

CT Paid Family Medical and Leave Insurance Authority

Finance and Accounting Policies

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1. Administration and Financial Oversight

1.1 Background

Powers of CT Paid Family Medical Leave Insurance Authority

The CT Paid Family Medical Leave Insurance Authority ("CTPL") is a quasi-public agency, created by the State of Connecticut pursuant to Public Act 19-25, *An Act Concerning Paid Family and Medical Leave*, as amended ("the Act"). The goals of CTPL are to develop and administer the Paid Family and Medical Leave Program.

The creation of CTPL represents a major commitment by the State to invest in its work force with a strong paid leave program that helps Connecticut's workforce navigate health challenges and life changes with greater financial security.

The purpose of CTPL shall be to develop and administer the Paid Family and Medical Leave Program, including the annual determination of the employee contribution rate, the development and maintenance of IT infrastructure to implement the tax collection system defined in the Act, the application process for determination of eligibility, and the calculation and distribution of benefits, and to undertake such other responsibilities as may be assigned to it. To accomplish the purposes of CTPL, it shall have the duty and power to:

- Continue as a body politic and corporate and to adopt bylaws for the regulation of its affairs and the conduct of its business as long as the program remains in effect and until its existence is terminated by law;
- Adopt an official seal and alter the same;
- Maintain an office within the State of Connecticut at such place or places as the Board may designate;
- Sue and be sued in its own name, and plead and be impleaded, in its own name;
- Establish criteria and guidelines for the Paid Family Medical Leave Program to be offered pursuant to the Act;
- Employ staff, agents, and contractors as may be necessary or desirable and fix the compensation of such persons;
- Design, establish, and operate the program to ensure transparency in the management of the program through oversight and ethics review of plan fiduciaries;
- Design and establish a process by which employees and self-employed individuals or sole proprietors who have enrolled in the program pursuant to section 31-49m of the Connecticut General Statutes shall contribute a portion of their subject earnings to the trust;
- Evaluate and establish a process by which employers may credit employee contributions to the trust through payroll deposit;
- Ensure that contributions to the trust collected from employees and self-employed individuals or sole proprietors who have enrolled in the program pursuant to section 31-49m of the Connecticut General Statutes shall not be used for any purpose other than providing compensation to covered employees, educating and informing persons about the program, and paying the operational, administrative, and investment costs of the program;
- Establish and maintain a secure Internet web site that displays all public notices issued by the Authority and such other information as the Authority deems relevant and necessary for the implementation of the program and for the education of the public regarding the program.
- Establish policies and written procedures in accordance with the provisions of section 1-121 of the Connecticut General Statutes, as appropriate;
- Notwithstanding any provision of the general statutes, and to the extent consistent with federal law, (a) use state administrative data collected by any agency for the purposes of carrying out and implementing such

program and (b) share user data and other data collected through program administration with other state agencies;

- Enter into agreements with any department, agency, office, or instrumentality of the United States or this state to carry out the purposes of the program;
- Make and enter into any contract or agreement necessary or incidental to the performance of its duties and execution of its powers;
- Create a code of conduct for the board of directors of the authority consistent with chapter 10 of the Connecticut General Statutes.

1.2 Purpose

These Finance and Accounting Policies are intended as a guide to the financial practices of CTPL.

1.3 Roles and Responsibilities

Board of Directors

The powers of CTPL are vested in and exercised by the Board of Directors. The By-Laws provide for the establishment of standing or other committees and require meeting minutes of the Board and its committees. The Board maintains a Finance and Audit Committee that advises and approves certain financial-related matters as well as a Policy and Personnel Committee and an Outreach and Marketing Committee. The Board is responsible for the adoption and implementation of policies deemed necessary or beneficial for the conduct and operation of the Authority.

Finance Department

The Finance Department is responsible for managing, planning, recording, reporting, and controlling all financial activity to support day-to-day operations and long-term needs and obligations within the Authority. Staff with primary roles identified within this document shall have a delegate that may be reassigned as needed by the Chief Executive Officer (CEO) or Controller while maintaining separation of duties. A delegate is an individual to whom authority has been delegated, in accordance with or pursuant to a Board resolution, provided the individual is acting in accordance with such delegation or resolution.

In the event that there is no longer a CTPL employee with a specific job title identified in these policies, the applicable responsibility will fall to the CTPL employee that the CEO or Controller determines currently has the closest responsibilities as the identified job title, while maintaining separation of duties.

1.4 Selected State Laws Impacting CTPL Finance Department

Freedom of Information Act and State Code of Ethics

CTPL is subject to Connecticut's Freedom of Information Act codified at section 1-200 of the Connecticut General Statutes, *et seq.* Additionally, CTPL is subject to the requirements of the State Code of Ethics, codified at section 1-79 of the Connecticut General Statutes, *et seq.*

Quasi-Public Agency Act

CTPL is subject to the requirements of the Quasi-Public Agency Act codified at section 1-120 of the Connecticut General Statutes, *et seq.* Section 1-122 of the act requires the Auditors of Public Accounts to biennially conduct a compliance audit. Section 1-123 (a) requires CTPL Board to report annually to the Governor and to the Auditor of Public Accounts. This report must include, among other things, a list of all outside individuals and firms receiving more than \$5,000 during the year, a complete set of financial statements, and a list of all planned activities for the current fiscal year.

Section 1-123(b) requires that CTPL file quarterly reports with the Office of Fiscal Analysis to report the “(1) the beginning fiscal year balance; (2) all funds expended and all revenues collected by the end of the quarter; and (3) total expenditures and revenues at the end of the fiscal year.”

Federal Single Audit Act of 1984

In the event the Authority becomes a recipient of federal funding, CTPL will be required to comply with all requirements of the Federal Single Audit Act of 1984 as amended including OMB Circulars A-87 and Uniform Guidance.

1.5 Accounting System

CTPL maintains records and completes reports in accordance with state and federal law. The accounting system will track activities and costs to enable accurate allocation of costs between allowable infrastructure expenditures such as information technology projects, start-up costs, and those of ongoing operations. CTPL maintains accounts and documents to provide a status of funds and the levels of services, including the disposition of all monies received from funding sources, and the nature and amount of all charges claimed against such funds. Changes to the accounting system and chart of accounts are approved by the Controller. Transactions performed by the Controller are reviewed by a system administrator that is external to the Finance Department.

1.6 Authoritative Guidance

CTPL follows U.S. Generally Accepted Accounting Principles (GAAP), as prescribed by Governmental Accounting Standards Board (GASB), which establishes standards for activities and transactions of state and local government entities.

1.7 Safeguarding of Records

CTPL maintains effective control over and accountability for its funds, property, and other assets, as follows:

- Under no circumstances does CTPL allow funds, property, or other assets to be used for personal purposes. Personal use of any Authority property, funds, or other assets will result in disciplinary action, up to and including termination from employment.
- Effective control over funds, property, and other assets is ensured through adherence to internal control policy and practices, including but not limited to, the following:
 - Duties are segregated so that more than one person is required to complete the processing of a transaction.
 - Transaction entries are reviewed by someone other than the person who prepared them, before posting to the general ledger.
 - The accounting software system, banking system, and data are password protected.
 - Invoices for payment must be approved by either the CEO or Controller. The Controller is limited to approvals of budgeted expenses that are less than \$5,000.
 - All payments require a processor and approver before a payment can be made.
 - Accounts are reconciled monthly and then reviewed by a different person.
 - Expenses are required to be classified in the proper accounts as prescribed in the established Chart of Accounts.

2. Budgeting

2.1 Summary

The Annual Operating Budget provides a tool to monitor the financial progress of CTPL during the fiscal year. It is reviewed monthly against actual financial results to identify trends that vary from the budget and result in potential risk or opportunity to amend or adjust the original budget. CTPL's fiscal year begins on July 1. There are three accounts within the Annual Operating Budget.

- Contribution Account – Trust Fund for Contributions Received and Benefits from Program
 - Revenues include but are not limited to contributions, fund recovery contributions and interest, and investment income;
 - Expenses include but are not limited to benefit claims, benefit administration expenses, Authority administration expenses, and repayments of State funds.
- Operating Account – Day to Day Authority Operational Expenses
 - Revenues include but are not limited to administration revenue from the contribution account, and fund recovery penalties;
 - Expenses include but are not limited to salaries and fringe benefits for employees, outreach & engagement expenses, contact center payments, information technology (IT) expenses, and other operational expenses.
- Bond Funds Account – Significant System Builds and Enhancements
 - Revenues include bond funds allocated from the State Bond Commission;
 - Expenses include system build and enhancements for the contribution and benefit claims systems.
- The Annual Operating Budget for the upcoming year will be developed by the CEO and the Controller and presented to the Finance and Audit Committee for input and review. The Board of Directors provides final review and approval. This budget covers all operating revenues, expenditures, and capital expenditures for the upcoming fiscal year. The CEO and the Controller will develop the budget at a department level with assistance from the Assistant Controller and other CTPL staff as needed.
- CTPL will track contracts and expenditure requests against the contribution, operating, and bond budgets before the expense is incurred to safeguard against overspent budget line items.

2.2 Fiscal Year Budgeting

Per CTPL's Plan of Operations, prior to the close of the then current fiscal year, the CEO shall cause to be prepared a suggested Annual Operating Budget for the forthcoming fiscal year. The budgeting process will begin no later than February for the following fiscal year. This process will allow for two quarters of actual financial results to be used in planning the budget. A contingency line item should be included in the budget from which the Board can transfer in order to cover line items that may be exceeded.

A proposed budget will be presented to the Finance and Audit Committee of the Board of Directors prior to the May Board Meeting. Further modifications from the Finance and Audit Committee review will be incorporated into a final draft budget to be presented for review, modification, or final approval by the Board during the May Board of Directors Meeting. The approved budget will be communicated to the designated contacts at the Office of the Treasurer's ("OTT") Cash Management Division and the Office of the State Comptroller's ("OSC") Budget and Finance Analysis Division. The budgeted administrative fee will be the basis

for the OTT to make quarterly transfers in the State’s system from the Contributions Trust Fund to the Operating Fund. Funds transferred to the Operating Fund are available for CTPL to draw against to fund operating expenses. The budgeted administrative fee will be reconciled to the actual administrative fee at least quarterly. Any surplus in the Operating Fund at the end of the fiscal year shall be redesignated to the Contribution Fund effective July 1st of the following fiscal year.

2.3 Budget Amendments

The CEO, Controller, and Assistant Controller shall conduct periodic budget reviews. Regular variance reports are prepared and generated every month. All variances will be reviewed and discussed with the CEO and the Finance Committee to understand materiality.

An actual to budget report will be prepared by the Controller and presented to the CEO and the Board monthly, in a format that contains the following information:

- Account
- Actual Income/Expense to Date
- Budgeted Income/Expense to Date
- Variance

The Budget may be modified by the Board of Directors from time to time during the fiscal year to which it relates. An assessment as to the potential need for budget amendments should occur at least twice a year: at six months into the fiscal year and before the end of the fiscal year. If an operating deficit is projected (i.e., expenses exceed revenues), the Board will take action to appropriate from surplus funds, if such funds are available. If surplus funds are not available to address the operating deficit, the Board will direct CTPL staff to adjust or delay expenditures in order to remain within budget. Budget amendments shall be communicated to the OTT and the OSC.

3. Audits and State Reporting

3.1 Audit Requirements

In accordance with Connecticut General Statutes and CTPL’s Plan of Operations, the Authority must comply with the following audits:

Audit Name	Frequency of Audit	Conducted By	Authority
Annual Comprehensive Financial Report Audit	Annually	Contracted External Auditor	CTPL Plan of Operations
Compliance Audit	Biennially	Auditors of Public Accounts	Section 1-122

3.2 Reporting Requirements

In accordance with Connecticut General Statutes, CTPL, as a Quasi-Public Agency of the State, must submit the following reports:

Report Name	Frequency of Report	Submitted To	Statute
Trust Fund Report	Annually (September 1)	Governor and Auditors of Public Accounts	Section 1-123 (a) and Section 31-49g(b)(2)
Quarterly Financial Report	Quarterly	Office of Fiscal Analysis	Section 1-123(b)
Annual Report	Annually (September 1)	Legislature and Office of Policy and Management	Section 31-49t
State Contractor Contribution Ban	Monthly (15 th of each month)	State Elections Enforcement Commission	Sec 9-612 (g)(1)

3.3 Procedure

Reports shall be submitted to the appropriate state entities. Annual report and audited financial statements are filed after review and presentation to CTPL Board of Directors. Any additional financial related reports will be filed in accordance with the applicable statute.

3.4 Actuarial Reports

CTPL shall retain actuarial services to maintain regular review of the Trust Fund to assure solvency, pursuant to its power to do so under state statute. Periodic reporting and/or presentations will be made to the board quarterly and annually.

4. Cash and Investments

4.1. Summary

The CEO and CTPL Board of Directors are charged with the responsibility of prudently and properly managing any and all CTPL funds. Trust Funds will be invested with the OTT, as required by the Act.

The Financial Analyst will reconcile the investment account monthly and post the appropriate investment income under the direction of the Controller or Assistant Controller. Any discrepancies will be researched and reconciled prior to the monthly board meeting.

4.2. Bank reconciliations procedure

Bank reconciliations are prepared by the Financial Analyst monthly and signed by the Controller or Assistant Controller as reviewed. The reconciliation process shall include the following steps:

- Obtain statement from bank website;
- Reconcile account within the accounting software;
- Prepare journal entry to record any service charges, interest earned, or other bank adjustments;
- Submit the reconciliation package, which includes the bank reconciliation from accounting software, bank statements, voided payments (if any), and a list of outstanding payments, to the Assistant Controller for review and approval.

5. Capital Assets

5.1. Summary

Capital assets are stated at cost, except for capital assets conveyed to CTPL by the State that are stated at fair value at the date of contribution. Expenditures with a unit value greater than \$5,000 with an expected useful life of three or more years are classified as Capital Assets and must be capitalized. Expenditures of more than \$5,000 that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets. CTPL physical capital assets are tagged and documented in a written listing of all capital assets.

5.2. Depreciable Lives

Depreciable lives shall be based upon actual expected use by CTPL, not by tax lives or other general estimates. Capital assets will be depreciated using the straight-line method over the following estimated useful lives.

Asset Type	Life
Equipment and Hardware	3 years
Furniture and Fixtures	5 years
Leasehold Improvements	5 years (or Lease term if lesser)
Software	3 years

5.3. Inventory of Assets

A detailed Property & Equipment listing of all CTPL inventory will be maintained and will be checked by physical inventory annually no later than June 30th. A physical inventory reconciliation will be completed for all CTPL-owned and leased equipment.

5.4. Disposals

If a capital asset is still in use and is fully depreciated, there is no additional accounting entry. No additional depreciation shall be recorded against the asset. When a fixed asset is eventually disposed of, the event should be recorded by debiting the accumulated depreciation account for the full amount depreciated, crediting the fixed asset account for its full recorded cost, and using a gain or loss account to record any remaining difference.

A Capital Asset Disposal Form will be completed and all disposals of assets will require approval by the CEO or the CEO's designee. In no circumstance may an asset be disposed of without such prior approval. Upon approval the assets may be disposed of in an approved manner appropriate for the circumstances in accordance with relevant state statutes.

5.5. Asset Impairments

If an asset has suffered a significant impairment in function or useful life due to level of use, accident, or other damage, the event, together with an estimated level of the impairment and any information regarding the opportunity to repair or return it to original operating condition, shall be reported by CTPL individual responsible for the asset.

6. Other Assets

6.1. Summary

Prepaid expenses are future expenses that have been paid in advance. CTPL recognizes prepaid expenses as costs that have been paid for goods or services that have not yet been used or have not yet expired. The amount of prepaid expenses that have not yet expired are reported as an asset.

Accounts receivable is recorded for administrative fees at year-end in accordance with the modified accrual basis required by GASB, if applicable. Contributions collected during the 60 days subsequent to the year-end that were earned for that fiscal year or a prior year will be recognized as revenue as of the fiscal year-end date.

Bond Funds Allocated

Bonds Funds are authorized by the State and allocated to CTPL. The amount allocated is recognized in account 10200 "Bond Funds" and account 27730 "Bond Funds Payable". Account 10200 "Bond Funds" is reduced by payments made by the State from the Bond Funds on the behalf of CTPL (credit account 10200 and debit the related functional expenses). Account 27730 "Bond Funds Payable" is the long-term liability account to recognize the liability to the State where the repayments are recognized in the expense account 56500, "Bond Repayment".

7. Accounts Payable and Accrued Expenses

7.1. Summary

CTPL utilizes the accrual basis of accounting for year-end reporting purposes, which focuses on the changes in total economic resources. For this basis, expenses are recorded as incurred.

- "Accounts payable" is the amount of short-term obligations to pay suppliers for products and services which CTPL has purchased and been billed.
- "Accrued expenses payable" are those obligations that have been incurred, for which no invoices have yet been received from suppliers or are related to expenses associated with payroll. An accrued expense payable is recorded with a reversing journal entry, which automatically reverses in the following reporting period. By recording the expense in this manner, expense recognition is recorded into the current period.
- "Payables" are short-term liabilities and appear under that classification in the balance sheet.

A modified cash basis is used in the preparation of the financial statements during the remainder of the year. For this basis, expenses are recorded as paid.

7.2. Processing Invoices

Invoices shall be processed in accordance with the following procedure:

- Invoices are delivered to the department staff by mail or electronically to a shared AP email box.
- The Fiscal Administrative Officer records the invoice on CTPL Invoice Ledger with pertinent information, evaluates the account line item, pending expense against the budget, and then sends the invoices and all supporting documentation to the department heads for approval using the accounts payable accounting system.

- Department head will electronically approve it.
- The invoice is then sent to the Controller for approval. One-time expenditures under \$5,000 may be approved by the Controller for the Financial Analyst to process. Expenditures equal to or greater than \$5,000 and all finance department invoices are sent to the CEO for review and approval. The Financial Analyst will pay approved invoices by ACH or check. Purchases made on the Authority's credit card shall adhere to the Paid Family & Medical Leave Insurance Authority Credit Card Policy.
- The Financial Analyst will document the payment transaction number and payment date in the accounting system. Invoices and any additional back-up will be attached to the accounting system for payment.
- The Assistant Controller will review all payments set for processing over \$100,000 for accuracy.
- Payments are approved by the Controller before issuance from the accounting and banking systems.
- Invoice ID Standardization Policy
 - Accounting software will have controls to identify duplicate invoice numbers. Compensating controls are required if the software does not have it programmed.
 - Invoice numbers shall be entered exactly as provided by the Vendor. Exceptions are:
 - Dates used as invoice numbers will have "/" removed. "12/31/22" is entered as "123122"
 - "A" will be added to the invoice number for a subsequent adjustment to the original invoice. Proper documentation will be submitted for Controller approval.
 - Authority assigned invoice numbers will be a unique, consistent Invoice ID using an established naming convention. These conventions must be clear, uniformly applied, and designed to prevent duplicate or inconsistent entries.

7.3. Contribution Refunds

Contribution refunds are typically returned using the original platform of which the payment was made. When a contribution refund is due for a company or an employee contributes more than the contribution rate for a given year/quarter and cannot be returned using the original platform, Accounts Payable will process the refund. Employer refunds, Employee refunds, and Private Plans refunds for AP are grouped into batches processed through the accounts payable system and recorded in the accounting system.

8. Payroll

8.1. Summary

Employee personnel files, as well as employee payroll and benefit files, are maintained by the State of Connecticut, Department of Administrative Services ("DAS"). DAS will be responsible for gathering the appropriate personnel information and getting the forms to CORE-CT for payroll. The services to be provided by DAS are governed by the Memorandum of Understanding between DAS and CTPL.

8.2. Accounting Entries

After the end of each calendar month, the Assistant Controller will provide the final payroll register to the Financial Analyst to record the payroll expenses, associated taxes, and fringe benefit payments into the general ledger in the accounting system as a debit to Salaries, Payroll Taxes and Fringe Benefit expenses and a credit to the cash account. The Financial Analyst files the payroll reports.

8.3. Personal Leave, Vacation, and Sick Time (PTO)

Employees will schedule Personal Leave, Vacation, and Sick Time in accordance with CTPL Employee Handbook. CORE-CT keeps accrual balances, which are reported on bi-weekly basis.

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9. Revenue

9.1. Summary

Revenue sources for CTPL include employee contributions, which are collected and remitted by employers, and contributions from sole proprietors and self-employed individuals who have enrolled in the State Plan, as well as any monetary penalties or fines imposed by CTPL. The State of Connecticut has approved bond funding for capital project costs.

9.2. Procedure – Administrative fees

Administrative fees will be budgeted based on budgeted expenditures for the fiscal year. Annually, the administrative fee will be calculated as part of the budget process by the Controller, approved by the CEO, and presented to the Board for approval. The final approved budget is communicated to the designated contacts at Cash Management at the OTT and to Budget and Finance Analysis at the OSC and becomes the basis of the quarterly transfer of administrative fees.

By the 20th day of each quarter, the Assistant Controller will process an entry in CORE-CT for the quarterly administrative fee received by CTPL based the latest budget as follows:

Description: To book CTPL admin fees for 4th quarter 4/1/21 - 6/30/21						
See attached support documentation.						
Fund	Dept	SID	Program	Account	PCBU	Project
35018	FML47400	43761	00000	54726	NONPC	FML_NONPROJECT
						Amount
35018	FML47400	43761		10499		3,699,540.00
35018	FML47400	40001	00000	43538		(3,699,540.00)
35018	FML47400	40001		10499		(3,699,540.00)
35018	FML47400	40001		10499		3,699,540.00

The entry moves the administrative fee portion of the employee contributions received out of SID 43761 “Funds held on the behalf of PFML” to SID 40001 “non-budgeted operating – appropriated”. Because the quarterly amount is calculated based on budget, the appropriate supporting documentation for this entry is a copy of the budget for the quarter or amended budget documentation. It is important to note this does not transfer cash outside of the State of Connecticut’s cash pool to CTPL. The transfer of cash to the Bank of America (BOA) account controlled by CTPL is generated using a non- purchase order voucher (NonPO VCHR) initiated by CTPL. The frequency of these transfers is decided by CTPL and shall be supported with documentation of projected cash needs for the period.

As part of the budget amendment process (see Section 2) at six months and just prior to the year end, the Controller will evaluate the calculation of the budgeted administrative fee and propose a budget amendment if necessary. This information will be included in the report provided to the Board and communicated to the OTT and the OSC.

9.3. Procedure State Capital Bonds

Upon approval from the State Bond Commission, the State will allocate authorized bond funds to CTPL. The Financial Analyst processes vendor invoices consistent with Section 7.2. The Controller and CEO approves the

invoices consistent with Section 7.2. Disbursements to vendors from the bond funds are made directly by the State. Procedures governing the recording of the Bond Funds and related expenditures are listed below. See Section 6.1 for the procedures governing allocation of bond funds.

- Bond Funds are allocated by the State for CTPL.
Debit – #10200 Bond Funds
Credit – #27730 Bond Funds Payable
- Invoices related to Bond Allocations are recorded and allocated to the appropriate account in the general ledger.
Debit – #57XXX Expense
Credit – #20120 Core Accounts Payable
- The Financial Analyst processes payments to pay the vendor invoices.
Debit – #20120 Core Accounts Payable
Credit – #10200 Bond Funds
- Expenditures out of Bond Allocations are capitalized during fiscal year-end close.
Debit – #15300 Fixed Asset
Credit – #57XXX Expense

9.4. Procedures for Reporting and Remittance of contributions withheld from employees' earnings

Summary

Employers can report and remit amounts withheld in cadence with their payroll cycle. Contributions are due on the last day of each calendar quarter. There shall be a grace period for the payment of each quarterly contribution amount. In order to avoid penalties, payment must be submitted to the Authority by the last day of the month immediately following the end of the calendar quarter. Penalties are defined in the Authority's Consolidated Policies document as up to 10% of the amount owed or \$50, whichever is greater. Accumulation of interest on any unpaid contribution shall be equal to 1% of the amount owed, accumulating monthly. Penalties for an employer continuing to remit contributions for periods of time while covered by a private plan are defined in the Revised Policy & Procedures for an Employer to Apply to Use a Private Plan to Meet Its Obligations Under the Connecticut Paid Leave Program document.

There are two methods for employers to report and remit contributions. The "File & Pay" method provides Employers may use a payment terminal accessed through ctpaidleave.org. The payments in the payment terminal are sent to the payment processor. The payment processor deposits directly to the BOA trust account held by the Office of the Treasurer ("OTT"). The deposits are net of the processor's processing fee.

The "Batch" reporting method allows employers who use a third-party administrator that is a payroll processor ("TPA") or employers with affiliated entities to utilize large batch file processing. The reporting entity will upload a NACHA file that will include data sorted by employer. The reporting entity will transmit funds to the BOA account held by OTT. Payment must be made by the end of the month following the end of a quarter. Payments are not made at the same time as the filing. The filing includes wage and other information that is required to be provided, and the payment is then provided with the NACHA file.

Deposits to OTT

Cash is received at the OTT from the batch filings and the payment processor. The cash is directly deposited into a Zero Balance Account ("ZBA") controlled by the OTT specifically for CTPL. At the end of each day, the balance is swept into the pooled cash accounts controlled by the State of Connecticut and CTPL's funds are

accounted for within the State’s CORE general ledger system using account 44383 “PMFL Employee Contributions” in the PMFL Fund using SID 43761 (“Funds held on the behalf of PFML”).

OTT Cash Management

CTPL shall provide OTT with copies of its approved budgets to assist OTT in determining the appropriate investment of employee contributions received that are not expected to be disbursed in the near term. It is anticipated that no long-term investments will be made until adequate trends of cash needs for benefits can be established. Refer to Section 4.1 for an overview of cash and investing.

Disbursements from OSC to CTPL

Quarterly, the Assistant Controller will process a journal entry in CORE-CT to move the budgeted quarterly administrative fee from SID 43761 (“Funds held on the behalf of PFML”) to SID 40001 (“Non-budgeted operating – appropriated”). Funds held in SID 40001 can be drawn down by CTPL and transferred to the BOA account controlled by CTPL. The funds are drawn down by the Financial Analyst generating a non-PO voucher (refer to section 9.2).

CTPL General Ledger reporting process for cash remittances:

The Accounts Examiner will access the payment processor each day to produce a report of all transactions processed the day before and prepare Journal Entry A to record the prior day’s cash receipts processed by the payment processor. The transactions are recorded as cash suspense. These are deposits in transit that typically clear in 2 – 7 business days. When the cash is received, it is moved from cash suspense to the operating cash account (see journal entry C below).

Journal Entry A

Account Number	Account Name	Account	Debit	Credit	Comment
11000	Cash suspense	AR Stripe			To record Contributions in transit in the Stripe deposit
41000	Contribution revenue	Employee Contributions Received			
11000	Cash suspense	AR Stripe			To record Fund Recovery Penalty and Interest in transit in the Stripe deposit
43200	Penalty Revenue	Fund Recovery Penalties			
43300	Interest Revenue	Fund Recovery Interest			

Bank of America produces a daily secure email with the prior day’s cash receipts processed by the payment processor, batch transactions that have cleared, and the daily sweep amount. The Accounts Examiner prepares the standard entry to record the daily receipts as follows:

Journal Entry B

Account Number	Account Name	Account	Debit	Credit	Comment
10300	BoA trust account	Cash held by OTT (ZBA)			
41100	Contribution revenue	Employee Contributions Received			Batch transaction obtained from
10300	BoA trust account	Cash held by OTT (ZBA)			daily BOA download
56110	BenefitClaims	Benefit Overpayments Recovered			
10300	BoA trust account	Cash held by OTT (ZBA)			
43100	Fund Recovery Contributions	Fund Recovery Contributions			Fund Recovery Penalty and
43200	Fund Recovery Penalties	Fund Recovery Penalties			Interest in the Batch transaction
43300	Fund Recovery Interest	Fund Recovery Interest			
18010	AR NC Contribution	AR NC Contribution			
18020	AR NC Contribution Offset	AR NC Contribution Offset			
18050	AR NC Penalty	AR NC Penalty			Fund Recovery activity in the
18060	AR NC Penalty Offset	AR NC Penalty Offset			Batch invoice
18030	AR NC Interest	AR NC Interest			
18040	AR NC Interest Offset	AR NC Interest Offset			
10300	BoA trust account	Cash held by OTT (ZBA)			
51615	ACH & Credit Card Fees - Stripe	Stripe ACH Fees			Prepared from the Stripe payout
11000	Cash suspense	AR Stripe			report, confirmed that BOA
10300	BoA trust account	Cash held by OTT (ZBA)			received through the download
51610	ACH & Credit Card Fees - Stripe	Stripe Credit Card fees			
11000	Cash suspense	AR Stripe			
11400	Due From State & Local Govt	Due From St of CT (Cont Acct)			OTT's sweet
10300	BoA trust account	Cash held by OTT (ZBA)			
11020	Batch contributions contra	AR Batch Invoices Offset			Contribution activity in the
11010	Cash suspense - batch	AR Batch Invoices			Batch invoice

To record cash deposited into BOA trust account held by OTT, the Customer Relationship Management Software (CRM) produces a daily report. An automated email is sent to the Accounts Examiner to notify CTPL that the daily report is available for download of the prior day's activity. The Accounts Examiner prepares the standard entry below to record the daily reported contributions.

Journal Entry C

Account Number	Account Name	Account	Debit	Credit	Comment
11010	Cash suspense - batch	AR Batch Invoices			
11020	Batch contributions contra	AR Batch Invoices Offset			
11010	Cash suspense - batch	AR Batch Invoices			
11020	Batch contributions contra	AR Batch Invoices Offset			To record daily batch reporting from
11010	Cash suspense - batch	AR Batch Invoices			Salesforce
11020	Batch contributions contra	AR Batch Invoices Offset			
11010	Cash suspense - batch	AR Batch Invoices			
11020	Batch contributions contra	AR Batch Invoices Offset			

Journal Entry D

Account Number	Account Name	Account	Debit	Credit	Comment
18050	AR NC Penalty	AR NC Penalty			
18060	AR NC Penalty Offset	AR NC Penalty Offset			
18050	AR NC Penalty	AR NC Penalty			
18060	AR NC Penalty Offset	AR NC Penalty Offset			
18050	AR NC Penalty	AR NC Penalty			
18060	AR NC Penalty Offset	AR NC Penalty Offset			
18030	AR NC Interest	AR NC Interest			
18040	AR NC Interest Offset	AR NC Interest Offset			
18030	AR NC Interest	AR NC Interest			To record estimated Fund Recovery account receivables
18040	AR NC Interest Offset	AR NC Interest Offset			
18030	AR NC Interest	AR NC Interest			
18040	AR NC Interest Offset	AR NC Interest Offset			
18010	AR NC Contribution	AR NC Contribution			
18020	AR NC Contribution Offset	AR NC Contribution Offset			
18010	AR NC Contribution	AR NC Contribution			
18020	AR NC Contribution Offset	AR NC Contribution Offset			
18010	AR NC Contribution	AR NC Contribution			
18020	AR NC Contribution Offset	AR NC Contribution Offset			

Once the journal entries are prepared for the day to record daily contributions, an email is sent to the Contribution Manager to notify that the contribution journal entries for the day have been added to the monthly journal entry workbook and are ready for review. After reviewing the daily contribution journal entries against the payment reconciliation for the day, the entries are to be signed as approved by the Contribution Manager. Once approved, the entries are to be forwarded to the Financial Analyst for submission into the accounting system and the Financial Analyst will sign the journal entry as entered.

Reconciliation process

No less than monthly, the Accounts Examiner will review the remaining balance in account 11010 Cash Suspense and, using the following CRM reports, will prepare a reconciliation of account 11010 Cash Suspense. The Accounts Examiner shall research and resolve all differences. The Contribution Manager will review the reconciliation.

- Batch transactions matched to invoices
- Batch transactions not matched to invoices
- Invoices not matched to batch transactions

No less than quarterly, the Contribution Manager will run a list of registered employers from CRM and produce a comparison of registered employers to employers who filed, identifying registered employers who did not remit a payment.

10. Revenue

Journal entries are entered into General Ledger System, which automatically assigns journal entry numbers. The following transactions are recorded in the accounting system via journal entries.

- Payroll & Payroll Taxes & Fringe Benefits
- Bank Fees & Bank Interest
- Expense Accruals
- Account & Class Adjusting entries
- Other month end accruals and adjustments
- Daily Contributions

10.1. Processing Daily Contributions

- Journal Entries for daily contributions are prepared by the Accounts Examiner, who will date the entries and send them by email to the Contribution Manager to review for accuracy.
- The Contribution Manager will date and approve the entry with an email to the Financial Analyst to enter the Journal Entry.
- The Financial Analyst will date the Journal Entry as entered with the journal entry number and will email the Finance Department that the entry is complete.
- The Contribution Manager will reconcile the daily entries made in the accounting system to the Payment Reconciliation files and email to Finance once approved.

11. Accounting Periods

11.1. Month-end Close

Month-end reports are generated by the Financial Analyst by the end of the following month, with all transactions recorded no later than the 12th of the following month. All reconciliations will be done by the Financial Analyst or the Fiscal Administrative Officer. Final review of the financials by the Controller for approval shall occur no later than four days prior to the date of the next Finance and Audit Committee meeting. The CEO’s approval is required three days prior to the date of the next Finance and Audit Committee.

- Cash Accounts - verify there is a bank reconciliation for each bank account.
- Accounts Receivable, Cash Suspense, and Cash Suspense - Batch – review listing of the expected revenue and research subsequent months receipts to verify funds are recorded appropriately.
 - Fund Recovery accounts receivable shall have an offsetting contra asset account. Below is a description of contribution funds and benefit overpayment receivables reserved in each of the reserve accounts.

Reserve Account	Contribution Reserve Percentage	Contribution Status	Benefit Reserve Percentage	Benefit Status
Allowance for Doubtful Accounts - CTPL	9020%	Less than 5 months	25%	Less than 1 month and/or Collection Owner is Benefit Administrator
Allowance for Doubtful Accounts - FRV	9565%	Greater than or equal to 5 months	90%	Greater than or equal to 1 month and less than 12 months

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		and less than 17 months		and/or Collection Owner is Fund Recovery Vendor
Reserve for Uncollectible	100 95%	Greater than or equal to 17 months	<u>100%</u>	Greater than or equal to 12 months & Misrepresentation and Collection Owner is not Benefit Administrator

- Due from State and Local Govt – Run CORE-CT report on the last day of the month to verify balance
- Due to State -Bond Funds – Run CORE-CT report on the last day of the month to verify balance and research subsequent months receipts to verify funds are recorded appropriately
- Accounts Payable – review aging report in payment system against accounting system
- Produce balance sheet reports and revenue and expense report by funding sources
- Once the tasks are completed and the Assistant Controller has completed review of the financial statements and accounts, the accounting period is closed. No adjustments shall be made in subsequent accounting periods that affect a prior period without proper documentation of the adjustment and approval by the CEO or Controller.
- Budget vs actual reports are prepared, material variances are researched, and responses documented on the report for presentation to the CEO and the Board.

System Administrator Reports

System generated audit logs shall be reviewed by management outside the Finance Department where global administrative roles are assigned. Activity is logged, reviewed, and approved monthly by the IT Director or their designee.

11.2. Annual Close

Year End Trial Balance

In addition to the Monthly closing, the following entries are made:

- Fixed Assets – Reconcile balances to detailed Property & Equipment listing. Record annual Depreciation Expense.
- Accrued Salaries, Payroll Taxes, Compensated Absences and Fringe Benefits - adjustments are made to reflect accurate year end balances.
- Benefit Claims Liability
- Other entries as needed, including those for pension and other post-retirement benefits.
- Once the tasks are completed and the Controller has completed review of the financial statements and accounts, the accounting period is closed. A hard close is done after the independent audit is completed and compared to the adjusted trial balance in the accounting software.

12. Records Retention

CTPL shall comply with the records retention schedules and policies established by the State Librarian and the Public Records Administrator pursuant to section 11-8 of the Connecticut General Statutes