



# House of Representatives

General Assembly

**File No. 229**

February Session, 2024

Substitute House Bill No. 5275

*House of Representatives, April 3, 2024*

The Committee on Planning and Development reported through REP. KAVROS DEGRAW of the 17th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT CONCERNING AUDITS OF CERTAIN NONSTATE ENTITIES RECEIVING STATE FINANCIAL ASSISTANCE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 4-231 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2024*):

3 (a) (1) Each nonstate entity [which] that expends a total amount of  
4 state financial assistance equal to or in excess of [three] five hundred  
5 thousand dollars in any fiscal year of such nonstate entity beginning on  
6 or after July 1, [2009] 2024, shall have either a single audit or a program-  
7 specific audit made for such fiscal year, in accordance with the  
8 provisions of subdivision (2) or (3) of this subsection, as applicable, and  
9 the requirements of regulations adopted pursuant to section 4-236.

10 (2) If the total amount of state financial assistance expended in any  
11 such fiscal year is for a single program, such nonstate entity may elect  
12 to have a program-specific audit made in lieu of a single audit, provided

13 [a] no grant agreement or [a] statutory or regulatory provision  
14 governing the program of state financial assistance [does not require]  
15 requires a financial statement audit of such nonstate entity.

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

19 (b) Notwithstanding any provision of the general statutes or any  
20 regulation adopted under any provision of the general statutes, each  
21 nonstate entity that expends total state financial assistance of less than  
22 [three] five hundred thousand dollars in any fiscal year of such nonstate  
23 entity beginning on or after July 1, [2009] 2024, shall be exempt with  
24 respect to such fiscal year from complying with any statutory or  
25 regulatory requirements concerning financial or financial and  
26 compliance audits that would otherwise [be applicable] apply to such  
27 nonstate entity.

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

33 Sec. 2. Section 4-232 of the general statutes is repealed and the  
34 following is substituted in lieu thereof (*Effective July 1, 2024*):

35 (a) Each nonstate entity [which] that is required to be audited  
36 pursuant to sections 4-230 to 4-236, inclusive, shall designate an  
37 independent auditor to conduct such audit. Not later than thirty days  
38 before the end of the fiscal period for which the audit is required, the  
39 nonstate entity shall file the name of such auditor with the cognizant  
40 agency designated pursuant to section 4-235. If a nonstate entity fails to  
41 make such filing, the cognizant agency may designate an independent  
42 auditor to conduct the audit. A nonstate entity shall be responsible for  
43 paying the costs of any audit conducted by an independent auditor  
44 designated by a cognizant agency.

45 (b) (1) Upon the completion of [the] an audit [,] pursuant to sections  
46 4-230 to 4-236, inclusive, [the] each nonstate entity shall file a copy of the  
47 audit report with the cognizant agency designated pursuant to section  
48 4-235 and, if applicable, state grantor agencies and pass-through  
49 entities. Once filed, such report shall be made available by the nonstate  
50 entity for public inspection. Copies of the report shall be filed not later  
51 than thirty days after completion of such report, if possible, but not later  
52 than six months after the end of the audit period. The cognizant agency  
53 may grant an extension of not more than thirty days, if the auditor  
54 conducting the audit and the chief executive officer of the nonstate  
55 entity jointly submit a request in writing to the cognizant agency that  
56 includes the reasons for such extension and an estimate of the time  
57 needed for completion of such audit, [at least] not less than thirty days  
58 prior to the end of such six-month period. If the reason for the extension  
59 relates to deficiencies in the accounting system of the nonstate entity,  
60 the request shall be accompanied by a corrective action plan. The  
61 auditor or chief executive officer shall promptly provide any additional  
62 information the cognizant agency may require. Before determining  
63 whether to grant an extension request, the cognizant agency may  
64 require the auditor and officials of the nonstate entity to meet with  
65 representatives of the cognizant agency. No extension granted pursuant  
66 to this subdivision shall extend beyond twelve months after the last day  
67 of the fiscal year to which such audit applies.

68 (2) Any nonstate entity, or the auditor of such nonstate entity, [which]  
69 that fails to have [the] an audit report filed on its behalf [within] not later  
70 than six months after the end of the fiscal year or within the time granted  
71 by the cognizant agency, may be assessed [,] by the Secretary of the  
72 Office of Policy and Management [,] a civil penalty of not less than one  
73 thousand dollars [but not more than] and not to exceed ten thousand  
74 dollars. In addition to, or in lieu of such penalty, the cognizant agency  
75 may assign an auditor to perform [the] an audit of such nonstate entity.  
76 In such case, [the] such nonstate entity shall be responsible for paying  
77 the costs related to [the] such audit. The secretary may, upon receipt of  
78 a written request from an official of the nonstate entity or its auditor,  
79 waive all such penalties if the secretary determines that there [appears

80 to be] is reasonable cause for the entity not having completed or  
81 provided [the] a required audit report.

|   |                     |       |
|---|---------------------|-------|
| This act shall take effect as follows and shall amend the following sections: |                     |       |
| Section 1   | <i>July 1, 2024</i> | 4-231 |
| Sec. 2  | <i>July 1, 2024</i> | 4-232 |

**PD**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:**

| Municipalities  | Effect            | FY 25 \$  | FY 26 \$  |
|---|-------------------|-----------|-----------|
| Various Municipalities; Local and Regional School Districts | Potential Savings | See Below | See Below |

**Explanation**

The bill increases the threshold for which a State Single Audit or program-specific audit is required from \$300,000 to \$500,000 in annual expenditures of state financial assistance. It also provides clarification that the extension due date granted for submitting the State Single Audit or program-specific audit cannot exceed twelve months from the grant recipient's fiscal year end. The bill results in savings to municipalities and regional school districts (RSDs) that spend less than \$500,000 of state funds annually, as the municipality will not be required to conduct certain audits per the bill's updated provisions. Currently, this is expected to impact eight municipalities and six RSDs.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR Bill Analysis****sHB 5275*****AN ACT CONCERNING AUDITS OF CERTAIN NONSTATE ENTITIES RECEIVING STATE FINANCIAL ASSISTANCE.*****SUMMARY**

By law, municipalities and other nonstate entities that spend substantial amounts of state funding during a fiscal year must undergo a single audit (i.e., an audit that generally covers the entity's financial statements and state assistance) or a program-specific audit (i.e., an audit of a single state program). This bill increases, from \$300,000 to \$500,000, the amount of state financial assistance a nonstate entity can spend in its fiscal year before it becomes subject to this audit requirement and related laws. The increased threshold applies to fiscal years starting on or after July 1, 2024.

By law, state agencies assigned to oversee these audits may extend the deadline for nonstate entities to file copies of their audits under certain conditions. The bill limits the maximum extension they can provide to 12 months after the end of the fiscal year to which the audit applies. By law, the Office of Policy and Management secretary can assess a civil penalty of between \$1,000 and \$10,000 for failing to file an audit report by the deadline (six months after the entity's fiscal year-end or within the time granted by the agency), but he can waive all penalties if he determines there is reasonable cause.

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2024

**BACKGROUND*****Nonstate Entities Subject to Audit Requirements***

The audit requirements for recipients of “state financial assistance” apply to municipalities, tourism districts, nonprofit agencies (including private colleges and universities), special taxing districts, the Metropolitan District Commission, local and regional school boards, regional councils of government, and other political subdivisions or municipally created or designated agencies receiving more than \$1 million in annual revenue.

“State financial assistance” includes grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations that a nonstate entity receives or administers and a state agency provides. It does not include direct state cash assistance to individuals or payments to a vendor.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/15/2024)