



## Contact Us



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### STATEMENTS OF FINANCIAL INTERESTS

Statements of Financial Interests (“SFIs”) serve as a tool to maximize public confidence in governmental decision making. The policy underlying this requirement has been in effect since the enactment of the Ethics Codes in 1977. An SFI provides a checklist or reminder to the official/employee to be mindful of potential conflicts of interest, and it provides a baseline of information which can be compared to subsequent years for the purpose of determining potential misuse of office for financial gain.

Legislators, state elected officers, as well as certain other public officials and senior state employees, must file SFIs with the OSE by May 1 each year. For each filer, and his spouse and dependents, the SFI describes sources of income over \$1,000; securities in excess of \$5,000; businesses with which the filer, spouse or the filer’s dependent is associated; real estate holdings; and leases or contracts with the state. A *confidential* portion of the SFI requires the disclosure of the source of any debt over \$10,000. (The confidentiality of this portion may be waived.) These examples are not exhaustive; refer to General Statutes [§1-83 \(b\)](#) for a complete list.

### AUDIT SUMMARY AND BACKGROUND

#### Summary

We have performed an audit of a random sampling of the annual 2014 Statement of Financial Interests forms filed with the Office of State Ethics (the “Office”). Our audit was based on a sample of 260 randomly selected SFI forms, or approximately 10% of the 2,602 required filers<sup>1</sup> as of May 1, 2014. Our audit procedures were designed to reveal the level of technical statutory compliance, and were similar in nature to those employed in the audits of client and lobbyist registrants.

The audit revealed that, among the audit pool, the vast majority of required filers filed their SFI forms in a full, complete and timely manner. Overall, approximately 93% of the audited forms presented no facial errors or omissions, and were timely filed. For forms that were not in complete compliance, the highest occurring examples of errors and/or non-compliance were: (1) failure to adequately disclose the sources of income (approximately 5.3% of audited forms); (2) failure to timely file the form (approximately 1.9% of audited forms); and, (3) failure to identify securities with sufficient particularity (approximately 3.1% of audited forms).

For the first time, the Office cross-referenced several areas of SFI responses with publicly available databases in order to test the completeness and accuracy of the audited pool with respect to property ownership and associated businesses. Amongst the audit pool, 3.5% of filers failed to adequately disclose a business with which they were associated, a significant enough number that the Office will continue to measure this area in future audits.

Over the seven year span in which the Office has conducted an audit of SFI forms, the general trend has been that errors in audited forms have steadily decreased, owing largely to: (1) the increase in the percentage of on-line filers (which has increased from 78% for the 2008 form to 95% this past year), which form provides on-line instructions and forces filers to respond to each question before submitting the form; (2) continued interface with Ethics Liaisons at each agency; (3) continued educational efforts; and, (4) the deterrent effect of the audit program itself, and selective enforcement efforts arising therefrom.

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<sup>1</sup> This number includes those who filed annual forms pursuant to General Statutes section 1-83, because they were in a designated filing position as of December 31, 2014, but does not include officials who departed their position in 2013 and, as required by statute, filed a one-time “departing official” SFI.

## Background

### A. Who Must File

For forms due May 1, 2014, Connecticut General Statutes § 1-83(a) (1) designates that:

All state-wide elected officers, members of the General Assembly, department heads<sup>2</sup> and their deputies<sup>3</sup>, members or directors of each quasi-public agency<sup>4</sup>, members of the Investment Advisory Council<sup>5</sup>, 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 Office of State Ethics on or before the May first next in any year in which they hold such an office or position.

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<sup>2</sup> Pursuant to General Statutes § 4-5, as of May 1, 2014, “department head” was defined as:

Secretary of the Office of Policy and Management, Commissioner of Administrative Services, Commissioner on Aging, Commissioner of Revenue Services, Banking Commissioner, Commissioner of Children and Families, Commissioner of Consumer Protection, Commissioner of Correction, Commissioner of Economic and Community Development, State Board of Education, Commissioner of Emergency Services and Public Protection, Commissioner of Energy and Environmental Protection, Commissioner of Agriculture, Commissioner of Public Health, Insurance Commissioner, Labor Commissioner, Commissioner of Mental Health and Addiction Services, Commissioner of Social Services, Commissioner of Developmental Services, Commissioner of Motor Vehicles, Commissioner of Transportation, Commissioner of Veterans’ Affairs, Commissioner of Housing, Commissioner of Rehabilitation Services, the Commissioner of Early Childhood and the executive director of the Office of Military Affairs. As used in sections 4-6 and 4-7, “department head” also means the Commissioner of Education.

<sup>3</sup> The term “deputies” of “department heads” is not defined by statute, and has not been the subject of interpretive opinion by the Office of State Ethics or its predecessor. However, General Statutes § 4-8 commands each “department head” to “designate one deputy who shall in the absence or disqualification of the department head or on his death, exercise the powers and duties of the department head until he resumes his duties or the vacancy is filled.”

<sup>4</sup> Pursuant to the Code of Ethics, General Statutes § 1-79(l), as amended by Public Acts 13-44, 13-244 and 13-299, “Quasi-Public agency” was defined for calendar year 2014 as:

Connecticut Innovations, Incorporated, the Connecticut Health and Education Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Student Loan Foundation, the Connecticut Housing Finance Authority, the State Housing Authority, the Materials Innovation and Recycling Authority, the Capital Region Development Authority, the Connecticut Lottery Corporation, the Connecticut Airport Authority, the Connecticut Health Insurance Exchange, the Connecticut Green Bank and the State Education Resource Center.

In addition, several of the above quasi-public agencies are empowered by statute to establish subsidiaries, each of which “shall be deemed a quasi-public agency.” For example, General Statutes § 10a-194d(a) empowers the Connecticut Health and Education Facilities Authority to establish its own quasi-public agencies for the purpose of improving access to high quality day care.

<sup>5</sup> The Investment Advisory Council membership is set forth in General Statutes § 3-13b: (1) The Secretary of the Office of Policy and Management who shall serve as an ex-officio member of said council; (2) the State Treasurer who shall serve as an ex-officio member of said council; (3) five public members all of whom shall be experienced

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In addition, several separate statutes require that certain additional persons file an annual SFI. These individuals (and corresponding statutes) are:

- All non-clerical members of the Department of Administrative Services that are responsible for acquiring, leasing and selling real property on behalf of the state (Gen. Stat. § 4b-4)
- Members of the State Properties Review Board (Gen. Stat. § 4b-4)
- Members and employees of the State Contracting Review Board (Gen. Stat. § 4e-2(j))
- Members of the Public Utilities Regulatory Authority (Gen. Stat. § 16-2(d))
- Members of the Connecticut Retirement Security Board (Gen. Stat. § 31-412)

In addition to the statutory filers, § 1-83 calls upon the Governor to designate others within the Executive branch who must file SFI forms. In February 2014, the Governor adopted a specific set of standards for Executive agency heads to utilize in designating which agency officials and employees must file the SFI form with the Office. This set of standards states that Executive agency heads should designate the following individuals as those who must file an annual SFI:

1. The executive or administrative head of each agency, authority, board, bureau, commission, council, department, division, or other entity within the Executive Branch, including any quasi-public agency.
2. Any person who reports directly to the executive or administrative head specified in #1 and who exercises authority pursuant to the Governor's Standard or to whom such authority has been delegated.
3. The head of any administrative unit, whether established by statute or administrative action, who has primary responsibility for:
  - a. a geographic region;
  - b. contracting or procurement;
  - c. inspecting, licensing, regulating, or auditing any person or entity;
  - d. interpreting or enforcing laws, rules or regulations; or who has substantial responsibility requiring the exercise of discretion and independent judgment.
4. Any person who actually assumes the above responsibility of any of the positions designated herein for more than thirty consecutive days, not including exercising such authority by virtue of acting during a normal vacation or sick leave period in such a position.
5. The members, officers, and employees of state boards, commissions, and quasi-public agencies if they have the authority to expend, or to approve expenditure of, public funds

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in matters relating to investments. The Governor, the president pro tempore of the Senate, the Senate minority leader, the speaker of the House of Representatives and the minority leader of the House of Representatives shall each appoint one such public member to serve for a term of four years.

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(other than to authorize payments or increases of state employee salaries or to approve reimbursements for expenses), or if they have authority to recommend any particular private company or person for a state contract exceeding \$10,000, or authority to recommend the standards for such state contract.

6. Any consultant or independent contractor employed by, or whose services have been engaged by the agency or other entity, described in item (1) above, if he or she exercises the same or similar authority as any person in a designated position as described herein or who otherwise holds a position which exercises any of the functions, in whole or in part, of any position set forth herein.
7. Any person who is a voting member of any committee that, during the calendar year, votes on, awards, or approves a contract to expend public funds of \$10,000 or more.
8. Any person who is a voting member of any committee that, during the calendar year, votes on or otherwise selects any persons or entities to be on a "pre-approved" list of potential contractors for future or present contracts with the agency, the state, or any political subdivision of the state.
9. Any person in the "senior executive service" as defined by General Statutes § 5-196 (31) who is not otherwise identified as a designated filer in these guidelines.
10. Any person holding a position that is exempt from classified service pursuant to General Statutes § 5-198 (5), (7), (9), (10), (11), (14), (18), (22), (26), and (28) and who exercises authority pursuant to the Governor's Standard or to who such authority has been delegated.
11. Any employee or officer of a quasi-public agency who reports directly to the executive director, or the board, of such quasi-public agency, and whose position includes either: (a) decision-making authority; or (b) any managerial authority over other quasi-public agency employees or contractors.
12. Any employee in a designated position who occupied a position for 30 days or more in the calendar year even if they have left state service. This requirement applies regardless of the conditions of termination: voluntary, retirement lay off, etc. If an employee is deceased, notify the OSE and the individual will be removed from the designation list immediately. The family of the deceased employee is not required to file an SFI.
13. Any vacant positions if they satisfy the definition of "substantial policy-making positions."

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The Executive agencies are responsible for identifying the individuals who fit the Governor's designation. The Office of State Ethics has no statutory authority to add to, or subtract from, the designation lists provided by the agencies, and must enforce the designations as received.<sup>6</sup>

As of May 1, 2015, including all statutory filers and those designated pursuant to the Governor's standard, there were 2,731 persons who were required to file SFI forms for calendar year 2014.<sup>7</sup> The list of filers was randomly sorted by computer, and the first 10% of the list (273) were subject to audit.<sup>8</sup>

### B. What Must Be Disclosed

Pursuant to General Statutes § 1-83 (b) (1), each filer must report, with respect to the individual required to file the SFI and the individual's spouse and dependent children residing in the individual's household:

- (A) the names of all businesses with which associated;
- (B) all sources of income, including the name of each employer, with a description of each source, in excess of one thousand dollars, without specifying amounts of income;
- (C) the name of securities<sup>9</sup> in excess of five thousand dollars at fair market value owned by such individual, spouse or dependent children or held in the name of a corporation, partnership or trust for the benefit of such individual, spouse or dependent children;

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<sup>6</sup> "It is the State Ethics Commission's responsibility, not to designate, or 'un-designate,' the positions that are required to file, but to provide certain notifications and to enforce the designations made pursuant to §1-83(a)(1)." Advisory Opinion 2002-15.

<sup>7</sup> This number includes only those who were in a required filing position as of January 1, 2015. The number does not include officials or employees who left office during 2014 and who filed a "departing official form" for only the time that they had held the position in 2014.

<sup>8</sup> The Office of State Ethics also receives annual SFIs from a number of state employees and public officials who are not required by statute to file, but nonetheless elect to file the SFI form on a voluntary basis. These individuals were not part of the audit pool. In addition, as stated above, individuals who departed their position during calendar year 2014 were not included in the audit pool, because their forms reflected only data from part of calendar year 2014, rather than all of that year (i.e., data from the time in 2014 during which the individual held a designated filing position).

<sup>9</sup> Pursuant to Public Act 15-43, effective January 1, 2016, the disclosure of the name of certain mutual funds and other investments will suffice to identify the "securities" within the account:

In the case of securities in excess of five thousand dollars at fair market value held within (A) a retirement savings plan, as described in Section 401 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, (B) a payroll deduction individual retirement account plan, as described in Section 408 or 408A of said Internal Revenue Code, (C) a governmental deferred compensation plan, as described in Section 457 of said Internal Revenue Code, or (D) an education savings plan, as described in Section 529 of said Internal Revenue Code, the names of such securities shall not be required to be disclosed in any statement of financial interest and only the name of such retirement savings plan, individual retirement account plan, deferred compensation plan or education savings plan holding such securities shall be required.

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- (D) the existence of any known blind trust and the names of the trustees;
- (E) all real property and its location, whether owned by such individual, spouse or dependent children or held in the name of a corporation, partnership or trust for the benefit of such individual, spouse or dependent children;
- (F) the names and addresses of creditors to whom the individual, the individual's spouse or dependent children, individually, owed debts of more than ten thousand dollars;
- (G) any leases or contracts with the state held or entered into by the individual or a business with which he or she was associated; and,
- (H) a description of any partnership, joint ownership or similar business affiliation between (i) a business included under subparagraph (A) of this subdivision with which the individual filing the statement, the individual's spouse or a dependent child of the individual is associated, and (ii) a lobbyist, a person that the individual filing the statement knows or has reason to know is doing business with or seeking to do business with the state or is engaged in activities that are directly regulated by the department or agency in which the individual is employed, or a business with which such lobbyist or person is associated.

All information filed with the SFI form is subject to the Freedom of Information Act, with the exception of information submitted in response to (F) – names and addresses of creditors owed more than ten thousand dollars – which must remain confidential except upon waiver of the filer, or, following the filing of a complaint, upon vote of the Citizen’s Ethics Advisory Board that the complaint is “of sufficient merit and gravity to justify the unsealing” of the list of creditors.<sup>10</sup>

### C. Submitting the SFI Form

Per statute, filers are not required to file on-line, but may file instead on a paper SFI form, available for download on the agency’s website or at the Office of State Ethics. As of May 1, 2015, over 92% of required filers had filed their SFI forms electronically.

### D. Changes From the Previous Year

#### a. Law

Since the previous year’s filing deadline (May 1, 2014) there were no substantive changes to the filing requirements of General Statutes § 1-83, and no Board Advisory Opinion was issued addressing the requirements for SFIs.

#### b. Internal/Procedural Changes

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<sup>10</sup> Gen. Stat. § 1-83 (c).

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Based on the success of the previous year, leading up to the required filing date, the Office expanded its outreach to filers and agencies to further educate filers. For example, the Office:

- Increased the number of trainings at Executive branch agencies, which sessions include training for filing of SFIs;
- Continued to provide an “Ethics Liaison Guide to SFIs” to the Ethics Liaisons at all agencies, giving them information that allowed them to directly answer questions of filers at their respective agencies;
- Expanded on-line content available to filers and liaisons, through the Office of State Ethics web site.

In order to ensure the timely filing of SFI forms, the Office:

- Sent multiple reminders to filers and to their agency Ethics Liaisons;
- Set up a communication network with each Ethics Liaison to provide real-time information regarding the status of each of the agency’s required filers;
- Distributed sample reminder language for agency liaisons to distribute to designated filers;
- Provided public recognition to each agency that achieved 100% timely compliance, and to each agency that achieved 100% electronic filing by agency filers [see [http://www.ct.gov/ethics/lib/ethics/liaison\\_letters/2015/ose\\_news\\_may\\_2015.pdf](http://www.ct.gov/ethics/lib/ethics/liaison_letters/2015/ose_news_may_2015.pdf)];
- For the few filers that did not timely file the 2014 SFI form after multiple reminders and a “grace period,” enforced the requirement through enforcement actions, resulting in the imposition of penalties. This year, five matters were docketed for hearing. Of these matters, two were resolved for a total of \$350.00, and one matter was dismissed by the Board. One matter remains pending and the final matter was the subject of a hearing, following which the Board imposed a penalty of \$900.00.<sup>11</sup>

In order to minimize errors in SFI forms, the Office:

- Continued the “check-list” procedure for acceptance of paper SFI forms (which, in previous years, contained a significantly higher percentage of errors and omissions than on-line forms) that were received by the Office. Paper forms that did not pass this technical review were returned to the filer for completion;
- Conducted a facial review of all paper forms received by the Office to ensure completeness and, if incomplete, returned the form to the filer for correction;
- Contacted each filer whose SFI was flagged as a result of the audit, with a request that the filer review the form for accuracy.

These various efforts supplemented the outreach and educational efforts in which the Office was already engaged, including providing legal advice through the attorneys in the Legal Division of the Office, providing technical assistance, and providing hands-on filing assistance through publicly available computer terminals located at the Office.

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<sup>11</sup> The Matter of Paul Cleary, Docket No. 2015-06UP.

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### AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

#### Audit Objectives

The primary objective of the audit was to ascertain, at a base level, the level of compliance with the disclosures required by General Statutes § 1-83. Particular focus was devoted to facial compliance with the statute, including whether all entries were completed, and for internal consistency. Except where otherwise noted, the audit objectives did not include the substantive analysis of financial disclosures.

#### Scope and Methodology

##### A. Scope:

Review of the audit sample consisted of a facial review of 10% of required filer SFI forms, which were randomly selected. Scope did not include non-required, volunteer filers. Nor did the selection pool include state marshals, who file a distinct and separate disclosure form pursuant to General Statutes § 1-83 (b) (2).

##### B. Methodology:

Methodology for examination was developed by the Office of State Ethics prior to the random selection process. Methodology was developed with reference to audit protocols developed by the Office for lobbyist filings, as well as reference to GAAP, GAAS and protocols of the Auditors of Public Accounts. In previous years, 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 the SFI inquiry. The second set of protocols sought to analyze whether the responses were internally consistent, as well as consistent with other filings. Because of staff and budget cuts, including loss of an Associate Accounts Examiner, the audit was largely limited this year to the first set of protocols. However, in addition to the first set of protocols, the following audit protocols were used:

- Filer data was cross-compared to data in the Secretary of the State's CONCORD database to determine whether the state had record of a business with which the filer was associated (see General Statutes § 1-83 (b) (1) (A)).
- Where filer indicated income from securities, data was cross-compared to the filer's data related to securities (see General Statutes §§ 1-83 (b) (1) (B) and (C)).
- Where filer indicated no property ownership, filer data was cross-compared with the state's Town Clerk portal's property ownership data.

The audit protocols are attached hereto as Exhibit A.

### RESULTS OF AUDIT AND CONCLUSIONS

The following results and conclusions can be gleaned from the audit.

**1. The percentage of persons who file the SFI forms on-line continues to increase.**

On-line filing of the SFI forms was initiated in the 2008 filing year (due May 1, 2009). Since that time, the percentage of individuals who file the forms on-line has steadily increased.

Required Filers Filing On-line							
Filing Year	2008	2009	2010	2011	2012	2013	2014
Filers	2709	2633	2576	2351	2376	2551	2602
On-line Filers	2126	2122	2164	2089	2179	2340	2480
Percent	78%	81%	84%	89%	92%	92%	95%

As shown above, on-line filing continues to be very high among required filers. The overarching trend towards on-line filing is significantly up since the introduction of the on-line filing system, and increased three percent over the past year's results. In terms of sheer numbers, more individual filers made their filings on-line this year than in any previous year.

The steady increase in the percentage of on-line filers over the past six years can be attributed to a variety of factors:

- The ability to save, store, and retrieve data from previous year's filings provides ease and time-saving in filling out the SFI form and thereby encourages on-line filers to continue filing on-line once they have started to do so.
- The increasing ease of use of the on-line filing system, which continues to be tweaked and improved.
- The increasing comfort among filers with the idea of submitting data that will be stored electronically.
- The increasing familiarity of filers with the filing process.
- The 24 hour access of the on-line filing system, coupled with the ability to save data for completion at a later time, provides user-controlled filing experience.
- Continued efforts by Office staff to encourage on-line filing.
- The continuing and growing involvement and knowledge of agency liaisons in assisting agency employees in filing their SFI forms.

**2. The total number of SFI filers increased moderately, contrasting with an overall shrinkage in state employees, but consistent with a moderate increase in executive branch employees.**

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Another noticeable aspect of the above chart is the increase this year in required filers. From the 2008 to the 2011 filing years, the number of SFI filers declined from 2709 filers. Beginning with a de minimus uptick in 2012, the number of filers has risen in each year since the 2011 filing year.

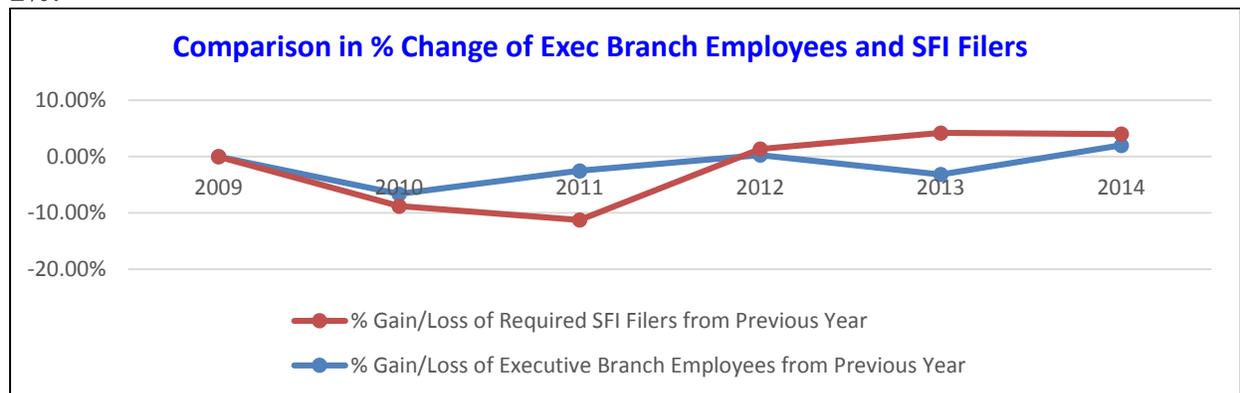
This phenomenon is most likely due to the revision of the Governor’s standards in 2013, which now more specifically identify the type of person who must be designated by the agency for filing, thereby leading to increases at some agencies in the number of individuals that are designated as required filers.

The rise in the number of required filers is in contrast to the continued decline in number of full-time state employees, as reflected in the chart below. However, because the vast majority of SFI filers come from the ranks of the Executive Branch – which has remained relatively steady over the past five years – the contradiction is less severe than at first blush.

State Employees						
	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
All Employees	86,149	87,761	76,528	73,995	64,445	58,912
% +/- from Previous FY	N/A	2%	-13%	-3%	-13%	-9%
Executive Branch Employees	35,131	32,798	31,972	32,063	31,050	31,671
% +/- from Previous FY	N/A	-7%	-3%	0%	-3%	+2%

Source: DAS Digest

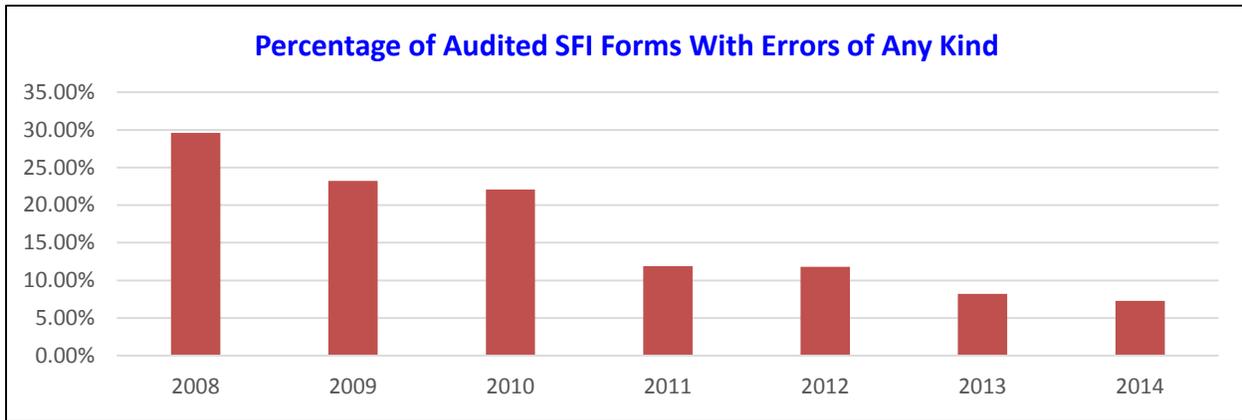
As shown in the above chart, the number of state employees (including quasi-public employees) has shrunk over the past six fiscal years by approximately 31% from its high in FY08/09, while the number of Executive branch employees has shrunk over the same period by approximately 10%. Over that same period, the number of required SFI filers has shrunk by approximately 4%. In terms of percentage gain and loss, however, the chart below demonstrates that the gain/loss of executive branch employees over time is roughly correlated to the gain/loss in required SFI filers. From FY12/13 to FY13/14, both executive branch employees and required SFI filers increased by 2%.



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### 3. The percentage of SFI forms filed with errors or omissions continues to decline.

The percentage of SFI forms in the audit sample that were filed without errors on the face of the form, even of a technical sort, was relatively high (93%), thus suggesting that a vast majority of filers were able to understand and adequately comply with instructions. This compares favorably with the previous year, where 92% of audited forms were filed without error or omission. Because on-line filings have a lower percentage of errors than paper filings (due to the fact that the system requires that all blanks be filled in), the accuracy of filings should continue to rise as the number and percentage of on-line filings continue to increase.



Of the major areas of SFI form errors; there has been a substantial decrease over the history of the audit program:

Percentage of Forms with Errors or Omissions			
	Failure to Disclose Income Source	Failure to Identify Securities with Particularity	Late Filings
<b>2008</b>	15.6%	5.2%	5.9%
<b>2009</b>	14.4%	1.9%	3.8%
<b>2010</b>	16.9%	0.8%	3.9%
<b>2011</b>	5.5%	3.0%	2.1%
<b>2012</b>	5.9%	0.4%	1.7%
<b>2013</b>	7.5%	0%	0.8%
<b>2014</b>	5.3%	3.1%	1.9%
Percentage +/- from 2013-2014	-2.2%	+3.1%	+1.1%
Percentage +/- from 2008-2014	-10.3%	-2.1%	-4.0%

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Of the SFI forms for which there were findings of errors or issues, the most common findings were as follows:

- Filers who failed to disclose their state income in the section seeking “income” disclosures (5.3% of audited forms);
- Filers who failed to adequately disclose securities (3.1% of audited forms);
- Filers who failed to submit the SFI form by the May 1, 2014 deadline (1.1% of all filings).

The latter two bullet-points – inadequate securities disclosure and tardy filings – both saw a slight uptick from the previous two years. In the case of securities disclosure, several filers within the audit pool submitted responses that failed to sufficiently identify the securities that the filers had held during 2014: “IRA,” “profit sharing,” “various investments,” “multiple investments,” and “retirement accounts” are examples of entries that failed to adequately identify securities. In other audited forms, the filer listed significant income from “dividends” and “stock sale” in the “income” section of the form, but listed “none” for securities. In each of these situations, the filer was sent an audit letter seeking correction of the form within a set time period.

The reason for the increase in the percentage of inadequate disclosure of securities is hard to deduce. Only one of the filers who submitted a form with this fault was a first-time SFI filer. In addition, the language in the form instructions had been revised during the previous years and, in the previous year’s audit, less than half of one percent of audited filers had failed to adequately disclose their securities. The Office of State Ethics is reviewing the instructions to the form to try to determine whether additional edits are necessary.

Late filings also increased this year from the previous year, with several agencies having multiple late filers. The agencies that had at least three late filers:

Agencies with Three or More Delinquent Filers						
	DOC (Corrections)	DCF	DECD	DOE (Education)	CI (CT Innovations)	Commission on Health Equity
<b>Number of Required Filers</b>	126	109	57	48	44	17
<b>Number of Late Filers</b>	3 <sup>12</sup>	3	3	5	4	5
<b>% of Late Filers</b>	<b>2.38%</b>	<b>2.75%</b>	<b>5.26%</b>	<b>10.42%</b>	<b>9.09%</b>	<b>29.41%</b>

<sup>12</sup> This number includes, for the second year in a row, the Ethics Liaison for the agency.

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The increase in late filers this year is partially attributable to confusion among members of one Commission regarding the filing status of its members.<sup>13</sup> If that Commission had not had its members newly designated for the 2014 filing year, the percentage of total delinquent filers would have been lessened by 10%.

The continued decline in errors on the SFI form owes significantly to the increase in on-line filings, which “force” responses to each question, and which maintain data from previous years, thereby lowering the opportunity for error. With respect to the filers of paper forms (which include a significantly higher error rate), the Office continued its procedure this year whereby paper SFI forms were not accepted (and were given back to the filer for correction) unless they satisfied a set of criteria (for example, forms were checked for certification signatures; the existence of a confidential addendum; whether the form was completed; etc.).

Continued success in the decrease in error rate also owes to the work of the full-time Director of Education and Communication, who provides training of state employees and public officials and communicates directly with Ethics Liaisons. In addition, the entire front office staff routinely respond to filer questions on a daily basis during the filing period.

#### **4. Cross-reference with public databases revealed that filer-associated businesses were under-disclosed.**

For the first time, the Office cross-referenced publicly available databases to ensure the integrity of answers to several questions on the SFI form. In particular, the Office (1) cross-referenced land records to ensure that owned real property had been adequately disclosed; (2) cross-referenced Secretary of the State’s records to detect whether filers had disclosed businesses with which they were associated; and, (3) cross-referenced Secretary of the State’s records to detect whether property owned by the filer was being used as a business with which the filer was associated.<sup>14</sup> Although the results of the first and third inquiries were underwhelming, the search of Secretary of the State’s records revealed that at least nine of the audited filers (3.5%) failed to disclose for-profit businesses with which they were associated on their SFI forms. Because this was the first time that this inquiry was made, it is impossible to know whether this was a statistical anomaly, or whether the problem is long-term and significant. All of these audited filers were notified, and amended their forms accordingly. All stated that they were unaware that the form required that they disclose the businesses. There was, however, no indication that the businesses had been purposefully concealed, or that any of the businesses was being used to facilitate any violation of the Code of Ethics.

The Office of State Ethics will continue cross-referencing public databases in future audits.

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<sup>13</sup> The Commission for Health Equity, although it has been in existence for several years, had its members designated for the first time in late 2014. However, shortly after the change in the Commission’s filing status, the agency lost its Ethics Liaison and the members, who had not previously been designated as filers, stated that they were unprepared for and confused by the designation.

<sup>14</sup> The genesis of this effort was a spate of investigations conducted by the Enforcement Division over the course of 2014 in which it was revealed that several SFI filers had not disclosed properties that they owned and/or businesses with which they were associated.

**EXHIBIT A**

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**PROTOCOL FOR AUDIT OF 2014 SFI FILINGS**

**SELECTION** - An initial selection of 10% of names of all required filers shall be made on or about May 1, 2015. The selection shall be made through the use of computerized randomization of all required filers, with no weighted criteria. The pool eligible for selection includes only those who are required to file the annual SFI form (i.e., not voluntary filers, departing officials, or incoming officials who accepted a position on or after April 1, 2015).

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

1. **Check if signed**
2. **Check if Confidential Addendum filed**
3. **Check if timely filed and dated**
4. **Ensure that form is the 2014 form**
5. **Ensure that the form is not a “Departing Official” form**
6. **Check to ensure that each question was answered**
7. **Check to ensure that state income is disclosed (Question #11)**
8. **Check to ensure that, if “business with which” is checked, that the business is adequately disclosed**
9. **Check to ensure that “securities” over \$5,000 are adequately described and disclosed**
10. **Determine whether patterns of responses suggest intentional deficiencies (e.g., filer enters no substantive info and checks all “none applicable” boxes)**

**ADDITIONAL INQUIRY** - The following additional inquiries will be performed in the audit of the 2014 form:

1. **Land records search to determine whether Connecticut real property is owned by the filer.**
2. **Secretary of the State search to determine whether the filer is associated with any registered business in Connecticut.**
3. **Secretary of the State search to determine whether the filer’s property is listed as the address for any registered Connecticut business.**

**FOLLOW-UP STEPS** - 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 Code of Ethics violation is indicated or suggested, the filer will be notified and given a nominal 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 Enforcement Division will make a determination on a case-by-case basis as to how to proceed.