

ETHICS MATTERS...HONESTY, INTEGRITY, ACCOUNTABILITY

CONNECTICUT OFFICE OF STATE ETHICS



**ANNUAL REPORT TO THE
GOVERNOR
CALENDAR YEAR 2010**

ETHICS COMPLIANCE, LOBBYIST FILING,
FINANCIAL INTERESTS FILING

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Mission

The Office of State Ethics (OSE) is an independent watchdog agency for the State of Connecticut. The OSE administers Connecticut General Statutes, Chapter 10, Part I for Public Officials and Part II for Lobbyists, with limited jurisdiction over Part IV, Ethical Considerations Concerning Bidding and State Contracts. The mission of the OSE is to ensure honesty, integrity and accountability in state government through education, interpretation and enforcement of the State of Connecticut Codes of Ethics.

HIGHLIGHTS

The mission of the OSE is to ensure honesty, integrity and accountability in state government through education, interpretation and enforcement of the Codes of Ethics.

Most public officials, lobbyists and other individuals who fall under the OSE's jurisdiction get up every day, go to work, and try to do the best job they can. For those individuals, the OSE is available to help by providing guidance, advice and education. For those who do not comply with the law, the role of the agency is to fairly and vigorously enforce the law.

Functions and Authority

The statutory authority for the OSE comes from Public Act 05-183, which established the agency as a successor to the former State Ethics Commission. The statutory responsibilities of the OSE are broken down into four main categories: education, interpretation, enforcement and records administration.

The OSE promotes integrity in government by providing advice, guidance and education to public officials, state employees and lobbyists; by sensibly interpreting and, when necessary, fairly and impartially enforcing applicable laws; by administering the lobbyist and financial disclosure filing systems; and by providing the public with access to non-exempt information.

Citizen's Ethics Advisory Board Members

The Citizen's Ethics Advisory Board (CEAB) is a nine-member board. The members are appointed by the Governor and the Legislative leaders for staggered four-year terms. With one vacancy, the current CEAB members are:

- **Thomas H. Dooley, Chairman**, of Vernon, appointed by Governor M. Jodi Rell for a four-year term expiring on September 30, 2012.
- **Kathleen F. Bornhorst, Vice Chairperson**, of Hartford, appointed by Governor M. Jodi Rell for a four-year term expiring on September 30, 2012.
- **Mary Bigelow** of Northford, appointed by Senate Majority Leader Martin Looney, to fill a vacancy expiring on September 30, 2013.
- **Charles F. Chiusano** of Fairfield, appointed by Senate Minority Leader John McKinney, to fill a vacancy expiring on September 30, 2013.
- **General David Gay (Ret.)**, of Windsor, appointed by Governor Jodi M. Rell for a four-year term expiring on September 30, 2013.
- **Herbert A. Grant** of Norwalk, appointed by House Republican Leader Lawrence Cafero, to fill a vacancy expiring on September 30, 2011.
- **Martin Margulies** of Newtown, appointed by House Majority Leader Denise Merrill, to fill a vacancy expiring on September 30, 2011.
- **Dennis Riley** of Norwich, appointed by Senate President Pro Tempore Donald E. Williams for a four-year term expiring on September 30, 2013.

HIGHLIGHTS

Board members serve staggered four-year terms. Three are appointed by the Governor, three by the House leaders, and three by the Senate leaders.

Board members who served in 2010 include:

- **Ernest N. Abate** of Stamford, appointed by former Speaker of the House of Representatives James A. Amann in 2008 and resigned in December 2010.
- **G. Kenneth Bernhard** of Westport, appointed by House Minority Leader Lawrence Cafero in 2007 and resigned in March 2010.
- **Rebecca M. Doty** of Rockfall, appointed by Speaker of the House Christopher G. Donovan in 2005 and resigned in January 2010.
- **Winthrop S. Smith, Jr.**, of Milford, appointed by Senate Minority Leader John McKinney in 2009 and resigned in February 2010.
- **Shawn T. Wooden**, of Hartford, appointed by Senate Majority Leader Martin Looney in 2009 and resigned in May 2010.

Staff and Budget

The OSE staff is comprised of 18 employees in three separate divisions, under the leadership of the Executive Director, Carol Carson, who is appointed by the Citizen's Ethics Advisory Board.

The agency's managerial staff includes General Counsel Barbara Housen; Ethics Enforcement Officer TJ Jones; Director of Education Meredith Trimble; and Fiscal Administrative Officer Kathleen Howe.

HIGHLIGHTS

The OSE operates at a cost of approximately \$0.44 per citizen of Connecticut.

The OSE had an original Fiscal Year 2010 appropriation of \$1,888,172.

Throughout the Fiscal Year, the OSE experienced holdbacks or adjustments of \$112,348, bringing the agency's General Fund Budget down to \$1,775,824. In addition to the adjustments, the

OSE lapsed \$243,774 back to the General Fund at the end of the Fiscal Year.

The OSE's actual expenditures for Fiscal Year 2010 were \$1,532,050. This expenditure amount translates to a cost of approximately \$0.44 for each citizen¹ of Connecticut.

¹ 2009 population estimate of 3,518,288 from the United States Census Bureau.

Legal Advice, Legislation and Regulations

Opinions

The Legal Division provides advice and opinions regarding the Codes of Ethics. The Division consists of a General Counsel, who also serves as counsel to the Citizen's Ethics Advisory Board (CEAB), three Staff Attorneys and a Paralegal I.

In 2010, the OSE received approximately 1,000 requests for advice about the application of the Codes of Ethics. The CEAB issued eight Advisory Opinions, and the Legal Division prevailed in the appeals of two 2009 Advisory Opinions in Superior Court. The Legal Division staff issued 400 written staff opinions in 2010, in addition to handling 600 other requests for advice over the telephone or in face-to-face meetings. Just eight requests for advice remained open as of December 31, 2010, one of which was a request for Declaratory Ruling, which was prepared for the January 2011 CEAB meeting. The Legal Division also successfully defended two Freedom of Information complaints before the Freedom of Information Commission.

HIGHLIGHTS

The decisions of the CEAB were upheld by the Superior Court in 2010 in two Advisory Opinion appeals.

Legislation

During the 2010 legislative session, the OSE introduced a number of legislative initiatives and proposals that included the following matters:

1. The governance of the Citizen's Ethics Advisory Board;
2. Ethics enforcement standards applied to contractors and bidders who execute and/or pursue state contracts; and
3. Amendments concerning lobbyist registration and reporting requirements.

House Bill Number 5403, which contained most of the agency's proposals, received joint favorable reports from the responsible legislative committees and progressed to legislative calendars.

The OSE engaged various stakeholders and sought input from the lobbying community, in particular, regarding the proposed amendments to the Code of Ethics. The agency also sought an amendment to the Code of Ethics for Lobbyists concerning the definition of grass roots lobbying in response to the Attorney General's recommendation for greater clarity in the current statutory language.

Regulations

On May 26, 2010, the third round of amendments to the agency's regulations went into effect with one amendment that increased the lobbyist registration fees.

In particular, the revision:

1. Increased the biennial registration fee in odd calendar years (for a two-year registration period) from \$150 to \$250; and
2. Increased the biennial registration fee in even calendar years (for a one-year registration period) from \$75 to \$150.

HIGHLIGHTS

An amendment in May of 2010 increased the lobbyist registration fees to more closely correspond with the administrative costs of the system.

The lobbyist registration fees had not been increased since 1996. The increase in fees reflects the cost of administering the lobbyist filing system as well as the costs of collecting, filing and distributing the information submitted by lobbyists.

In December 2010, the OSE proposed, and the CEAB accepted, further regulatory changes. These proposed changes, if adopted by the Regulations Review Committee, will:

1. Define "principal officer or director," as found in the statutes;
2. Require that "gifts to the state" from non-restricted donors for job-related educational conferences or classes be documented within the recipient agency; and
3. Require that lobbyist badges be colors determined by the OSE.

Financial Disclosure Filing

The OSE continued in 2010 to enhance the public official and lobbyist online filing systems. These systems brought the agency up to current technological standards and provided users with simple, intuitive processes. The enhancements to the systems also improved the quantity and variety of information available to the public in real time from the filed data.

Statements of Financial Interests Filing

The Code of Ethics for Public Officials (§ 1-83 (a) (1)), provides that elected officers, members of the General Assembly and certain other state officials and employees file yearly Statements of Financial Interests (SFIs) with the OSE. The Governor's Office also issues an annual standard that designates appointed officials and additional state employees in the Executive Branch who must file these financial disclosure statements. The SFIs include information such as names of all associated businesses, income over \$1,000 and a list of all real property, as well as any creditors. (These examples are not exhaustive; refer to Conn. Gen. Stat. § 1-83 (b) for a complete list.)

The SFIs serve two purposes. First, they provide a checklist or reminder to state officials and employees to be mindful of potential conflicts of interest. Second, the SFIs, which are available to the public, serve as a tool to maximize public confidence in governmental decision making. Additionally, State Marshals must file annual statements of income with the OSE.

HIGHLIGHTS

In 2010, the OSE received 2,787 public official Statements of Financial Interests. Eighty-one percent of required filers submitted their reports online.

In 2010, the OSE received 2,787 public official SFIs. The OSE saw 100% compliance from the 2,633 required filers, 81 percent of whom filed electronically. The OSE also handled a total of 234 annual income reports filed by State Marshals. A percentage of both the SFIs and State Marshal filings were audited, as described in the Enforcement section of this report.

Lobbyist Filing

During the 2009-2010 lobbyist registration period, the OSE processed, via its electronic filing system, thousands of financial reports filed by business organizations (firms that employ communicator lobbyists), client lobbyists, and in-house communicator lobbyists. Lobbyist registrations in Calendar Year 2010 generated \$55,250 in fees, collected by the OSE and deposited into the state's General Fund. (The first year of the 2009-2010 biennial lobbyist registration period generated \$467,500 in fees, for a two-year total of \$522,750, which was deposited into the state's General Fund.)

Enforcement and Audit Summary

The Enforcement Division investigates and prosecutes violations of the Codes of Ethics. The Division is comprised of the Ethics Enforcement Officer, two Assistant Ethics Enforcement Officers, two Legal Investigators, an Associate Accounts Examiner and a Paralegal II.

Enforcement Statistics

The Enforcement Division conducted a total of 138 reviews of potential violations of the Codes of Ethics during 2010.

The Division resolved 43 matters in 2010 by consent order or other informal resolution, resulting in the collection of a total of \$31,814 in penalties and \$415 in disgorgements of financial gain. The penalties include monies paid in 18 cases by lobbyists who failed to register in a timely manner or who were delinquent in filing required financial reports. Also included are 12 settlements of alleged Ethics Code violations such as conflicts of interest and impermissible use of office for financial gain, and 13 settlements with public officials for failure to timely file SFIs. Summaries of enforcement actions, as well as the accompanying settlement documents are available on the OSE's Web site: www.ct.gov/ethics.

In 2010, the Division opened and closed 53 matters under the Uniform Administrative Procedure Act (UAPA) regarding failure to timely file financial reports or other required filings. Of these, 52 were resolved informally, and one matter was the subject of a hearing, the result of which was a finding in favor of the OSE. (One matter remains open as of February 2011.)

HIGHLIGHTS
The Enforcement Division resolved 43 matters in 2010 that resulted in \$32,229 received in penalties and disgorgements of financial gain.

In 2010, the Division opened 49 confidential evaluations and filed or received 36 complaints regarding alleged violations of the Ethics Codes committed by public officials, state employees, lobbyists or contractors. Of the complaints, six were pending at the start of 2010, 19 came from external sources, and the Division opened the remainder on its own initiative. Twenty-six complaints were dismissed, and 12 were settled by consent order in 2010.

In addition to the above, the Enforcement Division received approximately 58 "tips" regarding alleged violations of the Codes that, after review, proved to be outside of the jurisdiction of the OSE.

Enforcement and Audit Summary

Finally, in 2010, following an eight-day public hearing spread out over four months, the CEAB fined a former state employee \$15,000 for using state resources in furtherance of two outside businesses. This marked the conclusion of the first public hearing involving a public official violating the Code of Ethics since the formation of the OSE. The respondent appealed the ruling and the appeal is ongoing as of February 2011.

Audit Program

The CEAB approved 32 audits of registered client and communicator lobbyists in 2010. (The OSE completed five additional audits that were presented but not acted upon at the December 2010 CEAB meeting.) Nineteen, or 59%, of the approved audits contained findings, up from 53% in 2009. Corrective action was imposed in four audits, up from two in 2009.

In 2010, the OSE increased, from five to ten percent, the number of public official SFIs that were audited. The audit process is designed with education in mind and is not punitive. Of the 263 disclosure reports examined by the OSE's Associate Accounts Examiner, 72% were timely and correctly filed, up from 53% of those audited in 2009. The 2010 audit showed that common errors, particularly those of major concern, such as failure to properly disclose income or securities, decreased across all audit areas. Several errors of lesser concern found in the previous year were all but eradicated. This suggests that filers have an increased understanding of the SFI process and form (most likely due to more clarity on the form and increased education and outreach efforts) and are taking their mandate seriously.

In addition, the OSE, for the first time, audited all 234 State Marshal annual statements of income. Sixty percent of the required forms were submitted on time and without errors. The Enforcement Division sent 75 letters to those whose forms required correction. All of those Marshals filed the necessary amendments, and the OSE assessed no civil penalties. The OSE will use insight gained from this audit to make changes to the form and process that will assist State Marshals and improve compliance.

Education and Outreach

Education and Outreach activities are performed by the Director of Education, who oversees an Information Technology Analyst II and is supported part time by an Office Assistant.

Training

The education component of the OSE is often the most visible aspect of the agency's work to state employees and the public. The crux of the education program, in-person training, continues to be widely requested by those who are regulated (legislators, state agency personnel, state boards and commissions, lobbyists) as well as those who are not (towns and municipalities). In 2010, the OSE's in-person training attendance increased by 48%.

HIGHLIGHTS

In 2010, the OSE held 39 educational sessions and trained over 1,300 people in person – a 48% increase over 2009.

Specifically, the OSE held 39 education sessions and reached 1,336 individuals in person, averaging 34 attendees per session. These sessions included trainings for newly-elected legislators as well as four sessions for employees exiting state service. The OSE also introduced quarterly roundtables to highlight specific areas of the law.

On October 1, 2010, the OSE held its biennial "Ethics Day." This event, which celebrated the five-year anniversary of the landmark reform of Connecticut's ethics laws as well as the creation of the agency, included morning civics sessions for approximately 225 students at the Hartford Law and Government Academy and an afternoon conference for executive branch and quasi-public state agency officials and employees. The conference featured distinguished keynote speaker Dr. Michael Rion and various breakout sessions for attendees.

The OSE also continued to offer a variety of supplemental training tools. These materials, offered by the OSE free of charge, included six plain-language guides to the ethics codes, five handouts on specific areas of the law, two PowerPoint presentations for public officials and lobbyists, a training DVD, and an interactive, online training program, which received 2,546 Web visits. The DVD content was also made available via a Web-streaming video, and was accessed over 1,700 times in 2010.

The above tools were widely used by state agency Ethics Liaisons and Compliance Officers. The OSE continued to enhance its relationship with these officers, particularly with the monthly electronic newsletter that, in 2010, was distributed 12 times to a list of 143 individuals, including the 86 named agency liaisons. The OSE also recognized, for the first time, liaisons of state agencies that had 100% SFI filing compliance.

Education and Outreach

Web site

The Web site, www.ct.gov/ethics, continues to serve as an effective outreach tool, with 146,446 visits in 2010 (an average of 401 visits per day, with an average visit duration of nearly 18 minutes). OSE staff continued to improve the site in 2010, for example, by adding an online training evaluation form, online registration for training events and online reporting of necessary expenses. The OSE also provided state agency ethics liaisons with a system for comprehensive online management (including the ability to send messages and track completion rate) of their SFI filer lists.

HIGHLIGHTS

The OSE Web site had 146,446 visits in 2010, an average of 401 visitors per day.
www.ct.gov/ethics

Media

The OSE continued its proactive media approach in 2010 with the goal of providing Connecticut citizens with information to enhance their confidence in state government. Specifically, the agency:

- Maintained its media list of nearly 150 contacts;
- Grew its web-based E-alerts list to 137 recipients;
- Disseminated 24 press releases, an increase of 26% over 2009;
- Saw approximately 41 news stories as a direct result of press releases, an 8% increase over 2009;
- Received press coverage in approximately 46 additional stories that resulted from OSE actions or were generated by reporter research of OSE data;
- Participated in 6 radio interviews;
- Penned a feature article on ethics in state government for *Connecticut Lawyer*; and
- Released a first-time report to the media about the state of lobbying with detailed statistics and analysis from lobbyists' financial filings.

Education and Outreach

Partnerships

The OSE collaborated in 2010 with outside partners to further the confidence of Connecticut citizens in state government. The OSE broadened its reach through no-cost activities, creating an increased awareness of agency services through the following partners and activities:

- Hartford Law and Government Academy (presenting ethics/civics sessions to students and hosting student interns);
- The School for Ethical Education (“Laws of Life” student essay judge);
- Connecticut Council on the Social Studies (distribution of the OSE’s “Ethics Matters” curriculum throughout the state school system);
- Connecticut Consortium for Law and Citizenship Education (“We the People” high school competition judge); and
- Connecticut Better Business Bureau (student and corporate ethics prizes judge).

HIGHLIGHTS

In 2010, the OSE participated in partnerships with five organizations at no cost to the state.