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of NONPROFITS

*...to serve, strengthen
and support Connecticut's
nonprofit community.*

Testimony before the Planning & Development Committee
3.6.09

In support of HB 6591, AAC Connecticut State Single Audit Revisions

BY RON CRETARO, EXECUTIVE DIRECTOR

Senator Coleman, Representative Sharkey, members of the committee, my name is Ron Cretaro and I am the Executive Director of Connecticut Association of Nonprofits (CT Nonprofits). We represent 530 nonprofit organizations, 300 of which receive state funding to provide health and human services on its behalf.

CT Nonprofits supports HB 6591, which proposes to increase the amount of state financial assistance that must be expended in order to trigger a state single audit. If passed, this bill will raise the threshold to \$300,000 in expended state funding, up from \$100,000. This is a welcome change that will help alleviate a significant burden for several nonprofits that contract with the state, as well as for contracting state agencies.

Nonprofit providers currently hold about 1,900 Purchase-of-Service (POS) contracts with the state that are valued at approximately \$2 billion annually. Each POS contract that expends state funding in excess of \$100,000 in any fiscal year is subject to a state single audit, this is a private auditor's verification that the nonprofit spent state dollars on what it reported spending those dollars on. Elements of compliance include: allowed and un-allowed activities, eligibility, matching/level of effort/earmarking, reporting, sub-recipient monitoring and Special Tests and Provisions. The state single audit process is onerous, complex and extremely demanding for both the nonprofit and the accounting professional conducting the audit. Furthermore, as is made clear in HB 6591, this extensive audit is the responsibility of the nonprofit and can be quite costly.

We do not feel that transparency or accountability of the nonprofit community will be compromised by adopting a higher state single audit threshold. All POS human services contractors, must complete a Core Human Services Contract which allows a state agency access to all contract related data and documents, a copy of the IRS form 990, annual reports, and requires mandatory reporting of abuse or neglect. The IRS form 990 is required to be filed by nonprofits with annual gross receipts over \$25,000 and provides a great amount of detail and safeguards for both the state and the public. Furthermore, as many nonprofits have multiple funding sources, foundations and other funding sources such as the United Way may require audits of funding recipients.

CT Nonprofits believes that HB 6591 is a welcome measure to help alleviate costs to some nonprofit providers during difficult financial times and we urge passage.

Thank you for the opportunity to submit testimony. Please do not hesitate to contact me with any questions.