



**Susan Montee, CPA**  
Missouri State Auditor

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# Office of Governor



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**February 2008**  
**Report No. 2008-09**

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Missouri State Auditor  
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**The following report is our audit of the Office of Governor.**

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The Governor uses the security and some transportation resources provided by the Missouri State Highway Patrol (MSHP) for all official, political, and personal activities. He does not reimburse the state for any political or personal use. State law allows the governor's security division to "provide transportation, security, and protection for the governor and the governor's immediate family." No distinction is made between official state business and events that are personal or political. The Missouri Constitution prohibits the use of state resources for personal or private gain. In addition, there is no specific provision that exists in state law that allows a state official to use any state resource for anything other than official use.

State resources should be used for the benefit of the general public. If the state intends to allow the Governor to use any state resource for anything other than business purposes, legislation should be pursued to clearly allow this practice and other related conditions. At a minimum, until such provisions are approved, with the possible exception of security, the use of any state resource by the Governor for purposes other than official state business should be reimbursed or discontinued.

Significant costs of the Governor's security division, within the MSHP, are not specifically identified in the division's appropriations. Currently, several patrolmen of the MSHP are assigned to the Governor's security division. The Governor's security division receives annual appropriations from the state's General Revenue Fund for the division's operating expenses, including travel, uniform/clothing allowance, professional development, and equipment. Salaries and fringe benefits of the security personnel and their vehicles and related vehicle fuel and maintenance/repair costs are not included in the security division's appropriations. These costs are paid from other MSHP appropriations and are not separately tracked and accounted for by the MSHP.

The operations of the Office of Governor have been supplemented by appropriations of the Office of Administration (OA), with various employees of the Governor's office budgeted to and paid from appropriations of the OA. These employees were physically located in and supervised by the Governor's office and mansion, and performed duties attendant to programs and functions of the Office of Governor. Similar practices have been noted in reports on prior administrations.

At January 10, 2005, the capital assets balance for the office and mansion totaled approximately \$322,700 and \$160,400, respectively. An annual statement of changes in capital assets is not prepared and a complete list of all additions and dispositions is not maintained for either the office or mansion. The current capital assets listing for both the

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office and mansion are incomplete and inaccurate. Numerous items that were included on the prior administration's asset listing are still physically located in the mansion, but are not on the current listing.

The Office of Governor needs to improve the accountability over the functions held at the mansion to ensure public funds are spent appropriately. The mansion's calendar of events and other documentation do not include a sufficient detailed description of the purpose for each function held at the mansion to provide assurance as to the propriety of the function. In addition, neither the mansion nor the Missouri Mansion Preservation, Inc. retain a list of invitees/attendees for functions held at the mansion.

The office's employee manual needs to be more complete and comprehensive. The manual does not include certain issues typically addressed in an office/employee manual, including part-time employment, use of state resources, confidentiality, performance appraisals, and training and development of staff. Also, the manual's policy on Fair Labor Standards Act (FLSA) compensatory time does not comply with state law.

The manual does not clearly and adequately address issues related to e-mail use and retention, or sunshine law requests. The general nature of the office's record retention policy provides little assurance that all necessary records will be properly retained. It does not clearly define a record or specifically indicate that e-mail records are covered under the policy. It also makes no reference to the Secretary of State's Guidelines for Managing E-mail Records, nor does the policy provide other specific guidance to employees regarding the definition of a record and the necessity to retain such records, specifically as it relates to electronic records. Also, the open records policy does not state that a response to the requestor is needed within three business days.

The office did not always comply with state regulations and policies regarding state procurement cards, employee expense accounts, travel expenses of an employee's spouse, and vehicular travel. Additionally, some expenditures were not properly classified, there were duplicate payments, and no one reviews and approves the mansion's SAM II expenditures.

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OFFICE OF GOVERNOR

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## STATE AUDITOR'S REPORT



## **SUSAN MONTEE, CPA**

### **Missouri State Auditor**

Honorable Matt Blunt, Governor  
Jefferson City, Missouri

We have audited the Office of Governor. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2007, 2006, and 2005. The objectives of our audit were to:

1. Determine if the office has adequate internal controls over significant management and financial functions.
2. Determine if the office has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; inspection of capital assets; analysis of comparative data obtained from external and/or internal sources; 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 also tested certain of these controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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 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. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not

express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with 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.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in the audit of the office.

The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Governor.



Susan Montee, CPA  
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS



OFFICE OF GOVERNOR  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1. State Resources</b>
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State laws are ambiguous and contradictory regarding the use of state resources by the Office of Governor for political and personal purposes. The Governor uses the security and some transportation resources provided by the Missouri State Highway Patrol (MSHP) for all official, political, and personal activities. He does not reimburse the state for any political or personal use.

For many years, it has been a practice of the state for personnel from the MSHP to provide security for the Governor and his immediate family. In 2005, state law created a formal governor's security division within the MSHP, and Section 43.330, RSMo, allows the governor's security division to "provide transportation, security, and protection for the governor and the governor's immediate family." This section makes no distinction between official state business and events that are personal or political.

It is not clear that the intent of this legislation was to allow the use of state resources for the Governor's political or personal activities. However, Article III, Sections 38(a) and 39 of the Missouri Constitution prohibit the use of state resources for personal or private gain. In addition, there is no specific provision that exists in state law that allows a state official to use any state resource for anything other than official use.

State resources should be used for the benefit of the general public or for a public purpose, and not for personal gain. If the state intends to allow the Governor to use any state resource for anything other than business purposes, legislation should be pursued to clearly allow this practice and other related conditions, such as reimbursement, of such use. At a minimum, until such provisions are approved, with the possible exception of security, the use of any state resource by the Governor for purposes other than official state business should be reimbursed or discontinued.

**WE RECOMMEND** the Office of Governor pursue legislation regarding its use of state resources, including those of the MSHP, for anything other than official use. With the possible exception of security, until state law is clarified, the Governor should reimburse the state for the use of state resources for purposes other than official state business or discontinue such use.

## **AUDITEE'S RESPONSE**

*The Office of the Governor disagrees with this recommendation. State law is not ambiguous regarding the Governor's security detail. The Superintendent of the Missouri Highway Patrol is to appoint a director of governor's security. RSMo, 43.310. The director of the Governor's security, "shall provide transportation, security, and protection for the governor and the governor's immediate family." RSMo, 43.330.1. There is no statutory limitation on this duty imposed on the Superintendent, nor is there any ambiguity. Plainly, the 2005 General Assembly considered the safety of the Governor and his/her immediate family to be paramount. The Office of the Governor sees no need for further legislation nor for reimbursement, given the clarity of the statute.*

### **2. Operating Costs from Other Appropriations**

The operations of the Office of Governor have been supplemented by appropriations of the Office of Administration (OA), thus circumventing the appropriation process as established by the General Assembly. In addition, the office paid some expenses of the mansion. Similar practices have been noted in reports on prior administrations.

The Office of Governor receives separate appropriations from the state's General Revenue Fund for the operating costs of the Governor's office and mansion. Office operating appropriations totaled approximately \$2.2 million for the year ended June 30, 2007, and \$1.8 million each year for the years ended June 30, 2006 and 2005. Mansion appropriations were approximately \$138,000, \$123,000, and \$136,000 for the years ended June 30, 2007, 2006, and 2005, respectively.

- A. While it appears the appropriations are intended to cover the basic operating costs of the office and mansion, various employees were budgeted to and paid from appropriations of the OA. These employees were physically located in and supervised by the Governor's office and mansion, and performed duties attendant to programs and functions of the Office of Governor; however, the salaries of these employees were paid from appropriations of the OA.

For fiscal year 2007, 2006, and for the period January 10, 2005 to June 30, 2005, salaries paid from the Governor's and OA's appropriations were approximately:

	<b>FY2007</b>	<b>FY2006</b>	<b>FY2005</b>
<b>Salaries paid by:</b>			<b>(January 10 – June 30)</b>
Governor:			
Office	\$1,692,300	\$1,680,500	\$883,200
Mansion	84,800	76,500	46,900
OA	159,000	154,200	53,100
Total	\$1,936,100	\$1,911,200	\$983,200

According to the OA, four Governor's office employees' salaries are currently paid fully from OA appropriations. These employees include a receptionist, laborer, special assistant professional, and the Deputy Director of Legislative Affairs. Previously, eight different positions were fully or partially paid from OA appropriations, with only six positions paid at any one time. All these employees prepared time sheets for the Office of Governor.

Also, the salaries paid by OA in fiscal year 2006 included those of the mansion assistant director and chef for the fourth quarter, which totaled almost \$16,700. This was done to prevent the mansion from exceeding its own budgeted appropriations.

- B. The OA employees performing duties for the office and mansion do not separately account for and report their time spent on work performed for the Office of Governor.

Some OA employees perform budget, purchasing/expenditure, payroll, and capital asset processing duties for the office and mansion, but are considered employees of the OA and are paid from an OA appropriation. For example, an administrative assistant in the OA Commissioner's Office acts as an office manager for the Governor's office. In previous administrations this position was held by an employee physically located in the Governor's office and paid from the Governor's appropriation. Also, the OA, Information Technology Services Division provides computer support for the office and mansion.

- C. The OA has purchased equipment which is tracked in the state's accounting system (SAM II) as OA assets; however, the equipment is issued to and used exclusively by employees of the Governor's office and mansion.

Various computer and other electronic equipment, totaling over \$67,000, used by office and mansion personnel are tagged and identified as property of OA. In addition, two portable communication devices purchased by the OA are used by personnel of the Governor's office.

- D. Some operating expenses of the mansion were paid from office appropriations. Approximately \$1,610 of mansion-related expenses were paid by office appropriations during the three years ended June 30, 2007. According to OA personnel, this was done to prevent the mansion from exceeding its own appropriations or budget.

The practice of paying Governor's office and mansion salaries and expenses from OA appropriations and using OA personnel and equipment makes it difficult to establish accountability for the true and accurate costs of operating the Office of Governor. The operating costs of the office and mansion should be paid from separate appropriations made specifically for that purpose. Additionally, any time spent by OA personnel on

duties related to the operation of the office and mansion should be paid by the Governor's appropriations.

**WE RECOMMEND** the Office of Governor discontinue the practice of using OA's appropriations to pay operating costs of the Governor's office and mansion. The Office of Governor should request funding levels sufficient to pay all operating costs of the office and mansion from its own appropriations. If OA personnel perform duties related to the operation of the Office of Governor, their time should be recorded and paid from the Governor's appropriations.

### **AUDITEE'S RESPONSE**

*The Office of the Governor agrees that salaries must be used for purposes within the appropriation language, but disagrees with the conclusion that this principle was not followed in this instance. The appropriation at issue for the Office of Administration is for the Governor's Office, and that is specifically provided in the bill language.*

*The Office of Administration (OA) provides administrative assistance to all agencies of state government, including the Office of the Governor. OA has never undertaken the burden of separately accounting for that time because it would be impractical and would serve no purpose.*

*Though not mentioned in the recommendation, the audit report notes that OA purchased computer and electronic equipment for the Office of the Governor. Consolidation of information technology (IT) units within state government to the Office of Administration created a more efficient and productive IT work environment never before seen in state government. The Office of Administration Information Technology Division (OA-ITSD) purchases all IT related equipment for state government. The Governor's Office was treated like any other agency in state government.*

*Though not mentioned in the recommendation, the audit report notes that \$1,610 of mansion operations were paid for with a Governor's Office appropriation. In response, I note that the Office of the Governor and the Mansion operate on less money than was appropriated in fiscal year 2001 and with less budgeted FTE than ever before. The costs paid for by the Office of Administration were minor (\$1,610) and transparent. This office does not intend to repeat this practice.*

**3.****Capital Assets**

The Office of Governor's records and procedures for its capital assets are not adequate, and did not provide sufficient information to allow us to audit the capital asset balances and transactions. As a result, assets have not been properly accounted for and safeguarded from theft or misuse, and a Statement of Changes in General Capital Assets could not be presented in the History, Organization, and Statistical Information section of this report.

A separate inventory of general capital assets is maintained for the Governor's office and mansion. At January 10, 2005 (beginning of governor's term), the capital assets balance for the office and mansion totaled approximately \$322,700 and \$160,400, respectively. Our review of capital asset records and procedures revealed the following weaknesses:

- A. An annual statement of changes in capital assets is not prepared and a complete list of all additions and dispositions is not maintained for either the office or mansion. Also, capital asset purchases for the office are not routinely reconciled to the property addition records on SAM II. In addition, the mansion maintains separate capital asset records and does not record and track its capital assets on SAM II.

The Code of State Regulations, 15 CSR 40-2.031, requires that each department should annually prepare a statement of changes in capital assets to summarize the transactions occurring during the fiscal year and account for all acquisitions and dispositions. In addition, SAM II provides a standard system for all departments to record and track capital assets and allows for the ease of reporting of capital assets for financial reporting purposes.

- B. The current capital assets listing for both the office and mansion are incomplete and inaccurate.
  - 1. The office's listing includes almost 40 items, totaling over \$91,500, which have been sent to the State Agency for Surplus Property. Office personnel also indicated that additional items, such as computers, portable communication devices, and other electronic equipment on the listing have been replaced by the OA. Additionally, we noted a postage machine, costing \$2,640, which was purchased in March 2007, was not included on the listing. It should be noted that at the time this postage machine was purchased, the state, through the OA, was encouraging individual agencies to eliminate their postage facilities and consolidate and coordinate those functions through the OA mailroom.
  - 2. Although the prior administration's listing for the mansion at January 10, 2005, included over 150 items, the mansion's current listing only contains

54 items, including 11 items purchased by the OA for the mansion's use. Also, numerous items of dinnerware and silverware, as well as pieces of antique furniture, that were included on the prior administration's listing are still physically located in the mansion, but are not on the current listing.

Additionally, although the listing includes identification numbers for about one-half of the items, the listing does not include acquisition costs, acquisition dates, an estimated useful life, locations, or complete descriptions (i.e., make, model and serial number, where appropriate). The listing only provides a general description of the capital asset.

According to the assistant mansion director, the prior administration did not provide a listing of capital assets to the new administration. Therefore, she recently began recording capital assets she thought should be tracked and accounted for. Also, we have provided the mansion staff with a copy of the prior administration's asset listing.

The failure to maintain a complete and accurate inventory listing reduces the control and accountability over capital assets and increases the potential for loss, theft, or misuse. Also, the Code of State Regulations, at 15 CSR 40-2.031, requires departments to 1) inventory all equipment costing \$1,000 or more, and 2) 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.

- C. An annual physical inventory of capital assets is not performed and reconciled to capital asset records for either the office or mansion.
1. Although office personnel indicated that a physical inventory was taken in January 2007, it appears documentation of the physical inventory was not retained and the capital asset records were not updated.
  2. According to mansion personnel, a physical inventory of the mansion's capital assets has not been conducted since a physical inventory performed by the prior administration.

Annual physical inventories are necessary to establish proper accountability over capital assets. Also, the Code of State Regulations, at 15 CSR 40-2.031, requires an annual physical inventory of capital assets and the reconciliation of this inventory with the capital asset records and with the prior annual physical inventory. Documentation of the physical inventory should be retained to show compliance with state regulations.

To ensure state-owned capital assets are adequately safeguarded and accounted for, thorough and complete capital asset inventories, including physical observations of the actual items, and investigations of significant discrepancies between the capital asset records and the physical inventory should be preformed. The failure to properly record capital asset items reduces the control and accountability over state-owned property and increases the potential for loss, theft, or misuse of assets.

**WE RECOMMEND** the Office of Governor:

- A. Prepare an annual statement of changes in capital assets and account for all acquisitions and dispositions. Capital asset purchases should be reconciled to the capital asset records on a periodic basis. In addition, the mansion's capital assets records should be recorded and tracked on SAM II.
- B. Ensure complete and accurate capital asset records are maintained.
- C. Require an annual physical inventory be conducted and reconciled to the capital asset records. The documentation of the physical inventories should be retained to show compliance with state regulations.

#### **AUDITEE'S RESPONSE**

*The Office of the Governor agrees that a formal capital asset inventory should be undertaken. Though this apparently has never been done in the Governor's Office, Governor Blunt will do so. Having said that, in the time period for this audit, assets were monitored appropriately and the audit report agrees that no state assets were lost during the current administration. The audit report recognizes that Governor Blunt was given no capital asset inventory upon taking office: "the prior administration did not provide a listing of capital assets to the new administration."*

<b>4. Mansion Functions</b>
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The Office of Governor needs to improve the accountability over the functions held at the mansion to ensure public funds are spent appropriately. The mansion's calendar of events and other documentation do not include a sufficient detailed description of the purpose for each function held at the mansion to provide assurance as to the propriety of the function. In addition, neither the mansion nor the Missouri Mansion Preservation, Inc. (MMPI) retain a list of invitees/attendees for functions held at the mansion.

Mansion expenditures from the state's General Revenue Fund totaled approximately \$138,000, \$123,000 and \$57,000 in fiscal years 2007, 2006, and the period January 10, 2005 to June 30, 2005, respectively. Expenditures of state funds include the salary and fringe benefits of a chef, housekeeper, mansion director, assistant director, and food costs. During fiscal years 2007, 2006, and the period January 10, 2005 to June 30, 2005, food costs totaled approximately \$32,500, \$32,100, and \$7,000, respectively.

From January 10, 2005 to June 30, 2007, the Governor hosted and the state paid for almost 70 official functions which were identified as luncheons, dinners, breakfasts, and receptions. In addition, two legislative receptions, one barbeque, and two functions related to the first lady's initiatives were also held at the mansion and paid for by the state. During this period, the MMPI hosted almost 190 luncheons, dinners, breakfasts, receptions, meetings, or other special activities (not including tours of the mansion). The cost of these events were paid by the MMPI or by the group/organization who scheduled the event. The mansion and the MMPI kept separate calendars of events.

The calendar of events and other documentation maintained by the mansion staff did not include a detailed purpose for the function. The calendar consisted of basic information including a general description, such as luncheon, dinner, reception, etc., date and time, number of guests, and the state as the source of funding. In addition, neither the mansion staff or the MMPI retained the lists of invitees/attendees for the mansion functions.

A complete record should be maintained for mansion functions. In addition to the general details, the record should include a detailed purpose of the function and the list of invitees/attendees should be retained. Without this level of detail, it is impossible to determine if all mansion functions were reasonable, necessary, and prudent uses of public funds and facilities.

**WE RECOMMEND** the Office of Governor ensure that a complete record of all mansion functions is maintained, including a detailed purpose of the function and list of invitees/attendees, to provide accountability and assurance that taxpayer monies and state facilities are used appropriately.

#### **AUDITEE'S RESPONSE**

*The Office of Governor disagrees with this recommendation. The audit finds no instances of impropriety in the use of the Governor's Mansion. Creating further documentation is unnecessary. The Mansion was used appropriately by using the current documentation.*

<b>5. Governor's Security Costs</b>
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The total costs for the Governor's security cannot be readily determined. Significant costs of the Governor's security division, within the MSHP, are not specifically identified in the division's appropriations.

Currently, several patrolmen of the MSHP are assigned to the Governor's security division. The salaries and fringe benefits of the security personnel and their vehicles and related vehicle fuel and maintenance/repair costs are not included in the security division's appropriations. These costs are paid from other MSHP appropriations and are not separately tracked and accounted for by the MSHP. Additionally, we noted the Governor's office was paying for a cellular telephone which was used by the security personnel.



The Governor's security division receives annual appropriations from the state's General Revenue Fund for the division's operating expenses. The operating costs included expenses such as travel, uniform/clothing allowance, professional development, and equipment. These expenses, totaled approximately \$111,300, \$79,000, and \$72,500 for the years ended June 30, 2007, 2006, and 2005, respectively.

The practice of not including all costs associated with the Governor's security division in the division's appropriations and/or not separately tracking and accounting for personnel and vehicle expenses lessens the accountability of the security division and makes it difficult to determine the total cost to the state for the Governor's security.

**WE RECOMMEND** the Office of Governor, in conjunction with Department of Public Safety, MSHP, pursue appropriations for the security division sufficient to fund all division operating expenses, including personnel and vehicle expenses.

### **AUDITEE'S RESPONSE**

*This recommendation is better directed to the legislature than the Office of Governor. The method by which costs for the Governor's security is funded is established by statute. RSMo, 43.320. The administration of the costs within the Missouri Highway Patrol was not so cumbersome that the audit report was unable to find them, so transparency is not an issue.*

## **6.**

### **Office Policies and Procedures**

The office's employee manual needs to be more complete and comprehensive. All relevant policies and procedures have not been explicitly addressed and some information has not been updated as needed. Also, weaknesses were noted in the office's policy regarding compensatory time. Additionally, the office does not give formal documented performance appraisals to its employees.

A. Weaknesses noted in the employee manual include:

- The manual does not clearly and adequately address issues related to e-mail use and retention, or sunshine law requests.

The office's record retention policy provides that "Every record made or received under the authority of, or coming into the custody, control or possession of Governor's office personnel, in connection with the transaction of official business of state government, and having sufficient, legal, fiscal, administrative, or historical value, shall be retained in accordance with Missouri law." The general nature of this policy provides little assurance that all necessary records will be properly retained.

This policy does not clearly define a record or specifically indicate that e-mail records are covered under the policy. The policy also makes no reference to the Secretary of State's Guidelines for Managing E-mail Records, nor does the policy provide other specific guidance to employees regarding the definition of a record and the necessity to retain such records, specifically as it relates to electronic records. Electronic records, including e-mail, must be retained and made available to the public when required.

We also noted the office's open records policy does not state that a response to the requestor is needed within three business days.

Without clear, specific, and adequate guidance, there may be inconsistencies in the employees' understanding, implementation, and compliance with office and state policies regarding records retention and sunshine law requests.

- The manual does not include certain issues typically addressed in an office/employee manual. These issues include part-time employment, use of state resources, confidentiality, performance appraisals, and training and development of staff.
- The manual does not include: 1) a statement that the office adheres to certain statewide policies, 2) a list of the statewide policies followed, or 3) information regarding how to access the statewide policies. Office personnel indicated that for many specific policies the office complies with statewide policies issued by the OA.

Statewide policies include reimbursement of licenses, certificates, and other organizational dues; vehicular travel; hazardous travel; state aircraft; state vehicles; state travel regulations; agency provided food; background checks; tuition reimbursement; and wireless telephone equipment usage and service.

For example, the office failed to maintain a mileage log for its state vehicle in accordance with applicable OA policies. Additionally, documentation supporting office travel and employee expense reimbursements did not include appropriate documentation to support travel decisions to ensure the expenses were minimized and often failed to include a description for the purpose of trips, as required by OA policy.

- Although the manual indicates that a separate Purchasing and Financial Policies and Procedures Manual is available for employees, this purchasing and policies manual was never developed. Office personnel indicated the office is currently preparing this manual.
- The manual's policy on Fair Labor Standards Act (FLSA) compensatory time does not comply with state law. The policy allows non-exempt

employees of the office to accrue compensatory time and retain a maximum balance of 120 hours. However, Section 105.935, RSMo, only allows non-exempt state employees to retain a maximum of 80 hours of FLSA compensatory time at each year end.

- The position of Director of Office Operations no longer exists; however, various manual sections charge this director with administrative duties. The administrative duties assigned to the Director of Office Operations have been transferred to the OA Commissioner's office.

The failure to include and/or to clearly and adequately address office management topics could lead to unnecessary confusion or inconsistencies in the application of policies and in the employees' degree of compliance with and understanding of policies. A complete, comprehensive, and up-to-date employee manual that summarizes policies can benefit both the office and employees by providing a basic understanding between management and employees regarding rights and responsibilities. In addition, an employee manual can provide guidance and control for the effective and consistent management of the office and to help ensure management's policies are fairly and consistently applied to all employees.

- B. At January 1, 2007, an employee's FLSA compensatory time balance exceeded the limit allowed by state law. As noted above, state law provides for a maximum 80 hours of compensatory time be retained at each year end.

The employee had accumulated a balance exceeding 200 hours. Once we brought this situation to the office's attention, the office began the process of decreasing the balance below 80 hours. Also, office personnel indicated the office will follow state law regarding the maximum compensatory time retained and will update the employee manual.

The office needs to ensure their FLSA compensatory time policy is in compliance with state law.

- C. Contrary to office policy, the office allowed an exempt (not qualifying for compensatory and overtime regulations under the FLSA) employee to earn state compensatory time.

According to office personnel, the office had an oral agreement with this individual to allow this practice. However, the office had not documented their reasons and rationale for the arrangement. The office needs to document their reasons and rationale for deviating from official office policy to ensure all employees are treated equitably. Also, the office should have a written agreement with an employee when an arrangement is not in compliance with official office policy.

Office personnel indicated that this practice has ceased and that the office is in the process of eliminating the compensatory balance.

- D. The office does not give formal documented performance appraisals to its employees. Office personnel indicated the evaluation process is informal. According to office personnel, the Chief of Staff meets with each employee individually to discuss job descriptions, performance expectations, goals, and duties of the employees. Also, meetings are held with the supervisors of the employees to ensure that the supervisors are aware of the expectations, goals and duties of the employees they supervised as well as the expectations, goals and duties of the supervisors themselves. Performance reviews are on a periodic and ongoing basis; however, these reviews were not formally documented. According to office personnel, the office is in the process of converting to the OA's Performance, Efficiency and Results for Missouri (PERforM) appraisal system.

To adequately evaluate employee performance and to assist in personnel decisions, the office should complete formal documented employee performance appraisals on an annual basis.

**WE RECOMMEND** the Office of Governor:

- A. Maintain a complete, comprehensive, and up-to-date employee manual. At a minimum, the issues mentioned above need to be clearly and adequately addressed in the office's policies.
- B. Ensure their compensatory time policy is in compliance with state law.
- C. Document their reasons and rationale when deviating from official office policy. Also, the office should have a written agreement with an employee when an arrangement is not in compliance with official office policy.
- D. Complete formal documented employee performance appraisals on an annual basis.

## **AUDITEE'S RESPONSE**

*The Office of Governor agrees with this recommendation and was already conducting the recommended activities before receiving the draft report. The Office Manual is thorough and comprehensive. The Office of the Governor is compliant with all provisions of law regarding the Missouri Sunshine Law and record retention, and the audit finds no instances contrary to this fact. The one instance regarding overtime was an oversight and was corrected immediately upon knowledge of its occurrence. Also, the Office of the Governor, like all other executive branch agencies, is currently in the process of documenting employee performance appraisals on an annual basis.*

**7.**

### **Expenditures**

The office did not always comply with state regulations and policies regarding state procurement cards, employee expense accounts, travel expenses of an employee's spouse, and vehicular travel. Additionally, some expenditures were not properly classified, there were duplicate payments, and no one reviews and approves the mansion's SAM II expenditures.

We noted the following concerns:

- A. The office does not maintain transaction logs for state-issued procurement cards. Additionally, in some instances, only a credit card charge slip was submitted, rather than a detailed invoice or receipt slip to support procurement card purchases. From January 10, 2005 to June 30, 2007, procurement card purchases totaled over \$46,500.

The state's Purchasing Card Process Manual provides that each cardholder maintain a transaction log for their purchases and that all purchases be supported by detailed documentation from the vendor. A transaction log and adequate supporting documentation help facilitate the monthly review of expenditures and help ensure expenditures are actually incurred and represent appropriate uses of state funds.

- B. Some employee expense reports were not completed and submitted in compliance with state regulations.

Four of ten (40 percent) expense reports reviewed were submitted several months after the period they covered, with one of these reports being submitted and paid over a year after the expenses were incurred. Also, one of these ten reports included expenses from several months. In addition, we noted many instances where the purpose of a trip was not documented to support the expenses claimed.

The Code of State Regulations, at 1 CSR 10-11.010 (State of Missouri Travel Regulations), provides that an expense report only cover expenses incurred during a one (1)-month period, and the report should be submitted "currently to facilitate prompt payment." Also, documenting the purpose of a trip helps ensure the expenses are a reasonable and proper use of state funds.

- C. The office did not have the proper approval for the payment of travel expenses of an employee's spouse.

In the fall of 2006, the office paid the travel expenses for an employee and spouse to attend an out-of-state conference with the Governor. However, the office did not have documentation that the reimbursement of the spouse's expenses was pre-approved by the OA.

The Code of State Regulations, at 1 CSR 10-11.010, provides "reimbursement of spouse expenses at an official business function requires a written justification preapproved by the commissioner of administration." The office needs to ensure all required approvals are obtained and retained before paying the expenses of an employee's spouse.

- D. The office does not require cost analysis documentation be retained for deciding the type of vehicle (state, rental, or personal) to be used for travel by employees on state business.

In April 2006, a vehicular travel policy was established by the OA that requires agencies to establish sufficient controls to ensure travel expenses are minimized. Agencies must utilize the Trip Optimizer, maintained by the OA, or other equivalent methods for calculating travel costs to ensure employees use the most cost effective travel options, and agencies must maintain appropriate documentation to support travel decisions.

According to office personnel, a cost analysis, using the OA's "Trip Optimizer", is performed prior to each trip, but documentation of the analysis is not retained. The office needs to ensure adequate documentation is retained to support travel decisions.

- E. Expenditures were not always properly classified in the SAM II. Some expenditures were not charged to the most appropriate object codes. For example:

- Computer equipment and a fax machine, totaling \$651, were charged to equipment repair and maintenance.
- Mansion supplies, totaling \$428, were charged to motor fuel.

- A postage machine, costing \$2,640, was charged as under-threshold equipment. This coding error resulted in the postage machine not being automatically flagged in the accounting system as an asset for which tracking was required, and the machine was subsequently not added to the capital asset records.

The office should ensure that expenditures are charged to the correct and/or most appropriate object code in SAM II. This is necessary to evaluate costs and for budget purposes.

- F. We noted two duplicate payments, totaling over \$600. Office personnel determined one payment had been subsequently refunded by the vendor, and they are pursuing the refund of the second payment. The office needs to establish adequate procedures to ensure duplicate payments for goods and services are not made.
- G. No one reviews and approves the purchase transactions entered by the mansion's assistant director on SAM II to ensure their propriety and correctness before the purchases are processed and paid. The failure to have an independent review and approval of the assistant director's SAM II transactions increases the risk of errors occurring and remaining undetected and the opportunity for fraud to occur.

**WE RECOMMEND** the Office of Governor:

- A. Require procurement card transaction logs be maintained and adequate supporting documentation is obtained and submitted for the procurement card purchases.
- B. Require expense reports be submitted on a monthly basis, with adequate supporting documentation in compliance with state regulations. In addition, the purpose of the expenses should be documented.
- C. Ensure that written justification of a spouse's expenses at an official business function is preapproved by the OA and retained.
- D. Retain adequate documentation to support travel decisions in accordance with state regulations.
- E. Ensure expenditures are charged to the most appropriate object codes.
- F. Establish adequate procedures to prevent duplicate payments.
- G. Require an independent review and approval of the mansion's SAM II transactions.

### **AUDITEE'S RESPONSE**

- A. *Sufficient supporting documentation was retained on all purchases. The audit report finds found (sic) no instances of impropriety in this regard. However, a transaction log will be created for future purchases. We expect to have this policy in place by March 1, 2008.*
- B. *The Office of Governor agrees with this recommendation but notes that only ten reports for the last three years were reviewed which skewed the analysis. Despite the timing of the expense reports being delayed, the audit report finds no instances of inappropriate expense reimbursements.*
- C. *Proper approval from the Office of Administration will be sought in the future should the need arise.*
- D. *The Governor's Office strives to utilize the lowest cost option for vehicular travel. In instances where no state vehicle is available for use, employees are allowed to utilize their personal vehicle.*
- E. *There were minor coding errors in Sam II as identified in the audit report. Coding errors exist in all state agencies and where found are corrected as soon as possible.*
- F. *The duplicate payment is in the process of being refunded for services that appeared to be separate and distinct.*
- G. *Contrary to the audit report, expenditure reviews for the Mansion are conducted by the Executive Director and the First Lady's Executive Assistant to ensure accountability.*



HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

## OFFICE OF GOVERNOR HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The supreme executive power of the state is vested in the governor. Unless otherwise provided by law, he appoints members of all boards, commissions, and state government department heads as well as those of several other entities in the state and all vacancies in public offices. He commissions all officers of the state unless otherwise provided by law. Through his capacity as commander-in-chief of the militia, he is the conservator of peace throughout the state.

Providing the state's principal financial administration, the governor presents to the General Assembly a proposed budget for each appropriation period, passes approval on appropriation bills presented to him by the General Assembly, and subsequent to the passage of such bills, may control the rate at which appropriations are expended. He may reduce the appropriations when actual revenues are below the estimated revenues upon which the appropriations were based.

All bills passed by both houses are presented to and considered by the governor where they are signed into law or disapproved and returned to the originating house.

In addition to the duties which are specifically assigned to the governor in the constitution, he has many other duties assigned to him by statute and by custom. The governor is also a member of the Board of Public Buildings and the State Board of Fund Commissioners.

The governor is required to be at least thirty years of age and must have been a citizen of the United States for at least fifteen years and a resident of this state at least ten years prior to election. The governor is elected at the presidential election for a four year term and is subject to re-election. No person may hold the office for more than two terms.

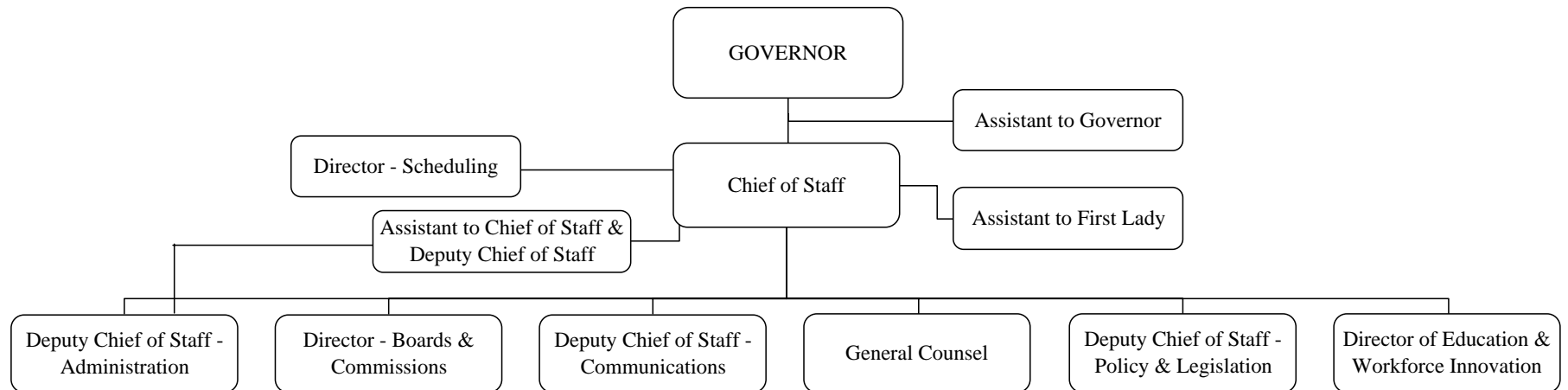
On January 10, 2005, Matt Blunt was inaugurated as the state's fifty-fourth governor. His term expires in January 2009.

The governor and his family reside in the Governor's mansion, located near the capitol. The mansion was first occupied in 1872 and was added to the National Register of Historic Places in 1969. The Governor and First Lady host public and private events at the mansion. Events are also hosted by Missouri Mansion Preservation, Inc., a statewide, nonpartisan, nonprofit organization dedicated to the mansion's restoration and educational programs.

At June 30, 2007, the governor's office employed twenty-four full-time and one part-time personnel. This included staff of the Governor's satellite offices in St. Louis and Kansas City, where they serve as a local point of contact for members of the public, local governments, and organizations. In addition, four full-time personnel were employed at the Mansion.

An organization chart for the office follows:

OFFICE OF GOVERNOR  
ORGANIZATION CHART  
JUNE 30, 2007



Appendix A-1

OFFICE OF GOVERNOR  
STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
YEAR ENDED JUNE 30, 2007

	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>			
National Guard Emergency	\$ 1,144,001	1,113,453	30,548
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	318,759	302,408	16,351
Special Audits	30,000	30,000	0
Mansion Operating Expenses	138,144	138,093	51
Governor's Office	1,892,606	1,873,755	18,851
Total General Revenue Fund	<u>\$ 3,523,510</u>	<u>3,457,709</u>	<u>65,801</u>

Appendix A-2

OFFICE OF GOVERNOR  
STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
YEAR ENDED JUNE 30, 2006

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
National Guard Emergency	\$ 675,001	646,193	28,808
Special Audits	30,000	10,419	19,581
Mansion Operating Expenses	135,480	123,306	12,174
Governor's Office	1,832,697	1,831,720	977
Total General Revenue Fund	\$ 2,673,178	2,611,638	61,540

Appendix A-3

OFFICE OF GOVERNOR  
STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
YEAR ENDED JUNE 30, 2005

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
National Guard Emergency	\$ 150,001	116,252	33,749
Mansion Operating Expenses	157,061	136,216	20,845
Governor's Office	1,869,218	1,745,439	123,779
Association Dues	150,150	142,950	7,200
Total General Revenue Fund	\$ 2,326,430	2,140,857	185,573

Appendix B

OFFICE OF GOVERNOR  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Governor's office:					
Salaries and wages	\$ 1,692,312	1,680,495	1,590,746	1,512,081	1,463,525
Travel, in-state	19,003	13,278	22,749	53,789	75,208
Travel, out-of-state	15,174	11,723	6,036	2,680	9,503
Supplies	39,193	31,408	29,056	26,214	48,081
Professional development	4,105	5,206	4,065	2,500	2,995
Communication service and supplies	32,565	35,635	46,340	52,499	49,641
Services:					
Professional	17,353	18,340	32,380	26,481	17,195
Maintenance and repair	1,817	7,053	10,630	17,183	16,740
Computer equipment	0	0	60	1,462	12,751
Motorized equipment	0	0	0	592	0
Office equipment	922	285	20	814	435
Other equipment	4,415	0	0	0	65
Equipment rentals and leases	2,704	2,316	2,140	769	1,699
Agency provided food	3,286	1,250	1,109	1,141	1,266
Miscellaneous expenses	18	12	108	219	100
Total office expenditures	<u>1,832,867</u>	<u>1,807,001</u>	<u>1,745,439</u>	<u>1,698,424</u>	<u>1,699,204</u>

Appendix B

OFFICE OF GOVERNOR  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Mansion operating:					
Salaries and wages	84,839	76,561	94,783	91,279	90,588
Travel, in-state	0	0	0	0	18
Supplies	12,977	10,826	7,573	9,956	8,150
Communication service and supplies	0	0	2,777	5,539	4,656
Services:					
Professional	6,194	2,412	4,133	5,393	4,928
Maintenance and repair	1,534	1,430	2,674	2,898	3,796
Computer equipment	0	0	0	50	0
Property and improvements	0	0	42	0	0
Agency provided food	32,549	32,077	24,070	31,995	28,297
Miscellaneous expenses	0	0	164	463	128
Total mansion expenditures	<u>138,093</u>	<u>123,306</u>	<u>136,216</u>	<u>147,573</u>	<u>140,561</u>
National Guard emergency	1,113,453	646,193	116,252	4,805	96,061
Real property rental and leases	302,408	0	0	0	0
Special audits	30,000	10,419	0	41,969	30,000
Association dues	40,888	24,719	142,950	150,050	150,050
Total	<u>\$ 3,457,709</u>	<u>2,611,638</u>	<u>2,140,857</u>	<u>2,042,821</u>	<u>2,115,876</u>



Appendix C

OFFICE OF GOVERNOR  
DEPARTMENT OF PUBLIC SAFETY, MISSOURI STATE HIGHWAY PATROL  
GOVERNOR'S SECURITY DIVISION  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Travel, in-state	\$ 36,045	33,561	27,086	14,996	11,891
Travel, out-of-state	67,007	36,678	34,524	24,516	36,818
Fuel and utilities	0	0	216	0	0
Uniform and clothing allowance	6,405	5,433	6,884	7,050	6,975
Supplies	344	368	582	2,036	403
Professional development	1,120	470	835	490	140
Communication service and supplies	224	0	0	0	0
Services:					
Professional	0	0	368	18	0
Maintenance and repair	130	104	274	208	283
Computer equipment	0	0	176	80	0
Office equipment	0	0	0	449	0
Other equipment	0	2,400	1,438	567	0
Building lease payments	0	0	100	0	0
Equipment rentals and leases	7	0	0	0	0
Total	\$ <u>111,282</u>	<u>79,014</u>	<u>72,483</u>	<u>50,410</u>	<u>56,510</u>