

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT STATE EMPLOYEES'
CAMPAIGN FOR CHARITABLE GIVING
CAMPAIGN YEARS ENDED
DECEMBER 31, 2018 AND 2019*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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December 16, 2020

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Connecticut State Employees' Campaign for Charitable Giving for the campaign years ended December 31, 2018 and 2019. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and the need for changes in management practices that warrant the attention of management. The significant findings and recommendations are presented below:

Page 5	The contract between the Office of the State Comptroller, state employee campaign committee, and fundraising organization did not include the date of all parties' signatures to clearly identify the contract's execution date. The contract incorrectly identified July 1 as the annual due date for reporting the Annual Comprehensive Review to the Governor, State Comptroller, and General Assembly. OSC should verify that all signatures are dated to clearly identify the contract execution date for the administration of the campaign. In addition, the campaign should update contract language to accurately reflect reporting due dates in accordance with the General Statutes. (See Recommendation 1.)
Page 7	We identified numerous instances in which the campaign committee did not comply with its statutory authority and responsibilities regarding the posting of meeting schedules, agendas, and minutes to its website. OSC and the campaign committee should work together to require the campaign to comply with its statutory authority and responsibilities. (See Recommendation 2.)
Page 9	The State Employees' Campaign Committee's system of internal controls appears to be deficient in a number of respects. Areas of concern include a lack of operational bylaws, insufficient documentation of oversight, and no control to verify employee pledges reached their intended charities in the correct amounts. The campaign committee should formalize its internal control structure to improve compliance with statutory and regulatory authority, effectively monitor the fundraising organization, and achieve its organizational responsibilities. (See Recommendation 3.)
Page 11	The campaign committee approved annual financial reports without verifying the accuracy of amounts reported by the fundraising organization. The campaign could not provide supporting documentation to verify that the fundraising organization promptly submitted annual financial reports during the audited period. The campaign committee and OSC should clarify the requirements for financial reporting to meet statutory requirements, and exercise greater oversight over the fundraising organization's preparation of the statutorily required annual report presented to agencies and stakeholders. (See Recommendation 4.)
Page 14	The campaign did not promptly distribute funds received from the Office of the State Comptroller in compliance with Section 5-262(e) of the General Statutes. The campaign committee should establish monitoring controls to ensure the fundraising organization promptly distributes funds to participating federations. (See Recommendation 5.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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December 16, 2020

AUDITORS' REPORT

We have audited certain operations of the State Employees' Campaign for Charitable Giving 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 campaign years ended December 31, 2018 and 2019. The objectives of our audit were to:

1. Evaluate the campaign's internal controls over significant management and financial functions;
2. Evaluate the campaign's compliance with policies and procedures internal to the campaign or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, 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, as well as certain external parties; and testing selected transactions. Our testing is not designed to project to a population unless specifically stated. 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources, including but not limited to, the campaign's management and the state's information systems, and was not subjected to the procedures applied in our audit of the campaign. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts, and grant agreements, policies, and procedures; and
3. Identified a need for improvements in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Connecticut State Employees' Campaign for Charitable Giving.

COMMENTS

FOREWORD

The State Employees' Campaign for Charitable Giving is organized under Chapter 67, Section 5-262 of the Connecticut General Statutes to provide a mechanism for state employees to contribute to charitable organizations for public health, welfare, environmental, conservation, or service purposes. The statute authorizes a State Employees Campaign Committee to organize qualifying federations of charitable organizations to participate in the annual solicitation of donations and to select a Principal Combined Fundraising Organization to administer the campaign. The fundraising organization serves as the central accounting point for payroll deduction funds received from the Office of the State Comptroller.

ORGANIZATIONAL STRUCTURE

Section 5-262(h) of the General Statutes requires the State Comptroller to adopt regulations, exercise general supervision over all operations of the campaign, and take any necessary steps to ensure achievement of campaign objectives. The State Comptroller has the authority, for purposes of compliance, to audit, investigate and report on the administration of the campaign, the fundraising organization that administers the campaign, and any federation or federation member organization that participates in the campaign.

Section 5-262(b) of the General Statutes provides for the establishment of the campaign committee, consisting of 13 voting members, one non-voting representative from each participating federation and one non-voting representative from the fundraising organization, to supervise campaign activities. The campaign committee sets administrative policy for the campaign. Its main functions are to:

- Evaluate and select federations to participate in the annual campaign;
- Evaluate and select a federation to serve as the fundraising organization; and
- Oversee the operations of the fundraising organization.

The 2019 campaign leadership was as follows:

Statewide Campaign Chair:

Susan Bysiewicz Lieutenant Governor

Campaign Committee Leadership:

Chair	Captain Timothy Newton	Department of Correction
Vice Chair	Peggy Gray	State Retiree

Campaign Committee Members:

Julie Bernosky	Department of Administrative Services
Cindy Cannata	Freedom of Information Commission
Valerie Clark	Office of Policy and Management
Kathleen Gensheimer	Judicial Branch
Charles Kistler	State Retiree
Betsy McDermott	Office of the State Comptroller
Ina Wilson	Department of Education

Other persons serving during the audited period include:

Lilia Kieltyka	Department of Economic and Community Development
Jacqueline Henry-Rafiq	Department of Transportation)
Joshua Scollins	Department of Administrative Services)
State Comptroller Kevin Lembo	Statewide Campaign Chair 2018)

Section 5-262(c)(4) of the General Statutes requires the State Comptroller, on behalf of the campaign committee, to contract with the selected fundraising organization to administer the campaign. The United Way, Inc. was selected as the qualified organization to provide operational management for the administration of the campaign for the 2017, 2018, and 2019 campaign years. The Comptroller collects donations from state employees through biweekly payroll deductions and submits them to the fundraising organization. The fundraising organization receives funds from the Comptroller, one-time donations through pledges paid by employee credit cards, and various

special events conducted among different state agencies to create awareness of the campaign and raise additional funds. The funds are distributed monthly to the various federations after receipt.

RÉSUMÉ OF OPERATIONS

The campaign is intended to be self-funding. It's operating and administrative expenses are funded from contributions subject to a budget proposed by the fundraising organization and approved by the campaign committee. The expenses are allocated among the participating federations to calculate net distributions to the federations, which are then distributed to the charities designated by donor pledges.

The following analysis is compiled primarily from campaign annual reports prepared by the fundraising organization:

	Campaign Year	
	2018	2019
Number of Donors	3,221	2,291
Contributions:		
Payroll Deductions	\$633,339	\$461,861
Special Events	37,840	38,046
Other Cash and Credit Card Contributions [1]	52,856	51,147
Total Contributions	\$724,035	\$551,054

[1] Other Cash and Credit Card Contributions are not included in the final reports published to the campaign website.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut State Employees' Campaign for Charitable Giving disclosed the following 5 recommendations, of which all have been repeated from the previous audit:

Contract Execution Weakness

Background: The Office of the State Comptroller annually executes a contract with a Principal Combined Fundraising Organization on behalf of the State Employee Campaign Committee. The fundraising organization manages the Connecticut State Employees' Campaign. The contract defines the scope and nature of services the fundraising organization will provide to the campaign committee, and their respective obligations. The fundraising organization presents an annual budget for approval by the campaign committee, as required by Section 5-262(f) of the General Statutes.

Criteria: Section 5-262(i) of the General Statutes requires the campaign committee to annually conduct a comprehensive review of the campaign by April 1.

Contracts should be signed and dated by all responsible parties.

A contract should define terms that clearly state the objectives, tasks, deadlines, and all associated parties' responsibilities.

Condition: The contract between the Office of the State Comptroller, campaign committee, and fundraising organization did not include the date of all parties' signatures to clearly identify the contract's execution date.

The contract incorrectly identified July 1 as the annual due date for reporting the Annual Comprehensive Review to the Governor, Comptroller, and General Assembly.

Effect: The absence of all parties' signature dates makes the contract's final execution date uncertain.

Contractual reporting requirements are not consistent with the associated statutory reporting requirements.

Cause: The lack of signature dates may be due to a lack of oversight.

The campaign did not accurately update contract language in accordance with Section 5-262(i) of the General Statutes.

Prior Audit Finding: This finding has been previously reported in part in the last audit report covering the campaign years ended 2015 through 2017.

Recommendation: The Office of the State Comptroller should verify that all signatures are dated to clearly identify the execution date of the contract for the administration of the State Employees' Campaign for Charitable Giving. In addition, the campaign should update contract language to accurately reflect reporting due dates. (See Recommendation 1.)

AgencyResponse: "The OSC agrees with the finding that the Contract language was not accurately updated in accordance with Section 5-262(i) of the General Statutes and will take corrective action with a Contract Amendment.

The OSC does not agree with the finding that lack of signature dates may be due to a lack of oversight.

The contract language is clear that the effective date of the Contract is as follows:

"The term of this Agreement begins effective **July 1, 2019** (the "Effective Date"), and shall expire three (3) years from the Effective Date, at which time the parties may agree to extend the Agreement for up to two (2) additional one (1) year periods. The SECC will provide the Contractor with thirty (30) days' notice if the SECC intends to exercise the option to extend the Agreement."

A contract signature does not have to be dated to be valid and enforceable. While there is no legal requirement that a contract be dated, the contract in question does include an "effective date". The effective date is the date that an agreement or transaction between or among signatories becomes binding. It also marks the date a party can start to be sued for breach of contracts if a party fail to meet your contractual commitments. As it pertains to when the legal obligations of the parties begin under this contract - the execution date is the effective date of July 1, 2019. This negates the "best practices" argument, as it makes clear to both parties when their legal obligations began."

Auditors' Concluding Comment:

Although there may be no legal requirement that a contract be dated to be valid and enforceable, adequate oversight measures include verification that contracts are properly executed, and signed and dated by all parties.

Statutory Non-Compliance

Background: Section 5-262 of the Connecticut General Statutes provides the general authorization for the Connecticut State Employees' Campaign for Charitable Giving and its component organizational elements: State Employees Campaign Committee, Office of the State Comptroller, and the Principal Combined Fundraising Organization. It also defines various specific processes relative to their administration of the campaign.

Criteria: The campaign committee is deemed a public agency pursuant to the Freedom of Information Act. Accordingly, Section 1-225(a) of the General Statutes requires the committee to post all meeting minutes on its website within 7 days, and the agenda of regular meetings at least 24 hours before the meetings. In addition, section 1-225(b) requires the committee to file a schedule of its regular meetings for the year with the Office of the Secretary of the State by January 31st of each year.

Section 5-262(i) of the General Statutes requires the campaign committee to conduct a comprehensive annual review of the campaign by April 1. It also requires the committee to submit a report on the results of the most recently completed campaign, with recommendations for improvements in the next campaign, to the Governor, the State Comptroller, and the General Assembly, in accordance with Section 11-4a.

Section 5-262-6 of the Regulations of Connecticut State Agencies requires the campaign committee to annually develop a cost allocation formula to determine each participating federation's share of the campaign costs.

Condition: The campaign could not provide supporting documentation to verify that it submitted campaign committee meeting schedules for calendar years 2018 and 2019 to the Secretary of the State. The campaign also could not provide documentation to verify they submitted timely schedules. .

The campaign did not promptly post committee meeting agendas and minutes to its website, as follows:

Agendas:

- September 11, 2018
- February 19, 2019
- September 10, 2019

Minutes:

- January 9, 2018
- March 13, 2018
- December 11, 2018
- January 8, 2019

The campaign committee has not effectively implemented its approval process for posting committee meeting minutes and agendas, which was approved on October 8, 2019. As of May 29, 2020, the following items were not posted to the campaign's website:

- May 12, 2020 minutes
- January, February, and March 2020 agendas

The campaign did not complete an annual comprehensive review of the campaign for the 2018 and 2019 years.

The campaign committee does not develop the cost allocation formula that determines each participating federation's share of the campaign costs.

<i>Effect:</i>	Lack of clarity in organizational responsibility and accountability resulted in noncompliance with statutory requirements.
<i>Cause:</i>	Campaign committee management did not conform its operational practices to its statutory authority.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last audit report covering the campaign years ended 2015 through 2017.
<i>Recommendation:</i>	The Office of the State Comptroller and the State Employees' Campaign Committee should work together to require the State Employees' Campaign for Charitable Giving to comply with its statutory authority and responsibilities. (See Recommendation 2.)
<i>Auditee Response:</i>	"The PCFO has developed Standard Operating Procedures in partnership with the Office of the State Comptroller and the State Employee Campaign Committee that include guidelines for noticing meetings and posting agendas and minutes within the timeframe prescribed by statute. The guidance as it relates to statutorily defined timeframes and the clear delineation of who is responsible for operationally making sure those timeframes are met will enable the PCFO to upload agendas and minutes in a timely fashion."

*Auditors' Concluding
Comments:*

The campaign developed its standard operating procedures with the State Comptroller, campaign committee, and fundraising organization for the 2020 campaign. We will review these procedures in our subsequent audit of the campaign to determine whether they are adequate and have been implemented.

General Administrative Weakness

Criteria:

An organization should implement a system of internal controls evidenced by appropriate procedural and transactional documentation, organization, systems, policies, and procedures to fulfill its responsibilities.

Condition:

The State Employees' Campaign Committee's system of internal controls appears to be deficient in a number of respects. We encountered the following conditions:

- The campaign committee does not have bylaws defining its internal operations.
- The committee does not retain documentation that provides evidence that it discharged its responsibilities, or a means to conduct oversight of the principle combined fundraising organization.
- The committee did not have controls in place that would enable it to monitor the fundraising organization's effectiveness in promptly compiling payroll deduction donation pledges.
- The committee has no documented standard governing the approval and oversight of non-payroll deduction solicitation methods, including special events, to ensure appropriate vetting of events and vendors, evaluation and management of liability risks, and control of the receipt, remittance, and reporting of funds.
- The committee does not have a control to verify that employee pledges to specific charities reached those charities in the correct amount.

Effect:

The campaign committee may not be able to effectively monitor the fundraising organization. Furthermore, the campaign and the state may be exposed to reputational risk, operational liability, and financial loss due to the lack of approval and monitoring standards for special events and non-payroll solicitation.

Cause: Our review of minutes and discussions with management determined that the campaign committee is comprised of a dedicated group who are committed to, and actively participate in the management of the campaign. However, the committee delegated most accounting and administrative responsibilities to the fundraising organization, and failed to retain sufficient administrative tools and records for adequate monitoring and oversight. This is due in part to the committee's lack of administrative resources.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the campaign years ended 2015 through 2017.

Recommendation: The State Employees' Campaign Committee should formalize its internal control structure to improve compliance with statutory and regulatory authority, effectively monitor the Preferred Combined Fundraising Organization, and fulfill its organizational responsibilities. (See Recommendation 3.)

Auditee Response: "The PCFO has developed Standard Operating Procedures in partnership with the Office of the State Comptroller and the State Employee Campaign Committee that include guidelines for training internal coordinators on the handling of special events and cash gifts. Specifically, coordinators are trained that when handling cash donations the Campaign only accepts U.S. currency; All special events that involve cash handling will be managed by two people; All cash collected for a special event should be counted and verified by two people; Personal checks replacing dollars raised at the event, will not be accepted; A receipt must be provided to the donor for their transition; Cash should never be left unattended; At the end of each special event: All cash should be put into the campaign report envelope then signed by the agency coordinator and one additional representative from the agency and all cash received during the special event must be turned in within 7 business days of the event to CSEC at 30 Laurel Street, Hartford CT 06106. In addition, the new feature of MobileCause App has been introduced which will make it easy to raise money quickly and give employees donating to the campaign the power to text-to-donate from anywhere, right on a mobile device and make the handling of cash obsolete.

The PCFO also demonstrated reconciliations performed throughout the campaign cycle and disbursements to federations.

Any prior findings regarding this condition should not be attributed to the current PCFO as the current PCFO did not manage the Campaign when those prior findings were issued."

*Auditors' Concluding
Comments:*

Although the fundraising organization performs operating tasks, the campaign committee is responsible for ensuring effective policies and procedures are in place to provide oversight of the fundraising organization's campaign administration.

Standard operating procedures were collaboratively developed by the State Comptroller, the campaign committee, and the fundraising organization and were implemented for the 2020 campaign. We will review the design and implementation of these procedures during our subsequent audit of the campaign.

The campaign selected the United Way, Inc. as the fundraising organization since the 2017 campaign, which was reviewed during the prior audited period. The United Way continues to demonstrate improvements in the overall administration of the campaign.

Campaign Financial Reporting Deficiencies

Criteria:

Section 5-262(c) of the General Statutes states that the State Employee Campaign Committee is responsible for supervising the principal combined fundraising organization to administer the Connecticut State Employee's Campaign.

Section 5-262(g) of the General Statutes requires the fundraising organization to submit an annual financial report of its campaign activities to the Auditors of Public Accounts and Office of the State Comptroller by March 1.

Section 5-262(f) of the General Statutes states that, following the conclusion of the annual campaign, the fundraising organization shall recover not more than 110% of its preapproved actual administrative expenses from the gross payroll deduction receipts of the campaign.

Condition:

The campaign committee approved annual financial reports without verifying the accuracy of amounts reported by the fundraising organization.

The campaign could not provide supporting documentation to verify that the fundraising organization promptly submitted annual financial reports during the audited period.

Our review of the 2019 annual financial report identified the following:

1. Final report amounts did not agree with supporting documentation obtained from the fundraising organization's database as follows:
 - The organization did not include \$51,223 in other cash and credit card contributions in its final report.
 - Contributions raised exceeded the reported total by \$75.60.
 - Designated contribution amounts exceeded the reported total by \$2,780.
 - Undesignated contributions are \$2,831 less than the reported total.
2. We identified a \$25 variance in the output of two of the fundraising organization's database reports, processed for the same period.
3. Actual expenditures for campaign years 2018 and 2019 do not agree with the fundraising organization's trial balance detail reports.
4. Actual revenues for campaign years 2018 and 2019 do not agree with the amounts identified in the final reports.
5. The fundraising organization recovered \$39,314 more than the 110% preapproved administrative expenditure in campaign year 2019.

Effect: The fundraising organization's report on the campaign website is not an adequate financial report of operations.

Cause: The campaign committee substantially delegated accounting and reporting responsibilities to the fundraising organization without conducting adequate oversight.

The fundraising organization submitted its annual financial report prior to the completion of the final 2019 campaign budget report. In addition, the fundraising organization received additional donations after printing the 2019 annual report.

The committee did not previously require the fundraising organization to include "other" contributions in the final report due to a misunderstanding.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the campaign years ended 2015 through 2017.

Recommendation: The State Employees' Campaign Committee and the Office of the State Comptroller should clarify the requirements for financial reporting to meet statutory requirements. The committee should also exercise greater oversight over the Principal Combined Fundraising Organization's preparation of the statutorily required annual report presented to agencies and stakeholders. (See Recommendation 4.)

Auditee Response: "To be clear, all funds received were processed by the PCFO and distributed according to contractual obligation. The PCFO provided documentation to the auditor that supports the receipt, processing and distribution of the \$51,223 in cash gifts through the campaign. It was a misunderstanding in what was to be included during the development of the campaign report that was not repeated in subsequent reports.

The PCFO received \$75.60 from donors after the annual report was printed. To honor donor intent, the PCFO distributed the funds immediately rather than holding them until the next campaign cycle. The funds were processed and distributed according to donor intent.

The reporting differences cited between the CRM system and the final report listing designated \$2,780 and undesignated \$2,831 are reported incorrectly and this finding should be removed. Donors are permitted to make designated contributions to any of the federations participating in the campaign and/or their member charities. Those designations directly to the federations, i.e., Earth Share, are not considered or included in the pool of undesignated dollars all charities share. The PCFO calculated the designated and undesignated correctly, therefore this finding should be removed.

As we are sure the auditor can attest, any database can render slightly different results depending on the criteria selected. The \$25 difference was due to criteria selection and immaterial as the PCFO was able to substantially demonstrate our processing practices and provide documentation on how dollars were accurately processed and distributed.

In addition, as previously explained and demonstrated, the PCFO has shifted costs to other funds to keep costs at contractual limits. The budget report reviewed by the auditor was not final for the 2019 campaign and the final report should be reviewed and the finding modified, if necessary, prior to the finalization of this audit report. The PCFO is paying out donations from the 2019 campaign that are collected in 2020 and will adhere to contractual limits for reimbursement of expenses. It is correct that our budget spreadsheet showed much more was spent on the campaign. However, factually

incorrect that the PCFO reimbursed themselves \$39,314 for expenses. For the 2019 campaign, the PCFO reimburses over the calendar year 2020 into the first quarter of 2021.

Any prior findings regarding this condition should not be attributed to the current PCFO as the current PCFO did not manage the Campaign when those prior findings were issued.”

*Auditors’ Concluding
Comments:*

Cited reporting differences between the final report and the CRM database are based on the supporting documentation provided by the fundraising organization.

Although the fundraising organization states that they did not reimburse themselves \$39,314 for expenses, supporting documentation does not provide evidence that the amount exceeding the 110% of preapproved administrative expenditures were reallocated, as done in the 2018 campaign year.

The United Way was selected as the fundraising organization as of the 2017 campaign, which was reviewed during the prior audited period. The United Way, Inc. continues to demonstrate improvements in the overall administration of the campaign.

Untimely Distribution of Donations by Principal Combined Fundraising Organization

Background:

The Office of the State Comptroller transfers payroll deductions for charitable contributions into a checking account maintained by the Principal Combined Fundraising Organization. The fundraising organization deposits other campaign participant donations into the same account as cash donations, credit card payments, and proceeds from special events. The organization then periodically distributes these donations, based on donor pledges, among campaign federations and their component charities. The State Employees’ Campaign Committee, which oversees the Principal Combined Fundraising Organization, does not have any direct responsibility for the account, or a means of overseeing the account’s activity.

Criteria:

Section 5-262(e) of the General Statutes requires the fundraising organization to distribute funds received from the State Comptroller to federations affiliated with the campaign each month after receiving the funds.

Condition:

The campaign did not promptly distribute funds received from the Office of the State Comptroller in compliance with Section 5-262(e) of the General Statutes.

- Context:*
1. The fundraising organization did not distribute undesignated funds each month for the 2018 campaign year. The organization distributed the funds collectively after the 4th quarter of the 2018 calendar year.
 2. The fundraising organization did not distribute payroll deductions for the first, second, and third quarter of the 2018 campaign and fourth quarter of the 2019 campaign within 30 days of receipt from the Comptroller.
- Effect:* Distributions to campaign affiliated federations were unnecessarily delayed.
- Cause:* The campaign committee lacked an effective means to monitor management of campaign fund distributions by the fundraising organization for compliance with Section 5-262 of the General Statutes.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the campaign years ended 2015 through 2017.
- Recommendation:* The State Employees’ Campaign Committee should establish monitoring controls to ensure the Principal Combined Fundraising Organization promptly distributes funds to participating federations. (See Recommendation 5.)
- Auditee Response:* “This is the third campaign for this current PCFO, and the PCFO has been able to demonstrate a progression of consistent improvement in processing and paying out the campaigns. After the first year according to auditor report – Review – Collections and Distributions, three of the four quarters were disbursed timely. With regards to item number 3, the fourth quarter 2019 payment, the PCFO received two final payments from the State. One payment was received on January 17. The final payment was received on January 21. The final payment on January 21 was unexpected and prompted a review to ensure the payment was for the current campaign or intended for the next campaign. It was determined the final payment was January 21 and both payments were processed together. The additional four days it took to ensure the PCFO was processing the payment accurately was warranted to meet donor intent and accurately process dollars intended for the current period. The PCFO has refined our lookback process and will meet the payout deadline timely as we have demonstrated.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Connecticut State Employees' Campaign for Charitable Giving contained 5 recommendations. None have been implemented or otherwise resolved and all have been repeated or restated with modifications during the current audit.

- The Office of the State Comptroller and the State Employees' Campaign Committee should work together to require the State Employees' Campaign for Charitable Giving to comply with its statutory authority and responsibilities. **This recommendation is being repeated for current conditions noted. (See Recommendation 2.)**
- The State Employees' Campaign Committee should execute contracts and associated budgets that align with each annual campaign's service requirements. The contracts should include specific service start and end dates and all parties' signature dates to establish the execution date. **This recommendation is being modified for current conditions noted. (See Recommendation 1.)**
- The State Employees' Campaign Committee should formalize its internal control structure to improve compliance with statutory and regulatory authority, effectively monitor the Preferred Combined Fundraising Organization, and achieve its organizational responsibilities. **This recommendation is being repeated in part for current conditions noted. (See Recommendation 3.)**
- The State Employees' Campaign Committee and the Office of the State Comptroller should clarify the requirements for financial reporting to meet statutory requirements and exercise greater oversight over the Principal Combined Fundraising Organization's preparation of the statutorily required annual report presented to agencies and stakeholders. **This recommendation is being repeated for current conditions noted. (See Recommendation 4.)**
- The State Employees' Campaign Committee should obtain statutory authority for its operational policy regarding timely distribution of funds collected by the Principal Combined Fundraising Organization, and should institute monitoring controls to assure that the fundraising organization promptly distributes funds to participating federations. **This recommendation is being repeated. (See Recommendation 5.)**

Current Audit Recommendations:

- 1. The Office of the State Comptroller should verify that all signatures are dated to clearly identify the contract execution date for the administration of the State Employees' Campaign for Charitable Giving. In addition, the campaign should update contract language to accurately reflect reporting due dates.**

Comment:

The contract between the Office of the State Comptroller, state employee campaign committee, and fundraising organization did not include the date of all parties' signatures to clearly identify the contract's execution date. The contract incorrectly identified July 1 as the annual due date for reporting the Annual Comprehensive Review to the Governor, State Comptroller, and General Assembly.

- 2. The Office of the State Comptroller and the State Employees' Campaign Committee should work together to require the State Employees' Campaign for Charitable Giving to comply with its statutory authority and responsibilities.**

Comment:

We identified numerous instances in which the campaign committee did not comply with its statutory authority and responsibilities regarding the posting of meeting schedules, agendas, and minutes to its website.

- 3. The State Employees' Campaign Committee and the Office of the State Comptroller should formalize its internal control structure to improve compliance with statutory and regulatory authority, effectively monitor the Preferred Combined Fundraising Organization, and fulfill its organizational responsibilities.**

Comment:

The State Employees' Campaign Committee's system of internal controls appears to be deficient in a number of respects. Areas of concern include a lack of operational bylaws, insufficient documentation of oversight, and no control to verify employee pledges reached their intended charities in the correct amounts.

- 4. The State Employees' Campaign Committee and the Office of the State Comptroller should clarify the requirements for financial reporting to meet statutory requirements. The committee should also exercise greater oversight over the Principal Combined Fundraising Organization's preparation of the statutorily required annual report presented to agencies and stakeholders.**

Comment:

The campaign committee approved annual financial reports without verifying the accuracy of amounts reported by the fundraising organization. The campaign could not provide supporting documentation to verify that the fundraising organization promptly submitted annual financial reports during the audited period.

- 5. The State Employees' Campaign Committee should establish monitoring controls to ensure the Principal Combined Fundraising Organization promptly distributes funds to participating federations.**

Comment:

The campaign did not promptly distribute funds received from the Office of the State Comptroller in compliance with Section 5-262(e) of the General Statutes.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut State Employees' Campaign for Charitable Giving during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditor who contributed to this report:

Jaimey Makie



Jaimey Makie
Auditor 2

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor