

STATE OF CONNECTICUT

**AUDITORS' REPORT
STATE EMPLOYEE CAMPAIGN
FOR THE 1999 and 2000 CAMPAIGNS**

AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE

Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword	1
Members of the State Employee Campaign Committee.....	2
Résumé of Operations.....	3
CONDITION OF RECORDS	4
Timeliness of Distributions to Federations.....	4
Reporting of Campaign Activity.....	4
State Employee Campaign Committee Membership.....	5
RECOMMENDATIONS	7
CERTIFICATION	9
CONCLUSION	11
FINANCIAL STATEMENT	
Summary of Collections Distributable to Federations and Net Distributions after Expenses	Statement 1
Details of Net Distributions After Expenses.....	Schedule 1
Notes to Financial Statement and Schedule	

September 19, 2002

**AUDITORS' REPORT
STATE EMPLOYEE CAMPAIGN
FOR THE 1999 and 2000 CAMPAIGNS**

Pursuant to Section 5-262 of the General Statutes we have made an examination of the financial records of the State Employee Campaign for the 1999 and 2000 campaigns.

This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification which follow, together with the Statement and Schedule described below:

Statement 1 - Summary of Collections Distributable to Federations and Net Distributions after Expenses

Schedule 1 - Details of Net Distributions after Expenses

COMMENTS

Foreword:

The State Employee Campaign (Campaign) is authorized by Section 5-262 of the General Statutes and was created to raise funds from State employees for charitable and public health, welfare, environmental, conservation and service purposes.

Section 5-262, subsection (b) of the General Statutes provides for the establishment of a State Employee Campaign Committee, consisting of 15 voting members and a varying number of non-voting members, to supervise Campaign activities. Their duties include:

- Responsibility for the overall coordination of the Campaign
- Selection of participating Federations
- Approval of generic Campaign materials
- Annual selection of a Principal Combined Fundraising Organization to administer the Campaign
- Supervision of the activities of the Principal Combined Fundraising Organization
- Review and approval of an annual budget submitted by the Principal Combined Fundraising Organization

For a Federation to be eligible to participate in the State Employee Campaign it should be authorized to do business in Connecticut as a private non-profit organization engaging in the delivery of charitable and public health, welfare, environmental or service purposes. To be eligible, the Federations must be directed by an active Board of Directors which meets regularly and whose members serve without compensation; they must provide for an annual external audit by a Certified Public Accountant and also provide accurate budget information not expending more than 25 percent of annual revenue for administrative expenses, ensuring that its promotional activities are based upon its actual operations.

Members of the State Employee Campaign Committee:

Pursuant to Section 5-262, subsection (b) of the General Statutes, the voting members of the State Employee Campaign Committee consisted of the State Comptroller, the Commissioner of Administrative Services and the Executive Director of the Joint Committee on Legislative Management, or their designees, ten other State employees and two retired State employees. Voting members as of December 31, 2001, were as follows:

Ex-Officio Members:

Nancy Wyman, State Comptroller (Bernie McLoughlin, designee)
Barbara A. Waters, Commissioner of Administrative Services (Cheryl Sawina, designee)
D'Ann D. Mazzocca, Executive Director of the Joint Committee on Legislative Management (Larry Shapiro, designee)

Appointed Members:

Carol Carney, Department of Labor, Chairperson
Phyllis Brett, Legislative Management
Richard Emonds, Department of Economic and Community Development
Paluel Flagg, Military Department, Vice Chairperson
Kathleen Gensheimer, Judicial Branch
Burton Gold, retired State employee
Carol Guiliano, Department of Special Revenue
Marilyn Kaika, Department of Transportation
Joan Kelly-Coyle, retired State employee
Cheryl Lesoveck, Senate Republicans
Noel Tomas, Department of Revenue Services
Denise Tyburski, Department of Mental Health & Addiction Services

Members who also served during the audited period were Marge Diachenko, Christine Fortunato, Merrily Moynihan, Michael Nichols, and William Phillie.

RÉSUMÉ OF OPERATIONS:

The United Way of Connecticut, Inc. was selected as the Principal Combined Fundraising Organization (PCFO) to conduct the operation of the 1999 and 2000 State Employee Campaigns. Under the Campaign procedures, the PCFO was responsible for collecting both employee pledges and cash contributions, collecting employee payroll deductions from the State Comptroller, and making distributions to the various Federations. The conduct of each Campaign and the collection and disbursement of funds for each Campaign covers a period of approximately 18 months.

As shown on Statement 1, Campaign contributions and other receipts available for distribution totaled \$1,180,129 and \$1,096,396, for the 2000 and 1999 Campaigns, respectively.

Expenses charged to the 2000 and 1999 Campaigns totaled \$210,358 and \$208,684, respectively. Expenses as a percent of distributable receipts amounted to 15 percent and 16 percent, respectively. Personnel costs accounted for the major portion of the costs to manage and administer the Campaigns. Other expenses were for Campaign materials, reimbursement to Local Campaign Managers who conducted workplace campaigns in their communities, and office expenses.

CONDITION OF RECORDS

Our review of the State Employee Campaign revealed the following areas requiring attention.

Timeliness of Distributions to Federations:

- Criteria:* Section 5-262-10 of the Regulations of Connecticut State Agencies requires that the Principal Combined Fundraising Organization distribute Campaign funds received from the Office of the State Comptroller to the Federations within 30 days of receipt.
- Condition:* The Campaign received a total of 52 checks from the Office of the State Comptroller for the 2000 and 1999 Campaigns. These checks represented the biweekly payroll deductions for State employee donations. We reviewed the distributions for all 52 receipts and found that 50 percent were distributed to Federations more than 30 days after receipt. The number of days late ranged from one to 70.
- Effect:* Noncompliance with Section 5-262-10 resulted in the Federations not receiving Campaign distributions in a timely manner.
- Cause:* It appears that a lack of administrative oversight contributed to this condition.
- Recommendation:* Cash received from the Office of the State Comptroller should be distributed to Federations within 30 days of receipt as required by Section 5-262-10 of the Regulations of Connecticut State Agencies. (See Recommendation 1.)
- Agency Comments:* “We have increased our staff in the finance department in the last few months and will be able to maintain the 30-day distribution requirement with the increased staff levels.”

Reporting of Campaign Activity:

- Criteria:* Section 5-262, subsection (g) of the General Statutes requires that the Principal Combined Fundraising Organization (PCFO) submit to the Auditors of Public Accounts and the Office of the State Comptroller, by March first annually, a financial report of activities related to Campaign payroll deductions made during the previous calendar year.
- Condition:* The required reports were not submitted for either the 2000 or 1999 Campaigns.
- Effect:* The intended recipients of such reports did not have the information

available for their purposes.

Cause: The PCFO indicated that, due to time constraints, the deadline of March first was not feasible. In addition, it appears that Section 5-262, subsection (g) of the General Statutes does not dictate the content of the report nor was there an agreed-upon format between the PCFO and the report recipients.

Recommendation: In consultation with the Office of the State Comptroller, the PCFO should determine a mutually agreed-upon format for annual financial reports of activities related to Campaign payroll deductions and submit such to the Auditors of Public Accounts and the Office of the State Comptroller as required by Section 5-262, subsection (g) of the General Statutes. (See Recommendation 2.)

Agency Comments: “The PCFO will work with the State Comptroller to create a mutually agreed upon format for the required report and in the future, the PCFO will file this report in accordance with the statute.”

State Employee Campaign Committee Membership:

Criteria: Section 5-262, subsection (b) of the General Statutes indicates that not more than one State employee from any State agency shall be appointed to the Committee.

Condition: We noted that out of the fifteen Committee members, three appeared to be from Legislative Management.

Effect: The current composition of the Committee appears to inhibit representation from a greater variety of State agencies.

Cause: The appointment of members is out of the control of the State Employee Campaign Committee. It appears that the political leaders authorized for making such appointments are doing so without regard to the existing composition of the Committee.

Recommendation: The Committee should consult with those political leaders authorized to make appointments to ensure representation complies with Section 5-262, subsection (b) of the General Statutes. (See Recommendation 3.)

Agency Comments: “The committee realized at the end of 2001, after all appointments had been confirmed, that three of its members were affiliated with the Office of Legislative Management. One appointee from Legislative Management recently indicated that she might resign due to work commitments. The committee will follow-up with this member and her appointing official, and inform them of Section 5-262 (b) of the General

Statutes. In addition, the committee will discuss its membership at its September meeting.”

RECOMMENDATIONS

Our prior audit report contained four recommendations.

Status of Prior Audit Recommendations:

- Each State agency should prepare a list of the collections from each of its employees and fund raising events for each Campaign. A Principal Combined Fundraising Organization employee not involved with processing Campaign cash receipts should compare the totals of the lists from the State agencies with the actual deposits and account for any discrepancies. This recommendation has been resolved.
- Cash received from the Office of the State Comptroller should be distributed to Federations within 30 days of receipt as required by Section 5-262-10 of the Regulations of Connecticut State Agencies. This recommendation is being repeated. (See Recommendation 1.)
- Annual financial reports should be submitted to the Auditors of Public Accounts and the Office of the State Comptroller as required by Section 5-262, subsection (g) of the General Statutes. This recommendation is being repeated. (See Recommendation 2.)
- The format of the application for participation in the State Employee Campaign should be modified to include all the eligibility requirements contained in Section 5-262-4 of the Regulations of Connecticut State Agencies. The State Employee Campaign Committee should thoroughly review each application for compliance with requirements of Section 5-262 of the General Statutes and Section 5-262-3 of the Regulations of Connecticut State Agencies, and document such review with checklists or sign-off sheets. This recommendation has been resolved.

Current Audit Recommendations:

- 1. Cash received from the Office of the State Comptroller should be distributed to Federations within 30 days of receipt as required by Section 5-262-10 of the Regulations of Connecticut State Agencies.**

Comment:

We found that 50 percent of receipts from the Office of the State Comptroller were distributed late.

- 2. In consultation with the Office of the State Comptroller, the PCFO should determine a mutually agreed-upon format for annual financial reports of activities related to Campaign payroll deductions and submit such to the Auditors of Public Accounts and the Office of the State Comptroller as required by Section 5-262, subsection (g) of the General Statutes.**

Comment:

The required reports were not submitted for either the 2000 or 1999 Campaigns.

- 3. The Committee should consult with those political leaders authorized to make appointments to ensure representation complies with Section 5-262, subsection (b) of the General Statutes.**

Comment:

Three members of the Committee appeared to be from Legislative Management. Section 5-262, subsection (b), indicates that not more than one State employee from any State agency shall be appointed to the Committee.

CERTIFICATION

Financial Statements:

We have audited the accompanying statement of the State Employee Campaign for the 1999 and 2000 Campaigns, as listed in the beginning of this report. This statement is the responsibility of the Principal Combined Fundraising Organization, as directed by the State Employee Campaign Committee, which manages the Campaigns. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statement presented in this report was prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. That financial statement presents only the Campaigns' receipts and net distributions after expenses and is not intended to present fairly the financial position and results of operations of the Campaigns in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts and net distributions after expenses for the 1999 and 2000 Campaigns, in conformity with the cash basis of accounting described above.

Our audit was conducted for the purpose of forming an opinion on the statement listed in the beginning of this report. The accompanying schedule, details of net distributions after expenses, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the statement, and, in our opinion, is fairly stated in all material respects in relation to the statement taken as a whole.

Compliance:

As part of obtaining reasonable assurance about whether the State Employee Campaigns' financial statement is free of material misstatement, we performed tests of the Principal Combined Fundraising Organization's, as directed by the State Employee Campaign Committee, compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which are described in the “Condition of Records” and “Recommendations” sections of this report.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the Principal Combined Fundraising Organization’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

In conclusion, we wish to express appreciation for the courtesy and cooperation extended to our representative by the staff involved with the administration of the State Employee Campaign during the course of our examination.

Ken Post
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

STATE EMPLOYEE CAMPAIGN
SUMMARY OF COLLECTIONS DISTRIBUTABLE TO FEDERATIONS
AND NET DISTRIBUTIONS AFTER EXPENSES
FOR THE 1999 and 2000 CAMPAIGNS

	Campaign	
	2000	1999
Receipts:		
Cash contributions	\$ 206,906	\$ 197,249
State payroll deductions	1,195,699	1,098,462
Interest	5,632	14,570
	<hr/>	<hr/>
Total Receipts	1,408,237	1,310,281
	<hr/>	<hr/>
Less:		
Boy Scouts Withholding and STIF Interest	17,398	5,553
Miscellaneous Adjustments	352	(352)
	<hr/>	<hr/>
Total Deductions	17,750	5,201
	<hr/>	<hr/>
Collections distributable to Federations, per Schedule 1	1,390,487	1,305,080
	<hr/>	<hr/>
Expenses, per Schedule 1	210,358	208,684
	<hr/>	<hr/>
Net Distributions after Expenses, per Schedule 1	\$ 1,180,129	\$ 1,096,396
	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

STATE EMPLOYEE CAMPAIGN
 DETAILS OF NET DISTRIBUTIONS AFTER EXPENSES
 FOR THE 1999 and 2000 CAMPAIGNS

Federations	2000 Campaign			1999 Campaign		
	Collections Distributed To Federations	Administrative Expense	Net Distributions After Expenses	Collections Distributed To Federations	Administrative Expense	Net Distributions after Expenses
Americas Charities	\$ 115,002	\$ 17,186	\$ 97,816	\$ 139,154	\$ 22,214	\$ 116,941
Community Health Charities:						
Connecticut	174,948	25,301	149,646	178,733	28,514	150,219
South Central Connecticut	68,851	11,133	57,718	53,306	8,503	44,803
Community Works of Connecticut	28,715	4,291	24,424	25,480	4,069	21,411
Earth Share	52,645	7,867	44,777	58,539	9,349	49,190
Environmental Federation of New England	30,686	4,586	26,100	24,174	3,861	20,313
Greater Hartford Arts Council	20,833	3,113	17,719	19,861	3,172	16,689
Independent Charities of America	172,855	25,832	147,023	153,535	24,520	129,014
International Service Agencies	107,682	16,092	91,590	93,696	14,974	78,722
Share America	28,152	4,207	23,945			
United Ways:						
Ansonia	11,261	1,683	9,578	10,715	1,700	9,016
Branford	1,267	189	1,078	1,183	199	984
Bridgeport	20,692	3,092	17,600	19,821	3,161	16,661
Bristol	17,054	2,798	14,256	21,077	3,381	17,697
Danbury	10,621	1,767	8,854	11,368	1,816	9,553
Darien				131	21	110
Gales Ferry	66,204	10,265	55,939	64,698	10,360	54,337
Greenwich				653	104	549
Hartford	206,006	30,860	175,146	251,791	40,272	211,519
Meriden	14,257	2,335	11,922	13,237	2,129	11,108
Middletown	41,353	6,542	34,811	41,521	6,666	34,854
Milford	6,334	947	5,388	7,425	1,189	6,236
Naugatuck				2,613	417	2,196
New Britain	18,580	2,777	15,804			
New Canaan				131	21	110
New Haven	45,044	6,731	38,312	43,608	7,108	36,499
New Milford	2,252	337	1,916	4,051	647	3,404
Norwalk				1,307	209	1,098
Southington	9,572	1,430	8,141	8,178	1,303	6,875
Stamford	1,830	273	1,556	1,437	230	1,208
Torrington	22,395	3,555	18,840	21,710	3,474	18,237
Waterbury	28,110	4,481	23,629	31,947	5,101	26,846
Willimantic	67,287	10,686	56,601			
Totals	\$ 1,390,487	\$ 210,358	\$ 1,180,129	\$ 1,305,080	\$ 208,684	\$ 1,096,396

**STATE EMPLOYEE CAMPAIGN
NOTES TO FINANCIAL STATEMENT AND SCHEDULE
FOR THE 1999 and 2000 CAMPAIGNS**

Principal Combined Fundraising Organization (PCFO)

The United Way of Connecticut served as the PCFO for the 1999 and 2000 State Employee Campaigns. Its responsibilities included managing and coordinating the Campaign, including: collecting cash contributions and remittances from the State Comptroller, depositing these funds into a separate bank account in the name of the State Employee Campaign, calculating the distribution percentages used in determining the distributions made to each recipient organization, and the issuance of distribution checks to the recipient organizations.

The Campaign is a joint effort of the State Comptroller, State agencies, local Federations and the Principal Combined Fundraising Organization.

Presentation

The accompanying statement and schedule represent the 1999 and 2000 State Employee Campaigns. Pledges were obtained during the fall of 1999 and 2000. Cash contributions were collected primarily during the pledge periods. Payroll deductions were collected during calendar years 2000 and 2001, respectively. Expenses were incurred and distributions to Federations were made from May 2000 through January 2001 for the 1999 Campaign, and from February 2001 through January 2002 for the 2000 Campaign.

Since June 2000, donations for the Boy Scouts of America were being escrowed in a Short Term Investment Fund account held by the State Treasurer pending the outcome of litigation. All funds designated for the Boy Scouts were deducted by the State Comptroller. The proration of undesignated funds and adjustments to designated funds for the Boy Scouts were disbursed by check from the United Way of Connecticut to the State Comptroller on a monthly basis. The total amount in escrow as of January 15, 2002 was \$21,910 per records of the Office of the State Treasurer.

Allocation Methods

Collections: The distribution percentages were based on the amounts designated to specific organizations through cash contributions and payroll deductions, divided by the total cash contributions and payroll pledges of the Campaign. Applying the distribution percentages to the total actual collections determined collections distributed to each recipient organization.

Expenses: The distributions of expenses to specific organizations were made using the same percentages as collections distributed to each organization. Deductions were made from 1999 and 2000 Campaign distributions to cover the cost of operating those Campaigns.