,000 to the State of Connecticut as required by the State's deficit mitigation plan pursuant to Public Acts No. 09-2 and 09-111.

The Authority holds \$10,045,000 in reserves; \$2,225,000 on behalf of the State of Connecticut to guarantee loans pursuant to Sections 17b-749g and 17b-749h of the General Statutes and \$7,820,000 from the Authority's reserve funds pursuant to Public Acts 97-259 and 09-110. Section 17b-749g established the Guaranteed Loan Fund Program and Section 17b-749h established the Small Direct Revolving Loan Program. The State provided \$1.5 million and \$750,000, respectively, to fund loan guarantees made under the programs. To date there has been four calls on loans guaranteed under the Small Direct Revolving Loan Program for a loss of \$30,000. Funds held on behalf of the State of Connecticut are invested in the State Treasurer's Short Term Investment Fund (STIF). The Authority also has a reserve of \$4.3 million for the School Readiness and Child Daycare Guaranteed Loan Fund Program pursuant to Public Act 97-259, and \$3.5 million pursuant to Public Act 09-110 for the purpose of guaranteeing qualifying student loans under the Credit Union League of Connecticut Student Loan Program.

Fund investments are investments associated with construction and project funds that are managed and held by the Authority on behalf of client institutions. Decreases in fund investments during the fiscal year ended June 30, 2009, are due to the decreased volume as a result of the financial and economic crisis and drawdowns of construction funds.

A statement of revenues, expenses and changes in net assets for the fiscal years ended June 30, 2008 and 2009, follows. The information was obtained from the Authority's audited financial statements.

	<u>As of June 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Revenues from Institutions:		
Administrative Fees	\$6,167,000	\$ 5,625,000
Bond Issuance Fees	64,000	97,000
Miscellaneous Revenues	<u>836,000</u>	<u>297,000</u>
Total Operating Revenues	<u>7,067,000</u>	<u>6,019,000</u>
Operating Expenses:		
Salaries and Related Expenses	2,624,000	2,534,000
Grant Expenses	1,451,000	1,412,000
Other Operating Expenses	<u>1,471,000</u>	<u>1,253,000</u>
Total Operating Expenses	<u>5,546,000</u>	<u>5,199,000</u>
 Operating Gain (Loss)	 1,521,000	 820,000
 Non-Operating Revenues:		
Income from Investments	 <u>301,000</u>	 <u>836,000</u>

Change in Net Assets	1,822,000	1,656,000
Capital Transfers:		
Transfer to the State of Connecticut	<u>(13,150,000)</u>	<u>-</u>
Increase/(decrease) in Net Assets	(11,328,000)	1,656,000
Net Assets, Beginning of Year	<u>22,116,000</u>	<u>20,460,000</u>
Net Assets, End of Year	<u>\$ 10,788,000</u>	<u>\$ 22,116,000</u>

Total revenues for the fiscal year ended June 30, 2009, were \$7,368,000, a \$513,000 increase over the fiscal year ended June 30, 2008. The Authority charges an annual administrative fee to institutions with outstanding bond issues to cover operating expenses of the Authority. All issues other than those under the Special Capital Reserve Program are charged an annual fee of nine basis points on the outstanding par amount of the bonds. Bonds issued under the Special Capital Reserve Program are charged an annual fee of fourteen basis points. The increase in fee revenue was caused by the increased amount of bonds outstanding from fiscal year 2008 new issuances. The Authority also charges a bond issuance fee of \$5,000 for each bond issue. Income from investments decreased during the fiscal year ended June 30, 2009, because of a decline in general market rates as well as a decline in the amount invested. The average yield during fiscal year 2009 was 0.129 percent as compared to 3.919 percent for fiscal year 2008.

Operating expenses of the Authority totaled \$5,546,000 during the fiscal year ended June 30, 2009, a \$347,000 increase from fiscal year ended June 30, 2008. The Authority's operating expenses consists of salary expenses, grant expenses, and other operating expenses. Salary expenses increased during the fiscal year by \$90,000 due to merit increases and employee incentives. Grant expenses increased by only \$39,000 from the fiscal year ended June 30, 2008 due to the suspension of the open and client grant programs due to the State's budget crisis and the Authority's participation in the State's Deficit Mitigation Plan. Other operating expenses increased by \$218,000 from fiscal year ended June 30, 2008. This increase is due to the increased consultant expense in connection with arbitrage rebate calculations and the increase in the Early Childhood Education Cabinet expense.

CONDITION OF RECORDS

Our review of the records of the Connecticut Health and Educational Facilities Authority revealed the following areas that warrant comment.

Lack of Adherence to Established Procedures:

Criteria: The Connecticut Health and Educational Facilities Authority (CHEFA) has two manuals which outline procedures for all aspects of operation. These manuals include the “Operational Policies and Procedures Manual” and the “Procedures of CHEFA”.

Purchasing: According to the Operational Policies and Procedures manual, purchase requisitions may be generated by anyone in the office. They are provided to the respective manager for approval and given to the appropriate department for order placement. The approved purchase requisitions are held by the approving manager until the goods are received. When goods are received, the items are compared to the purchase requisition and packing slip for accuracy. The packing slip is attached to the purchase requisition and given to the accountant until the invoice is received.

The manual also states two signatures are required on all checks. The positions authorized to sign checks are CHEFA Officers including the Executive Director, Managing Directors, Assistant Directors and General Counsel. Anyone signing a check must also review and initial the supporting invoice or documentation.

Loans/Bonds: The Procedures of CHEFA state that each entity that requests the Authority to issue bonds, bond anticipation notes and other obligations shall make application to the Authority.

Condition: We noted various instances of failure to adequately document or follow established procedures.

Purchasing: The Authority spent a total of \$16,362 on supplies for the fiscal year. We found that the Authority has never utilized requisitions for supplies, although they are included in the cash disbursement process in the Authority’s Operational Policies and Procedures Manual.

We also noted one instance where a check for \$14,683 was not signed by two officers. In addition, we noted 19 out of 20 transactions, totaling \$37,837, where invoices or documentation to support payments were not

initialed by both parties who signed the check. We found only one of the two officers initialed the invoice certifying his or her review and approval.

Loans/Bonds: We noted applications were not on file for three out of four bond issues totaling \$145,415,000. One of the three was a pooled issue involving six participants; an application was not on file for one client who received \$3,515,000 in financing.

Effect: *Purchasing:* The Authority's purchasing policies are either lacking or are not being adhered to as stated in the policies and procedures manuals.

Loans/Bonds: Applications to support the clients' request for financing were not available.

Cause: The Authority's policies and procedures manuals include procedures that are not currently followed or enforced.

Recommendation: The Connecticut Health and Educational Facilities Authority should strengthen internal control by enforcing current policies to ensure compliance in all areas of business operations.

Agency Response: *Purchasing:* "Approximately 80% of the \$16,362 in supply purchases were purchased through Suburban Stationers. This vendor uses an online ordering system by which the Administrative Staff enters the requests received from staff in addition to routine repetitive purchases such as paper. The report generated by this system, prior to officially transmitting the order, is the form used as the "requisition". This requisition is reviewed and signed off by the Executive Director prior to the official transmission by the administrative staff to Suburban, then attached to the invoice when the supplies are received. 12% of the office supplies were ordered through CT Department of Administrative Services (DAS) and requisitions through DAS are generated and approved on a State requisition form. The current written procedures manual will be revised to reflect the current practice."

"Management believes that the initials of one of the signing Officers certifying approval of the payment, is sufficient. CHEFA's practice also includes signoff of an invoice by the person with direct responsibility for the goods or services being invoiced. The current request, purchasing, approval and payment processes contain adequate layers of controls given the size of the organization. The written procedures manual will be revised to reflect the current practice - one Officer initialing the invoice

and two Officers signing the check. With regard to the one instance of only one Officer signing a check, Management considers this an anomaly.”

Loans/Bonds: “In the past, applications have been sent to prospective borrowers, but not all have been returned. In some instances, it may have been due to a timing issue, i.e. a “fast track” bond closing, and in others an oversight by the New Business staff. We have revised our procedures to specify that the signed application must be received prior to the final Board authorization of the bond issue.

With regard to the pooled issue involving six participants with one application missing, that application is currently with the Department of Social Service (DSS). The client provided one copy of the application, and DSS asked to have it for their review. We will retrieve the application and make a copy so that we can have one on site.

As reflected in our responses to the above comments, CHEFA Management believes that the Authority’s internal control practices are strong. Where necessary, updates will be made to the Operational Policies and Procedures manual as noted in our remarks above.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit examination resulted in one recommendation. The following is a summary of that recommendation and action taken by the Authority.

- The Connecticut Health and Educational Facilities Authority should solicit proposals at least once every three years for all contracted professional services as required under Section 10a-179(h)(4) of the General Statutes.

Effective September 2009, the Authority revised its policy regarding contractual services. The policy now requires the Executive Director to solicit proposals for any expenditure for personal property or personal services in excess of \$25,000. At the Direction of the Board of Directors, the Executive Director shall solicit proposals not less than every three years for professional services. Due to the change in policy and discussions with management, this recommendation will not be repeated.

Current Audit Recommendation:

- 1. The Connecticut Health and Educational Facilities Authority should strengthen internal control by enforcing current policies to ensure compliance in all areas of business operations.**

Comment:

We noted various instances of failure to adequately document or follow established procedures in various areas of operation including Purchasing, Loans/Bonds and Grants.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 and Section 1-122 of the General Statutes, we have conducted an audit of the State of Connecticut Health and Educational Facilities Authority's activities for the fiscal year ended June 30, 2009. This audit was primarily limited to performing tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to a determination of whether the Authority has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grant agreements and other financial resources, and to understanding and evaluating the effectiveness of the Authority's internal control policies and procedures for ensuring that the provisions of certain laws, regulations, contracts and grant agreements applicable to the Authority are complied with. The financial statement audit of the Authority, for the fiscal year indicated above, was conducted by the Authority's independent public accountants.

We conducted our audit in accordance with the requirements of Section 2-90 and Section 1-122 of the General Statutes. In doing so, we planned and performed the audit to obtain reasonable assurance about whether the Authority complied in all material respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations and Compliance:

In planning and performing our audit, we considered the Connecticut Health and Educational Facilities Authority's internal control over its financial operations and its compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Authority's financial operations and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Authority's internal control over those control objectives. Our consideration of internal control included, but was not limited to, the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

Our consideration of the internal control over the Authority's financial operations and over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations and compliance with requirements that might be significant deficiencies or material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to properly initiate, authorize, record, process, or report financial data reliably consistent with management's direction, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Authority's financial operations will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over the Authority's financial operations and compliance with requirements was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving internal control that we consider to be material or significant weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Connecticut Health and Educational Facilities Authority complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Authority's financial operations for the fiscal year ended June 30, 2009, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

Our examination included reviewing all or a representative sample of the Authority's activities in those areas and performing such other procedures as we considered necessary in the circumstances.

The results of our tests disclosed no material or significant instances of noncompliance. However, we noted certain matters which we reported to Authority management in the accompanying “Condition of Records” and “Recommendations” sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited. Users of this report should be aware that our audit does not provide a legal determination of the Authority’s compliance with the provisions of the laws, regulations, contracts and grant agreements included within the scope of this audit.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Connecticut Health and Educational Facilities Authority during our examination.

Rebecca M. Balkun
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 6, 2010
State Capitol
Hartford, Connecticut