# Nicole Galloway, CPA

## Missouri State Auditor

# Office of Lieutenant Governor

Report No. 2019-055

July 2019

auditor.mo.gov

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# Nicole Galloway, CPA
**Missouri State Auditor**

# CITIZENS SUMMARY

## Findings in the audit of the Office of Lieutenant Governor

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|---|---|
| Lieutenant Governor Travel and Calendar | The Lieutenant Governor's office did not take adequate measures to minimize the Lieutenant Governor's travel costs. The office paid travel costs for the Lieutenant Governor to attend entertainment events that did not appear necessary to office operations or a reasonable use of state funds. The office often did not follow office policy or state travel regulations when making travel decisions and submitting mileage reimbursements. The office did not retain a complete, accessible calendar of the Lieutenant Governor's activities. |
| Vehicles | The Lieutenant Governor's office did not prepare documentation justifying the purchase of two vehicles, and the need for these vehicles is questionable because they were infrequently used. Office personnel did not maintain complete vehicle usage logs. |
| Payroll and Timekeeping | Payments to one intern totaling $2,330 (233 work hours) were not supported by timesheets. Employee timesheets were not always reviewed by a supervisor or reconciled to the SAM II system and two employees received holiday leave in excess of official state holidays. |
| Personnel Procedures | The Lieutenant Governor's office did not perform criminal background screenings on employees or potential employees. The office did not prepare written job descriptions for the positions of director of tourism and marketing, director of veterans and senior affairs, and intern. The office did not have adequate controls to ensure timely removal of SAM II system user accounts of terminated employees. |
| Employee Purchases | The Lieutenant Governor's office purchased several items through employee reimbursements, rather than the normal purchasing process or use of state issued purchasing cards. As a result, the office reimbursed a former Chief of Staff $525 twice for the same item, and without adequate supporting documentation. |
| Capital Assets | Records and procedures to account for Lieutenant Governor's office property were not adequate. |

In the areas audited, the overall performance of this entity was **Fair**.*

*****The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

**Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.

**Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.

**Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.

**Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

# Office of Lieutenant Governor
# Table of Contents

# NICOLE GALLOWAY, CPA
## Missouri State Auditor

Honorable Michael L. Parson, Governor
and
Honorable Mike Kehoe, Lieutenant Governor
Jefferson City, Missouri

We have audited certain operations of the Office of Lieutenant Governor, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the period January 9, 2017 to June 1, 2018. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.

2. Evaluate the office's compliance with certain legal provisions.

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

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are 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 applicable contract, grant agreement, 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. 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.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Lieutenant Governor.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

| | |
|---|---|
| Director of Audits: | Kim Spraggs, CPA, CGAP |
| Audit Manager: | John Lieser, CPA |
| In-Charge Auditor: | Tessa Rusatsi, CPA |
| Audit Staff: | Charity Grotzinger, CGAP |

# Office of Lieutenant Governor
# Introduction

## Background

The lieutenant governor is required to meet the same qualifications as the governor. The lieutenant governor is elected for a 4-year term. On January 9, 2017, Michael L. Parson was inaugurated as the forty-seventh lieutenant governor of Missouri. He served in this role until June 1, 2018, when he was sworn in as Missouri's fifty-seventh governor upon the resignation of Governor Eric R. Greitens. His term as lieutenant governor was to expire in January 2021. Governor Parson appointed Mike Kehoe as lieutenant governor to fill the remainder of the term and he was sworn in on June 18, 2018.

The Office of Lieutenant Governor is located in Jefferson City. During his term of office, Lieutenant Governor Parson resided near Bolivar, about 114 miles southwest of Jefferson City.

### Required duties

The duties of the lieutenant governor are prescribed by the Missouri constitution and state law.

Constitutional duties include serving as the ex officio president of the Missouri Senate and voting in the event of a tie vote; presiding as governor when the governor is absent from the state or disabled; and fulfilling the remainder of the term of governor upon the death, conviction, impeachment or resignation of the governor.

By statute, the lieutenant governor is to serve on the following boards and commissions:

- Missouri State Capital Commission
- Board of Public Buildings
- Missouri Development Finance Board
- Missouri Housing Development Commission
- Board of Fund Commissioners
- Tourism Commission
- Missouri Community Service Commission
- Special Health, Psychological and Social Needs of Minority Older Individuals Commission

Other statutory duties include advocating for senior citizens and serving as advisor to the Department of Elementary and Secondary Education on the early childhood education and parents as teachers programs.

### Initiatives

Similar to other recent lieutenant governors, Lieutenant Governor Parson promoted various discretionary initiatives. He advocated for military veterans as was the practice of previous lieutenant governors. He developed the Buy Missouri program to promote products that are grown, manufactured, processed, and/or made in Missouri. For this program, the office produced and included on the Lieutenant Governor's website, informational videos for about 15 Missouri manufacturers. Also, Lieutenant Governor Parson served as co-chair for the Missouri affiliate of the not-for-profit Jobs for America's Graduates program, a national program to support youth to graduate from high school and transition into college and careers. His travel costs often related to these discretionary initiatives.

## Employees and expenditures

Throughout Lieutenant Governor Parson's term, the office had 5 to 6 full-time employees in the following positions:

- Chief of staff
- Executive assistant
- Director of communications
- Director of constituent services
- Director of veterans and senior affairs
- Director of tourism and marketing

The director of tourism and marketing position was created and filled in June 2017. The Director of Veterans and Senior Affairs was terminated in December 2017 and was not replaced. During Lieutenant Governor Parson's term, two individuals served as Chief of Staff (one from January to June 2017 and the other from July 2017 to June 2018), and two individuals served as Director of Communications (one from January to December 2017 and the other from December 2017 to June 2018). In addition, the office employed 2 part-time interns. During his term, expenditures for salaries and wages totaled about $477,000, or about 76 percent of total expenditures ($626,000).

A significant portion of the office's non-salary expenditures related to travel. The Lieutenant Governor, interns, Director of Tourism and Marketing, Chief of Staff, and Director of Communications often traveled throughout the state for various purposes. The Lieutenant Governor frequently traveled for meetings, speaking engagements, and other purposes. Much of the Director of Tourism and Marketing's travel related to the Buy Missouri program. During Lieutenant Governor Parson's term, travel-related expenditures including mileage reimbursements, charges for usage of vehicles from the Office of Administration (OA) vehicle fleet, lodging, meals, commercial transportation, fuel, and vehicle repairs totaled about $15,850, or about 11 percent of the office's non-salary expenditures.

In January 2018, the Lieutenant Governor traveled to Hawaii to attend a ceremony related to the USS Missouri submarine. An office press release indicated military foundations sponsored the trip. According to a former office official, the Lieutenant Governor's travel expenses for that trip were funded by private entities, but private sources paid for no other office costs.

## 1. Lieutenant Governor Travel and Calendar

The Lieutenant Governor's office did not take adequate measures to minimize the Lieutenant Governor's travel costs. The Lieutenant Governor primarily used his personal vehicle to travel. During his term (January 9, 2017 to June 1, 2018), he received mileage reimbursements totaling approximately $8,600 for 118 trips. In addition, office personnel did not properly retain and archive an official calendar.

### 1.1 Unnecessary trips

The Lieutenant Governor's office paid travel costs for the Lieutenant Governor to attend entertainment events that did not appear necessary to office operations or a reasonable use of state funds. The Lieutenant Governor was reimbursed:

- $57 for round trip mileage from Bolivar to Branson to attend a 50th anniversary country gospel musical performance on Sunday, June 30, 2017.
- $224 to attend a performance by the University of Missouri Kansas City Conservatory of Music and Dance on Friday, November 10, 2017. The reimbursement included $122 for lodging and $102 for round trip mileage from Bolivar to Kansas City.
- $111 for round trip mileage from Jefferson City to Kansas City on Saturday, December 16, 2017. His expense report indicated he attended an "event with Clark Hunt at Arrowhead Stadium." Missouri Ethics Commission records indicate a lobbyist provided the Lieutenant Governor with tickets for the football game that day.
- $133 for round trip mileage from Jefferson City to Branson to attend the premier of a theatrical performance on Saturday, March 2, 2018.

According to a former office official, the Lieutenant Governor was invited to each of these events; however, the office did not maintain documentation supporting the business purpose of these trips. Code of State Regulations, 1 CSR 10-3.010(1), requires that state payment of goods and services have a clear business relationship to the agency work program. The Lieutenant Governor's office should ensure funds are used only for costs necessary and beneficial to office operations.

### 1.2 Vehicular travel reimbursements

The Lieutenant Governor's office often did not follow office policy or state travel regulations when making travel decisions and submitting mileage reimbursements.

#### Cost-effective method of travel

The Lieutenant Governor used his personal vehicle and received mileage reimbursements when other travel options were more cost effective. In addition, for some trips, the office could not provide documentation that an evaluation of the most cost-effective method of travel had been performed.

The office purchased a vehicle in both November 2017 and January 2018. In addition, for travel considerations of state agencies, the Office of Administration (OA) maintains a fleet of vehicles in Jefferson City, and has contracts with car rental companies with vehicle locations throughout the state including sites in Jefferson City and Bolivar. The OA maintains a Trip Optimizer website for state employees to determine the most cost-effective method of travel. The calculation is based on the employee's location, the trip destination, and the number of travel days and considers the costs of using a rental vehicle or state fleet vehicle, or reimbursing an employee for use of a personal vehicle.

The office did not prepare a Trip Optimizer report or other cost calculation for 40 of the Lieutenant Governor's 118 trips. In addition, for 47 of the 78 trips where a trip optimizer report was prepared, the report indicated an OA fleet vehicle or rental vehicle was a lower-cost option than personal mileage reimbursement. According to the trip optimizer reports, the potential cost savings for these 47 trips totaled about $2,100. For 15 of the 16 trips that began and ended in Jefferson City and after the purchase of the two vehicles, the Lieutenant Governor used his personal vehicle and received mileage reimbursement when at least 1 of the office vehicles was available on the trip date(s). The office did not maintain documentation explaining why the lower-cost option or office vehicles were not used for these trips.

### Additional mileage to and/or from residence

For some trips, the Lieutenant Governor was reimbursed additional mileage to and/or from his Bolivar residence than the mileage to and/or from his official domicile in Jefferson City. Of 83 trips that began and/or ended at his residence, the Lieutenant Governor received additional mileage reimbursements totaling $584 for 20 trips where the mileage to and/or from his residence was higher than the mileage to and/or from Jefferson City. The office maintained no documentation justifying the business necessity for reimbursing the additional mileage to and/or from the Lieutenant Governor's residence.

### Conclusion

The office's Policies and Procedures Manual states the office will follow state travel regulations. Code of State Regulations, 1 CSR 10-11.030, requires officials and employees select the most cost-effective travel method, retain documentation to justify any exceptions to the requirement, and use the Trip Optimizer or another equivalent method to calculate travel costs.[1] Additionally, 1 CSR 10-11.010 requires mileage be reimbursed and computed between the travel site destination and the official domicile or residence, if leaving directly from the residence, whichever is less. The regulation states official domicile shall be the actual working or headquarters location of an

[1] In May 2019, these provisions were incorporated into 1 CSR 10-11.010 and 1 CSR 10-11.030 was rescinded.

employee or official as best serves the interest of the state and not for the convenience or benefit of the employee. The Lieutenant Governor should follow the travel regulations to ensure travel is conducted in the most cost-effective manner.

## 1.3 Official calendar

The office did not retain a complete, accessible calendar of the Lieutenant Governor's activities. Office personnel kept a calendar in an email account; however, the calendar was not properly retained or transferred to the Missouri State Archives. The office retained a computer screen print of the calendar by event date for only the period January to June 2017 and the screen prints did not include the full text entries of many events. Upon our request, office personnel obtained from the OA - Information Technology Services Division (ITSD), hundreds of files supporting the calendar events for Lieutenant Governor Parson's term; however, the files were not (1) in a calendar format, (2) listed chronologically by event date, and (3) searchable. Consequently it was difficult and cumbersome to determine the Lieutenant Governor's activities by date. Also, the records generally noted the date, time, and location of scheduled events, and the person(s) with whom he met; but the business nature of the meeting or event was often not documented.

Good governance and the conduct of state business requires transparency, openness, and accountability. Also, the Secretary of State's Agency Records Disposition Schedule requires elected officials transfer calendars to the Missouri State Archives upon completion of the official's term of office. The Lieutenant Governor should maintain and properly archive an official calendar that is maintained chronologically by event date and adequately details the nature and official duties of all travels and office functions.

# Recommendations

The Office of Lieutenant Governor:

1.1 Ensure future expenditures are necessary and reasonable for the operation of the office.

1.2 Follow the office's travel policy and state travel regulations requiring the state employees, including elected officials, use the most cost-effective method of travel. If circumstances require a higher-cost travel method or additional mileage to and/or from a personal residence, documentation should be maintained for the justification.

1.3 Maintain an official calendar chronologically by event date that details the official duties of the Lieutenant Governor's official activities, and archive the calendar in accordance with guidelines of the Secretary of State.

## Auditee's Response

*Former Lieutenant Governor Parson's written response, provided by the current General Counsel to the Governor, is included at Appendix A.*

*Current Lieutenant Governor Kehoe's written response is included at Appendix B.*

## Auditor's Comment

1.1 Former Lieutenant Governor Parson's response states the Lieutenant Governor's office only paid for the Lieutenant Governor to travel to events that had a business relationship to his work. For the trips addressed in the audit finding, the Lieutenant Governor was reimbursed travel costs to attend entertainment events; however, no documentation was maintained to support the trips were for business purposes. During audit fieldwork and the exit process, we requested such documentation from current and former personnel of the Lieutenant Governor's office; however, no one provided this documentation. To maintain transparency and demonstrate compliance with state travel regulations, reimbursements for travel expenses associated with entertainment events should be supported by clear, detailed documentation to support that the expenses were necessary for the operation of the office.

1.2 Former Lieutenant Governor Parson's response states the process used by the Lieutenant Governor's office complied with state travel regulations in effect at the time; however, as explained in the audit finding, the office did not document compliance with these requirements. The response also indicates other factors may have been considered when travel decisions were made; however, as noted in the audit finding, such factors were not documented. The regulations require that documentation be retained to justify any exceptions to the requirements. For example, if the Trip Optimizer system fails to provide a travel option (as suggested in the response) office personnel should document that situation and perform an alternative evaluation.

# 2. Vehicles

Procedures and controls over vehicle purchases and usage were not adequate.

The Lieutenant Governor's office purchased two used sport utility vehicles (SUVs), costing about $33,000, in November 2017 and January 2018. Previously, employees primarily used OA fleet vehicles for travel. As previously indicated, the Lieutenant Governor primarily traveled in his personal vehicle, rather than office vehicles or other methods. Lieutenant Governor Kehoe disposed of one of the vehicles shortly after taking office, reducing the fleet to one vehicle.

## 2.1 Purchases

The Lieutenant Governor's office did not prepare documentation justifying the purchase of the vehicles, and the need for these vehicles is questionable because they were infrequently used.

Prior to purchasing the vehicles, during the 12-month period of January to December 2017, office employees used OA vehicles during 33 days at a cost of $1,567 (average of $47 per day). During the 5-month period of January to May 2018, vehicle logs show one vehicle was used during 22 days (21 percent of total business days during the period) and the other vehicle during 19 days (18 percent of total business days).

According to former office officials, the vehicles were needed for transporting equipment related to the Buy Missouri program and for other office travels. The OA vehicle fleet and state car rental contracts include SUVs, but office personnel did not have documentation analyzing the cost effectiveness of owning the vehicles.

To ensure efficient use of state resources, the Lieutenant Governor's office should analyze vehicle utilization and costs of owning vehicles versus other travel methods before making decisions to purchase vehicles. Justification supporting the decisions should be documented.

## 2.2 Usage logs

The Lieutenant Governor's office did not maintain complete vehicle usage logs. The usage log for one vehicle did not include the trips during the months of November and December 2017; and for one trip totaling 359 miles, the log did not include the date, purpose, and destination. The usage log for the other vehicle did not include the purpose or destination for one trip totaling 422 miles.

Complete and accurate vehicle usage logs are necessary to document the appropriate use of vehicles and to support fuel purchases and maintenance expenses. The logs should be periodically reviewed for completeness and reasonableness.

# Recommendations

The Office of Lieutenant Governor:

2.1 Before making future vehicle purchases, analyze vehicle utilization and costs of owning vehicles versus other travel methods and prepare documentation to support the justification for buying a vehicle.

2.2 Maintain complete and accurate vehicle usage logs, and periodically review the logs for completeness and reasonableness.

# Auditee's Response

*Former Lieutenant Governor Parson's written response, provided by the current General Counsel to the Governor, is included at Appendix A.*

*Current Lieutenant Governor Kehoe's written response is included at Appendix B.*

## 3. Payroll and Timekeeping

Payroll and timekeeping procedures were not adequate and an intern was paid $2,330 without proper support for amounts paid.

Each semi-monthly pay period, the Chief of Staff reported employee leave taken and intern hours worked to the OA for entry into the Statewide Advantage for Missouri (SAM II) system. During Lieutenant Governor Parson's term, the office employed 8 people in 6 positions and 2 part-time interns.

### 3.1 Intern pay

Payments to one intern totaling $2,330 (233 work hours) were not supported by timesheets. Timesheets were not prepared for 5 of the 13 pay periods for this intern. For each of these periods, the intern was paid $10 per hour for 37 to 47 hours of work. For two other pay periods, the intern received pay for a total of 16 hours in excess of the number of hours recorded on the timesheets. These unsupported payments represented approximately half of the total wages ($4,820) received by the intern.

As noted in MAR finding number 4.2, written job descriptions were not prepared for the intern position. According to a former Chief of Staff, the interns primarily worked on the Buy Missouri program.

The office's Policies and Procedures Manual and Internal Control Plan require timesheets indicating the number of work and leave hours be prepared for each pay period and submitted to the chief of staff for approval. Properly prepared timesheets would document hours actually worked, support amounts paid, and provide information necessary to monitor tasks performed.

### 3.2 Timesheets and leave

Employee timesheets were not always reviewed by a supervisor or reconciled to the SAM II system and two employees received holiday leave in excess of official state holidays. Our review of 18 timesheets for 10 employees and related leave balances in the SAM II system identified the following concerns:

- Twelve timesheets did not contain indication of supervisory review and approval. Two of these timesheets were for a Chief of Staff.

- Sick leave and/or annual leave balances on 6 timesheets did not agree to the leave balances in the SAM II system with differences ranging from 4 hours to 13 hours. In addition, two timesheets showed leave taken (8 hours sick leave and 14 hours compensatory time off), but no leave usage was reported in the SAM II system for the related pay period. Office personnel did not reconcile leave balances per the timesheets to the SAM

II system and no one could provide an explanation for the differences noted.

- Two timesheets included holiday leave in excess of the official state holiday (8 hours) by 16 hours for one employee and 2 hours for another employee. For Christmas Day 2017, the timesheet for the first employee included 8 hours of holiday leave on 3 days (Friday December 22, Monday December 25, and Tuesday December 26) and the timesheet for the other employee included 10 hours of holiday leave on December 25. One of these timesheets had no indication of supervisory review and approval.

The office's Policies and Procedures Manual and Internal Control Plan require timesheets be submitted to the chief of staff for approval, and the Internal Control Plan requires timesheets for the chief of staff to be approved by the lieutenant governor. Proper review and approval of timesheets is necessary to ensure the accuracy of the hours worked, leave taken, and payroll amounts. In addition, reconciliations of timesheets to the SAM II system are necessary to ensure all leave taken is recorded in the SAM II system.

## Recommendations

The Office of Lieutenant Governor:

3.1 Ensure complete and accurate timesheets are prepared for all employees and timesheets agree to amounts paid.

3.2 Ensure employee timesheets are reviewed by a supervisor in accordance with office policy. In addition, the office should establish procedures to reconcile employee leave balances to SAM II system balances and ensure holiday leave is granted in accordance with official state holidays.

## Auditee's Response

*Former Lieutenant Governor Parson's written response, provided by the current General Counsel to the Governor, is included at Appendix A.*

*Current Lieutenant Governor Kehoe's written response is included at Appendix B.*

# 4. Personnel Procedures

The Lieutenant Governor's office did not perform criminal background screenings on employees, prepare employee job descriptions for some employees, or promptly remove SAM II system user accounts for terminated employees.

## 4.1 Background screening

The Lieutenant Governor's office did not perform criminal background screenings on employees or potential employees.

The office's Internal Control Plan indicates thorough background checks are to be performed during the hiring process. The state background check policy (SP-10) issued by the OA requires state agencies to perform pre-employment criminal history record checks on persons under final job consideration, and for current employees, the policy requires background checks for employees performing sensitive job duties and for employees in management positions when no previous background check was performed. Additionally, the OA's SAM II Financial Policies and Procedures require agencies to perform criminal background checks for all employees needing access to the SAM II system. Performing background checks on new employees reduces exposure to potential liabilities and helps safeguard office personnel and assets.

### 4.2 Employee job descriptions

The Lieutenant Governor's office did not prepare written job descriptions for the positions of director of tourism and marketing, director of veterans and senior affairs, and intern.

Job descriptions are needed to clarify the duties, responsibilities, required qualifications, and reporting relationships of each position to help prevent misunderstandings among employees and supervisors about performance expectations.

### 4.3 Terminated SAM II user account controls

The Lieutenant Governor's office did not have adequate controls to ensure SAM II system user accounts of terminated employees were timely removed. Three prior administration employees, terminated in January 2017, continued to have access to the SAM II system until termination of their user accounts in September 2017.

The OA's SAM II Financial Policies and Procedures require agencies using the SAM II system to regularly review access to identify accounts belonging to terminated users and request the OA remove the user's access to the system. Without effective procedures to timely remove access, terminated employees could continue to have access to critical or sensitive resources or have opportunities to sabotage or otherwise impair entity operations or assets.

## Recommendations

The Office of Lieutenant Governor:

4.1 Ensure background checks are conducted on all employees.

4.2 Prepare job descriptions for all positions.

4.3 Establish procedures to ensure SAM II system user accounts of terminated employees are timely removed.

## Auditee's Response

*Former Lieutenant Governor Parson's written response, provided by the current General Counsel to the Governor, is included at Appendix A.*

*Current Lieutenant Governor Kehoe's written response is included at Appendix B.*

## Auditor's Comment

4.3 Former Lieutenant Governor Parson's response states the Lieutenant Governor's office conducted regular reviews in order to properly limit access to the SAM II system. However, as evidenced in the finding, these reviews were not conducted effectively and/or within sufficient frequency to ensure timely removal of access for terminated employees.

## 5. Employee Purchases

The Lieutenant Governor's office purchased several items through employee reimbursements, rather than the normal purchasing process or use of state issued purchasing cards. As a result, the office reimbursed one item twice, and without adequate supporting documentation. During his term, the Lieutenant Governor and 4 employees received reimbursements totaling about $7,100 for various office purchases including recognition awards, promotional supplies, equipment, organization memberships, and administrative supplies.

We reviewed 11 office purchases reimbursed to the Lieutenant Governor and employees and noted a Chief of Staff was reimbursed $525 twice, in October 2017 and November 2017, for the same item. The October reimbursement was supported only by a price quote rather than a vendor invoice and the November reimbursement was not supported by an invoice or other proof of purchase. After we discussed this issue with office personnel, the former Chief of Staff provided the invoice supporting the purchase and reimbursed the $525 overpaid. Although, the office's Policies and Procedures Manual requires expense reports be supported by attached proof of purchase, a former office official indicated she did not notice the duplicate claim or lack of supporting documentation when she approved the reimbursement.

Due to the nature of the employee expense reimbursement process, reimbursing employees for office purchases increases the risk of improper expenditures. For smaller purchases, state agencies can participate in the OA's purchasing card program that provides policies and procedures over access and use of purchasing cards. The office should consider participating in this program. If the practice of allowing employees to purchase items and be reimbursed is continued, procedures should be established to ensure purchases are proper and necessary and comply with office policy.

## Recommendation

The Office of Lieutenant Governor discontinue the practice of allowing employees to purchase items and be reimbursed and consider utilizing state purchasing cards for smaller purchases. If this practice is continued, procedures should be established to ensure purchases are proper and necessary and comply with office policy.

## Auditee's Response

*Former Lieutenant Governor Parson's written response, provided by the current General Counsel to the Governor, is included at Appendix A.*

*Current Lieutenant Governor Kehoe's written response is included at Appendix B.*

## Auditor's Comment

Former Lieutenant Governor Parson's response states the Lieutenant Governor's office required employees seeking reimbursement for purchases to supply appropriate proof of purchase. However, for the overpayment identified during the audit, the office reimbursed the employee without such documentation.

## 6. Capital Assets

Records and procedures to account for Lieutenant Governor's office property were not adequate. As of June 1, 2018, 14 assets totaling about $21,000 were recorded in the SAM II system capital asset records.

Office personnel did not update SAM II system capital asset records for acquisitions and dispositions, and did not perform annual physical inventories. All 5 capital assets totaling about $39,000 purchased during Lieutenant Governor Parson's term were not included in the capital asset records. In addition, 1 of the 5 items (valued at $1,800) tested as part of the capital asset records test could not be located. A former office official indicated the item had been disposed of, but not removed from the capital asset records.

The office's Policies and Procedures Manual and Internal Control Plan require asset acquisitions and dispositions be timely recorded, all assets be inventoried annually, and the office follow the inventory policies and procedures in state regulations. Code of State Regulations, 15 CSR 40-2.031, requires each department to account for all acquisitions and dispositions of equipment items $1,000 or more, and to maintain adequate capital asset records that contain identification number; description of the item including name, make, model and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition; physical location in sufficient detail to readily locate the item; and method and date of disposition. An annual physical inventory of capital assets is required, and should be reconciled to capital asset records and the prior annual physical inventory, and documentation should be maintained of the physical inventory including the date, personnel performing the procedure, assets verified, and any adjustments needed to the inventory records. In addition, departments are required to establish controls over sensitive items less than $1,000.

The failure to maintain a complete and accurate inventory listing reduces the control and accountability over capital assets and increases the potential that loss, theft, or misuse will go undetected. In addition, annual inventories are necessary to establish proper accountability over capital assets.

## Recommendation

The Office of Lieutenant Governor ensure complete and accurate capital asset records are maintained and annual physical inventories are conducted for all property.

## Auditee's Response

*Former Lieutenant Governor Parson's written response, provided by the current General Counsel to the Governor, is included at Appendix A.*

*Current Lieutenant Governor Kehoe's written response is included at Appendix B.*

## **Overall Auditor's Comment**

Former Lieutenant Governor Parson's response to several findings (numbers 2.1, 4.2, and 5) states it is outside the scope of the State Auditor's Office to provide oversight and manage the discretion of office holders. Each of these findings identified a lack of adequate documentation and support for purchases and/or management decisions. Office holders are responsible for ensuring management decisions are properly documented.

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Michael L. Parson
GOVERNOR
STATE OF MISSOURI

June 21, 2019

Missouri State Auditor's Office
John Lieser, Audit Manager
State Capitol, Room 121
Jefferson City, MO 65101

Dear Sir:

Please see the below responses to the post-audit you conducted of the Lieutenant Governor's Office. The numbered paragraphs correspond to the numbered findings contained in the draft of the report you provided.

**1.1 Unnecessary Trips Auditee's Response:**

While serving as Lieutenant Governor, auditee prioritized his public support for Missouri tourism as he faithfully and aggressively fulfilled the duties of his position. Necessarily, this involved traveling and participating in certain events around the state.

In July of 2017, the Lieutenant Governor traveled to the 50th Anniversary celebration of the Pressley's Family Jubilee. The purpose of this travel was to recognize the Pressley family for the work they do to support tourism in Missouri. In fact, the Lieutenant Governor presented a proclamation at this event on behalf of the Lieutenant Governor's Office.

In November of 2017 the Lieutenant Governor traveled to the University of Missouri Kansas City in order to attend an annual event promoting the internationally recognized University of Missouri Kansas City Conservatory.

In December of 2016 the Lieutenant Governor traveled to Arrowhead Stadium in order to meet with Clark Hunt, the owner of the Kansas City Chiefs, and local business leaders in order to promote tourism. The Lieutenant Governor had his own tickets as part of his personally owned season ticket package and attended the Kansas City Chiefs game held at Arrowhead stadium subsequent to his aforementioned meeting.

In March of 2018, the Lieutenant Governor traveled to Branson, Missouri, in order to attend Billy Yates' opening night event to initiate his show in Branson. It should go without saying that Branson is one of the nation's top tourist destinations and an important part of Missouri's tourism industry. The aforementioned travel was directly related to the role of the Lieutenant Governor in promoting tourism in Missouri.

The Lieutenant Governor's Office only paid for the Lieutenant Governor to travel to events that had a business relationship to his work. For each of these events the Governor was requested to attend in his role as Lieutenant Governor. The Auditor has not directed the auditee to any independent authority that defines what constitutes the business of the Lieutenant Governor. Instead, the responsibility to define what constitutes the business of the Lieutenant Governor is properly left to the discretion of the officeholder. The Lieutenant Governor used his personal vehicle for travel to these events because his travel was often for multiple purposes and it was more economically efficient to take one vehicle rather than return to Jefferson City to return a fleet vehicle prior to resuming travel. The Auditor offers no finding the Lieutenant Governor misused state vehicles or sought reimbursement for person travel.

**1.2 Vehicular Travel Reimbursements Auditee's Response:**

Section 37.450, RSMo (2002) vests the Office of Administration with authority to manage usage of the state's vehicle fleet. The Office of Administration has promulgated regulations to govern the selection of the most cost effective form of travel for state employees. Specifically, the Commissioner of Administration is granted discretion by 1 CSR 10-11.010(5) to approve or disapprove of travel reimbursement. The Office of Administration approved all requests the Lieutenant Governor and his staff made for business travel. The process used by the Lieutenant Governor's Office complied with the version 1 CSR 10-11.010 in effect during the relevant period and the Office of Administration approved each of the travel expenditures highlighted in the post-audit.

In addition, the post-audit treats the Trip Optimizer as dispositive without acknowledging that the regulation states it only "assists in determining the most cost effective travel option." 1 CSR 10-11.030(6). This is not the only regulation limiting the use of the Trip Optimizer. For example, 1 CSR 10-11.030(4) states that "all relevant factors" should be considered in determining the most cost effective method of vehicular travel. Moreover, 1 CSR 10-11.010(6) requires employees seeking reimbursement for official travel to utilize a "prudent person" standard when making these decisions.

It is also important to note that on more than one occasion, when staff employed by the Lieutenant Governor's Office were attempting to utilize the Trip Optimizer, the system failed to provide a travel option. This resulted in omissions in the documentation of travel decisions that were beyond staff control.

**1.3 Official Calendar Auditee's Response:**

The Auditee acknowledges this recommendation.

**2.1 Vehicle Purchases Auditee's Response:**

The post audit criticizes the purchase of two used state vehicles but fails to mention the fact that the purchase and usage of the used vehicles at issue were made within the appropriated budget, approved by the Office of Administration, and were subject to an oversight report provided by the Office of Administration to the General Assembly. *See* 37.450, RSMo (2002) (vesting the Office of Administration with authority to manage the purchase of state vehicles). Instead of acknowledging these statutory safeguards, this post-audit would impermissibly create its own additional oversight to the statutory and regulatory framework already provided.

The reasoning for these purchases were well within the Lieutenant Governor's discretion and were purchased in coordination with the office's expansion of programming. Specifically, the vehicles were needed to assist with transporting multiple employees and large display items all at once in association with promoting tourism. This additional oversight is outside the scope of the Auditor's Office and instead serves as an attempt to impermissibly manage the discretion of office holders.

**2.2 Usage Logs Auditee's Response:**

The Lieutenant Governor's Office maintained a small staff and kept a busy schedule. Despite this imbalanced relationship, the staff attempted to comply with the complicated regulations governing travel and the necessary documentation. Any oversights or omissions concerning travel log documentation would be the result of clerical oversight and the recency of the administration.

**3.1 Intern Pay Auditee's Response:**

The Lieutenant Governor's Office made necessary reports to the Office of Administration to ensure employees, including interns, were properly remunerated for the time they worked. If discrepancies exist in the timesheets that would be the result of clerical error in data entry.

**3.2 Timesheets and Leave Auditee's Response:**

The Lieutenant Governor's Office required employees to report when they took time off and what kind of leave they used. The Lieutenant Governor's Office also required leave slips be approved by supervisory staff. Any oversight or omission in documentation was the result of clerical error in data entry.

**4.1 Background Screening Auditee's Response:**

Auditee acknowledges this recommendation as it applied to some employees and offers that the recency of that administration and clerical error were factors.

**4.2 Employee Job Descriptions Auditee's Response:**

The Auditor fails to cite to any actual requirement mandating job descriptions or guiding how that process of recording job descriptions would work. Such a task should fall under the purview and discretion of the Lieutenant Governor if not for any other reason than to allow the elected office holder to allow employee job flexibility due to the myriad of tasks that each employee would perform. It is outside the scope of the Auditor's Office to impermissibly manage the discretion of office holders.

**4.3 Terminated SAM II User Accounts Auditee's Response:**

The Lieutenant Governor's Office conducted regular reviews in order to properly limit access to the SAM II system. Employees who had SAM II access and then left employment with the Lieutenant Governor's Office were identified in the review process and their access was terminated. The post-audit further does not demonstrate that any staff member improperly accessed the SAM II system.

**5. Employee Purchases Auditee's Response:**

The Lieutenant Governor's Office purchased items necessary to the performance of the business of the office. The Lieutenant Governor's Office required employee's seeking reimbursement for purchases supply appropriate proof of purchase. It is outside the scope of the Auditor's Office to manage the discretion of office holders.

**6. Capital Assets Auditee's Response:**

The capital asset at issue in this finding (asset valued at $1,800) was an obsolete phone system that was replaced by the Office of Administration Information Technology Systems Department. The Lieutenant Governor's Office neither requested nor bore responsibility for the removal of the obsolete phone system. To the extent the assets were not properly recorded in asset records the oversight or omission in documentation was the result of human error in data entry.

**General comments:**

The Auditor has conducted a post-audit for an office holder that only lasted one-and-a-half years of the usual four years. The brevity of the Lieutenant Governor's term was due to extenuating circumstances. Many of the Auditor's findings were the direct result of a new office that was itself evolving into new and expanded roles.

However, some of the Auditor's findings exceed the mandate of a post-audit and encroach upon the Lieutenant Governor's discretion to make purchases and manage his office. This point is further emphasized by not only the nature, but also the number of findings when comparing this post-audit to previous post-audit reports of the Lieutenant Governor's Office.

I respectfully request that any new information or reasoning that would be included in the final audit, and not already provided in the draft post-audit (whether it be in response to this letter or otherwise), be furnished to me with an opportunity to respond before anything is published.

If I can be of any future assistance please feel free to contact me.

Respectfully,

Christopher K. Limbaugh
General Counsel
Office of the Governor, Michael L. Parson

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**MIKE KEHOE**
LIEUTENANT GOVERNOR
STATE OF MISSOURI

July 12, 2019

The Honorable Nicole Galloway
Missouri State Auditor
201 W. Capitol Ave Rm 121
Jefferson City, MO 65102

Dear Auditor Galloway,

I have read and acknowledge the audit report and will take it into consideration going forward.

Sincerely,

Mike Kehoe

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Appendix C-1

Office of Lieutenant Governor
Statement of Appropriations and Expenditures
Period July 1, 2017 to June 1, 2018

| | | Appropriation Authority | Expenditures | Encumbered | Uncommitted Appropriations |
|---|---|---|---|---|---|
| GENERAL REVENUE FUND | | | | | |
| Personal Service | $ | 457,748 | 327,781 | 14,841 | 115,126 |
| Payment of real property leases, related services, utilities, systems furniture, structural modifications, and related expenses - Expense and Equipment | | 31,432 | 31,432 | 0 | 0 |
| Expense and Equipment | | 80,677 | 71,296 | 4,960 | 4,421 |
| Total General Revenue Fund | $ | 569,857 | 430,509 | 19,801 | 119,547 |

Appendix C-2

Office of Lieutenant Governor
Statement of Appropriations and Expenditures
Period January 9, 2017 to June 30, 2017

| | | Uncommitted Appropriations | Expenditures | Lapsed Balances |
|---|---|---|---|---|
| GENERAL REVENUE FUND | | | | |
| Personal Service | $ | 176,477 | 134,663 | 41,814 |
| Payment of real property leases, related services, utilities, systems furniture, structural modifications, and related expenses - Expense and Equipment | | 9,406 | 9,406 | 0 |
| Expense and Equipment | | 43,641 | 31,580 | 12,061 |
| Total General Revenue Fund | $ | 229,524 | 175,649 | 53,875 |

Appendix D

Office of Lieutenant Governor
Comparative Statement of Expenditures (From Appropriations)

| | | Year Ended June 30, | | | | |
|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2016 | 2015 | 2014 |
| Salaries and wages | $ | 348,024 | 370,934 | 383,000 | 345,958 | 321,185 |
| Travel, in-state | | 9,889 | 6,839 | 3,215 | 3,811 | 902 |
| Travel, out-of-state | | 1,877 | 0 | 437 | 5,098 | 2,770 |
| Supplies | | 14,640 | 7,443 | 4,984 | 4,556 | 3,595 |
| Professional development | | 125 | 400 | 0 | 4,800 | 2,812 |
| Communication services and supplies | | 12,930 | 7,018 | 5,813 | 6,419 | 6,283 |
| Services: | | | | | | |
| Professional | | 4,239 | 4,308 | 4,897 | 3,158 | 941 |
| Maintenance and repair | | 81 | 0 | 294 | 0 | 0 |
| Motorized Equipment | | 33,350 | 0 | 0 | 0 | 0 |
| Office equipment | | 1,776 | 12,507 | 0 | 0 | 0 |
| Building lease payments | | 31,432 | 29,708 | 30,032 | 30,500 | 32,316 |
| Equipment rental and leases | | 0 | 25 | 40 | 71 | 88 |
| Agency provided food | | 91 | 76 | 2,246 | 1,640 | 1,678 |
| Total Expenditures | $ | 458,454 | 439,258 | 434,958 | 406,011 | 372,570 |