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Missouri State Auditor

**Department of Public Safety -
Administrative Practices**

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Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Public Safety - Administrative Practices

Equipment, Contracts, and Payment for Services

Under the former Director's administration, the Department of Public Safety (DPS) - Office of the Director (OD) abused the Office of Administration's (OA) single feasible source process in order to award a project management services contract to the Missouri Police Chiefs Charitable Foundation (MPCCF), an organization the former Director had been associated with prior to becoming the Director of the DPS. The services contracted had previously been provided, in part, by the Missouri State Highway Patrol at no cost to the state. The request to OA to designate this organization a single feasible source contained false information that would have had a material impact on the OA's decision to approve the single feasible source request. In addition, the DPS-OD paid \$1.25 million to that organization without a contractual agreement in place in order to circumvent the appropriation process. The MPCCF was allowed to hold \$1.25 million in state funds for approximately 8 months before being disbursed, resulting in a benefit to the organization and lost interest revenue to the state. The DPS-OD was able to make these payments as a result of an appropriation that was moved from the control of the MSHP to the DPS-OD at the request of MPCCF. The DPS-OD did not object to the change in appropriation and helped facilitate the change.

Administrative Practices

The former Director of the DPS did not comply with all administrative DPS policies regarding annual leave and assigned state vehicle usage. The former Director did not claim any annual leave during his time as Director despite the appearance of taking multiple personal vacations over this time. The former Director and Deputy Director did not follow DPS vehicle usage policies and procedures.

Due to the limited scope of the audit, no rating will be given.

Department of Public Safety - Administrative Practices

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NICOLE GALLOWAY, CPA
Missouri State Auditor

Honorable Michael L. Parson, Governor
and
Sandra K. Karsten, Director
Department of Public Safety
Jefferson City, Missouri

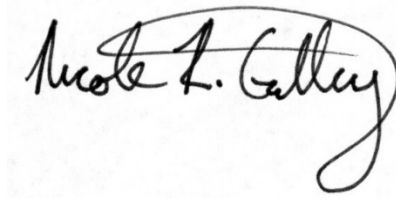
The State Auditor was requested by the Governor, under Section 26.060, RSMo, to audit the Department of Public Safety, Office of the Director. We have audited certain operations of the agency in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017, and the period from January 1 through August 31, 2018. The objectives of our audit were to:

1. Evaluate the agency's internal controls over significant management and financial functions.
2. Evaluate the agency's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain transactions.

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 (1) identified deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and operations.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Public Safety, Office of the Director.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

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Department of Public Safety - Administrative Practices

Introduction

Background

The Department of Public Safety (DPS) comprises eight different agencies (including two commissions) and six separate programs all committed to ensuring the safety of the citizens of Missouri. In addition, the Office of the Director (OD) administers the Homeland Security Program and state and federal grant funding for juvenile justice, victims' assistance, law enforcement and narcotics control. Other programs in the OD provide support services and resources to assist local law enforcement agencies and to provide training criteria and licensing for law enforcement officers.

The State Auditor was requested by the DPS, through the Governor, under Section 26.060, RSMo, to audit the DPS-OD. The Governor's request letter is included in this report at Appendix B. The following events are significant to our review and are discussed further in the findings reported in the accompanying Management Advisory Report - State Auditor's findings.

DPS management

On January 2, 2017, former Governor Eric Greitens appointed Sikeston Director of Public Safety and Police Chief Charles "Drew" Juden as the Director of the DPS. For 2016, Juden also served on the Board of Directors for the Missouri Police Chiefs Association (MOPCA) and as Chairman of the Board of Directors for the Missouri Police Chiefs Charitable Foundation (MPCCF).¹ In addition, St. Louis Fire Department Captain Gregory Favre was named Deputy Director of the DPS. Both positions were effective January 9, 2017.

Director Drew Juden's appointment as Director of the DPS ended on August 31, 2018. Governor Mike Parson appointed Sandra Karsten, Superintendent of the Missouri State Highway Patrol (MSHP), to the Director of the DPS on August 27, 2018. Karsten assumed the post on September 1, 2018 and was confirmed by the Missouri Senate on September 14, 2018.

On November 1, 2018, Deputy Director Gregory Favre resigned as Deputy Director of DPS.

On November 27, 2018, Governor Michael Parson requested the State Auditor conduct an audit of the DPS-OD following the conclusion of an internal review conducted at the request of Director Karsten that raised concerns of questionable past administrative practices.

Pursuant to the Governor's request the State Auditor initiated an audit of the DPS-OD, in December 2018.

¹ The MPCCF was formed and incorporated in 1996 as a charitable foundation. The foundation is a not-for-profit 501(c)(3) corporation.



Department of Public Safety - Administrative Practices
Introduction

Equipment contract

In August 2015, the MSHP entered into a contractual agreement with MorphoTrak, LLC, for the purchasing and maintenance of LiveScan and Rapid "Fast" ID equipment for both the MSHP and local law enforcement agencies. The contract has been extended several times with the current contract period ending on June 30, 2020. All equipment purchases by the MSHP for local agencies were paid directly from MSHP to MorphoTrak, LLC, utilizing federal grant funding. No state funds were used to purchase equipment for local law enforcement agencies until the appropriation was moved to the DPS-OD in fiscal year 2018.

**Scope and
Methodology**

The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017, and the period from January 1 through August 31, 2018. Our methodology included gathering information regarding the purchase of LiveScan and Rapid "Fast" ID devices for local agencies through discussions with various officials from the DPS-OD, MSHP, Office of Administration (OA), and MPCCF; and reviewing information maintained by those entities.

We obtained an understanding of the applicable 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 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 violation of contract 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.

To gain an understanding of legal requirements governing the awarding of a single feasible source contract, we reviewed applicable state laws and interviewed individuals from the DPS-OD and the OA. We also reviewed certain contracts entered into by the DPS for equipment purchases and project management services.

We also reviewed the former Director and Deputy Director's use of annual leave and assigned state vehicles. During our review of these former officials' use of annual leave and assigned state vehicles, our methodology included reviewing timesheets, personal calendars, financial records, vehicle logs, and other pertinent documents; interviewing various current and past personnel of the DPS-OD; as well as certain external parties, including former Director Juden; and testing selected transactions. Additionally, we reviewed travel expenses for overnight trips incurred by the DPS-OD.

Department of Public Safety - Administrative Practices

Management Advisory Report

State Auditor's Findings

1. Equipment, Contracts, and Payment for Services

Under the former Director's administration, the Department of Public Safety (DPS) - Office of the Director (OD) abused the Office of Administration's (OA) single feasible source process in order to award a project management services contract to an organization the former Director had been associated with prior to becoming the Director of the DPS. The services contracted for had previously been provided, in part, by the Missouri State Highway Patrol (MSHP) at no cost to the state. The request to OA to designate this organization a single feasible source contained false information that would have had a material impact on the OA's decision to approve the single feasible source request. In addition, the DPS-OD paid \$1.25 million to that organization without a contractual agreement in place in order to circumvent the appropriation process. The organization was allowed to hold \$1.25 million in state funds for approximately 8 months before being disbursed, resulting in a benefit to the organization and lost interest revenue to the state. The DPS-OD was able to make these payments as a result of an appropriation that was moved from the control of the MSHP to the DPS-OD at the request of the organization receiving the payments. The DPS-OD did not object to the change in appropriation and helped facilitate the change.

1.1 Single feasible source request

The DPS-OD provided false assertions to the OA Division of Purchasing in its request to have the Missouri Police Chiefs Charitable Foundation (MPCCF) designated a single feasible source vendor. The request was approved based on the information provided. The DPS-OD then entered into a contractual agreement with the MPCCF for project management services for the coordination and installation of fingerprint technology at local law enforcement agencies. The contract period was from June 1, 2018, through May 31, 2019, and allowed the MPCCF to bill the DPS-OD for approximately 3 percent of program costs for coordination despite these services previously being provided by the MSHP at no additional cost to the state. The former Director's prior affiliation with the MPCCF gives this contract the appearance of a conflict of interest.

False assertions used to justify single feasible source award

The DPS-OD single feasible source request contained several false assertions that were material to commissioner of administration's determination to approve the request.² According to the DPS-OD's single feasible source request, the MPCCF had previously received a 5 percent administration fee from the state for providing project management services related to using federal grant funding to purchase equipment for local law enforcement agencies. Representatives from both the MPCCF and the MSHP indicated this information was inaccurate and the MPCCF had never received any administration fee for any such services provided. In addition, former DPS-

² Before a single feasible source request is approved by the commissioner of administration, justification must be submitted to the OA explaining how the product or service that is considered a single feasible source meets the requirements outlined in Section 34.044, RSMo.



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Previous provider not
contacted regarding single
feasible source

OD personnel indicated in the single feasible source request the \$1.945 million appropriation the contract was to be paid from was "appropriated as a local initiative and as such the locals, through the MPCCF (representing all Local Law Enforcement) have a vested interest in managing the project." However, the appropriation for the funds directly conflicts with this statement. House Bill No. 8, 99th General Assembly, 2017, states the \$1.945 million appropriated to the DPS-OD was for "providing information technology services and criminal records services to the Highway Patrol and local law enforcement." A representative of the MPCCF indicated the MSHP could have also spent from this appropriation. Therefore, the assertion made by the DPS-OD that this was strictly a "local initiative" was not accurate.

The DPS-OD did not contact the MSHP about providing coordination services even though the MSHP had previously provided such services to local law enforcement agencies at no charge. The DPS-OD asserted to the OA the only other entity the DPS-OD was aware of that would have the knowledge and ability to provide the project management services was the MSHP. However, the justification provided by the DPS-OD to the OA for not considering the MSHP was that the funding being appropriated was a "local initiative," and the MPCCF, who represents all local law enforcement, had a vested interest in managing the project.

An OA Division of Purchasing official stated that the division understood the representations made by the DPS-OD to mean that because the funding had been appropriated directly to DPS-OD to provide the services to local law enforcement instead of how the funding was handled in the past, the MSHP was no longer going to be providing these services as the agency had in the past and consequently was no longer a source for the services to be provided by the MPCCF. Representatives from the MSHP indicated this was not accurate because the MSHP has continued to provide support for LiveScan services for maintenance and LiveScan training even after the appropriation was moved to the DPS-OD.

The OA Division of Purchasing official also stated they were unaware of any objection from the MSHP in proceeding with the DPS-OD's single feasible source request for these services. Representatives from the MSHP stated they could not object because no one in the MSHP's Budget and Procurement Division or Criminal Justice Information Services Division was contacted by the DPS or the OA regarding the proposed single feasible source contract. The MSHP was unaware of the potential single feasible source selection, and as a result had no reason to search for the related advertisements, which were placed only in the Kansas City and St. Louis regions, and not in the Jefferson City region.

Providing accurate information to the OA to justify the awarding of a contract as a single feasible source would help ensure the selection of the vendor is in



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the best interest of the state as well as provide the transparency necessary to mitigate the appearance of a conflict of interest.

Based on the information provided to the OA by the DPS-OD, the initial determination by the OA to designate the MPCCF a single feasible source is reasonable. However, in light of the false assertions made to the OA by the DPS-OD in its request, the statutory criteria for establishing a single feasible source have not been met.³

1.2 Equipment purchases
circumvented
appropriations process,
and made without a
contract

On June 25, 2018, the DPS-OD paid approximately \$1.25 million to the MPCCF for goods⁴ that were not received until November and December of the same year. This payment circumvented the appropriations process, violated contracts with multiple parties, and was made without a contract with the MPCCF. The payment in question was made possible by the appropriation for the equipment being moved from the control of the MSHP to the DPS-OD. The change in appropriation was made at the request of the Missouri Police Chiefs Association (MOPCA) and was not objected to by the DPS.

Payment made before goods
were received

The DPS-OD made the payments to the MPCCF for the equipment provided by MorphoTrak, LLC,⁵ 5 to 6 months before the equipment was received by the local law enforcement agencies. The timeline of the payment and receipt of goods is outlined in Table 1.1:

³ Section 34.044, RSMo, states that a single feasible source exists when (1) supplies are proprietary and only available from the manufacturer or a single distributor; (2) based on past procurement experience, it is determined that only one distributor services the region in which the supplies are needed; or (3) supplies are available at a discount from a single distributor for a limited period of time. The definition of "supplies" in Section 34.010.6, RSMo, includes contractual services.

⁴ 29 LiveScan devices for \$525,625 and 546 Rapid ID devices for \$723,450.

⁵ Effective July 1, 2018, MorphoTrak, LLC, became IDEMIA Identity & Security USA, LLC, due to a merger.



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Table 1.1: Timeline of payments and delivery of equipment

Date	Event
June 11, 2018	The Executive Director of the MPCCF requests an invoice from IDEMIA for \$1.25 million
June 11, 2018	IDEMIA invoices the MPCCF for \$1.25 million for LiveScan and Rapid "Fast" ID devices
June 11, 2018	The MPCCF invoices the DPS-OD for \$1.25 million
June 25, 2018	The DPS-OD pays the MPCCF \$1.25 million
November 6, 2018 - December 26, 2018	LiveScans are received by local law enforcement agencies
December 19, 2018 - December 26, 2018	Rapid "Fast" ID devices are received by the local law enforcement agencies
December 28, 2018	IDEMIA again invoices the MPCCF \$525,625 for LiveScans devices
December 29, 2018	IDEMIA again invoices the MPCCF \$723,450 for Rapid "Fast" ID devices
February 4, 2019	Check #4346 issued to IDEMIA from the MPCCF for \$525,625
February 4, 2019	Check #4347 issued to IDEMIA from the MPCCF for \$723,450
February 25, 2019	Checks #4346 & #4347 issued to IDEMIA by the MPCCF cleared the bank

The invoices from IDEMIA to the MPCCF were due by January 27, 2019, and January 28, 2019. The MPCCF did not pay these invoices until February 4, 2019. It is unclear why the MPCCF paid the vendor after the due date when the MPCCF was provided the funds to pay the vendor more than 7 months prior.

Representatives from the DPS-OD and the MPCCF indicated they believed the main reason for passing the \$1.25 million through the MPCCF before the goods were received rather than paying IDEMIA directly after the goods were received had been to prevent \$1.25 million of the \$1.945 million appropriation from going unspent from the fiscal year 2018 appropriation.

Allowing the MPCCF to maintain the \$1.25 million in its bank accounts for approximately 8 months provided an unnecessary benefit to the organization of potential interest earned or improved cash flows. Removing these funds from the state treasury harmed the state for similar reasons. Based on



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information provided by the State Treasurer's Office, the state treasury did not earn approximately \$16,000 in interest as a result of the premature removal of these funds from state accounts.

Paying vendors for equipment after it is received helps safeguard against possible loss or misuse of funds. In addition, good cash management practices dictate the state only advance funds when it is prudent to do so and in the best interest of the state. Proper cash management practices allow the state to maximize interest revenues.

Payment was made without written contract and violated other existing contracts

The DPS-OD payment to MPCCF for equipment occurred without a written contract in place for that purpose. The payment also violated two existing contracts related to the transaction.

- The contract between the MSHP and MorphoTrak, LLC, that establishes the prices paid by the MPCCF requires the equipment be received before payment is made.
- The project management services contract between the MPCCF and the DPS states that other than the payments for services, "...no other payments or reimbursements shall be made to the contractor for any reason whatsoever."

The establishment and use of written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to all parties involved.

Appropriation change

The transaction for equipment described above was made possible by a change in the DPS-OD appropriation for the fiscal year 2018 budget. The General Assembly added \$1.945 million for equipment expenses to the DPS-OD appropriation for providing information technology services and criminal records services from the Criminal Record System Fund.⁶ Prior to fiscal year 2018, this \$1.945 million was included in the MSHP's appropriation for expense and equipment related to technical services and all equipment purchases were coordinated by the MSHP. The change was initiated in the House Subcommittee on Appropriations - Public Safety, Corrections, Transportation, and Revenue. According to discussions with Representative Kathie Conway, Chairman of the subcommittee, the change was initiated by the MOPCA, which is affiliated with the MPCCF, via Sheldon Lineback, Executive Director, and later via David McCracken who represents the MOPCA as a lobbyist. The Missouri Sheriff's Association also initiated the change in the appropriation. Sheldon Lineback confirmed the MOPCA and the MPCCF, as well as DPS-OD, were supportive of the move, while the

⁶ Fund 0671 in the Statewide Advantage for Missouri accounting system.



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MSHP objected. Former Director Juden claimed no knowledge of who initiated the appropriation change.

1.3 Services paid in advance The DPS-OD paid the MPCCF in advance for services not provided, which was not in accordance with the written contract between the two parties.

The contract between DPS-OD and the MPCCF for contract management services allows the MPCCF to bill the DPS-OD \$58,000 for the services provided by the MPCCF, but also requires the MPCCF to submit monthly invoices. However, on June 5, just 4 days after the contract went into effect, the MPCCF billed the DPS-OD for half of the contract amount (\$29,000) for services to be provided. On June 22, 2018 the DPS-OD paid the MPCCF the full \$29,000 billed.

MPCCF did not provide the DPS-OD with monthly invoices as required by the contract, and has only provided the one invoice (June 5) to the DPS-OD.

Paying vendors in accordance with signed contracts helps safeguard against possible loss or misuse of funds. In addition, paying vendors for services after the services have been performed helps ensure services are performed in accordance with the contract.

Conclusion

Under the former Director's administration, the DPS-OD abused the state's single feasible source purchasing process and made multiple improper and questionable payments to benefit an organization the former Director was affiliated with prior to becoming the Director of DPS. The related transactions circumvented the appropriation process and were not in the best interest of the Department of Public Safety or the state.

Recommendations

The DPS-OD:

- 1.1 Ensure all information given to the OA regarding the justification to award a single feasible source contract is accurate. In addition, ensure the appropriate due diligence is performed before seeking a single feasible source award from the OA. Also, refrain from entering into business transactions that do not have a clear purpose or benefit to the state.
- 1.2 Ensure all contracts are complied with and payments to vendors are not passed through a third party without a legitimate business purpose. In addition, ensure all payments to vendors are made pursuant to a written contract and require documentation of receipt of goods and/or services prior to payment of invoices.
- 1.3 Require documentation of receipt of goods and/or services prior to payment of invoices. In addition, ensure contract terms are followed



by all parties involved in the contract and refrain from making payments for services not substantially rendered.

Auditee's Response

The DPS-OD's written response is included at Appendix A.

2. Administrative Practices

The former Director of the DPS did not comply with all administrative DPS policies regarding annual leave and assigned state vehicle usage. The former Director submitted multiple timesheets claiming he was working for the DPS while department calendar entries show he was on several personal vacations. In addition, the former Director utilized his assigned state vehicle significantly more than his predecessors, both he and the Deputy Director were not in compliance with DPS policies regarding vehicle usage logs, and the agency did not report all taxable income on their W-2 forms.

2.1 Annual leave usage

The former Director did not claim any annual leave during his time as Director despite the appearance of taking multiple personal vacations over this time.⁷ As a result, the former Director may have been overpaid for unused annual leave at the time his appointment ended. DPS officials provided us with all of the former Director's timesheets and monthly calendars during his employment with the DPS.⁸ Employee timesheets show the breakdown of hours charged to the various job codes at the DPS in addition to any annual or sick leave used by the employee during each bi-monthly pay period. The former Director's monthly calendar showed various work-related appointments and entries of when he was to be out of the office for non-work related events and trips.

For example, in several instances the former Director's personal monthly calendar indicated the former Director was in Florida while the former Director's timesheet indicated he was working for the DPS. This occurred for 15 working days during the former Director's employment. The DPS employee responsible for keeping the former Director's calendar indicated the trips to Florida were for personal reasons, such as attending the 2017 and 2018 Daytona 500 NASCAR races. Instead of using annual leave, the former Director certified on his timesheet that he worked full 8 hour days for the department on those days.⁹ When asked why he reported his time in this way, the former Director stated that as long as he had access to telephone or email, he considered himself to be working.

⁷ The former Director only used annual leave between the day he was informed he would not be retained as the Director of DPS on August 16, 2018, and his official end of appointment date on August 31, 2018.

⁸ The former Director was employed at the DPS from January 9, 2017, through August 31, 2018.

⁹ Employees certify their time by signing their timesheet. The former Director signed the timesheets for 14 of the 15 days in question. The timesheet for 1 of the 15 days in question was not signed.



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Upon the end of his employment in August 2018, the former Director was compensated \$6,864 for his remaining 115 hours of annual leave. The information obtained brings into question the accuracy of the former Director's timesheets. Based on that, it is likely the former Director was overpaid for his unused annual leave, however, due to a lack of documentation we cannot determine the amount overpaid. According to discussions with the former Director, he does not agree with DPS time policies and does not feel the time tracking system accurately reflects the amount of hours he worked. The former Director also stated he maintained a daily journal that contained information on his work schedule, but declined to provide that to us.

The director of the DPS is an administrative position. As such, DPS policies regarding leave accrual and usage apply. Ensuring timesheets for all employees are accurate and reflect the actual time worked will provide assurance that all leave balances are accurate and help ensure employees are not overpaid for leave balances when they terminate state employment.

2.2 Vehicle logs and usage

The former Director and Deputy Director did not follow DPS vehicle usage policies and procedures. The former Director also utilized his assigned state vehicle significantly more than other DPS directors. In addition, the DPS-OD did not report the value of the former Director or Deputy Director's personal use of an assigned state vehicle on W-2 forms as required by the Internal Revenue Service (IRS).

Vehicle usage logs

The former Director and Deputy Director did not maintain vehicle usage logs as required by DPS policy. The former Director and Deputy Director were assigned full-time department vehicles. They used the vehicles to commute from their homes in Sikeston and St. Louis, respectively. The former Director did not keep track of odometer readings, destinations, or the purpose of trips in his assigned state vehicle as required by DPS policy. The former Deputy Director kept odometer readings; however, he did not keep records for the destinations traveled or the purpose of trips.

Vehicle usage

Vehicle usage by former Director Juden was approximately 44 percent higher than DPS directors both prior to and after his administration. We acquired the beginning and ending monthly odometer readings for all former Directors' assigned vehicles from July 2013 through December 2018.¹⁰

All DPS Directors during the 46 months of July 2013 through December 2016, and September 2018 through December 2018, which excludes former

¹⁰ As previously indicated, the former Director did not keep vehicle usage logs as required by DPS policy; however, when refueling vehicles, odometer readings were required before using the DPS WEX card. Monthly odometer readings from the WEX invoices were then compiled by DPS accounting personnel.



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Director Drew Juden's administration, drove an average of 2,052 miles per month. During the 20 months former Director Drew Juden was with DPS, from January 2017 through August 2018, he drove his assigned vehicle an average of 2,956 miles per month, which is a 44 percent increase from other directors.

DPS Policy F-7 states "Vehicle usage logs must be maintained for each DPS vehicle and include the following information: name of driver, date(s) used, beginning and ending odometer readings, destination and purpose of each trip."

Taxable fringe benefit

The value of the former Director's and Deputy Director's personal use of the assigned state vehicles was not reported to the IRS on their W-2 forms because the DPS-OD considers the director and deputy director positions to be always on call. However, DPS-OD personnel also indicated the department does not require employees in either position to use their vehicles for commuting and the assigned vehicles were not clearly marked as public safety vehicles.

IRS reporting guidelines indicate that use of a qualified non-personal use vehicle (including commuting) is required to be included in gross income as a working condition fringe benefit unless specific requirements are met. These requirements include:

- The employee must be required by the employer to use the vehicle for commuting.
- It is readily apparent, by words or painted insignia, that the vehicle is a public safety vehicle. A marking on a license plate is not a clear marking for this purpose.

The vehicle driven by the former Director and Deputy Director did not meet the above requirements. As a result, any personal use of these vehicles should have been included as gross income. However, due to proper vehicle usage logs not being maintained, the taxable portion of the former Director and former Deputy Director's vehicle usage could not be determined.

Recommendations

The DPS-OD:

- 2.1 Ensure timesheets for all employees are accurate and reflect the actual time worked on DPS related matters.
- 2.2 Ensure DPS policies regarding vehicle usage logs are followed. In addition, the DPS-OD should refer to IRS guidelines regarding use of employer-provided vehicles and adopt appropriate policies and requirements. The DPS-OD should also ensure all compensation is



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properly reported on W-2 forms, and amend W-2 forms for unreported compensation, as appropriate.

Auditee's Response

The DPS-OD's written response is included at Appendix A.



Appendix A
Department of Public Safety - Administrative Practices
Department of Public Safety - Office of the Director Response

MICHAEL L. PARSON
Governor

SANDRA K. KARSTEN
Director



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STATE OF MISSOURI
DEPARTMENT OF PUBLIC SAFETY
OFFICE OF THE DIRECTOR

July 10, 2019

The Honorable Nicole R. Galloway, CPA
Missouri State Auditor
P.O. Box 809
Jefferson City, MO 65102

Dear Auditor Galloway:

We are providing this letter in response to the recommendations in the audit of the Department of Public Safety – Administrative Practices.

- 1.1 Ensure all information given to the OA regarding the justification to award a single feasible source contract is accurate. In addition, ensure the appropriate due diligence is performed before seeking a single feasible source award from the OA. Lastly refrain from entering into business transactions that do not have a clear purpose or benefit to the state.
 - 1.1 *We agree with the recommendation. We have already, and will continue, to take the necessary steps to implement the recommendation.*
- 1.2 Ensure that all contracts are complied with and payments to vendors are not passed through a third party without a legitimate business purpose. In addition, ensure all payments to vendors are made pursuant to a written contract and require documentation of receipt of goods and/or services prior to payment of invoices.
 - 1.2 *We agree with the recommendation. We have already, and will continue, to take the necessary steps to implement the recommendation.*
- 1.3 Require documentation of receipt of goods and/or services prior to payment of invoices. In addition, ensure contract terms are followed by all parties involved in the contract and refrain from making payments for services not substantially rendered.
 - 1.3 *We agree with the recommendation. We have already, and will continue, to take the necessary steps to implement the recommendation.*

Highway Patrol • National Guard • State Emergency Management Agency • Fire Safety
Office of Homeland Security • Alcohol & Tobacco Control • Capitol Police • Gaming Commission • Veterans Commission



Appendix A
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- 2.1 Ensure timesheets for all employees are accurate and reflect the actual time worked on DPS related matters.
 - 2.1 *We agree with the recommendation. We have already, and will continue, to take the necessary steps to implement the recommendation.*
- 2.2 Ensure DPS policies regarding vehicle usage logs are followed. In addition, the DPS-OD should refer to IRS guidelines regarding use of employer-provided vehicles and adopt appropriate policies and requirements. The DPS-OD should also ensure all compensation is properly reported on W-2 forms, and amend W-2 forms for unreported compensation, as appropriate.
 - 2.2 *We agree with the recommendation related to the following of policies. All DPS-OD policies are currently being followed and will continue to be followed. We will take the necessary steps to ensure IRS guidelines are followed going forward, and will seek the advice of legal and accounting professionals regarding the amending of previously issued W-2 forms.*

If you have any questions regarding DPS's responses, please contact myself at 751-5432 or Tracy McGinnis at 526-9011.

Sincerely,

Sandra K. Karsten
Director



Appendix B
Department of Public Safety - Administrative Practices
Governor's Request Letter

STATE CAPITOL
201 W. CAPITOL AVENUE, ROOM 216
JEFFERSON CITY, MISSOURI 65101



(573) 751-3222
WWW.GOVERNOR.MO.GOV

Michael L. Parson

GOVERNOR
STATE OF MISSOURI

November 27, 2018

Auditor Nicole Galloway
Missouri State Auditor
Missouri State Capitol
201 West Capitol Avenue, Room 121
PO Box 869
Jefferson City, MO 65102

Dear Auditor Nicole Galloway,

Public Safety Director Karsten recently concluded an internal review of the DPS Director's Office as part of her proactive approach to establishing a clean bill of financial health.

The internal review raised concerns about questionable use of taxpayer dollars. These concerns warranted her recommendation that the State Auditor conduct an independent review of DPS at the administrative level.

Since 2013 was the last time an audit of the DPS Director's Office was completed, now is a prudent time to follow the advice of the Director in this formal request that a state audit be completed.

Sincerely,

Michael L. Parson
Governor