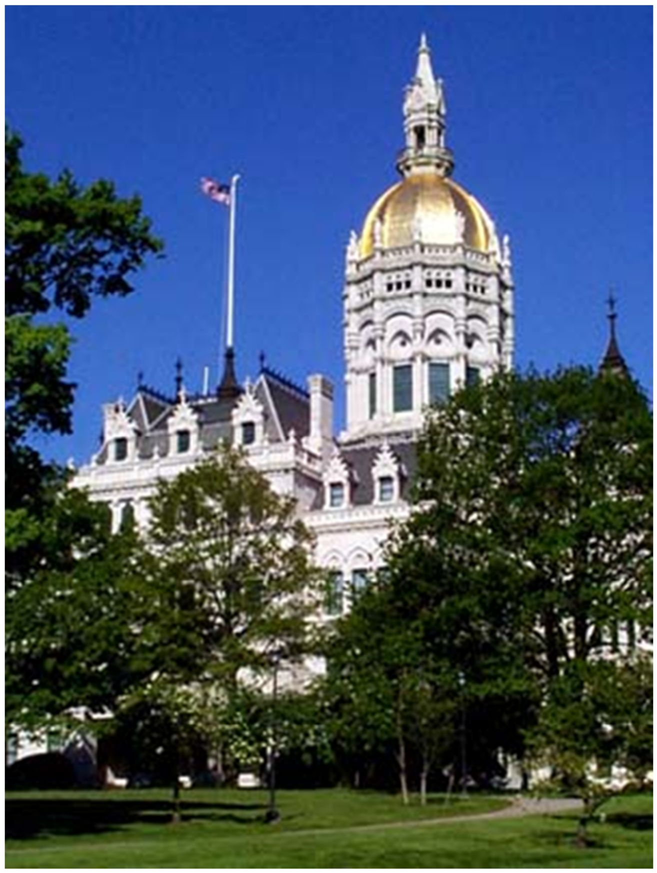
STATE OF CONNECTICUT



AUDITORS' REPORT
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT

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November 18, 2014

AUDITORS' REPORT
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013

We have audited certain operations of the Clean Energy Finance and Investment Authority (CEFIA) in fulfillment of our duties under Sections 1-122 and Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the authority's internal controls over significant management and financial functions;

2. Evaluate the authority's compliance with policies and procedures internal to the authority or promulgated by other state agencies, as well as certain legal provisions, including but not limited to whether the Clean Energy Finance and Investment 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 assistance, as applicable; and

3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the authority, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the authority's management and was not subjected to the procedures applied in our audit of the authority. For the areas audited, we identified:

1. Deficiencies in internal controls;

2. Apparent noncompliance with legal provisions; and

3. No need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Clean Energy Finance and Investment Authority.

COMMENTS

FOREWORD

The Clean Energy Finance and Investment Authority (CEFIA) was established on July 1, 2011, pursuant to Public Act 11-80. CEFIA, also known as the Connecticut Green Bank, operates primarily under Section 16-245n of the General Statutes. Pursuant to Section 16-245n subsection (d)(1)(A), CEFIA is a public instrumentality and political subdivision of the state. Pursuant to Chapter 12 of the General Statutes, CEFIA is classified as a quasi-public agency subject to the requirements found in Chapter 12. As a quasi-public agency, CEFIA's financial information is included as a component unit in the State of Connecticut's Comprehensive Annual Financial Report.

CEFIA constitutes the successor agency to Connecticut Innovations, Incorporated (CI) for the purposes of administering the Clean Energy Fund in accordance with Section 4-38d of the General Statutes. CEFIA utilizes the services of CI as provided for in the General Statutes. CI provides services to CEFIA, at cost, for its operations.

CEFIA was created to support financing or other expenditures that promote the deployment of clean energy in Connecticut in accordance with a comprehensive plan. CEFIA's purposes are: (1) developing programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such other programs as CEFIA may determine; (2) supporting financing or other expenditures that promote investment in clean energy sources to foster the growth, development and commercialization of clean energy sources and related enterprises; and (3) stimulating demand for clean energy and the deployment of clean energy sources within the state that serves end-use customers in the state.

Section 16-245n subsection (b) provides that, on or after January 1, 2004, the Public Utilities Regulatory Authority shall assess or cause to be assessed a charge per kilowatt-hour to each end-user of electrical service in the state, which shall be deposited into the Clean Energy Fund. During the audited period, the charge was one mill per kilowatt-hour. It is this assessment that provides the principal source of CEFIA's revenue. In accordance with Section 16-245n subsection (c), the Clean Energy Fund is within CEFIA and may receive any amount required by law to be deposited into the fund and may receive any federal funds as may become available to the state for clean energy investments. Upon authorization by the CEFIA board, any amount in said fund may be used for expenditures that promote investment in clean energy in accordance with its comprehensive plan.

During the 2012-2013 fiscal year, CEFIA established four legally separate for-profit entities whose collective purpose, at the present time, is to administer CEFIA's solar energy programs as follows.

CEFIA Holdings LLC

CEFIA Holdings LLC is a Connecticut limited liability corporation (LLC) 99 percent owned by CEFIA and one percent owned by CI that was established to fund a portfolio of residential solar loans, and through its CT Solar Lease 2 program, to enable investment in solar photovoltaic and solar thermal equipment for the benefit of Connecticut homeowners, businesses, not-for-profits and municipalities (the end users). CEFIA Holdings LLC acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation of the solar assets and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the end users. CEFIA Holding LLC is also responsible for procuring insurance for the solar assets, operation and maintenance services, as well as warranty management services for the ultimate owner of the solar assets, CT Solar Lease 2 LLC, to which CEFIA Holdings LLC sells the residential and commercial projects before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease 2 LLC administers the portfolio of projects with the assistance of an outside corporation. CEFIA Holdings LLC is presented in CEFIA's financial statements as a blended unit.

CEFIA Solar Loan I LLC

CEFIA Solar Loan I LLC is a limited liability corporation wholly owned by CEFIA Holdings LLC, established to make loans to residential property owners for the purposes of installing photovoltaic equipment. It is presented as a blended unit in CEFIA's financial statements.

CEFIA Solar Services, Inc.

CEFIA Solar Services, Inc., is a Connecticut corporation, 100 percent owned by CEFIA Holdings LLC, established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic and solar thermal equipment and the sale of energy under power purchase agreements as managing member of CT Solar Lease 2 LLC. CEFIA Solar Services, Inc. has a one percent ownership interest in CT Solar 2 LLC and is the managing member of the entity responsible for performing all management and operational functions pursuant to the Operating Agreement of CT Solar Lease 2 LLC. This entity is presented as a discrete unit in CEFIA's financial statements.

CT Solar Lease 2 LLC

CT Solar Lease 2 LLC is a CT limited liability corporation that acquires the title to residential and commercial solar projects from the developer, CEFIA Holdings LLC, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners' repayment to CT Solar Lease 2 LLC of the installation funds advance, as well as revenue earned from production-based incentives. CT Solar Lease 2 LLC is owned 99 percent by an outside limited liability company, as the investor member and one percent by CEFIA Solar Services Inc. as the managing member. This entity is presented as a discrete unit in CEFIA's financial statements.

Significant State Legislation

Public Act 11-80 created CEFIA to administer the Clean Energy Fund. The act expands the resources that can go into the Clean Energy Fund to include private capital and revenue reallocated to the fund by the legislature. The act expands the types of projects the fund can support to include electric and natural gas vehicle infrastructure, electricity storage, and the financing of energy efficiency. The act establishes three-year pilot programs to develop combined heat and power and anaerobic digester projects and provides $2 million annually for each of the programs. The act requires CEFIA to establish a program to promote residential photovoltaic systems under which participants can choose to receive an up-front payment tied to the power the systems produce. The act modifies the Green CT Loan Guaranty Fund program and transfers its administration from the Connecticut Health and Educational Facilities Authority to CEFIA.

Public Act 12-189 eliminated the municipal renewable energy and efficient energy generation grant program for municipalities and requires CEFIA to establish a renewable energy and efficient energy finance program for any entities, not just municipalities, undertaking these types of projects. The act transfers an existing $18 million bond authorization for the municipal grant program, which the State Bond Commission never allocated, to CEFIA for the financing program. The bonds are subject to standard statutory issuance and repayment requirements and their proceeds go into a separate account within the Clean Energy Fund.

Public Act 12-2 of the June Special Session of the General Assembly clarified that CEFIA is a political subdivision of the state. The act requires CEFIA to establish a separate property-assessed clean energy program for qualifying commercial property and allows municipalities to participate in the program under a written agreement approved by their legislative bodies. The act allows CEFIA to (a) issue revenue bonds; (b) use the bond proceeds to promote renewable energy and the financing of energy efficiency projects; and (c) establish one or more special capital reserve funds for the bonds. The act also entitles CEFIA to part of the state's annual private activity bond allocation.

Board of Directors and Administrative Officials

Pursuant to Section 16-245n subsection (e) of the General Statutes, the powers of CEFIA are vested in and exercised by a board of directors. The CEFIA board shall consist of eleven voting and two nonvoting members, each with knowledge and expertise in matters related to the purpose and activities of CEFIA, and shall include four members appointed by the Governor, four members appointed by various legislative leaders, the State Treasurer, the commissioner of the Department of Energy and Environmental Protection and the commissioner of the Department of Economic and Community Development. In addition, the president of CEFIA and a member of the board of Connecticut Innovations, Incorporated, appointed by the chairperson of CI, shall serve on the board in an ex-officio, nonvoting capacity. The Governor shall appoint the chairperson of the board. The board shall adopt bylaws and procedures it deems necessary to carry out its functions.

The members of CEFIA's board of directors as of June 30, 2013, were as follows:

Appointed by the Governor:
- Mun Y. Choi, Ph. D.
- Reed E. Hundt
- John Olsen
- Vacancy

Legislative Appointments:
- Thomas M. Flynn
- Norma Glover
- Matthew Ranelli
- Patricia Wrice

Ex-Officio:
- Catherine H. Smith, Chairperson, Commissioner of the Department of Economic and Community Development
- Daniel Esty, Commissioner of the Department of Energy and Environmental Protection
- Denise L. Nappier, State Treasurer

Non-voting Members
- Bryan Garcia, President of CEFIA
- Vacancy (appointed by CI board)

Mark Cirelli also served during the audited period.

In addition, the board has set up several committees and sub-committees to review and discuss issues and assist the board in making decisions related to CEFIA. During the audited period, the CEFIA board had the following four standing committees: Audit, Compliance, and Governance Committee; Budget and Operations Committee; Deployment Committee; and Technology Innovation Committee.

Bryan Garcia served as President of CEFIA throughout the audited period and continues to serve in that capacity.

RÉSUMÉ OF OPERATIONS

The financial position of CEFIA as of June 30, 2011 and 2012, is presented below. For comparative purposes, the figures for the Clean Energy Fund, the predecessor entity to CEFIA, are presented for the 2010-2011 fiscal year. The figures presented below differ from the audited financial statements, as certain items from 2011 were reclassified and only the total reporting entity figures are presented.

	Fiscal Years Ended June 30,		
	2013	**2012**	**2011**
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 68,105,014	$ 64,672,910	$ 57,664,091
Accounts Receivable	1,940,835	725,259	329,833
Utility Customer Assessments Receivable	2,604,826	2,580,042	2,683,145
Other Assets	194,056	350,302	291,671
Current Portion of Solar Lease Notes	704,032	670,645	611,367
Total Current Assets	73,548,763	68,999,158	61,580,107
Non-Current Assets:			
Portfolio Investments	4,788,094	2,155,525	1,698,715
Solar Lease Notes, Less Current Portion	10,536,136	11,064,879	10,052,176
Renewable Energy Credits	1,217,491	1,324,614	1,429,921
Capital Assets, Net of Depreciation	362,505	91,329	0
Restricted Assets:			
Cash and Cash Equivalents	9,536,656	8,540,684	2,234,945
Total Non-Current Assets	26,440,882	23,177,031	15,415,757
Total Assets	**$ 99,989,645**	**$ 92,176,189**	**$ 76,995,864**
Liabilities and Net Assets			
Liabilities:			
Accounts Payable and Accrued	$ 1,422,898	$ 2,624,861	$ 1,753,874

Expenses			
Deferred Revenue	0	8,363,119	2,000,000
Custodial Liability	393,000	0	0
Due to Fund Administrator	0	0	461,752
Total Liabilities	1,815,898	10,987,980	4,215,626
Net Position			
Invested in Capital Assets	362,505	91,329	0
Restricted Net Position			
Non-expendable	1,000	0	0
Restricted – Energy Programs	8,143,655	176,974	233,875
Unrestricted (Deficit)	89,666,587	80,919,906	72,546,364
Total Net Position	98,173,747	81,188,209	72,780,239
Total Liabilities and Net Assets	**$ 99,989,645**	**$ 92,176,189**	**$ 76,995,865**

During the 2011-2012 fiscal year, cash increased by $7,008,819 primarily as a result of an increase in grant awards received during the year. During the 2012-2013 fiscal year, cash increased by $3,432,104 primarily as a result of greater-than-expected proceeds received from Regional Greenhouse Gas Initiative (RGGI) auctions and a reduction in grant activity and CEFIA's transition to a financing model as opposed to a grant model to fund renewable energy and energy efficiency projects.

The former Connecticut Clean Energy Fund invested in emerging technology companies as equity investments and technology innovation programs and projects. As of June 30, 2013, portfolio investments represent equity and debt investments in eleven companies. CEFIA's portfolio investments are managed by CI. In the absence of readily determinable market values, investments are carried at fair value as estimated by the Valuation Committee of CI, using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. As is commonplace with investments such as those held by CEFIA and as disclosed in CEFIA's audited financial statements, those estimated values may differ significantly from the amounts ultimately realized from the investments due to the inherent uncertainty of valuations, and the differences could be material.

A schedule of revenues, expenses and changes in net assets for the fiscal years ended June 30, 2012 and 2013, follows. For comparative purposes, the figures for the Clean Energy Fund, the predecessor entity to CEFIA, are presented for the 2010-2011 fiscal year. The figures presented below differ from the audited financial statements, as certain items from 2011 were reclassified and only the total reporting entity figures are presented.

	Fiscal Years Ended June 30,		
	2013	**2012**	**2011**
Operating Revenues			
Utility Customer Assessments	$ 27,621,409	$ 27,025,088	$ 28,444,062
Grant Revenue	10,035,250	10,435,251	3,808,690
RGGI Auction Income	4,744,657	2,052,748	3,383,276

Other Income	941,777	240,597	191,340
Total Operating Revenue	43,343,093	39,753,684	35,827,368
Operating Expenses			
Grants and Program Expenditures	23,634,465	31,122,355	28,026,088
General and Administrative Expenses	1,811,227	1,387,854	1,435,869
Organizational Expenses	1,180,414	0	0
Total Operating Expenses	26,626,106	32,510,209	29,461,957
Operating Income (Loss)	16,716,987	7,243,475	6,365,411
Non-Operating Income (Expenses)			
Interest on Solar Lease Notes	583,575	589,007	447,251
Interest on Short-Term Investments	103,928	140,786	117,145
Realized Gain (Loss) on Investments	(1,034,605)	0	177,756
Unrealized Gain (Loss) on Investments	378,059	434,702	(58,557)
Total Nonoperating Income (Expenses)	30,957	1,164,495	683,595
Income (Loss) Before Capital Contributions	16,747,944	8,407,970	7,049,006
Capital Contributions	237,594	0	0
Change in Net Assets Before Extraordinary Item	16,985,538	8,409,970	7,049,006
Extraordinary Item – Transfer In of Net Assets from the State of CT Clean Energy Fund	0	72,780,239	0
Change in Net Position	16,985,538	81,188,209	7,049,006
Net Position – Beginning of year	81,188,209	0	65,731,233
Net Position – End of Year	**$ 98,173,747**	**$ 81,188,209**	**$ 72,780,239**

Grant revenues increased by $6,626,561 during the 2011-2012 fiscal year due to an increase in federal grant awards.

CEFIA received $2 million and $4.7 million from the state in Regional Greenhouse Gas Initiative auction proceeds during the 2011-2012 and 2012-2013 fiscal years, respectively.

Total expenditures for grants and programs during the 2011-2012 fiscal year were $31,122,355, an increase of $3,096,267. Total expenditures for grants and programs during the 2012-2013 fiscal year were $23,634,465, a decrease of $7,487,890. Grant expenditures fluctuate from year to year, as they are based on the achievement of contract milestones by the grantee. In addition, CEFIA is transitioning to a financing model as opposed to primarily issuing grants to fund renewable energy and energy efficiency programs.

As of June 30, 2012 and 2013, the board of directors designated $25,846,243 and $24,486,560 of CEFIA's net position to fund financial incentives for specific commercial and residential projects that are expected to be paid over the next one to six fiscal years. In addition to these commitments, as of June 30, 2013, an additional $33,842,000 has been designated by the board to fund programs for which specific commercial and residential projects have not yet been identified.

General and administrative expenses decreased by $48,015 during the 2011-2012 fiscal year and increased by $423,373 during 2012-2013 fiscal year. During the 2012-2013 fiscal year, CEFIA also incurred $1,180,414 in start-up costs to develop its Solar Lease II program and organize the subsidiary that will administer the program, CT Solar Lease II, LLC.

Net gains in program investments increased by $315,503 during the 2011-2012 fiscal year as a result of adjustments to the valuation of equity and debit investments. The net loss of $656,546 in investments during the 2012-2013 fiscal year represents write-offs of investments previously reserved for and adjustments to the valuation of equity and debt investments currently held.

CEFIA utilizes the services of CI, as provided for in the General Statutes, for accounting and information technology support, office space, equipment, supplies and insurance. Expenses billed to CEFIA by CI totaled $1,868,098 and $880,741 for the years ended June 30, 2012 and 2013, respectively. As of June 30, 2012 and 2013, amounts due to CI were $94,340 and $21,396, respectively. During 2012, CI employees responsible for managing CEFIA programs were transferred to CEFIA.

Other Examinations

Independent public accountants audited CEFIA's financial statements for the years under review. Those audits attested that the financial statements presented fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of the Clean Energy Finance and Investment Authority as of June 30, 2012 and 2013, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the independent public accountants also provided reports on compliance and internal control over financial reporting. These reports disclosed no instances of noncompliance concerning these requirements. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.

Independent public accountants also performed OMB Circular A-133 compliance audits for each of the fiscal years ended June 30, 2012 and 2013. The independent public accountants' reports on compliance and other matters indicated no reportable instances of noncompliance. Their reports on internal control over financial reporting indicated no material weaknesses. However, their report for the 2012-2013 fiscal year disclosed one internal control deficiency over federal reporting. The amount of contractual outlays reported on a federal financial report for the quarter ended June 30, 2013, was misstated by $400,050 due to a clerical error.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our audit identified the following reportable conditions.

Administration of Compensatory Time

Criteria: CEFIA's employee handbook states that the president or a designee may grant compensatory time for extra time worked by exempt employees. The exempt employee must receive written authorization in advance from the president or a designee to work extra time in order to record the extra hours as compensatory time. The amount of extra time worked must be significant in terms of total and duration and occur on weekends or state holidays.

Condition: Our review of 47 instances of compensatory time disclosed that in 15 instances, the employee did not obtain prior written approval to earn compensatory time, and in another 15 instances, compensatory time was earned on a day that was not a weekend or holiday.

Effect: The authority was not in compliance with its compensatory time policies.

Cause: Management did not ensure that the authority's compensatory time policies were followed.

Recommendation: The Clean Energy Finance and Investment Authority should strengthen controls to ensure compliance with the compensatory time policies set forth in its employee handbook. (See Recommendation 1.)

Agency Response: "CEFIA has taken the following actions to ensure compliance with its compensatory time polices:

- The CEFIA human resources department has reviewed the current compensatory time policy with all supervisory staff.

- CEFIA has implemented the following procedure pertaining to the processing of compensatory time requests by staff:

Staff must obtain approval in advance from their direct supervisor and the Chief of Staff to work extra hours and receive compensatory time. Evidence of such advanced approval must be forwarded along with the request for compensatory time to the human resources department for processing. If evidence of this advance approval is not submitted with the request for compensatory time, the request will not be processed. "

Statutory Noncompliance with the Awarding of Contracts

Criteria: CEFIA's operating procedures require that any solicitation of bids or proposals by the authority, and any award of a contract by the authority, shall be subject to all state procurement and contracting requirements applicable to quasi-public agencies of the state.

Section 31-57b of the General Statutes requires that no contract shall be awarded by the state or any of its political subdivisions to any vendor which has been cited for certain violations of the occupational safety and health act during the three-year period preceding the bid.

Section 4a-81 of the General Statutes requires that no state or quasi-public agency shall execute a contract with a value of $50,000 or more in any calendar or fiscal year, unless the agency obtains affidavits attesting as to whether any consulting agreement has been entered into in connection with such contract.

Section 9-612 subsection (g)(2) D of the General Statutes requires that no state or quasi-public agency shall award a contract having a value of $50,000 or more to a contractor who makes or solicits a campaign contribution as prohibited under Section 9-612 subsection (g)(2)A or B for one year after the election for which the contribution is made or solicited.

Section 4a-60a requires that, for all contracts with the state or a political subdivision of the state with a value of $50,000 or more, the contractor shall provide a non-discrimination affidavit.

Condition: Our review of 15 personal service agreements in effect during the fiscal years ended June 30, 2012 and 2013 disclosed the following:

- Seven agreements did not include provisions ensuring that the consultant had not been cited for occupational safety and health act violations.
- Ten contracts over $50,000 did not include campaign contribution or consulting agreement affidavits. We noted that the ten contracts did include a notice on campaign contributions and four included language regarding consulting agreements.
- One contract did not include a signed non-discrimination affidavit.

Effect: There is non-compliance with the General Statutes and the authority's operating procedures.

Cause: CEFIA did not have adequate controls in place.

Recommendation: The Clean Energy Finance and Investment Authority should strengthen internal controls to ensure that contracts include all provisions required by the General Statutes. (See Recommendation 2.)

Agency Response: "CEFIA did not have the occupational safety and health act (OSHA) or the consulting language in our model PSAs prior to the May 2012 contract version (v. 051612). We are pleased to report that this was remedied back in 2012 and that all of our model PSAs and agreements subsequent to then have included the OSHA provision. Based on this audit, CEFIA has revised the consulting language in our model agreements by adding an affidavit. We have also updated the campaign contribution affidavit and performed a thorough review of all state contracting forms in our model agreements based on these findings. "

Untimely Reporting

Criteria: Section 1-123 subsection (a) of the General Statutes requires the board of directors of each quasi-public agency to annually submit a report to the Governor, the Auditors of Public Accounts, and the Legislative Program Review and Investigations Committee.

Section 1-123 subsection (b) of the General Statutes requires that, for the quarter commencing July 1, 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a financial report to the legislature's Office of Fiscal Analysis.

Section 1-123 subsection (c) of the General Statutes requires that, for the quarter commencing July 1, 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a personnel status report to the legislature's Office of Fiscal Analysis.

Section 16-245aa subsection (d) of the General Statutes requires that on January 1, 2013, and annually thereafter, CEFIA shall report on the effectiveness of the Renewable Energy and Efficient Energy Finance program to the joint standing committee of the General Assembly having cognizance over matters relating to energy.

Condition: Our review disclosed that the Clean Energy Finance and Investment Authority did not submit the following reports for the fiscal years ended June 30, 2012 and 2013 in a timely manner:

- Four quarterly financial reports.
- Seven of eight quarterly personnel status reports;
- Report on the effectiveness of the Renewable Energy and Efficient Energy Finance Program.

- The annual report, which included information for both fiscal years 2012 and 2013, was submitted in June 2014, after this reporting requirement was brought to the authority's attention by the auditor.

Effect: There is non-compliance with the statutory reporting requirement timeframes.

Cause: CEFIA did not have adequate internal controls in place.

Recommendation: The Clean Energy Finance and Investment Authority should strengthen internal controls to ensure compliance with reporting requirements as prescribed by the Connecticut General Statutes. (See Recommendation 3.)

Agency Response: "CEFIA has implemented the following procedures to strengthen its internal controls to ensure compliance with statutory reporting requirements:

- CEFIA has assigned the overall responsibility of managing the data collection, development and timely submission of all required statutory reports to the Vice President and Chief Operating Officer.

- CEFIA will develop a schedule of due dates for each report mentioned in the audit finding and has assigned the following members of its management team the responsibility of submitting specific reports on the assigned due date:

  Section 1-123 subsection (a) report – Chief Legal Officer
  Section 1-123 subsection (b) report – Vice President, Finance and Administration
  Section 1-123 subsection (c) report – Vice President, Human Resources
  Section16-245aa subsection (d) report – Chief Legal Officer

- CEFIA will include these responsibilities as an annual performance goal for each individual assigned to submit these reports on a timely basis. "

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- There were no prior audit recommendations in the audit of Connecticut Innovations, Incorporated that were related to the Clean Energy Fund.

Current Audit Recommendations:

1. **The Clean Energy Finance and Investment Authority should strengthen controls to ensure compliance with the compensatory time policies set forth in its employee handbook.**

   Comment:

   Our review of 47 instances of compensatory time disclosed that in 15 instances, the employee did not obtain prior written approval to earn compensatory time, and in another 15 instances, compensatory time was earned on a day that was not a weekend or holiday.

2. **The Clean Energy Finance and Investment Authority should strengthen internal controls to ensure that contracts include all provisions required by the General Statutes.**

   Comment:

   Our review disclosed that several contracts did not include all of the provisions required by the general statutes.

3. **The Clean Energy Finance and Investment Authority should strengthen internal controls to ensure compliance with reporting requirements as prescribed by the Connecticut General Statutes.**

   Comment:

   Our review disclosed that several reports were not filed in a timely manner.

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Clean Energy Finance and Investment Authority during the course of our examination.

Lisa G. Daly
Administrative Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts