

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
CONNECTICUT HOUSING FINANCE AUTHORITY  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2007***

**AUDITORS OF PUBLIC ACCOUNTS**

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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March 13, 2009

**AUDITORS' REPORT  
CONNECTICUT HOUSING FINANCE AUTHORITY  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2007**

We have examined the books, records, and accounts of the Connecticut Housing Finance Authority (CHFA), as provided in Section 2-90 and Section 1-122 of the General Statutes, for the calendar year ended December 31, 2007. Included in this examination is the State Housing Authority (SHA), a subsidiary of the CHFA, established in accordance with Section 8-244b of the General Statutes.

**SCOPE OF AUDIT:**

This audit was primarily limited to performing tests of the CHFA's compliance with certain provisions of laws, regulations, contracts, and grants, including but not limited to a determination of whether the CHFA has complied with its regulations 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 CHFA's internal control over its financial operations and its compliance with requirements that could have a material or significant effect on its financial operations in order to determine our auditing procedures for the purpose of evaluating the CHFA'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 objects. Our consideration of internal control included the five areas identified above.

Our audit included a review of a representative sample of the CHFA's activities during the calendar year in the five areas identified above and a review of other such areas as we considered necessary. The financial statement audit of the CHFA, for the calendar year ended December 31, 2007, was conducted by the Authority's independent public accountants.

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

## COMMENTS

### FOREWORD:

The Connecticut Housing Finance Authority (hereafter referred to as the CHFA or the Authority) operates under the provisions of Chapter 134, Sections 8-241 through 8-265qq of the General Statutes. It was established by the 1972 Session of the General Assembly as the successor to the Connecticut Mortgage Authority, which had been established by the General Assembly in 1969. The CHFA is a body politic and corporate, constituting a public instrumentality and political subdivision of the State. It was created to alleviate the shortage of housing for low-income and moderate-income families, and to encourage the development of a balanced community of all income levels in the urban areas. In accordance with Section 8-244b of the General Statutes, the CHFA established the State Housing Authority, which is considered a subsidiary of the CHFA.

Funds to finance mortgage loans are primarily obtained by issuing bonds, the interest from which has generally been exempt from Federal income tax to the bondholder. Loans made from the proceeds of bonds are secured by a first mortgage lien. Funds derived from the excess of interest income from loans over bond interest expenses are used to pay operating expenses of the CHFA.

### Board of Directors and Administrative Officials:

In accordance with Section 8-244, subsection (a), of the General Statutes, the governing body of the Authority consists of 15 directors. Four directors are ex-officio members, seven members are appointed by the Governor, and four are appointed by the General Assembly. Members of the CHFA Board of Directors as of December 31, 2007, were as follows:

#### Ex-officio members:

Denise L. Nappier	State Treasurer
Howard F. Pitkin	State Banking Commissioner
Robert L. Genuario	Secretary, Office of Policy and Management
Joan McDonald	Commissioner, Dept. of Economic and Community Development

#### Appointed members:

Rolan Joni Young, Chairperson  
Orest T. Dubno, Vice Chairperson  
Kevin H. Loveland  
Jeffrey Freiser  
J. Scott Guilmartin  
Michael Meotti  
Kimberly A. Neilson  
Paul L. Jones

Diane Randall  
Meghan K. Lowney  
Vacancy

The current vacancy has existed since August 2007. Other members who also served during the audited period were:

James Abromaitis  
Joseph H. Fisher  
Lena L. Ferguson  
Thomas W. Hynes  
Steven A. Montesano

Gary E. King served as President/Executive Director during the audited period and retired on February 29, 2008. Anthony V. Milano served as Interim President and Executive Director until the CHFA Board of Directors appointed Timothy Bannon President and Executive Director, effective December 8, 2008.

In accordance with Section 8-244b, subsection (a), of the General Statutes, the governing body of the State Housing Authority consists of three members who are appointed by the Board of Directors of the CHFA. Members of the State Housing Authority Board of Directors as of December 31, 2007, were as follows:

Rolan Joni Young, Chairperson  
Diane Randall  
Philip Smith

**New Legislation:**

Public Act 07-142 of the January 2007 Regular Session requires that prior to entering into a contract with the State or any political subdivision the contractor must provide documentation to support the nondiscrimination agreement and warranty provided in Section 4a-60, subsection (a), of the General Statutes. The documentation must be a company or corporate policy adopted by resolution of the contractor's board of directors, shareholders, managers, members, or other governing body. This requirement became effective July 1, 2007.

Public Act 07-234 of the January 2007 Regular Session requires the CHFA to use at least 10 percent of its annual private activity bond allocation for multifamily residential housing in calendar year 2008 and at least 15 percent in each subsequent year. It also requires the Board to review the use of private activity bonds in conjunction with 4 percent Federal tax credits and report its findings and recommendations to the Planning and Development and Housing committees by January 1, 2008. This requirement became effective July 1, 2007.

**CHFA Programs:**

The CHFA provides housing-related financing through several programs at interest rates below those generally available. Programs include Downpayment Assistance, Police Homeownership, Military Homeownership, Teacher Mortgage Assistance, and the Assisted Living Demonstration Pilot Program. Financing programs are divided into two general categories, single-family housing and multi-family housing.

**Single-Family Housing:**

The CHFA provides financing to low- and moderate-income households to help create affordable housing opportunities. Single-family homes, condominiums and qualified mobile homes may be financed. The Authority's homebuyer mortgage funds are distributed through participating lenders and are generally available for a maximum of 30 years.

The Authority adopts limitations for eligibility in its home mortgage programs. Limitations include sales price and family income, and vary based on geographical areas within the State.

The Authority requires the homeowner to occupy and use the residential property for a permanent, primary residence within 60 days of the closing of the mortgage loan. Various other criteria related to both borrower eligibility and property eligibility is contained in the *Procedures of the Connecticut Housing Finance Authority*.

The Authority also operates an Urban Area Mortgages Program for home mortgages. Under this program, the Authority may finance mortgage loans in certain State and Federally designated urban targeted areas of the State with less restrictions on the borrower's income. Applications under this program are considered only when desired loans are not available.

**Multi-Family Housing:**

Multi-family mortgage loans provide permanent financing for the construction of new, or the rehabilitation of pre-existing, multi-family projects. Increasing the supply and availability of affordable housing for low- and moderate-income households is the primary role of the CHFA. By offering financing terms not generally available in the commercial market, the Authority can help developers achieve feasibility for projects which otherwise would not be possible.

Projects eligible for financing under this program may be designated for individuals, families, the elderly, or people with special needs. Projects must contain a minimum of 25 units, while smaller projects may be considered for non-profit organizations. Federal tax credits are available to developers under this plan provided that certain set-aside requirements related to tenant income are met.

There is a Multi-family Housing Underwriting Unit (Unit) that underwrites the financing of multi-family rental housing developments, providing direct construction and/or permanent mortgage loans to private developers and not-for-profit sponsors for construction and/or rehabilitation of rental housing. The staff reviews loan proposals, analyzes sites and financial

statements, and performs feasibility analyses to determine a proposal's acceptability. The Multi-family Technical Services staff ensures that plans and specifications meet Authority standards and that construction proceeds are disbursed according to approved plans and timetables, and approves budget changes and observes the integrity of developments. The Unit also verifies projected costs, reviews appraisals for accuracy and completeness, and administers the State of Connecticut Low Income Housing Tax Credits by monitoring unit compliance and tenant eligibility.

Section 8-251, subsection (a), of the General Statutes currently permits the Authority to purchase or make \$1,000,000,000 of mortgage loans, for single-family or multi-family housing programs, which are uninsured or not guaranteed by a Federal agency, a Federally chartered corporation, a private mortgage insurance company, or the State or the Authority itself. As of December 31, 2007, the Authority had financed or firmly committed to finance approximately \$914,173,000, or 91 percent of the allowable maximum of such mortgage loans.

### **RÉSUMÉ OF OPERATIONS:**

During the calendar year ended December 31, 2007, the Authority maintained three funds in accordance with the provisions of Section 8-258 of the General Statutes: the Housing Mortgage Capital Reserve Fund, the Housing Mortgage General Fund, and a Housing Mortgage Insurance Fund. In addition, the Authority maintained Special Needs Housing Funds, including a Capital Reserve Fund, and a Special Needs Housing Renewal and Replacement Fund, and Housing Draw Down Funds, including Bond Escrow Fund and the Rebate Fund. During the audited period, CHFA assets also consisted of various component units created to hold foreclosed real estate. As previously noted, we did not audit these funds since they were already audited by an independent public accounting firm. We rely on the opinion expressed by the independent public accountants. The following information includes general data about funds associated with CHFA. More detailed financial data concerning these funds can be found in the Authority's Annual Reports.

#### **Housing Mortgage Capital Reserve Fund:**

In accordance with Section 8-258, subsection (a)(1), of the General Statutes, the Housing Mortgage Capital Reserve Fund shall maintain an amount of moneys sufficient to meet the principal and interest payments on outstanding bonds required in the succeeding calendar year. This Fund consists of proceeds from the sale of bonds that are required to be deposited into this account by the bond resolution. Also included in this Fund are other moneys available to the Authority which it determines to utilize for this purpose. This Fund would only be used to pay bond principal and interest if there were insufficient funds within the Housing Mortgage General Fund.

#### **Housing Mortgage General Fund:**

The Housing Mortgage General Fund was established pursuant to Section 8-258, subsection

(a)(3), of the General Statutes to account for any moneys not required to be deposited into the Housing Mortgage Capital Reserve Fund or allocated to any other fund, including proceeds from the sale of bonds. This fund is used to pay all operating costs, including payments of principal and interest on the bonds issued by the Authority. No appropriations have been made by the General Assembly for the general operations of the Authority with the exception of the initial appropriation made in the 1969-1970 fiscal year. The State provides services to CHFA for the processing of payroll and related employee benefits. During the fiscal year ended June 30, 2007, the CHFA wired \$14,506,659 to the State Treasurer's Office to provide for such costs.

**Housing Mortgage Insurance Fund:**

In accordance with Section 8-258, subsection (a)(4), of the General Statutes, the CHFA is authorized to establish a Housing Mortgage Insurance Fund. This fund shall consist of mortgage insurance premium receipts; money or assets received from loan defaults or delinquencies (including sales, lease or rental of real property); moneys lent or paid by the State for inclusion in this fund; and any other moneys available to the Authority which it determines to include therein. Payments for expenses related to the protection of the interest of the Authority in connection with delinquent or defaulted insured mortgages shall be made from this fund. Loans and advances may be made from said funds as provided by Section 8-250 of the General Statutes.

**Statement of Net Assets (thousands of dollars):**

	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Investments in mortgage loans	\$3,016,363	\$2,701,355
Investments in securities	589,661	821,290
Funds held under Capital Reserve Funds		
Requirements	815,143	707,295
All other assets	164,434	159,835
<b>Total Assets</b>	<b>\$4,585,601</b>	<b>\$4,389,775</b>
<b>Liabilities</b>		
Bonds Payable	\$3,526,926	\$3,422,231
Escrow deposits	182,808	154,346
All other liabilities	59,670	57,005
<b>Total Liabilities</b>	<b>\$3,769,404</b>	<b>\$3,633,582</b>
<b>Net Assets</b>	<b>\$ 816,197</b>	<b>\$ 756,193</b>

**Income Statement (thousands of dollars):**

	<b>For the Year Ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Revenues</b>		
Interest on mortgage loans	\$164,077	\$150,754
Interest on investments	66,435	73,204
All other revenues	33,327	19,685
<b>Total Revenues</b>	<b>\$263,839</b>	<b>\$243,643</b>

<b>Expenses</b>		
Interest	\$161,627	\$158,354
Administrative	29,029	27,686
All other expenses	<u>13,179</u>	<u>29,507</u>
<b>Total Expenses</b>	<b><u>\$203,835</u></b>	<b><u>\$215,547</u></b>
<b>Net Income</b>	<b><u>\$ 60,004</u></b>	<b><u>\$ 28,096</u></b>

**Connecticut Housing Finance Authority Bonds:**

In accordance with the provisions of Section 8-250, subsection (12), and Section 8-252 of the General Statutes, the Authority is authorized to issue bonds as necessary to provide sufficient funds for carrying out the purposes of the Authority. Bonds issued by the Authority have generally been tax-exempt. The tax-exempt bonds are not backed by the full faith and credit of the State of Connecticut. However, the State, on or before December 1st of each year, must appropriate from the State General Fund whatever amount is certified by the Chairman of the Authority as necessary to restore the Capital Reserve Fund to the required minimum capital reserve. The State General Fund has not been asked to fund the Capital Reserve Fund during the audited period. As of December 31, 2007, the amount on deposit in the Bond Resolution Capital Reserve Fund was \$807,146,000, which was in excess of the Bond Resolution Capital Reserve Fund minimum requirement of \$262,278,000. The amount on deposit in the Indenture Capital Reserve Fund was \$4,647,000, which was in excess of the Indenture Capital Reserve Fund minimum requirement of \$4,456,000. For both of these capital reserve funds, the minimum is the amount of debt service due in the following year and the maximum is the greatest amount of debt service due in any succeeding year. The Authority generally issues three different types of bonds; Housing Mortgage Finance Program Bonds, Special Needs Housing Mortgage Finance Program Bonds and Housing Draw Down Bonds. The table below illustrates the changes in bonds payable for the year ended December 31, 2007.

**Change in Bonds Payable (thousands of dollars):**

<b><u>Types of Program Bonds:</u></b>	<b><u>Outstanding at 12/31/06</u></b>	<b><u>Issued</u></b>	<b><u>Retired</u></b>	<b><u>Outstanding at 12/31/07</u></b>
Housing Mortgage Finance	\$3,365,851	\$249,585	\$151,410	\$3,464,026
Special Needs Mortgage Finance	53,965	8,085	1,150	60,900
Housing Draw Down	<u>2,415</u>	<u>24,088</u>	<u>24,503</u>	<u>2,000</u>
<b>Totals</b>	<b><u>\$3,422,231</u></b>	<b><u>\$281,758</u></b>	<b><u>\$177,063</u></b>	<b><u>\$3,526,926</u></b>

**Investments:**

In accordance with Section 8-258, subsection (c), and Section 8-250, subsection (18), of the General Statutes, the CHFA shall invest any funds not needed for immediate use or disbursement including any funds held in reserve. The nature of such investments is limited to obligations

issued or guaranteed by the United States of America or the State of Connecticut and to other obligations which are legal investments for savings banks in this State and to time deposits or certificates of deposit or similar type investments as determined by the Authority.

**Staffing Levels:**

The number of employees as of December 31, 2006 and December 31, 2007, was 122 and 125, respectively, an increase of 2.5 percent.

Personal services costs, including fringe benefits, increased by \$1,581,489, or 11 percent due to the increase in salary, fringe benefit and temporary employee expenses.

**Other Examinations:**

The CHFA has been subject to annual audits by independent public accountants covering its financial operations, its loan processing functions, and the Section 8 Federally assisted housing payments program under the United States Housing Act of 1937. The independent public accountant's report to CHFA for the year ended December 31, 2007, expressed an unqualified opinion on CHFA's financial statements and reported no material weaknesses in internal control. The management letter contained suggestions for improvement in the area of information technology. It appears the Authority provided an adequate response to these matters. This was reported to the Board of Directors in a letter dated April 8, 2008.

## CONDITION OF RECORDS

Our audit of the Connecticut Housing Finance Authority revealed areas requiring improvement or further comment as discussed below:

### **Travel Expenses:**

*Criteria:* The Connecticut Housing Finance Authority (Authority) requires that travel expense reports be submitted within 45 days of travel. The Authority also requires adequate supporting documentation for all expenditures, except for mileage, taxi, gratuities and meals of seven dollars or less.

*Condition:* Our review of 10 travel expense reports found that five were not submitted within 45 days of travel. We also found that six expenses totaling \$1,789 did not have adequate supporting documentation. Two of these expenses were for hotels, three were for meals and one was for an airline-related charge.

*Effect:* Inadequate documentation prevents the Authority from determining if expenses are allowed and should be paid.

*Cause:* President/Executive Director approval was accepted in lieu of receipts. The policy does not clearly indicate that reimbursement can be denied for noncompliance.

*Recommendation:* The Connecticut Housing Finance Authority should develop stronger internal controls to ensure travel expenses are submitted in a timely manner and should not pay travel expenses without adequate supporting documentation.

*Agency Response:* “The President Executive Director during this audit period (January 1, 2007-December 31, 2007) has since left CHFA. This finding was presented to CHFA following the appointment by the Board of the current President Executive Director, who has implemented the recommended changes and directed that they be enforced, along with changes necessary to address the telephone misuse issues raised under “Other Matters.”

#### Specifically:

· Expense reports submitted after the 45 day limit will no longer be reimbursed unless the employee in question documents extraordinary circumstances warranting waiver of the rule and obtains the written approval of the President Executive Director to waive the rule. Waiver documentation must be maintained by CHFA for a period of three years. Only one waiver of the 45 day rule may be granted to an individual employee during any 12 month period.

Travel expenses will not be paid without adequate supporting documentation. The six expenses totaling \$1,789 without adequate supporting documentation all relate to one of the two employees referenced in the “Other Matters” section of this report. The then President Executive Director, who has since resigned from CHFA, approved all the travel related expenses cited. As a result, the other employee was not disciplined or held financially responsible for incurring expenses in excess of guidelines. These incidents and the incidents raised under “Other Matters” were isolated to these two individuals. One has resigned and the other no longer has access to a CHFA cell phone and has been disciplined.”

**Contracts:**

*Criteria:* In accordance with Connecticut General Statutes Sections 3-13j, 4a-81, 4-252, and Public Act 07-142, affidavits should be received prior to the start of services. Sound business practices require fully executed contracts to be in place prior to services being provided. Authority procedure requires contract approval by the Board of Directors.

*Condition:* Our review of contracts found three consultants provided services before fully executed contracts were in place and before applicable affidavits were received. The time between the start of services and the full execution of the contract was 46, 76 and 92 days. One of these contracts was not approved by the Board of Directors until 28 days after the start of services.

*Effect:* Consultants were providing services without the required affidavits and fully executed contracts.

*Cause:* Services were allowed to begin prior to having the necessary requirements fulfilled.

*Recommendation:* The Connecticut Housing Finance Authority should have fully executed contracts with the applicable affidavits in place prior to the start of services being provided.

*Agency Response:* “Agency practices with respect to contract approval have been changed with the objective of avoiding this condition in the future:

1. All contracts will be maintained in a central repository, the Law Department at CHFA.
2. Notices of contract expiration will be sent by the Law Department to the relevant functional unit(s) within CHFA at least 90 days prior to contract expiration.

3. The Law Department will work with the relevant functional area(s) to ensure that fully executed contracts with all affidavits are in place before the start of services.

With respect to the specific condition cited, two of the contracts in question were renewals and one involved a first-time vendor. All appropriate affidavits were in place for each of the contracts by the time of contract execution. The contract not approved by the Board for 28 days after the start of services was a renewal contract. In the case of the contract for a first-time vendor, Board approval to retain the vendor had already been granted, the terms of the contract had been negotiated, services were performed according to those terms and the failure to complete execution of the contract resulted from a delay by the vendor.”

**Other Matters:**

We investigated a whistleblower complaint that alleged abuse of the Authority’s cellular phones and travel related expenses by two employees. Cellular phone records were reviewed for inappropriate use. The account for one employee was set up to block call detail from appearing on the invoice and therefore could not be reviewed for content. The other employees’ records were reviewed and we found:

- Over a three month period the employee made at least 627 personal calls, including 159 on weekends or holidays.
- Numerous calls were made to directory assistance, which incurred additional charges to the Authority. It appears the majority of these calls were also for personal reasons.

Travel expenses during 2006 and 2007 were reviewed and certain expenses appeared to be inappropriate. We found that the Authority incurred the following travel-related expenses:

- Lodging expenses of \$476 for the two employees to attend a conference held in Connecticut. None of the other eight employees attending the conference were reimbursed for any lodging expenses.
- Reimbursement of \$1,143 each to the two employees for flights to an out-of-state conference. The average flight cost for the other seven employees attending was \$446 each, which was booked using the Authority’s travel agent.
- Reimbursement of \$315 to one of the employees for a flight-related expense when the Authority already paid \$199 for the flight. The only documentation for this expense was a credit card statement and a note on the expense report stating “airline change.”
- Numerous occasions when the two employees would exceed the allowable \$65 per day meal allowance. No detail was provided for any of these meals.

On December 12, 2008, we referred this matter to the Office of the Attorney General.

## RECOMMENDATIONS

*Status of Prior Audit Recommendations:*

There were no recommendations included in our prior audit examination.

*Current Audit Recommendations:*

**1. The Connecticut Housing Finance Authority should strengthen internal controls over travel expenses.**

Comment:

Travel expense reports were not submitted in accordance with Authority policy and in some cases without adequate documentation.

**2. The Authority should have fully executed contracts with the applicable affidavits in place prior to the start of services being provided.**

Comment:

Consultant services were provided prior to obtaining fully executed contracts and applicable affidavits.

## **INDEPENDENT AUDITORS' CERTIFICATION**

As required by Section 2-90 and Section 1-122 of the General Statutes, we have conducted an audit of the Connecticut Housing Finance Authority's activities for the calendar year ended December 31, 2007. 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 regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds, and the distribution of loans, grants 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 grants applicable to the Authority are complied with. The financial statement audit of the Connecticut Housing Finance Authority, for the calendar 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 Connecticut Housing Finance Authority complied in all material respects with the provisions of certain laws, regulations, contracts and grants 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 Housing Finance 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

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 would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Authority's financial operations and compliance with requirements that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Connecticut Housing Finance 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 calendar year ended December 31, 2007, 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.

The Connecticut Housing Finance Authority's response to the findings identified in our audit is described in the accompanying "Condition of Records" section of this report. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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 Connecticut Housing Finance 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 courtesies and cooperation extended to our representatives by the personnel of the Connecticut Housing Finance Authority during the course of our examination.

David Tarallo  
Associate Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts