PROCEDURES MANUAL

FOR

LOBBYIST RECORDKEEPING AND AUDIT

2010

TABLE OF CONTENTS

I. INTRODUCTION.....4
.
II. LEGISLATIVE VS. ADMINISTRATIVE LOBBYING.....4

III. RECORDKEEPING.....5

A. CLIENT LOBBYIST.....5

1. FUNDAMENTAL TERMS OF CONTRACTS WITH COMMUNICATOR LOBBYISTS AND OTHER OUTSIDE ORGANIZATIONS OR PERSONS ENGAGED IN CONNECTION WITH LOBBYING.....5
2. PAYMENTS MADE TO INDIVIDUAL OR BUSINESS ORGANIZATION COMMUNICATOR LOBBYISTS OR OTHER OUTSIDE ORGANIZATIONS OR PERSONS ENGAGED IN CONNECTION WITH LOBBYING.....6
3. PAYMENTS MADE TO IN-HOUSE EMPLOYEE COMMUNICATOR LOBBYISTS 6
4. EXPENDITURES MADE FOR THE BENEFIT OF A PUBLIC OFFICIAL, etc.....6
5. EXPENSE REIMBURSEMENTS MADE TO COMMUNICATOR LOBBYISTS.....7
6. OTHER PAYMENTS MADE IN FURTHERANCE OF LOBBYING.....8
7. REIMBURSEMENTS RECEIVED FROM A PUBLIC OFFICIAL, etc.....8
8. TEN DAY NOTIFICATION OF EXPENDITURES MADE FOR BENEFIT OF A PUBLIC OFFICIAL, etc. 9

B. INDIVIDUAL COMMUNICATOR LOBBYISTS AND BUSINESS ORGANIZATION.....9

1. FUNDAMENTAL TERMS OF CONTRACTS WITH CLIENT LOBBYISTS AND OTHER OUTSIDE ORGANIZATIONS OR PERSONS ENGAGED IN CONNECTION WITH LOBBYING.....9
2. PAYMENTS RECEIVED FOR LOBBYING SERVICES INCLUDING EXPENSE REIMBURSEMENTS....10
3. UNREIMBURSED EXPENDITURES FOR THE BENEFIT OF A PUBLIC OFFICIAL.....10
4. PAYMENTS MADE TO OTHER FIRMS SUBCONTRACTED WITH.....11
5. REIMBURSEMENTS RECEIVED FROM A PUBLIC OFFICIAL, etc.....11
6. TEN DAY NOTIFICATION OF EXPENDITURES MADE FOR BENEFIT OF PUBLIC OFFICIAL, etc.....12

IV. RANDOM AUDITS.....12
A. FINANCIAL RECORDS.....12
B. BENEFIT VALUATION.....12
C. RECORDS TO BE MAINTAINED.....13
D. SELECTION OF REGISTRANTS.....13
E. SCOPE AND PROCEDURE FOR AUDIT.....14
F. CONFIDENTIALITY OF PROCEDURES 14
G. FINDINGS.....14
H. PROCEDURES MANUAL.....14
I. OFFICE OF STATE ETHICS ACTION AS RESULT OF AUDIT 15

APPENDIX A: (CHECKLIST FOR PRELIMINARY REVIEW OF REPORTS).....16
APPENDIX B: (ITEMS TO BE MAINTAINED FOR AUDIT).....17
APPENDIX C: (EXAMPLE OF EXPENDITURE LOG).....18
APPENDIX D: (LIST OF POSSIBLE ERRORS AND OMISSIONS).....19
APPENDIX E: (FREQUENTLY ASKED QUESTIONS) 20

ASSISTANCE.....24

I. INTRODUCTION

The purpose of this manual is to assist those who have met the definition of a **REGISTERED LOBBYIST** in understanding the recordkeeping requirements under the lobbying provisions as set forth in Section 1-91 et seq. of the Connecticut General Statutes and the accompanying Regulations. This manual is not intended to be used as a substitute for the law, but should be used in conjunction with the annual filing instructions issued to all registered lobbyists to aid compliance with the law. Please refer to those instructions for specific guidance in completing the periodic financial forms for lobbyists.

Throughout this manual, reference is made to the use of percentages to determine amounts to be reported (for example, to calculate administrative vs. legislative lobbying, to determine the pro-rated value of office expenses, salaries, etc.). While accuracy is one of the ultimate goals of the lobbyist reporting laws, the Office of State Ethics recognizes that a **COMMON SENSE APPROACH** is necessary. Therefore, in calculating pro-rated amounts, any reasonable fact-based method of calculation is acceptable. Examples are provided in this manual to assist in determining accurate figures, although they are not the only methods available.

II. LEGISLATIVE VS. ADMINISTRATIVE LOBBYING

LEGISLATIVE LOBBYING: Any lobbying which affects, or seeks to affect, legislation, even if an executive branch official is contacted as part of that effort.

ADMINISTRATIVE LOBBYING: Any lobbying which affects, or seeks to affect, the rules or regulations of an executive agency. It includes any lobbying which affects the actions of any executive agency or quasi-public agency regarding a contract, grant, award, purchasing agreement, loan, bond, certificate, license, permit or any other matter within the jurisdiction or cognizance of any such agency, even if members of the legislature are contacted as part of the effort. There are two major exceptions to this expanded definition. Administrative lobbying does **NOT** include (1) actions by a representative of a party to a contested case before an executive or quasi-public agency (including preliminary actions at an agency before a formal case has commenced) and (2) communications by a representative of a manufacturer or by an employee of the registered client lobbyist, which employee acts as a salesperson and does not otherwise engage in lobbying regarding any administrative action. See Conn. Gen. Stat. § 1-91(k) and regulations thereunder for further explanation.

It is important to note that, if you lobby for both legislative and administrative purposes, any reportable expenditures made or income received in furtherance of lobbying must be accurately divided between legislative and administrative activities and reported separately. Additionally, your records must distinguish between administrative and legislative activities. For example, if as a **CLIENT** lobbyist you **PAY A COMMUNICATOR** lobbyist $4,000 for lobbying services, you must obtain information from that communicator to determine whether the payment was for legislative and/or administrative lobbying. If the communicator spent equal time performing both legislative and administrative activities, then $2,000 should be reported as legislative lobbying and $2,000 reported as administrative lobbying. You must also maintain support for the method and percentages used to determine amounts allocated to each area. Similarly, the communicator must also report this amount separately in its

report and maintain support for the percentage of time spent in each area and the method used to determine those amounts.

The client lobbyist should note that all "other" expenditures, (expenditures for benefit of public officials, media communications, solicitations, office and other), must be allocated between either the legislative and/or administrative lobbying to which they relate.

III. RECORDKEEPING

A. CLIENT LOBBYISTS

As a client lobbyist, you must maintain records for the following items and expenditures for both legislative and administrative lobbying:

- Fundamental terms of contracts with communicator lobbyists and other organizations or persons engaged in connection with lobbying;
- Payments made to individual communicator lobbyists, business organizations, outside organizations, or persons engaged in connection with lobbying;
- Payments made to in-house communicator lobbyists (i.e., employees);
- Expenditures made for the benefit of a state employee, public official, candidate for public office or a member of any such person's staff or immediate family, including food and/or beverage, necessary expenses, gifts to the state which incidentally benefit such an individual, etc.;
- Expense reimbursements made to a communicator lobbyist;
- Other payments made in furtherance of lobbying;
- Any reimbursement received from a state employee, public official, candidate for public office or a member of any such person's staff or immediate family for expenditure(s) made on their behalf.

1. FUNDAMENTAL TERMS OF CONTRACTS WITH COMMUNICATOR LOBBYISTS AND OTHER OUTSIDE ORGANIZATIONS OR PERSONS ENGAGED IN CONNECTION WITH LOBBYING

If your organization contracts with an outside individual or business organization communicator lobbyist, or other outside organization or person engaged in connection with lobbying, such as a consultant, expert witness, pollster, advertiser, etc., it is recommended that, for each contract, you maintain a **WRITTEN AGREEMENT** containing the following information:

- Names of the parties to the contract
- Amount and nature of compensation (e.g., fee, retainer)
- Description of services (e.g., administrative and/or legislative lobbying services, contract for radio air time, etc.)
- Time period covered by the contract
- Signature of both parties
- Any other fundamental terms (e.g., reimbursement of travel expenses)

2. PAYMENTS MADE TO INDIVIDUAL COMMUNICATOR LOBBYISTS, BUSINESS ORGANIZATIONS, OR OTHER OUTSIDE ORGANIZATIONS OR PERSONS ENGAGED IN CONNECTION WITH LOBBYING

If your organization contracts with an individual communicator lobbyist, business organization communicator lobbyist, with other outside organizations or persons engaged in connection with lobbying, such as consultants, expert witnesses, pollsters, etc., disbursement records must contain the payments made, including:

- Name of the outside communicator, organization or person
- Date of each payment
- Amount of each payment

Supporting documentation must be maintained including copies of contracts or written agreements, cancelled checks, bank statements and invoices describing services performed.

3. PAYMENTS MADE TO IN-HOUSE EMPLOYEE COMMUNICATOR LOBBYISTS

Payments made to an in-house employee lobbyist (e.g., salaries, reimbursements, etc.), must be recorded in the payroll register. Disbursement records must include:

- Employee name
- Payroll date
- Payroll amount

Salary includes gross wages paid. Fringe benefits, such as employers' contributions to a health plan or retirement plan should not be included in the computation of compensation paid for lobbying and in furtherance of lobbying.

While it is assumed that the fundamental terms for an in-house communicator lobbyist are a pro-rata share of the employee's compensation, each client must maintain support for the method and percentages used to determine pro-rated amounts. For example, the calculation may be based on a representative month during the reporting period, unless there are material changes in either salary or time spent in furtherance of lobbying.

NOTE: The client lobbyist must include in "other expenses" the pro-rated value of compensation paid to employees or other individuals who perform services in furtherance of lobbying but do not meet the threshold requirement, do not engage in lobbying, and as such, are **NOT REQUIRED TO REGISTER** (e.g. expert witnesses, secretaries, paralegals, etc.). Documentation requirements for these individuals are the same as for registered in-house employee lobbyists.

4. EXPENDITURES MADE FOR THE BENEFIT OF A PUBLIC OFFICIAL, etc.

For each expenditure made for the benefit of a public official, the client's disbursement records must include:

- Name of the recipient
- Date of the expenditure
- Amount of the expense, including any tips and taxes
- Nature of the expenditure (e.g., "dinner meeting")

In addition to the disbursement records above-mentioned, source documentation, (e.g., restaurant receipts, invoices, cancelled checks, credit card receipts, etc.) must be maintained for each expense and must contain or reveal the following information:

- Name of all persons who benefited from the expenditure if the expenditure is over $10 per person, or
- If the expenditure is less than $10, the number of persons attending the meal or event
- Name of lobbyists or his/her representative in attendance
- Time period relating to the benefit (e.g., dates of attendance at a conference by a public official, etc. at which necessary expenses were incurred)
- If an expenditure is shared with another lobbyist, indicate the name(s) and your pro-rated share. (NOTE: One authorized registrant may file for shared events, but all donors will still be responsible for accuracy of the information reported.)

NOTE: There is one important exemption involving itemization for publicly noted legislative receptions. Each lobbyist is permitted to host one such reception each calendar year costing less than $50 per person, and it will be non itemizable if the cost is less than $30 per person. If however you host a reception costing between $30 and $50 per person, you must inform the recipient prior to the event that the expense will be itemizable to the Office of State Ethics. (See Appendix B)

To ensure that expenditures for benefit of public officials do not exceed legal limits during the calendar year, it is recommended you maintain a log indicating:

- **Name of reportable person**
- **Date, amount and description of the expenditure**
- **Supporting detail such as location, lobbyist in attendance, nature of expenditure**

5. EXPENSE REIMBURSEMENTS MADE TO COMMUNICATOR LOBBYIST

For each expense reimbursement made to a communicator lobbyist, the disbursement records must show:

- Name of lobbyist/business organization receiving the payment
- Date of the payment
- Amount of the payment

Support documentation should be maintained, including requests for reimbursements describing the expense, receipts or invoices, cancelled checks and bank statements.

NOTE: If the reimbursement is for an expenditure for the benefit of a public official, it must be made and reported on a timely basis (i.e., on the next financial report filed with the Office of

State Ethics), or the expenditure will become the reporting responsibility of the communicator who received the reimbursement.

6. OTHER PAYMENTS MADE IN FURTHERANCE OF LOBBYING

These payments (costing $50 or more in any calendar year) include, but are not limited to:

- Office expenses: pro-rated value of secretarial salaries, printing, postage, telephone usage
- Paid media communications (e.g., newspapers, radio, television, etc.)
- Solicitations, (e.g., mass mailings, phone banks, etc.)
- Payments to employees and others who work in furtherance of lobbying but are not required to register, (e.g. paralegals, researchers, etc.)
- Paid services or subscriptions which may assist research (e.g., a legislative tracking system, computer research system, etc.)
- Gifts to the state
- Necessary expenses

For each "other payment" made by you, the disbursement records must include:

- Name of the payee
- Date of the payment
- Amount of the payment
- Description of the goods and services for which payment was made

Support documentation must also be maintained, which may include cancelled checks, receipts, invoices and bank statements.

NOTE: Amounts reported as pro-rated, such as certain office expenses and other expenses, must have documentation supporting the method used for pro-ration.

7. REIMBURSEMENTS RECEIVED FROM A PUBLIC OFFICIAL, etc.

Reimbursements received from a **state employee, public official, candidate for public office or a member of any such person's staff or immediate family** must be recorded in the receipts records. The receipts records must include:

- Name of individual making the reimbursement
- Date of the reimbursement
- Amount of the reimbursement

Support documentation must be maintained including a description of the benefit, date the benefit was received by the individual, actual amount of the benefit if different than the amount reimbursed, copy of the check from the public official, etc., receipts and/or invoices. Reimbursements should be made by check drawn from the beneficiary's personal account.

If the beneficiary of an expenditure wishes to pay the donor lobbyist, in full or in part, he or she must do so, if at all, **WITHIN 30 DAYS**, or prior to the filing of the lobbyist's next report,

whichever is earlier. If the beneficiary does not reimburse within this time, he or she will be deemed to have received the full value of the expenditure, which then must be reported.

8. TEN DAY NOTIFICATION OF EXPENDITURES MADE FOR BENEFIT OF A PUBLIC OFFICIAL, etc.

Any person who gives to a **public official, candidate for public office, or a member of any such person's staff or immediate family** anything of value which is subject to the reporting requirements pursuant to subsection (e) of Section 1-96 of the Connecticut General Statutes, must, within ten days, give the recipient a written report stating the name of the donor, a description of the item or items given, the value of such items and the cumulative value of all items given to such recipient during that calendar year.

The Office of State Ethics strongly recommends that each registrant maintain a log, or spreadsheet, to capture and record the reportable information to comply with the ten day notification requirement. This log, or spreadsheet, will also enable the registrant to track the cumulative value of items given to individuals to avoid exceeding the gift limitations of Conn. Gen. Stat. Section 1-91.

The Office of State Ethics strongly recommends that each registrant comply with the above notification requirement to the recipient. The notification informs the recipient of the means of avoiding attribution of the value of an item, by returning the item or reimbursing the donor within thirty days. By returning the item or reimbursing the donor within thirty days, the recipient can avoid being reported on the donor's financial reports to the Office of State Ethics. (See Regulation of Connecticut State Agencies Sec. 1-92-54 (c).)

B. INDIVIDUAL AND BUSINESS ORGANIZATION COMMUNICATOR LOBBYISTS

As an individual or business organization communicator lobbyist, you must maintain records for the following items, receipts and expenditures for both legislative and administrative lobbying:

- Fundamental terms of contracts with client lobbyists, other outside lobbyists subcontracted with, and any organizations or persons engaged in connection with lobbying
- Payments received for lobbying services, including sales tax
- Unreimbursed expenditures made for the benefit of a **state employee, public official, candidate for public office or a member of any such person's staff or immediate family**, including gifts or food and/or beverage, entertainment events, necessary expenses, gifts to the state which incidentally benefit such an individual, etc.
- Payments made to other lobbying firms subcontracted with
- Expense reimbursements from client lobbyists
- Reimbursements received from a **state employee, public official, candidate for public office or his/her staff or immediate family** for expenses incurred on their behalf

1. FUNDAMENTAL TERMS OF CONTRACTS WITH CLIENT LOBBYISTS AND OTHER OUTSIDE ORGANIZATIONS OR PERSONS ENGAGED IN CONNECTION WITH LOBBYING

If you or your firm contracts with a client lobbyist or other outside organizations or persons engaged in connection with lobbying, such as consultants, expert witnesses, pollsters, subcontractors, advertisers, etc., you should maintain a written agreement containing the following information:

- Names of all parties to the contract
- Amount and nature of compensation (e.g., fee, retainer)
- Description of services (e.g., administrative and/or legislative lobbying services, contract for radio air time, etc.)
- Time period covered by the contract
- Signature of both parties
- Any other fundamental terms (e.g., reimbursement of travel expenses)

2. PAYMENTS RECEIVED FOR LOBBYING SERVICES INCLUDING EXPENSE REIMBURSEMENTS

Your firm must maintain a receipts journal or other form of record showing all payments received, including a description and dollar value of any services provided in connection with lobbying activity, and the records must contain the following information:

- Date each payment is received by your firm
- Name of each person who makes payment to your firm
- Amount of each payment

In addition to the receipts records, support documentation must be maintained, including bank records, deposit slips, invoices, copies of contracts between you and your clients, expense reimbursement requests describing the nature of the expense, receipts or invoices or copies of the payment checks.

3. UNREIMBURSED EXPENDITURES FOR THE BENEFIT OF A PUBLIC OFFICIAL

You must maintain a disbursements journal or other form of record which shows all expenses incurred or paid by you that relate to lobbying—even if these expenses were later reimbursed. The disbursements records must contain the following information:

- Name of the payee
- Date of the payment
- Amount of the expenditure, including any gratuity and/or tax

This documentation must be maintained for each expense (e.g. restaurant receipts, invoices, cancelled checks or credit card receipts), and should contain or reveal the following information (e.g., information written on the back of a credit card receipt):

- Name of all persons who benefited from the expenditure if the expenditure is over $10 per person
- If the expenditure is less than $10 per person, the number of persons attending the meal or event
- Name of lobbyist(s) or his/her representative in attendance
- Time period relating to the benefit (e.g., dates of attendance at a conference by a public official, etc. for which any necessary expenses were incurred)
- If an expenditure is shared with another lobbyist(s), indicate the name(s) and your pro-rated share. (NOTE: One authorized registrant may file for shared events, but all donors will still be responsible for accuracy of the information reported.)

To ensure that the gift or food and beverage limits are not exceeded during the calendar year, it is recommended you maintain a log indicating:

- Name of reportable person
- Date, amount and description of expenditure
- Supporting detail such as location, lobbyist in attendance, nature of expenditure

4. PAYMENTS MADE TO OTHER FIRMS SUBCONTRACTED WITH

Each payment made to other firms subcontracted with must be included in a cash disbursements journal. The records must contain the following information:

- Name of the payee
- Date of the payment
- Amount of the payment

Support documentation must be maintained for each expenditure including written terms of the agreement, cancelled checks, bank statements, and invoices.

5. REIMBURSEMENTS RECEIVED FROM A PUBLIC OFFICIAL, etc.

Reimbursements received from a **state employee, public official, candidate for public office or a member of any such person's staff or immediate family** must be recorded in the receipts record. The receipts records must include:

- Name of the individual making the payment
- Date of the reimbursement
- Amount of the reimbursement

Support documentation must be maintained including a description of the benefit, date benefit was received by the individual, actual amount of benefit if different than the amount reimbursed, a copy of the check from the public official, etc., and receipts or invoices. Reimbursements should be made by check drawn from the beneficiary's personal account.

NOTE: If the beneficiary of an expenditure wishes to pay the donor lobbyist, in full or in part, he or she must do so, if at all, **within 30 days from date of the benefit**, or prior to the filing of the lobbyist's next report with the Office of State Ethics, whichever is earlier. If the

beneficiary does not reimburse within this time, he or she will be deemed to have received the full value of the expenditure, which then must be reported.

6. **TEN DAY NOTIFICATION OF EXPENDITURES MADE FOR BENEFIT OF A PUBLIC OFFICIAL, etc.**

Any person who gives a **state employee, public official, candidate for public office or a member of any such person's staff or immediate family** anything of value which is subject to the reporting requirements pursuant to subsection (e) of Section 1-96 of the Connecticut General Statutes, must, within ten days, give the recipient a written report stating the name of the donor, a description of the item or items given, the value of such items and the cumulative value of all items given to such recipient during that calendar year.

IV. RANDOM AUDIT OF LOBBYIST FINANCIAL REPORTS (REGULATIONS)

A. Sec. 1-92-48. Financial Reports

(a)(6) When more than one individual is benefited incident to an occasion or transaction the registrant may calculate the per person value of the expenditure by either: (A) dividing the total expenditure by the number of individuals benefited; (B) dividing the total expenditure by the number of individuals expected at an event when the actual amount expended was based on an anticipated number of attendees one or more of whom did not attend the event in question; or (C) determining the actual benefit received by each individual.

(d) Pursuant to Section 1-79a of the Connecticut General Statutes, for purposes of calculating the dollar limits under the exceptions to the term "gift" under section 1-79 and section 1-91, any expenditure provided by a lobbyist who is an individual shall be deemed to have also been provided by the business organization which he owns or by which he is employed, and any expenditure provided by a business organization shall be deemed to have also been provided by all owners and employees of the business organization who are lobbyists.

B. Sec. 1-92-54. Definition of Directly and Personally Received for Purposes of Benefit Valuation

(a) In determining the value of items exempt from the definition of gift, only items which are directly and personally received are to be considered. Directly and personally received means that the recipient accepted the opportunity to partake of or utilize the item. For example, if an individual attends a reception, the entire per person cost incurred by the donor to provide food and/or beverage must be attributed to the attendee, regardless of the amount actually consumed unless the attendee declines to partake of any of the food or beverage offered.

(b) In assessing the value of food and/or beverage provided at a reception or party, overhead costs such as in-house planning costs, invitations, rental fees, and decorations are not to be considered directly and personally received.

(c) In order to avoid attribution of the value of any item, whether solicited or unsolicited, the recipient must either return the item or reimburse the donor within thirty days. If a lobbyist

financial report is due prior to thirty days and the recipient does not want to be reported, as required by subsection (b) or subsection (e) of Section 1-96 of the Connecticut General Statutes, the reimbursement or return must be done prior to the filing of the next required financial report.

C. Sec. 1-92-55. Records to be maintained

(a) Each registrant may choose to keep records of all lobbying activity separate from records of the registrant's non-lobbying activity. No registrant shall be required to make any documents regarding unregulated activity available to the Office of State Ethics in connection with an audit conducted under Subsection (b) of Section 1-96a of the Connecticut General Statutes, except that if a registrant chooses to keep records which ordinarily and customarily integrate both regulated and unregulated activities, all such integrated records shall be made available for audit. However, in no case shall the Office of State Ethics or its staff intentionally divulge to any third party any material regarding unregulated activities revealed in connection with the audit.

(b) For purposes of substantiating financial reports concerning lobbying activities on and after October 1, 1991, each registrant shall obtain and preserve all documents which will provide in sufficient detail the necessary information from which the financial reports may be verified, explained, clarified and checked for accuracy and completeness. In the case of reportable expenditures unrelated to lobbying made by a registrant for the benefit of public officials, the registrant shall make available for inspection only the specific documentation necessary to verify the expenditure.

(c) The registrant shall keep the records available for audit, inspection and copying by the Office of State Ethics or its authorized representatives for three years from the date of filing of the report or of changes or corrections to the report.

D. Sec. 1-92-56. Selection of registrants

(a) The Citizen's Ethics Advisory Board shall select registrants to be audited by lot in periodic ceremonies which shall be open to the public. Prior notice of the date, time, and place of any such ceremony shall be emailed to all known registrants and, if the ceremony is to take place during the legislative session, such notice shall be published in the Legislative Bulletin or other similar publication disseminated to registrants. For the purposes of the selection process, each client registrant will be assigned a number. No more than forty numbers will be selected for audit in any one year and each number selected will result in an audit. Audits will be conducted in the order selected. Numbers for audit will be drawn by the Chairperson of the Citizen's Ethics Advisory Board or by his or her designee. When a client registrant's number is chosen for audit, the records of that client's communicator lobbyists, including all business organization, in-house or other individual lobbyists, kept in connection with that client will also be audited. Said communicator lobbyist(s)' records of personal expenditures for the benefit of public officials, or members of such officials' staffs or immediate families, will also be audited at that time.

(b) The records of each client registrant and the records of each communicator registrant kept in connection with that client shall be subject to audit no more than once every three years. A

communicator registrant's records of personal expenditures for the benefit of public officials shall also be subject to audit no more than once every three years.

E. Sec. 1-92-57. Scope of and procedure for audit

The random audit shall be limited in time to the previous three calendar years, except that no records created prior to October 1, 1991 shall be reviewed in connection with an audit conducted under Subsection (b) of Section 1-96a of the Connecticut General Statutes. The purpose of a random audit is to determine whether information reported to the Office of State Ethics is timely, accurate and complete. The random audit shall include:

1. A preliminary review of the registrant's reports filed within the three-year period prior to the date of selection for audit;
2. A preliminary conference with the registrant, including establishing where the audit is to take place and a tentative time frame for completion of the audit;
3. A detailed field examination of the registrant's financial records concerning lobbying activities;
4. Independent verification of some or all of the information reported;
5. A post-audit conference with the registrant;
6. Post-audit preparation of a report describing the results of the audit;
7. Corrective action by the registrant, if necessary, and
8. Verification and review of the corrective action, if necessary

F. Sec. 1-92-58. Confidentiality of procedures

While an audit review is being conducted under Subsection (b) of Section 1-96a of the Connecticut General Statutes, neither the Office of State Ethics nor its staff shall disclose anything regarding the audit proceedings to any third party, except as is necessary to complete the audit.

G. Sec. 1-92-59. Findings

The auditor shall prepare an audit report and furnish a copy to the registrant at least one week before its submission to the Citizen's Ethics Advisory Board. If the registrant wishes, the final report submitted to the Citizen's Ethics Advisory Board shall include a statement by the registrant commenting on the results of the audit. The final report, which is public, shall indicate the audit findings, and may include: a summary of any material omissions or errors, a recommendation regarding the need for corrective action and a discussion of any corrective action taken by the registrant during the course of the audit. If corrective action is necessary, the enforcement division Office of State Ethics will indicate what action is required and will set a time frame for corrections to be made.

H. Sec. 1-92-60. Procedures manual

The Office of State Ethics shall promulgate a procedures manual setting out the standard procedures which will be used by the Office of State Ethics in conducting any audit under Subsection (b) of Section 1-96a. The manual shall include checklists to be used in connection with the preliminary review of reports, lists of possible errors and omissions, and answers to common questions which the registrant may have regarding the reporting requirements.

I. Sec. 1-92-61. Office of State Ethics action as result of audit

The primary goal of any audit by the Office of State Ethics is to ensure compliance with the Ethics Codes. To that end, the Office of State Ethics will take no formal action, as the result of an audit, against a registrant for negligent failure to comply with the law, provided that the registrant takes the necessary corrective action. When the registrant fails to take the corrective action required as a result of the audit, the Office of State Ethics may file a complaint pursuant to Section 1-93 of the general statutes. Any Office of State Ethics evaluation, investigation or complaint proceeding initiated as the result of an audit shall not be made a part of the final audit report, but shall instead remain confidential under Subsection (a) of Section 1-93 of the general statutes.

APPENDIX A: CHECKLIST FOR PRELIMINARY REVIEW OF REPORTS

The following is a list of items (not an all-inclusive list) to be considered in a preliminary review of registrants' report filings. It is also a list of questions that registered lobbyists should ask themselves when preparing the periodic financial reports filed with the Office of State Ethics:

1. Are the reports filed on time?
2. Are the reports properly complete with all relevant information?
   - Are all payments received and expenses incurred included on the proper report, in their proper place and in their proper amounts for both legislative and administrative lobbying?
   - Has proper consideration for all reportable activities in furtherance of lobbying been given?
3. Are the reports signed and dated by an authorized person?
4. Are the reports mathematically accurate? (e.g., does a client's quarterly report equal the sum of the three corresponding monthly reports?)
5. Are any necessary expenses for a public official or state employee, such as travel expenses for appearance or speech at an event, properly reported within 30 days of the reportable expenditure?
6. As a communicator lobbyist, although I only need to report compensation and expense reimbursements once a year, have I incurred any unreimbursed expenditures of $10 or more for the benefit of a public official, his or her staff and immediately family? Have I entered into new contracts during the reporting period or changed fundamental terms of a current contract?
7. Can I properly support amounts for pro-rated expenditures, salaries of in-house communicators and office expenses?
8. Has supporting documentation been maintained for all lobbying related receipts and expenditures? For example, if I incurred a food and/or beverage expense which benefited a public official, can I support the expense with a credit card receipt and invoice with the names of persons attending written on the back, and a check for the monthly statement amount which can then be traced to a cash disbursements journal?
9. Has supporting documentation been maintained for all expenditures of $50 or more in order to establish whether each expenditure was reportable or not?
10. Have I maintained a log, or spreadsheet, enabling me to track and accumulate items of value which I gave to a state employee, public official, candidate for public office or a member of any such person's staff or immediate family?
11. Have I filed the required "ten day notification" letters to the recipients that I gave to?
12. Have I properly recorded the reimbursements from the recipients who do not wish to be reported on my reports to the Office of State Ethics?

APPENDIX B: ITEMS TO BE MAINTAINED FOR AUDIT

The following items should be maintained during the year. More items may be requested. However, if selected for an audit, the following documentation should be available, for the **period under review**, to expedite the field audit:

For Client Lobbyist Registrants Selected for Audit:

1. Copies of all contracts with communicator lobbyists for period under audit
2. Copies of all cancelled check payments to communicator lobbyists for period under audit
3. Copies of all ETH-1B registration filings for period under audit
4. Copies of all quarterly & monthly ETH-2D (Lobbyist Financial Report for Use by Client) filings for period under audit
5. Copies of any ETH-NE forms reflecting necessary expenses paid to a state employee or public official
6. Copies of all invoices/bills, beneficiary names, and attendee lists (for receptions or other hosted events) for expenditures made for the benefit of public officials (including staff members or immediate family members), and state employees for period under audit
7. If 5. above applies, copies of all ten day notices, copies of any check disbursements in payment for receptions, and copies of reimbursements and deposit dates of reimbursements for period under audit
8. Copies of all lobbying-related disbursements, including check number, date, payee, and amount for period under audit
9. Additional records may become necessary as audit progresses

For Business Organization Registrants Selected for Audit:

1. Copies of all contracts with the selected client registrants for period under audit
2. Copies of all checks received from client registrants for period under audit
3. Copies of all ETH-1A registration filings for period under audit
4. Copies of all ETH-2B (Communicator Lobbyist Report of Unreimbursed and Necessary Expenses) filings for period under audit
5. Copies of all ETH-2A (Communicator Lobbyist Report of Annual Compensation, Sales Tax and Reimbursement) filings for period under audit
6. Copies of any ETH-NE forms reflecting necessary expenses paid to a state employee or public official
7. Copies of all invoices/bills, beneficiary names, and attendee lists (for receptions, or other hosted events) for expenditures made for the benefit of public officials (including staff members or immediate family members), and state employees for period under audit
8. If 6. above applies, copies of all ten day notices and copies of any check reimbursements and deposit dates of any reimbursements for period under audit
9. Copies of all lobbying-related receipts, including receipt date, name of payer, and amount, for period under audit
10. Copies of all lobbying-related disbursements, including check number, date, payee, and amount, for period under audit
11. Additional records may become necessary as audit progresses

APPENDIX C: EXAMPLE OF EXPENDITURE LOG

The following is an example of expenditures log for beneficiaries. This log could be maintained as an Excel spreadsheet.

If prepared on a per person amount received basis, this schedule will prove helpful to ensure that benefit limits are not exceeded during the course of the year. The following is an example of what this schedule might look like:

EXAMPLE 3: LOG OF EXPENDITURES FOR BENEFICIARIES (BY PER PERSON AMOUNT RECEIVED)

BENEFICIARY	DATE	DESCRIPTION	BENEFIT TYPE						
			LEGISLATIVE RECEPTION	OTHER FOOD & DRINK		NECESSARY EXPENSE	CHARITABL/ CIVIC EVENT	PLAQUE/ AWARD	GIFT
				OVER $10	UNDER $10				
Gov. Doe	11/1/08	Old State House, Hartford	36.00						
Gov. Doe	11/2/08	Dinner at Max on Main, Hartford		38.75					
Gov. Doe	11/3/08	Ribbon cutting ceremony at new school with refreshments served					9.00		
Lt Gov. Smith	11/4/08	Hot dog lunch in Bushnell Park, Hartford			9.25				
Lt Gov. Smith	11/5/08	Pen							8.99
Lt Gov. Smith	11/6/08	Waived registration fee				14.75			
Rep.John Jones	11/7/08	Representative of the year						98.00	
TOTAL			**36.00**	**38.75**	**9.25**	**14.75**	**9.00**	**98.00**	**8.99**

For purposes of tracking the benefit expenditure limits, only the per person amount of the benefit received by the reportable person would be included in the log.

This log is intended to be used only as a supplement to and not a replacement for required records.

APPENDIX D: LIST OF POSSIBLE ERRORS AND OMISSIONS

The following is not an all-inclusive list, but are merely examples of possible errors or omissions that may be discovered during the audit, and may provide the bases for adverse findings or a recommendation for corrective action:

1. Failure to pro-rate expenditures between legislative and administrative lobbying using a reasonable fact-based method
2. Failure to maintain supporting evidence for the fact-based method used to pro-rate expenditures
3. As to expenditures made for the benefit of a state employee or public official:
    a. failure to list names of all persons who benefited from the expenditure, if the expenditure is over $10 per person, or
    b. failure to list number of persons attending a meal, event, etc. to determine if the expenditure is less than $10 per person
    c. failure to maintain a log, or spreadsheet, to record individual items of value given, and the aggregate value of items given per person within the calendar year
    d. failure to provide the required “ten day notification” letters to the recipient as notice that the recipient can choose not to be reported, by returning the item of vale, or reimbursing the donor, within thirty days of receipt of the item
    e. failure to report attributable expenditures on the correct form filed with the Office of State Ethics, form ETH-2B for communicator lobbyists, and form ETH-2D for client lobbyists
4. Failure to maintain and preserve adequate documentation necessary to substantiate the financial reports required to be filed by Conn. Gen. Stat. §1-96 for a period of three years from the date of the filing of the report referring to such financial matters, provided this shall apply to each expenditure for the benefit of a public official of ten dollars or more and all other expenditures of fifty dollars or more (See Conn. Gen. Stat. §1-96a)
5. Failure of the registrant to maintain its own set of records, when two or more registrants host and share the cost of a reception or event
6. Failure to file the required report in a timely manner

APPENDIX E: FREQUENTLY ASKED QUESTIONS

The following is a series of questions and answers which may be helpful with various matters relating to the recordkeeping requirements of the audit process.

Q: If I maintain a general ledger system, will it be sufficient to meet the recordkeeping requirements or will a separate accounting system for lobbying alone be required?

A: If you maintain a general ledger system that produces receipts and disbursements journal, then no separate accounting system is required for lobbying activities alone. Lobbying activities should be segregated in accounts within the general ledger. As example 3 of Appendix C illustrates, you could then produce a log of expenditures using the general ledger's lobbying accounts and supporting detail.

Q: As a client lobbyist, what records must I maintain for expenditures for the benefit of a public official, etc. if the amount is under $10 per person?

A: The Ethics Code requires that you indicate the total number of persons benefiting from an expenditure in your records in order to substantiate that the amount per person is below $10. As a practical matter you should maintain a log.

Q: If payment for lobbying services is made in advance, do I have to pro-rate the amount between legislative and administrative lobbying?

A: Yes. If payment is made in advance, an estimate of time spent based on past experience or expected time spent in each area should be made.

Q: Is supporting documentation required for non-lobbying activities?

A: Yes, if your records and accounts integrate both lobbying and non-lobbying activities. For example, if you maintain a savings bank account, checking account or credit card account which includes both regulated lobbying activity and unregulated non-lobbying activity, to ensure completeness and accuracy of the financial reports, supporting documentation must be maintained and made available in the event of an audit for both the lobbying and non-lobbying activities (See Regulations of Connecticut State Agencies §1-92-55(a)). In no case shall the Office of State Ethics or its staff intentionally divulge to any third party any material regarding unregulated activities revealed in connection with the audit.

Q: As a client lobbyist, how can I be sure that expenditures made in furtherance of lobbying are properly captured and reported?

A: When preparing your periodic financial reports, as a general rule, consider any expense that was incurred during the period that is in any way connected with influencing legislative or administrative action. Certain items to consider include, but are not limited to, the following:

- Research time spent analyzing legislation or educating your communicator lobbyist;

- Any expenditures that assist in research of legislative or administrative action;
- Expenditures for events that foster goodwill with a public official;
- Any time spent and expenditures incurred with other lobbyists discussing Connecticut lobbying related matters.

Q: What is the procedure for audit?

A: The purpose of a random audit is to determine whether information reported to the Office of State Ethics is timely, accurate and complete. The random audit shall include: (1) a preliminary review of the registrant's reports filed within the three-year period prior to the date of selection for audit; (2) a preliminary conference with the registrant, including establishing where the audit is to take place and a tentative time frame for completion of the audit; (3) a detailed field examination of the registrant's financial records concerning lobbying activities; (4) independent verification of some or all of the information reported; (5) a post-audit conference with the registrant; (6) post-audit preparation of a report describing the results of the audit; (7) corrective action by the registrant, if necessary, and; (8) verification and review of the corrective action, if necessary

Generally, audits are performed at the Office of State Ethics, on the records provided by the registrant. An audit will usually take three to five weeks to complete, after all necessary records are received, and all questions are satisfactorily answered.

Q: If I am a communicator lobbyist and two or more of my clients are selected for an audit during the year, how many times will I be audited?

A: You will be audited with respect to each client selected with regard to records held and activity in connection with that client, including all income and expense reimbursements received from each client. The audit will include an examination of all expenditures for the benefit of a public official, his/her staff or immediate family. Also, the audit will include a reconciliation of the communicator's lobbying income received, including client's reimbursements, to the filings of communicator lobbyist reports of annual compensation, sales tax and reimbursements received from each client lobbyist. The purpose is to measure compliance with the requirement to file timely and accurate reports (See Conn. Gen. Stat. §1-96(b)).

Q: How often can a registrant (client or communicator) expect to be audited?

A: No registrant shall be subject to audit more than one time during any three consecutive years (See Conn. Gen. Stat. 1-96a(b)).

Q: What is included in the audit report?

A: The audit report will consist of the following:

- "Scope" section describing the period of audit and general audit steps performed;
- "Findings" section, if necessary, describing material compliance exceptions;
- "Recommendation" and/or "corrective action" section, if necessary, outlining any recordkeeping or other compliance issues along with suggested remedies or required corrective actions.

Q: What happens if the audit results in findings of non-compliance with the Ethics Codes?

A: The primary goal of any audit by the Office of State Ethics is to ensure compliance with the Ethics Codes. The Office of State Ethics will take no formal action, based on the result of an audit, against a registrant for negligent failure to comply with the law, provided that the registrant takes corrective action. When the review of a registrant's records reveals an intentional or grossly negligent failure to comply with the law, however, or when the registrant fails to take corrective action required as a result of the audit, the Office of State Ethics may file a complaint pursuant to Section 1-93 of the Connecticut General Statutes.

Q: What is the difference between a recommendation and a corrective action?

A: Recommendations are suggested remedies for less serious non-compliance issues and are generally assumed to be corrected on a going-forward basis.

Corrective Actions are mandatory remedies for more serious non-compliance matters. For example, if during the course of the audit it is determined that no supporting documentation such as receipts exist for expenditures made, the audit report will state that these items must be kept as part of the registrant's financial records. If a corrective action is necessary, the Office of State Ethics will indicate what action is required and will set a time frame for corrections to be made. After the date for the corrective action, the auditor will schedule a meeting with the registrant in order to review and verify that procedures have been implemented to address the corrective action.

Q: If the audit results in adverse findings, will I be penalized?

A: The primary goal of any audit by the Office of State Ethics is to ensure compliance with the Ethics Codes. To that end, the Office of State Ethics will take no formal action, as the result of an audit, against a registrant for negligent failure to comply with the law, provided that the registrant takes the necessary corrective action. When the registrant fails to take the corrective action required as a result of the audit, the Office of State Ethics may file a complaint pursuant to Section 1-93 of the general statutes. Any Office of State Ethics evaluation, investigation or complaint proceeding initiated as the result of an audit shall not be made a part of the final audit report, but shall instead remain confidential under Subsection (a) of Section 1-93 of the general statutes (See also Regulations of Connecticut state Agencies §1-92-61).

Q: Are results of the audit confidential?

A: The audit report, and documents associated with it, are confidential until the audit report is submitted to the Citizen's Ethics Advisory Board for approval, at which point the documents become public information.

Q: Where can I look for additional guidance?

A: The following resources are available to the registrant for additional guidance in order to understand and comply with Connecticut lobbying laws.

1. This manual and annual instructions for completing the periodic financial forms.
2. Connecticut General Statutes and Regulations.
3. Office of State Ethics advisory opinions, which have the force of law.
4. You may request an advisory opinion from the Legal Division of the Office of State Ethics on a specific matter.
5. The Office of State Ethics staff is available for any information needed.

ASSISTANCE

The Office of State Ethics staff is always available to discuss any questions you may have regarding the financial statement recordkeeping requirements and the audit process. If you have any questions on how the requirements and procedures indicated in this manual pertain to your particular situation, please feel free to call or write to:

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