

****Technical Bulletin****

May 30, 2025

Nonprofit Savings Retention under P.A. 23-186

Effective with the passage of the Savings Retention provisions under section 2 of P.A. 23-186, *"each state agency that contracts with a nonprofit private provider organization for health and human services shall allow such nonprofit organization that otherwise meets contractual requirements, including, but not limited to, its contractual obligations regarding services provided and clients served, to retain any savings from a purchase of service contract at the end of each fiscal year. No state agency shall attempt to recover or otherwise offset funds retained by such nonprofit organization from the contracted cost for services."*

The savings retention provisions are applicable to state programs funded by the State Departments of Developmental Services, Mental Health and Addiction Services, Social Services and Children and Families.

P.A. 23-186 was codified under Section 4-220 of the CT General Statutes. As a result of this legislation, OPM has determined a need to provide guidance to independent auditors engaged to perform audits of nonprofit providers. This guidance consists of the following two components and has also been included in the May 2025 version of the State Single Audit Compliance Supplement.

1. Compliance Requirements

Part I of the State Single Audit Compliance Supplement lists up to six elements of compliance that may be critical in ensuring compliance with applicable laws, regulations, contracts and grant agreements. State agencies have indicated their belief that the following two compliance elements are applicable when determining compliance for savings retention funds.

Types of Activities and Costs Allowed or Unallowed: A new suggested audit procedure has been added under the "Activities and costs allowed or unallowed" requirement, solely for the retention funds.

Reporting: No new suggested audit procedures have been added as the audit objectives are met with the current suggested audit procedures.

Note: Auditors should perform reasonable procedures to determine whether there are additional requirements for savings retention funds expended that are critical in determining compliance under the State Single Audit Act and its regulations. Auditors should use professional judgement in augmenting the compliance requirements to test if the program is audited as a major program.

2. Presentation on the Schedule of Expenditures of State Financial Assistance (SESFA)

Savings allowed to be retained should be reported on the organization's SESFA in the fiscal year of the organization for which the retention funds were expended and included in the CORE-CT state financial assistance program number approved by the Agency's savings retention plan regardless of the original source of funding. Furthermore, savings retention expenditures should be reported on a separate line on the SESFA under the program for which the expenditures were made. The sample SESFA included in Part 9 of the State Single Audit Compliance Supplement provides guidance on the reporting of savings retention funds.

Determining Major State Programs in Accordance with the State Single Audit Act

Effective for fiscal years beginning on or after July 1, 2024, each nonstate entity that expends a total amount of state financial assistance equal to or in excess of **five hundred thousand dollars** shall have either a State Single Audit or a program-specific audit made for such fiscal year. This is an increase from the previous threshold of three hundred thousand dollars.

A major component of the State Single Audit is the determination of major state programs. Furthermore, the determination of Type A / B programs and the risk assessment of Type B programs are essential during this process. As a result of the increase in the State Single Audit threshold, OPM has adjusted these amounts for fiscal years beginning on or after July 1, 2024, as indicated in the table below.

<u>Category</u>	<u>Prior</u>	<u>Current (SSA of nonstate entities with a fiscal year beginning on or after 7/1/2024)</u>
Type A / B program threshold	IF ≤ \$1,000,000, \$100,000 IF > \$1,000,000, \$200,000 or 2%	\$300,000 or 3%
Type B program risk assessment threshold	\$25,000	\$100,000

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