



**STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT
OFFICE OF FINANCE**

**GENERAL INSTRUCTIONS
FOR INDEPENDENT AUDITORS
ENGAGED IN MUNICIPAL AUDITING**

Municipal Finance Services

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APPOINTMENT OF AUDITOR, TIME FRAME FOR FILING OF THE REPORT

*****New for municipalities with a year-end of 6/30/2021 or after, auditor appointment notifications and extension requests shall be performed in the new Fiscal Health Monitoring System (FHMS) only*****

Connecticut General Statutes require that the appointing authority of a municipality, audited agency, regional school district and tourism district (hereinafter referred to as the auditee), notify the Secretary of the Office of Policy and Management (hereinafter referred to as the Secretary) of the independent auditor appointed to perform the audit. Such notification must be made on the *Appointment of Auditor Notification* form not later than thirty days before the end of the fiscal year of the entity to be audited.

Before undertaking any audit of an auditee, the auditor must be approved to perform the audit by the Secretary. Auditors must meet the standards included in Generally Accepted Government Auditing Standards (GAGAS) for personnel performing government audits and the licensing requirements of the State Board of Accountancy.

Section 7-393 of the General Statutes provides that a certified copy of the audit report shall be filed with (1) the appointing authority, (2) in the case of a town, city or borough, with the clerk of such town, city or borough, (3) in the case of a regional school district, with the clerks of the towns, cities or boroughs in which such regional school district is located and with the board of education, (4) in the case of an audited agency, with the clerks of the towns, cities or boroughs in which such audited agency is located, and (5) in each case, with the Secretary of the Office of Policy and Management. Such copies shall be filed within six months from the end of the fiscal year of the auditee.

Note: If an extension of time beyond the six-month period is needed for the filing of the financial audit, State Single Audit or program-specific audit report, a written request must be made to the Secretary at least thirty days prior to the end of the six-month period. The request must be made by the auditor and signed by both the auditor and the Chief Executive Officer of the auditee.

PRINCIPLES AND STANDARDS FOR FINANCIAL AUDIT REPORTS

The audit report prepared by an independent auditor shall be prepared in accordance with accounting principles and auditing standards that are generally accepted in the United States of America (GAAP and GAAS, respectively) and the provisions of C.G.S. Section 4-230 to 4-236, inclusive. All reports must also be in conformance with requirements established in C.G.S. Section 7-391 to 7-397, and Sec. 7-392-1 of the Regulations of the State of Connecticut. The Governmental Accounting Standards Board is the authoritative standards setting body for Governmental GAAP. The latest GASB pronouncements can be found at: www.gasb.org

REPORTING UNDER GOVERNMENT AUDITING STANDARDS

The Federal and State Single Audit Acts require the audit (including the audit of the financial statements), be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires auditors to report on compliance with laws and regulations and internal controls in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. This report should be included in the reporting package submitted for all audits conducted in accordance with GAGAS.

AUDIT RISK ALERT

On occasion, the Office of Policy and Management will issue an **Audit Risk Alert** regarding accounting and reporting related issues for compliance with GASB pronouncements and the requirements of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes). The latest Risk Alerts can be found at the following web address below.

<https://portal.ct.gov/OPM/IGP-MUNFINSR/Municipal-Financial-Services/Audit-Forms>

MINIMUM COMPONENTS OF THE AUDITED FINANCIAL STATEMENTS

- The Independent Auditor's Report
- Basic Financial Statements (including notes to the financial statements)
- Required Supplementary Information, including Management's Discussion and Analysis and other information required by the GASB
- Other Supplementary Information including Combining and Individual Fund Statements and the Schedule of Debt Limitation and Tax Collector's Report (where applicable)

REQUIRED FILINGS WITH THE SECRETARY

1. The Audited Financial Statements of the auditee
2. State Single Audit Report or program-specific audit report (if applicable)
3. Federal Single Audit Report (if applicable)
4. Municipal Audit Questionnaire
5. Management letter (if applicable)
6. Corrective Action Plan (if applicable)
7. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (if applicable)

***New:** For audits with a fiscal year ended June 30, 2021 or after, A hardcopy of the audit report package is no longer required to be submitted to the Secretary. Audit report packages must continue to be filed electronically on the Office of Policy and Management's Electronic Audit Report System (EARS) located at: <https://www.appsvcs.opm.ct.gov/Auditing/Home.aspx>.*

QUESTIONNAIRE

The Municipal Audit Questionnaire is required to be filed with each auditee's audit report that is submitted to OPM.

SPECIAL CIRCUMSTANCES

If, during the course of an audit, the auditor becomes aware of the possibility of illegal acts, such acts shall be reported in accordance with the provisions of Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards [State Single Audit Act Section 4-233(a)(1)], as applicable. Additionally, the auditor shall immediately make an oral report to the State of Connecticut, Office of Policy and Management, Office of Finance. This oral report must be promptly followed by a written report describing the illegal acts.

SINGLE AUDIT ACTS

Federal:

The Federal Government has issued certain requirements for governmental entities receiving federal financial assistance.

- a) Single Audit Act as Amended, 1996
- b) OMB Uniform Guidance for Federal Awards (Title 2 of CFR, issued 12/26/13)
- (c) Government Auditing Standards (2018 Revision)

State:

Municipalities, audited agencies, regional school districts and tourism districts that expend three-hundred thousand dollars or more of state financial assistance in their fiscal year, are required to have an audit conducted for that year in accordance with the State Single Audit Act (CGS 4-230 to 4-236) and its Regulations.

It is suggested that the following be utilized as guidance in conducting a State Single Audit:

- a) The State Single Audit Act, as amended by P.A. 09-7
- b) Regulations to the State Single Audit Act, as amended by P.A. 09-7
- c) The Compliance Supplement to the State Single Audit Act (edition applicable to audits with fiscal years beginning on or after July 1, 2020).
- d) Government Auditing Standards - 2018 Yellow Book Revision (effective for financial audits for periods ending on or after June 30, 2021)

** The American Institute of Certified Public Accountants has issued the audit guide, *Government Auditing Standards And Single Audits*, which provides guidance for audits of financial statements conducted in accordance with Government Auditing Standards. The guide also provides guidance on basic requirements that should be followed and reports that should be issued to comply with the Federal Single Audit Act and OMB Uniform Guidance for Federal Awards.

FREQUENTLY REQUESTED FORMS AND DOCUMENTS

Common forms and documents related to financial and State Single audits can be found on the Office of Policy and Management website. Go to the following web address to access the form or document you are seeking: <https://portal.ct.gov/OPM/IGP-MUNFINSR/Municipal-Financial-Services/Audit-Forms>

FISCAL HEALTH MONITORING SYSTEM (FHMS) ASSISTANCE

For questions related to the State's new Fiscal Health Monitoring System (FHMS) refer to <https://portal.ct.gov/OPM/IGP-MUNFINSR/Municipal-Financial-Services/Annual-Report---Fiscal-Health-Monitoring-System---FHMS>.

COGNIZANT AGENCY DESIGNATION

For purposes of the State Single Audit, the Secretary of the Office of Policy & Management has designated the following cognizant agencies.

Municipalities, Audited Agencies and Tourism Districts:

William Plummer
Office of Policy & Management
Office of Finance
450 Capitol Avenue - MS-54MFS
Hartford, Connecticut 06106-1379

Regional School Districts, Regional Education Service Centers and Charter Schools:

Nora Chapman
Office of Internal Audit
Department of Education, 450 Columbus Boulevard, P.O. Box 2219
Hartford, Connecticut 06145

Regional Council of Governments and Transit Districts:

Shawn Boisclair
Office of External Audits
Department of Transportation
P.O. Box 317546
Newington, Connecticut 06131

Housing Authorities:

Michael Santoro
Department of Housing
Office of Policy and Research
505 Hudson Street
Hartford, Connecticut 06106

Suggested Format for Debt Limitation Statement - Connecticut General Statutes, Section 7-374 (b)

[Town or City] of _____

Statement of Debt Limitation

Fiscal Year Ended June 30, _____

Total Tax Collections (including interest, penalties and late payment of taxes) for immediate preceding fiscal year:----- XXX

Total Tax Collections (including interest, penalties and late payment of taxes) of all Coterminous Municipalities for immediate preceding fiscal year:-----XXX

State reimbursement for revenue loss on tax relief for elderly under CGS Sections 12-129d and 7-528 for immediate preceding fiscal year: -----XXX

Annual Receipts from Taxation (total of above) (the "Base") -----XXX

<u>Debt Limitation:</u>	<u>General Purposes</u>	<u>Schools *</u>	<u>Water Pollution Control</u>	<u>Urban Renewal **</u>	<u>Pension Deficit</u>
2 1/4 times Base	xxx				
4 1/2 times Base		xxx			
3 3/4 times Base			xxx		
3 1/4 times Base				xxx	
3 times Base					xxx
TOTAL DEBT LIMITATION	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

Indebtedness: (See CGS Section 7-374(b) for various exclusions from statutory debt limit.)

Bonds Payable	x	x	x	x	x
Bonds Authorized but Unissued***	x	x	x	x	x
Coterminous Municipalities:					
Debt Issued and Debt Authorized but Unissued	x	x	x	x	x
TOTAL INDEBTEDNESS	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

Debt Limitation in Excess of Outstanding and Authorized Debt x x x x x

In no case shall total indebtedness exceed seven times the annual receipts from taxation. Accordingly, the overall statutory debt limit is: \$ _____.

- Notes:* Include the municipality's share of regional school district (RSD) debt, if applicable, based on the municipality's percentage share of the net expenses of the RSD for the preceding fiscal year.
- ** Include any bonds issued pursuant to CGS Title 8 unless excluded by statute.
- ***Include bond anticipation notes that have been issued.

Special Note: Generally, a single CGS Section 7-374(b) debt limitation schedule is applicable to a town, consolidated town and city or consolidated town and borough (a "Municipality"), and to all of the independent and dependent political and territorial divisions and subdivisions coterminous with or within such overlying municipality (the "Coterminous Municipalities"). For example, a town and all of its fire, sewer and other tax districts are subject to a single debt limitation schedule (unless otherwise provided by a public or special act), and the tax collections and debt of all the entities are aggregated for determining compliance with the applicable debt limits.