

AUDIT REPORT
2010 MARSHALS STATEMENTS OF INCOME
SEPTEMBER 15, 2011



SUMMARY & BACKGROUND

SUMMARY:

State marshals are required to file a limited financial disclosure form, known as a Statement of Income (‘‘SOI’’), with the Office of State Ethics (‘‘Office’’) on an annual basis. We have performed an audit of the 2010 SOIs filed by all 225 state marshals. Our audit procedures were designed to reveal the level of statutory compliance, and were similar in nature to those employed in the audits of Statements of Financial Interests (‘‘SFIs’’) filed by state employees and public officials, as well as audits of lobbyist financial reports.

The audit revealed that approximately 77% of state marshals timely filed their forms *and* fully disclosed those items that formed the basis of review. This compares favorably with the previous year’s compliance – wherein 60.5% of state marshals filed their forms without error or omission that was identified by the audit. Of the approximately 23% of forms that contained findings, the highest occurring examples of errors and/or non-compliance were:

1. Approximately 11.5% of audited forms either failed to fully answer, or failed to check as ‘‘not applicable,’’ various questions on the 2010 form.
2. Approximately 17% of audited forms either left blank or miscalculated the ‘‘gross total income’’ from the various sub-categories of types of marshal income (e.g., service of process).
3. Approximately 14.5% of the audited forms indicated income from individual sources in amounts of over \$1,000 which, when aggregated, exceeded the total income reported.
4. Approximately 6% of audited forms were submitted with supporting documents¹ that were incomplete (e.g., they did not provide an amount or list the source of the income from which they received an amount of \$1,000 or more).

Additionally, 9 marshals (4% of all marshals) failed to timely file the SOI form.²

BACKGROUND:

A. The Filing Requirement

Connecticut General Statutes § 1-83(a) (1) designates that:

All state-wide elected officers, members of the General Assembly, department heads and their deputies, members of the Gaming Policy Board, the executive director of the Division of Special Revenue within the Department of Revenue Services, members or directors of each quasi-public agency, members of the Investment Advisory Council, *state marshals* and such members of the Executive Department and such employees of quasi-public agencies as the Governor shall require, *shall file, under penalty of false statement, a statement of financial interests for the preceding calendar year with the*

¹ Supporting documents consist of pages attached by marshals as a continuation of or in lieu of the information provided on page 3 of the SOI.

² It bears noting that, of the nine tardy filers, two had bona fide critical illnesses – later acknowledged by the Board – which affected their ability to timely file.

Office of State Ethics on or before the May first next in any year in which they hold such a position. (Emphasis added).

In contrast to the more detailed SFIs also included in Section 1-83(a) (1), SOIs include the amounts and sources of income earned by state marshals strictly in their capacity as marshals, per General Statutes § 1-83(b) (2). SOIs also include expenses that are directly attributable to official duties as marshals, per Regulations of Connecticut State Agencies § 1-81-13.

Other than enforcing the filing requirements of Section 1-83, this Office does not have jurisdiction over marshals.

B. Submitting the SOI Form

Marshals are not required by statute to file on line, and currently this Office does not have an electronic system which would allow marshals to file on line. In 2011, the Office added a "fillable" version of the marshal SOI on its web site which can be completed electronically and then printed out by the user for submission to the Office. The State Marshal Commission also maintains the same "fillable" form on its web site. Of the 225 marshal filings, 85 were submitted on the "fillable" form (38% of the total).

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

AUDIT OBJECTIVES:

The primary objective of the audit is to ascertain, at a base level, the level of facial compliance with the disclosures required by Section 1-83. Particular focus is devoted to completeness of answers and internal consistency. Except where otherwise specifically noted, the audit objectives do not include the substantive analysis of financial disclosures.

SCOPE AND METHODOLOGY:

1. SCOPE:

Review of the SOIs consisted of a facial review of 100% of the marshals' forms, or 225 forms altogether. Because of the relatively small number of marshals (as opposed to SFI filers, which number in the thousands), it was practical to review all marshal forms. The results of the audit are therefore more accurate than the results of an audit that is limited to a small sample size.

A separate audit was performed on a sample of SFIs, and is not the subject of this report.

2. METHODOLOGY:

Methodology was developed with reference to audit protocols developed by the Office for lobbyist filings, as well as reference to GAAP³, GAAS⁴, and protocols of the Auditors of Public Accounts. The audit methodology included two distinct sets of protocols. The first protocol included steps to individually analyze each response in order to determine whether an appropriate response was made to

³ Generally Accepted Accounting Principles.

⁴ Generally Accepted Auditing Standards.

the SOI inquiry. The second set of protocols sought to analyze whether the responses were internally consistent, as well as consistent with other filings. The audit protocols are attached hereto as Exhibit A.

3. AGENCY RESPONSE:

The audit process is designed to be non-punitive. Rather, the primary goals of the audit process are to educate the filer and to promote compliance. Where errors are apparent on the face of a form, and where there is no evidence of deliberate attempts to conceal or otherwise misrepresent by the filer, the filer is notified of the error and instructed to correct the form.

RESULTS OF AUDIT AND CONCLUSIONS

The following results and conclusions can be gleaned from the audit. First, the percentage of forms that were timely filed, and filed without errors, even of a technical sort, was relatively high: approximately 77%. This suggests that many filers were able to understand and adequately comply with instructions. Second, the most common findings were as follows:

1. Approximately 11.5% of audited forms either failed to fully answer, or failed to check as "not applicable," various questions on the form.
2. Approximately 17% of audited forms either left blank or miscalculated the "gross total income" from the various sub-categories of types of marshal income (e.g., service of process).
3. Approximately 15% of the audited forms indicated income from individual sources in amounts of over \$1,000 which, when aggregated, exceeded the total income reported.
4. Approximately 6% of audited forms were submitted with supporting documents⁵ that were incomplete (e.g., they did not provide an amount or list the source of the income from which they received an amount of \$1,000 or more).

There was no ascertainable pattern to these deficiencies. A total of 43 letters were sent to filers whose forms contained deficiencies that required correction.

This marks the second time that this Office has audited SOIs. The results of this audit, on the whole, demonstrated an improvement in compliance from the previous year's audit. The below chart compares the results of the previous year's audit with this year's.

	Number of Marshals/SOIs	Late Filings	Incomplete Responses	Incorrect Arithmetic	Internal Contradictions in Earnings	Documentation Lacking
2009 SOI	234	48	20	52	32	21
2009 %		20.5%	8.5%	22%	14%	9%
2010 SOI	225	9	26	38	33	13
2010 %		4%	11.5%	17%	14.5%	6%
Percentage Change from 2009 to 2010		-16.5%	+3%	-5%	+0.5%	-3%

As reflected above, the most significant gains in compliance have occurred in the realm of late filings. For the 2010 SOI, only nine marshals filed their SOIs after the statutory deadline (of these, two filed

⁵ Supporting documents consist of pages attached by marshals as a continuation of or in lieu of the information provided on page 3 of the SOI.

within 48 hours after the deadline), reflecting 4% of total marshals. In contrast, the previous year, over twenty percent of marshals filed their forms after the deadline had passed. This achievement in compliance likely derives, at least in part, from the increased enforcement activity following the filing deadline for the 2008 and 2009 SOI, in which multiple marshals received notices of hearings and incurred penalties.⁶

In other areas of compliance, the fluctuations in totals and percentages reflected in the chart are, statistically speaking, of less significance, but will be monitored for future study.

As to filers who failed to provide a correct total for gross income paid to them in 2010, the audit revealed that most marshals simply committed arithmetic mistakes in calculating total income. Additionally, other cases suggest that the marshals may not have understood to which category (e.g., service of process, collection services, etc.) certain income belonged. The present audit data suggest that this area continues to gradually improve.

As to filers whose audited forms indicated income from sources in amounts of over \$1,000 which, when aggregated, exceeded their total income reported on page 1 of the form, the audit revealed that marshals may have committed arithmetic mistakes and/or may not have understood which income should have been reported in certain categories.

Finally, as to the filers who submitted attached pages that were incomplete, the audit revealed that most filers simply omitted the same information as required on page 3 of the SOI (which pertains to the names, addresses and amounts of income from sources which exceeded \$1,000). The audit revealed other examples which suggested that the filers may not have understood what should be counted toward income on page 3, and therefore submitted incomplete information on the attached page(s).

As in the case of last year's SOI audit (2009 SFI audit), this Office has gained valuable insight and information from the present audit. This Office will use this to attempt to improve marshal filings in the future. Several changes that may lead to improved compliance on the part of marshals include:

- 1) Consider educational opportunities with marshals to bolster clarity and minimize interpretational errors in filling out the form.
- 2) Consider ways to provide on-line calculation tools on the OSE web site for marshals to minimize arithmetic errors.
- 3) Encourage marshals to disclose e-mail addresses to allow the Office to communicate directly regarding upcoming filing requirements.

This Office will consider the above and other changes as necessary and continue to audit marshal filings annually, which will allow this Office to track progress and foster improvement of marshal compliance.

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⁶ Additionally, in 2010 the Office received one confidential complaint alleging that one marshal did not accurately fill out the 2009 SOI form. This matter was resolved in November 2010, at which point it became a matter of public record. This resolution may have also had a positive effect on the percentage of accurate filings for the 2010 SOI.

EXHIBIT A

PROTOCOL FOR AUDIT OF 2010 MARSHAL SOI FILINGS

SELECTION: For 2010 filings, all marshal filings will be audited.

REVIEW FOR COMPLETENESS: The following initial tasks will be performed:

1. Check if signed.
2. Check if timely filed and dated.
3. Ensure that form is the 2010 form.
4. Check to ensure that each question was answered.
5. Check to ensure that the names, addresses, and amounts received (page 3) are completed and that the totals are correct and are reflected on page 1.
6. Determine whether patterns of responses suggest intentional deficiencies (e.g., filer enters no substantive information; expenses (page 2) appear overstated in relation to work performed; etc.).
7. If additional pages are attached, check to ensure that the attachments are complete and do not contradict answers given to questions on the form.
8. Note whether each marshal identifies the state, or any state or quasi-public agency, as a person from whom the marshal received \$1,000 or more.

Additional analysis may be necessary or appropriate if any adverse findings occur as a result of the above. If it is determined that an underdisclosure exists, but no other ethics code violation is indicated or suggested, the filer will be given a nominal, uniform grace period to amend the form. Upon expiration of the grace period, if the deficiencies have not been corrected, a notice of a UAPA hearing will be issued to the filer, at which point the Enforcement Division will seek penalties pursuant to General Statutes § 1-88(b). If additional substantive ethics code violations are indicated or suggested by the audit, the Division will make a determination on a case-by-case basis as to how to proceed.