STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN  ROBERT M. WARD

AUDITORS' REPORT
SOLDIERS', SAILORS' AND MARINES' FUND
FOR THE FISCAL YEARS ENDED
# Table Of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>COMMENTS</td>
<td>2</td>
</tr>
<tr>
<td>FOREWORD</td>
<td>2</td>
</tr>
<tr>
<td>Significant Legislation</td>
<td>3</td>
</tr>
<tr>
<td>RÉSUMÉ OF OPERATIONS</td>
<td>3</td>
</tr>
<tr>
<td>Soldiers’, Sailors’ and Marines’ Trust Fund</td>
<td>3</td>
</tr>
<tr>
<td>Soldiers’, Sailors’ and Marines’ Special Revenue Fund</td>
<td>4</td>
</tr>
<tr>
<td>Checking Account</td>
<td>6</td>
</tr>
<tr>
<td>STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS</td>
<td>7</td>
</tr>
<tr>
<td>Asset Management Deficiencies</td>
<td>7</td>
</tr>
<tr>
<td>Failure to Certify Telecommunication Charges</td>
<td>8</td>
</tr>
<tr>
<td>Approval of Employee Mileage Reimbursements</td>
<td>9</td>
</tr>
<tr>
<td>Lack of Performance Evaluations</td>
<td>10</td>
</tr>
<tr>
<td>Applicability of Freedom of Information Laws</td>
<td>10</td>
</tr>
<tr>
<td>RECOMMENDATIONS</td>
<td>14</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>16</td>
</tr>
</tbody>
</table>
INTRODUCTION

AUDITORS’ REPORT

SOLDIERS’, SAILORS’ AND MARINES’ FUND


We have audited certain operations of the Soldiers’, Sailors’ and Marines’ Fund in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2012, and 2013. The objectives of our audit were to:

1. Evaluate the department’s internal controls over significant management and financial functions.

2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions.

3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.
Auditors of Public Accounts

States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified

1. Deficiencies in internal controls;

2. Apparent noncompliance with legal provisions; and

3. No need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors’ Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Soldiers’, Sailors’ and Marines’ Fund.

COMMENTS

FOREWORD

The Soldiers’, Sailors’ and Marines’ Fund is an agency of the State of Connecticut that operates under the provisions of Sections 27-138 and 27-140 of the General Statutes and under the authority and bylaws of the American Legion. The Soldiers’, Sailors’ and Marines’ Fund was created as a direct result of the General Assembly establishing the Soldiers’, Sailors’ and Marines’ Trust Fund in 1919. The purpose of the Soldiers’, Sailors’ and Marines’ Fund is to provide temporary financial assistance to help meet the health and maintenance requirements of eligible wartime veterans and their dependents or surviving dependents.

The State Treasurer maintains custody of the Soldiers’, Sailors’ and Marines’ Trust Fund and responsibility of the fund’s investments. The State Fund Commission is the policymaking body of the Soldiers’, Sailors’ and Marines’ Fund; bears fiduciary responsibility for disbursements of the fund; and implements policies and procedures governing the management and administration of the agency. The treasurer of the American Legion administers the disbursements of the fund.

The State Fund Commission consists of the American Legion treasurer, who is also the chair of the State Fund Commission and administrator of the Soldiers’, Sailors’ and Marines’ Fund; the assistant treasurer of the American Legion, who is also the vice-chair and recording secretary of the State Fund Commission and assistant administrator of the Soldiers’, Sailors’ and Marines’ Fund; and nine members, who are legionnaires in good standing and are approved by the executive committee of the American Legion.
John D. Monahan served as administrator of the Soldiers’, Sailors’ and Marines’ Fund during the audited period.

**Significant Legislation**

Section 121 of Public Act 13-247 transfers the administration of the Soldiers’, Sailors’ and Marines’ Fund from the state agency to the American Legion effective July 1, 2014 and allows the American Legion to use up to $300,000 per year of interest accumulation to administer the fund. Section 122 of the public act requires the American Legion to cause an independent audit of the Soldiers’, Sailors’ and Marines’ Fund on or before January fifteenth biennially. Sections 27-138 and 27-140 of the General Statutes, as amended by Public Act 13-247, were repealed and substituted with Public Act 14-217.

Section 57 of Public Act 14-217 further defines the transfer of the administration of the Soldiers’, Sailors’ and Marines’ Fund from the state agency to the American Legion effective July 1, 2014. The fund shall remain in the custody of the State Treasurer as trustee of the fund. The State Treasurer shall disburse not less than two million dollars annually to the American Legion. Such disbursements shall be made initially from interest accumulations of the fund. If such interest accumulations are less than two million dollars, the State Treasurer shall disburse such amount of the corpus of the fund as necessary to equal two million dollars. No such funds may be used by the American Legion for expenses of administering the fund. Any funds not expended by the end of each fiscal year shall be added to the corpus of the fund. Section 210 of the public act allows $635,000 to be appropriated for the administration of the Soldiers’, Sailors’ and Marines’ Fund for the fiscal year ending June 30, 2015. Section 62 of the public act requires the American Legion to cause an annual independent audit of the Soldiers’, Sailors’ and Marines’ Fund on or before January fifteenth instead of the biennial audit requirement in Public Act 13-247.

As a result of the public act, the state agency known as the Soldiers’, Sailors’ and Marines’ Fund ceased to exist on July 1, 2014. Each employee covered by a bargaining unit contract was assigned to work at another state agency. Managerial and confidential employees either retired or separated from state service.

**RÉSUMÉ OF OPERATIONS**

The operations of the agency are administered through the Soldiers’, Sailors’ and Marines’ Trust Fund, the Soldiers’, Sailors’ and Marines’ Special Revenue Fund, and a state checking account. The funds and checking account are discussed below.

**Soldiers’, Sailors’ and Marines’ Trust Fund**

The trust fund principal is invested by the State Treasurer. Appropriated funds are derived from interest and dividend income earned from the principal of the trust fund. Such income is distributed to the Soldiers’, Sailors’ and Marines’ Special Revenue Fund. A schedule of the trust
fund’s cash and investment balances and activity for the audited period, together with those of the preceding fiscal year, is presented below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trust Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning market value of</td>
<td>$ 56,722,207</td>
<td>$ 61,698,583</td>
<td>$ 64,500,354</td>
<td>$ 66,634,214</td>
</tr>
<tr>
<td>cash and investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment gains/(losses)</td>
<td>4,931,150</td>
<td>2,798,964</td>
<td>2,132,355</td>
<td>1,405,472</td>
</tr>
<tr>
<td>Net interest and dividend</td>
<td>2,804,054</td>
<td>2,472,128</td>
<td>2,295,043</td>
<td>1,927,099</td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions to the special</td>
<td>(2,804,054)</td>
<td>(2,472,128)</td>
<td>(2,295,043)</td>
<td>(1,927,099)</td>
</tr>
<tr>
<td>revenue fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net purchases and redemptions</td>
<td>45,226</td>
<td>2,807</td>
<td>1,505</td>
<td>1,677</td>
</tr>
<tr>
<td>Ending market value of cash</td>
<td>$ 61,698,583</td>
<td>$ 64,500,354</td>
<td>$ 66,634,214</td>
<td>$ 68,041,363</td>
</tr>
<tr>
<td>and investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Soldiers’, Sailors’ and Marines’ Special Revenue Fund**

Appropriations from the special revenue fund are used for the agency’s operating expenditures and assistance payments. Funds are transferred to the state checking account exclusively for the issuance of assistance payments to eligible wartime veterans and their dependents or surviving dependents. Assistance payments issued from the checking account are discussed later. A schedule of the Soldiers’, Sailors’ and Marines’ Fund appropriations and expenditures for the audited period, together with those of the preceding fiscal year, is presented below:
The total expenditures for the Soldiers’, Sailors’ and Marines’ Fund exceeded the interest and dividend income earned from the trust fund during fiscal years ended June 30, 2010, 2011, 2012, and 2013, as presented below:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Total Expenditures Exceeded Income</th>
<th>Interest and Dividend Income Earned from the Trust Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$(7,000,000)</td>
<td>$500,000</td>
</tr>
<tr>
<td>2011</td>
<td>$(6,000,000)</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>$(5,000,000)</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>2013</td>
<td>$(4,000,000)</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>2014</td>
<td>$(3,000,000)</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>2015</td>
<td>$(2,000,000)</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>2016</td>
<td>$(1,000,000)</td>
<td>$3,500,000</td>
</tr>
</tbody>
</table>

The amount of the agency’s total expenditures that exceeded interest and dividend income earned from the trust fund contributed to the negative balance in the special revenue fund. The Soldiers’, Sailors’ and Marines’ Special Revenue Fund has had a negative balance since fiscal year ended June 30, 2003. The Soldiers’, Sailors’ and Marines’ Special Revenue Fund had a cumulative balance of $(3,960,138), $(4,659,158), $(5,399,056), and $(6,489,562) for fiscal years ended June 30, 2010, 2011, 2012, and 2013, respectively, as presented below:
Checking Account

Assistance payments issued to eligible wartime veterans and their dependents or surviving dependents are expended for emergent authorizations (food, shelter, and clothing), medical needs, weekly benefit allowances, burial expenses, and prostheses. A summary of the assistance payments issued during the audited period, along with those of the preceding fiscal year, follows:

<table>
<thead>
<tr>
<th>Payment Types</th>
<th>2010</th>
<th>Fiscal Year Ended June 30, 2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergent Authorizations</td>
<td>$1,283,076</td>
<td>$1,330,310</td>
<td>$1,305,474</td>
<td>$1,361,283</td>
</tr>
<tr>
<td>Medical Needs</td>
<td>421,363</td>
<td>412,479</td>
<td>467,738</td>
<td>412,860</td>
</tr>
<tr>
<td>Weekly Benefit Allowances</td>
<td>156,334</td>
<td>155,834</td>
<td>137,191</td>
<td>116,658</td>
</tr>
<tr>
<td>Burial Expenses</td>
<td>56,400</td>
<td>40,800</td>
<td>44,940</td>
<td>40,485</td>
</tr>
<tr>
<td>Prostheses</td>
<td>39,629</td>
<td>48,986</td>
<td>41,596</td>
<td>39,530</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>918</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,957,720</strong></td>
<td><strong>$1,988,409</strong></td>
<td><strong>$1,996,939</strong></td>
<td><strong>$1,970,816</strong></td>
</tr>
</tbody>
</table>

Total assistance payments increased by $30,689 and $8,530 during the fiscal years ended June 30, 2011 and 2012, respectively, and decreased by $26,123 during the fiscal year ended June 30, 2013. The increase in total assistance payments for the fiscal year ended June 30, 2011 was due primarily to an increase in emergent authorizations. The increase in the total assistance payments for the fiscal year ended June 30, 2012 was due mainly to an increase in medical needs. This increase was partially offset by decreases in emergent authorizations and weekly benefit allowances. The decrease in total assistance payments for the fiscal year ended June 30, 2013 was due predominantly to decreases in medical needs and weekly benefit allowances. These decreases were partially offset by an increase in emergent authorizations.
STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Soldiers’, Sailors’ and Marines’ Fund identified several areas requiring improvement as discussed below:

Asset Management Deficiencies

Criteria: Section 4-36 of the General Statutes provides that an inventory of property shall be kept in the form prescribed by the Comptroller. The State Property Control Manual specifies requirements and standards that include tagging property, recording inventory, and conducting annual physical inventories for capitalized assets and controllable property. Property with a unit cost of less than $1,000 is recorded as controllable. The agency is required to transmit annually by October 1st to the Comptroller a detailed inventory of all property, real or personal, owned by the state and in custody of such agency.

Condition: Our review of asset management for the fiscal years ended June 30, 2011, 2012, and 2013, disclosed the following:

- The agency did not conduct physical inventories during fiscal years ended June 30, 2012 and 2013.
- The agency purchased three controllable items during the audited period that totaled $1,143. The agency did not record the three controllable items to the agency’s inventory and did not tag two of the controllable items.
- The agency submitted Form CO-59 Fixed Assets/Property Inventory Report for the fiscal year ended June 30, 2013 four months late.

Effect: Deficiencies in the control over inventory may lead to a decreased ability to promptly detect missing state assets and accurately report the agency’s inventory.

Cause: We were informed that the agency was unclear about some inventory policies.

Recommendation: The Soldiers’, Sailors’ and Marines’ Fund should improve internal controls over the custody and reporting of its property inventory. (See Recommendation 1.)

Agency Response: “The agency is in agreement with this finding and will implement the recommendation. The position of the employee previously responsible for
the inventory was eliminated and the agency did not adequately address the issue of reassignment of the responsibilities nor effectively follow up on the requirement. Additionally, the agency received erroneous guidance during the transition to the use of the Core-CT system for inventory control regarding accountability for controllable items. This resulted in controllable items valued at less than $1,000 not being entered into the Core-CT system when purchased. The agency has since rectified these errors and established procedures aimed at ensuring future compliance with inventory requirements. The responsible employee within the agency has also since attended Asset Management/Inventory Control Training conducted by the Comptroller’s Office in order to ensure that the agency staff is knowledgeable of the detailed nature of the requirements.”

Failure to Certify Telecommunication Charges

Criteria: Section 3-117 subsection (c) of the General Statutes provides that each agency shall certify to the Department of Administrative Services the telecommunications services that were provided to such agency no later than 30 days following notification of the telecommunications charges.

Each telecommunications bill includes a certification form that requires the agency to review the charges to determine whether the services and equipment were in place for the billing period.

Condition: Our review of expenditures for fiscal years ended June 30, 2011, 2012, and 2013 disclosed that the agency did not review or certify any telecommunications bills during the audited period. Upon notification of the exception, the agency reviewed the January 2012 telecommunications bill in our sample and determined that the agency was overcharged for six telecommunications lines. We noted that the agency paid a total of $4,406 in telecommunications overcharges from July 2010 through February 2014.

Effect: The agency was not in compliance with the General Statutes and paid for telecommunications lines that were no longer deemed necessary.

Cause: The agency thought that the monthly certifications were no longer required after the state implemented the telecommunications paperless billing system. The agency indicated that it did not review the telecommunications bills because the bills were difficult to understand.

Recommendation: The Soldiers’, Sailors’ and Marines’ Fund should strengthen internal controls over telecommunications bills to ensure compliance with Section 3-117 subsection (c) of the General Statutes. (See Recommendation 2.)
Agency Response: “The agency is in agreement with this finding and will implement the recommendation. The agency acted on erroneous guidance that the certifications previously required of paper telecommunications bills had been superseded by the paperless billing system instituted during the report period. Additionally, the agency incorrectly assumed that telecommunications lines attributable to the agency would be inactivated at locations where the agency no longer maintained offices. This resulted in overcharges to the agency. The agency has rectified this error and established procedures to ensure future compliance.”

Approval of Employee Mileage Reimbursements

Criteria: Proper internal controls provide assurance that employee mileage reimbursement forms are approved by the employee’s supervisor.

Condition: Our review of seven employee mileage reimbursement forms totaling $1,278 revealed that the employee’s supervisor did not sign the mileage reimbursement forms.

Effect: Inadequate internal controls provide opportunity for reimbursement errors or misuse to go unnoticed.

Cause: The agency considered the fiscal administrative officer’s recalculation and certification of employee mileage reimbursement forms as sufficient approval. The agency did not have a process in place for review and approval by the employee’s supervisor.

Recommendation: The Soldiers’, Sailors’ and Marines’ Fund should strengthen internal controls over the approval of employee mileage reimbursements. (See Recommendation 3.)

Agency Response: “The agency is in agreement with this finding and will implement the recommendation. It must be noted, however, that the agency is an extremely small one (nine employees), with essentially two levels of staff, a supervisory level and a subordinate level. The supervisory level includes, in the opinion of the agency, the agency’s fiscal administrative officer, a classified employee with nearly 30 years of state service who is responsible for the entirety of the agency budget and all financial matters. This is the person who calculated and authorized the payments. This fact, coupled with the magnitude of the budget line in question, approximately $4,000 annually, argues that more than sufficient controls were in place to avoid errors and misuse. No errors or misuse were revealed during the audit. Nevertheless, the agency has established procedures to ensure future compliance.”
Lack of Performance Evaluations

Criteria:  The performance evaluation is a method of assessing employee job performance in relation to pre-established standards. Standard business practice advocates that supervisors evaluate employee job performance in writing at least once each year. Generally, the objectives of a performance evaluation are to:

- Give written feedback to employees;
- Document employee performance in organizational records;
- Identify training needs of employees and the organization;
- Form a basis for personnel decisions;
- Facilitate communication between employees and management.

Condition:  Our review disclosed that the agency did not complete employee performance evaluations during the fiscal years ended June 30, 2011, 2012, and 2013.

Effect:  Management’s ability to develop employee performance plans, track employee career development, and form a basis for personnel decisions is significantly diminished in the absence of written performance evaluations.

Cause:  A lack of management oversight contributed to this condition.

Recommendation:  The Soldiers’, Sailors’ and Marines’ Fund should ensure that annual performance evaluations are performed on all of its employees. (See Recommendation 4.)

Agency Response:  “The agency is in agreement with this finding and will implement the recommendation.”

Applicability of Freedom of Information Laws

Background:  Section 27-138 of the General Statutes establishes that the Soldiers’, Sailors’ and Marines’ Fund shall be in the custody of the State Treasurer and administered by the American Legion treasurer. Section 27-140 of the General Statutes states that disbursements from the fund shall be made by the American Legion under the authority of its bylaws. According to the Special Bylaws of the American Legion, a special commission known as the State Fund Commission was created for the purpose of carrying out the
provisions of Sections 27-138 and 27-140 of the General Statutes. Per the bylaws, the State Fund Commission shall be the policymaking body of the Soldiers’, Sailors’ and Marines’ Fund; shall bear fiduciary responsibility for disbursements of the fund; and shall implement policies and procedures governing the management and administration of the agency.

**Criteria:**

Section 1-225 of the General Statutes requires public agencies to perform the following: (a) post meeting minutes to the public agency’s website not later than seven days after such meeting; (b) file not later than January 31st of each year with the Secretary of the State a schedule of regular meetings for the ensuing year and to post such schedule on the public agency’s website; (c) file not less than 24 hours before a meeting the agenda of such meeting with the Secretary of the State and to post such agenda on the public agency’s website; and (d) file not less than 24 hours before a special meeting a notice of such special meeting with the Secretary of the State and to post the special meeting notice on the public agency’s website.

**Condition:**

Our review of the State Fund Commission meetings for fiscal years ended June 30, 2011, 2012, and 2013 revealed that the agency did not post meeting minutes, schedules of regular meetings for the ensuing year, or meeting agendas to the agency’s website. We also noted that the agency did not file schedules of regular meetings for the ensuing year or meeting agendas with the Secretary of the State.

**Effect:**

Public notice was not provided for commission meetings, minutes, and agendas.

**Cause:**

It is the Soldiers’, Sailors’ and Marines’ Fund’s opinion that Section 1-225 of the General Statutes does not apply to the State Fund Commission.

**Recommendation:**

The agency should seek an official opinion from the Freedom of Information Commission or the Office of the Attorney General to obtain clarification as to the applicability of Section 1-225 of the General Statutes as it relates to the State Fund Commission. (See Recommendation 5.)

**Agency Response:**

“The agency disputes this finding for the following reasons:

1) Neither the American Legion Department of Connecticut, nor its subsidiary, the State Fund Commission, established under authority of its bylaws, are “Public Agencies” as defined in Section 1-200(1)(A) of the Connecticut General Statutes. The American Legion is a federally chartered Veterans Service Organization (36 U. S. Code § 21701). The American Legion Department of Connecticut is a Connecticut incorporated and registered non-profit corporation organized under the provisions of IRS Code 501(c)19. The provisions of the Connecticut
General Statutes, Section 1-200(1)(A), defining a “Public Agency” do not encompass the American Legion. Moreover, given that the American Legion has administered the Fund since 1919, a fact well known to the members of the Connecticut General Assembly, it is reasonable to conclude that the omission of any reference to the American Legion in the statutory definition of “Public Agency” was a knowing and conscious act.

2) Section 27-138 of the Connecticut General Statutes establishes that the Soldiers’, Sailors’ and Marines’ Fund shall be in the custody of the State Treasurer and administered by the treasurer of the American Legion. Section 27-140 of the Connecticut General Statutes states that disbursements from the fund shall be made by the American Legion under the authority of its bylaws. Section 27-140 also specifies to whom payments shall be made (referencing Section 27-103) and for what purposes (food, clothing, shelter, etc.). The statutes provide for what, to whom and by whom, but are silent on the subject of how assistance is to be provided (the amount, frequency and duration of assistance). In order to bring to full effect the intention of the Connecticut General Assembly in establishing the Fund in 1919, namely, the provision of appropriate and timely assistance to Connecticut’s needy wartime veterans and their families in amounts, with such frequency, and for such duration as may be consistent with the available monies, the American Legion, acting through its bylaws, established the State Fund Commission, to address the how. The State Fund Commission is the policymaking body of the Soldiers’, Sailors’ and Marines’ Fund, bears fiduciary responsibility for disbursements of the fund, and implements policies and procedures governing the management and administration of the agency. It was established by the American Legion to provide guidance and assistance to the Treasurer (Administrator) in order that he or she would be able to avail him/herself of knowledgeable advice as to the administrative and operational matters not specified in statute. It is composed of experienced Legionnaires as well as members of other Veterans Service Organizations (VFW, DAV) who volunteer their time at no cost to the state. The State Fund Commission is entirely a construct of the bylaws of the American Legion, was established voluntarily by the American Legion to provide advice and counsel to the Treasurer of the Department of Connecticut, and is nowhere specified in the Connecticut General Statutes. The State Fund Commission was not created by the state, receives no funding from the state, and is not regulated by the state. Its continued existence is not mandated by statute. Thus, the provisions of the Connecticut General Statutes, Section 1-225 does not apply.

3) The American Legion administers the Soldiers’, Sailors’ and Marines’ Fund on behalf of the State of Connecticut as a practical manifestation of the organizational mission, as reflected in the Preamble to the Constitution of the American Legion, “…to inculcate a sense of individual obligation to the community, state and nation; (and) to consecrate and sanctify our comradeship by our devotion to mutual
helpfulness”. There exists an implicit contract between the state and the
American Legion, the specifications of which have been mutually agreed.
The imposition of additional obligations ex post facto, without the consent
of the parties to the contract (The Connecticut General Assembly and the
American Legion Department of Connecticut), by administrative action of
either the Auditors of Public Accounts or the Freedom of Information
Commission, and absent any specific legislative initiative/enactment to
which the American Legion might offer input, and, ultimately, give
consent, does not conform to the accepted tenets of contract law.

The Administrator, acting in his capacity as Treasurer of the American
Legion Department of Connecticut, will bring the Recommendation before
the Executive Committee of the Department for their action as they may
deem appropriate.”

Auditors’ Concluding Comment:

Although the American Legion is not a public agency, the American
Legion appears to be performing the governmental function of disbursing
public funds through the authorization of state statutes. It would be
prudent for the American Legion to comply with Section 1-225 of the
General Statutes as it relates to the State Fund Commission.
RECOMMENDATIONS

Status of Prior Audit Recommendation:

The Soldiers’, Sailors’ and Marines’ Fund should improve controls over timesheets by requiring the appropriate supervisor to approve timesheets in order to ensure that attendance and leave records accurately reflect hours worked. This recommendation has been resolved.

Current Audit Recommendations:

1. The Soldiers’, Sailors’ and Marines’ Fund should improve internal controls over the custody and reporting of its property inventory.

Comment:

Our review disclosed that the agency did not conduct physical inventories during fiscal years ended June 30, 2012 and 2013, did not record and tag all newly acquired inventory items, and did not timely submit Form CO-59 Fixed Assets/Property Inventory Report for the fiscal year ended June 30, 2013.

2. The Soldiers’, Sailors’ and Marines’ Fund should strengthen internal controls over telecommunications bills to ensure compliance with Section 3-117 subsection (c) of the General Statutes.

Comment:

Our review disclosed that the agency did not review or certify any telecommunications bills during the audited period. Upon notification of the exception, the agency reviewed the January 2012 bill in our sample and determined that the agency was overcharged for six telecommunications lines. We noted that the agency paid a total of $4,406 in telecommunications overcharges from July 2010 through February 2014.

3. The Soldiers’, Sailors’ and Marines’ Fund should strengthen internal controls over the approval of employee mileage reimbursements.

Comment:

Our review of seven employee mileage reimbursement forms totaling $1,278 revealed that the employee’s supervisor did not sign the mileage reimbursement forms.

4. The Soldiers’, Sailors’ and Marines’ Fund should ensure that annual performance evaluations are performed on all of its employees.
Comment:

Our review disclosed that the agency did not complete employee performance evaluations during the fiscal years ended June 30, 2011, 2012, and 2013.

5. The agency should seek an official opinion from the Freedom of Information Commission or the Office of the Attorney General to obtain clarification as to the applicability of Section 1-225 of the General Statutes as it relates to the State Fund Commission.

Comment:

Our review of the State Fund Commission meetings for fiscal years ended June 30, 2011, 2012, and 2013 revealed that the agency did not post meeting minutes, schedules of regular meetings for the ensuing year, or meeting agendas to the agency’s website. We also noted that the agency did not file schedules of regular meetings for the ensuing year or meeting agendas with the Secretary of the State. It is the Soldiers’, Sailors’ and Marines’ Fund’s opinion that Section 1-225 of the General Statutes does not apply to the State Fund Commission.
CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Soldiers’’, Sailors’ and Marines’’ Fund during the course of this examination.

Lee LeFrancios
Associate Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts