

**Federal Single Audit
and
State Single Audit
of the
State Education Resource Center
(A Component Unit of the State of Connecticut)
For the Year Ended June 30, 2017**

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

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**Federal
Single
Audit**

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Passed through to Subrecipients</u> | <u>Total Expenditures</u> |
|--|------------------------------------|---|--|-------------------------------|
| <u>U.S. Department of Education:</u> | | | | |
| Passed through State Department of Education: | | | | |
| Special Education Cluster: | | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 12060-20977-82156-2017 | \$ - | \$ 4,124,536 |
| Safe Schools Healthy Students | 93.243 | 12060-26268-82158-2017 | - | 99,539 |
| School Safety National Activities | 84.184 | 12060-22684-82022-2017 | - | 376,283 |
| Special Education - State Personnel Development | 84.323 | 12060-20949-82156-2017 | - | 207,745 |
| Total Federal Awards | | | <u>\$ -</u> | <u>\$ 4,808,103</u> |

See Notes to Schedule of Expenditures of Federal Awards.

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the State Education Resource Center ("SERC") under programs of the federal government. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the SERC, it is not intended to and does not present the financial position, changes in net position, or cash flows of the SERC.

2. Summary of significant accounting policies

- A. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- B. Under agreement with the State of Connecticut Department of Education, SERC applies a restricted indirect cost rate of 12.77% to restricted programs and 17.51% unrestricted indirect cost rate to other programs.

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2017**

2016-001 Cash Management – Special Education Cluster – 84.027/84.173

Condition

Excess monies were drawn down from the State Department of Education for the Special Education Cluster during the fiscal year.

Current Status

The finding has not been corrected and is being repeated as finding 2017-001

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? x yes no

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> | <u>Expenditures</u> |
|--------------------|--------------------------------|---------------------|
| 84.027/84.173 | Special Education Cluster | \$4,124,536 |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

II. Findings - Financial Statement Audit

None.

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

III. Findings and Questioned Costs - Major Federal Award Programs Audit

2017-001 (Prior Year finding 2016-001) Cash Management – Special Education Cluster – 84.027

Condition

Excess monies were drawn down from the State Department of Education for the IDEA grant during the fiscal year.

Criteria

Federal cash management regulations require that only immediate cash requirements should be drawn down by the grantee.

Questioned costs

There were no questioned costs.

Context

The deficiency occurred for the drawdowns throughout the fiscal year.

Effect

Amounts were drawn down in excess of immediate cash requirements.

Cause

Due to inadequate year end closing procedures and lack of formal monitoring process over program expenditures.

Recommendation

We recommend that all cash draw down requests be based upon actual immediate cash needed in accordance with federal regulations. The calculation of the draw down request should be formally documented and retained for audit purposes.

Views of responsible officials and planned corrective actions

SERC will develop and implement procedures to ensure draw downs are properly calculated and documented.



**Independent Auditor's 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***

**Board of Directors
State Education Resource Center**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Education Resource Center ("SERC"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SERC's basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SERC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SERC's internal control. Accordingly, we do not express an opinion on the effectiveness of SERC's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SERC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
June 26, 2018



**Independent Auditor's Report on Compliance for Each
Major Federal Program; Report on Internal Control over
Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

**Board of Directors
State Education Resource Center**

Report on Compliance for Each Major Federal Program

We have audited the State Education Resource Center's ("SERC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SERC's major federal programs for the year ended June 30, 2017. SERC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SERC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SERC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SERC's compliance.

Opinion on Each Major Federal Program

In our opinion, SERC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

SERC's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. SERC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of SERC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SERC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SERC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the State Education Resource Center, a component unit of the State of Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SERC's basic financial statements. We issued our report thereon dated June 26, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
June 26, 2018

**State
Single
Audit**

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2017**

| State Grantor/Pass-Through Grantor/Program Title | State Grant Program Core-CT Number | Passed through to Subrecipients | Total Expenditures |
|---|---|---------------------------------------|-----------------------|
| Department of Education: | | | |
| Parent Trust | 11000-SDE64000-12506 | \$ - | \$ 386,454 |
| CEEDAR Institute | 12060-SDE64510-34935 | - | 33,276 |
| Food Distribution Program | 12060-SDE64165-30634 | - | 14,763 |
| Assessment Initiatives | 11000-SDE64455-12171 | - | 34,190 |
| SERC Settlement Agreement | 11000-SDE64155-12290 | - | 81,057 |
| Total State Financial Assistance | | <u>\$ -</u> | <u>\$ 549,740</u> |

See Notes to Schedule of Expenditures of State Financial Assistance.

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

**Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2017**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the State Education Resource Center ("SERC"), under programs of the State of Connecticut. The Department of Education of the State of Connecticut has provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund special education related programs.

1. Summary of significant accounting policies

The accounting policies of the SERC conform to accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the schedule of expenditures of state financial assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

Indirect Cost Rate

Under agreement with the State of Connecticut Department of Education, SERC applies a restricted indirect cost rate of 12.77% to restricted programs and 17.51% unrestricted indirect cost rate to other programs.

2. Prior year findings and questioned costs

There were no prior year audit findings or questioned costs.

**State Education Resource Center
(A Component Unit of the State of Connecticut)**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____yes x no
 Significant deficiency(ies) identified? _____yes x none reported

Noncompliance material to financial statements noted? _____yes x no

State Financial Assistance

Internal control over major programs:
 Material weakness(es) identified? _____yes x no
 Significant deficiency(ies) identified? _____yes x none reported

Type of auditor's opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____yes x no

The following schedule reflects the major programs included in the audit:

| <u>State Grantor and Program</u> | <u>State Core-CT Number</u> | <u>Expenditures</u> |
|--|-----------------------------|---------------------|
| Department of Education: Parent Trust | 11000-SDE64000-12506 | \$ 386,454 |
| Dollar threshold used to distinguish between type A and type B programs: | | \$ 100,000 |

II. Financial Statement Findings

None

III. State Financial Assistance Findings and Questioned Costs

None

**Independent Auditor's 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***

**Board of Directors
State Education Resource Center**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Education Resource Center ("SERC"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SERC's basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SERC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SERC's internal control. Accordingly, we do not express an opinion on the effectiveness of SERC's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SERC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
June 26, 2018



Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

**Board of Directors
State Education Resource Center**

Report on Compliance for Each Major State Program

We have audited the State Education Resource Center's ("SERC") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of SERC's major state programs for the year ended June 30, 2017. SERC's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SERC's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about SERC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of SERC's compliance.

**Board of Directors
State Education Resource Center**

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Opinion on Each Major State Program

In our opinion, SERC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of SERC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SERC's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SERC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the State Education Resource Center, a component unit of the State of Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SERC's basic financial statements. We have issued our report thereon dated June 26, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SERC's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
June 26, 2018