



Thomas A. Schweich

Missouri State Auditor

Office of Governor

September 2012
Report No. 2012-95



<http://auditor.mo.gov>



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CITIZENS SUMMARY

Findings in the audit of the Office of the Governor

Operating Costs from Other Appropriations

From January 2009 to June 2011, approximately \$1.7 million of the Governor's office expenses were charged to and paid from appropriations of other state agencies. But for these expenses being paid by other agencies, both the Governor's office and mansion would have spent more than their appropriation authority in each of the 3 fiscal years audited. Fourteen agencies funded all or part of the salaries for several employees of the Governor's office for a total of approximately \$770,000, and the Office of Administration (OA) paid \$32,200 to compensate an "advisor on education" to the Governor. OA employees do not separately account for and report the time spent performing tasks for the Governor's office and mansion. In the first 30 months of the current administration's tenure, employees of the Governor's office flew 334 days on state planes, costing approximately \$565,000, 96 percent of which was paid by various state agencies. State agencies also paid approximately \$37,000 for other travel expenses for employees of the Governor's office and various other operating expenses of the Governor's office totaling approximately \$406,000. This situation has been noted in the reports of other state agencies by the current State Auditor and his predecessor (Reports 2011-59, 2011-18, 2011-16, 2010-167).

Travel Expenses

Most lodging expenses reviewed by audit staff, especially out-of-state lodging expenses, lacked documentation to support why they were higher than appeared necessary. Hotel charges exceeded recommended rates per state policy, meal charges exceeded per diem rates, and airline tickets were not purchased at least 21 days before the flight. One employee, domiciled in St. Louis, stayed at a hotel in Jefferson City approximately 150 nights at a cost of almost \$12,000 when more economical alternatives existed. The Governor's office does not evaluate whether commercial flights would be more economical than state planes for out-of-state trips. Flight costs for 19 out-of-state flights totaled approximately \$92,800, which included \$15,630 for wait time costs and \$8,570 for pilot expense. The Governor's office could have saved approximately \$15,500 if individuals had flown commercial flights on two trips to Washington, D.C.

State Resources

State law is unclear regarding the use of state resources by the Governor's office for political and personal purposes. The Governor uses some security and transportation resources for all official, political, and personal activities, and the state pays the personal food costs for the Governor and his family. The Missouri Constitution prohibits the use of state resources for personal or private gain, but Section 43.330, RSMo, allows for transportation, security, and protection for the Governor and his immediate family with no distinction between official state business and personal or political events.

Capital Assets

The Governor's office lacks adequate capital asset records and procedures. At June 30, 2011, the state accounting system capital asset records show 570 items totaling over \$300,000, but the office list only shows 26 items totaling \$130,000. The capital asset records for the mansion include items which are also on the OA inventory list, but do not include \$160,000 worth

of furniture purchased with General Revenue Fund monies, some which may be in storage. Other furniture/equipment in the mansion may have been purchased by and accounted for by the Missouri Mansion Preservation, Inc.

Mansion	Three entities were not charged for holding an event/function at the mansion, and mansion personnel did not maintain documentation to support the reason these entities were not charged. The mansion director's salary and certain other mansion operating expenses were paid from the office and OA appropriations, thereby understating the mansion's operating expenses.
Governor's Security Costs	As noted in our prior audit of the Governor's office, total costs for the Governor's security cannot be readily determined, because some costs are paid from the Governor's security division appropriation and some are paid by Missouri State Highway Patrol appropriations, but not separately tracked.
Office Policies and Procedures	The Governor's office has not developed a written, comprehensive employee manual, does not require performance appraisals for employees, and does not adequately annotate the Governor's official office calendar.
Governor Withholding	The State Auditor issued a letter report to the Governor (2011-043) after discovering the Governor lacked any documentation to support the fiscal year 2012 withholds he announced before the start of the fiscal year. The Governor's office ignored the State Auditor's request that he work with the General Assembly to resolve the matter, and the State Auditor filed suit. The circuit court held the Governor violated the Missouri Constitution by spending money in excess of specific appropriated amounts but concluded the Governor may control the rate of expenditures or withhold and reduce expenditures below their appropriation. The State Auditor intends to appeal certain aspects of the court's ruling.
Additional Comments	The Office of the Governor provided responses to the audit findings, but those responses are generally non-responsive. For the most part, the Governor's office does not commit to implementing the recommendations.

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

American Recovery and Reinvestment Act (Federal Stimulus)	The Office of the Governor did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Office of Governor

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THOMAS A. SCHWEICH

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
Jefferson City, Missouri

We have audited certain operations of the Office of Governor in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2010 and 2009. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
4. Determine the current status of issues related to Report No. 2011-43, *Governor Withholding Report*, issued in August 2011.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of 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.

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.

The accompanying 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 our audit of the office.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. We also determined and reported the current status of issues related to the *Governor Withholding Report*. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Governor.



Thomas A. Schweich
State Auditor

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Office of Governor Management Advisory Report State Auditor's Findings

1. Operating Costs From Other Appropriations

The operations of the Office of Governor have been supplemented by using appropriations of other state agencies, thus circumventing the appropriation process as established by the General Assembly. As a result, the Governor's office has significantly under reported the true costs of operating the office. In total, the operating expenditures of the office have effectively been increased by approximately \$1.7 million (28 percent) more than amounts appropriated to the Office of Governor, for the 3 years ended June 30, 2011.

The Governor's office receives separate appropriations from the state General Revenue Fund for the operating costs of the Governor's office and mansion. Office and mansion operating appropriations totaled approximately \$2 million and \$142,600, respectively, each year for fiscal years 2011, 2010, and 2009. If the Governor's office had not allocated expenses to other state agencies, both the office and mansion would have exceeded its appropriation authority each year.

From January 2009 (beginning of current Governor's term) to June 2011, Governor's office expenses, totaling approximately \$1.7 million were charged to and paid from appropriations of other state agencies. Although similar practices have been noted in reports on prior administrations, the magnitude of shifting of personnel and operating costs has significantly increased with the current administration.

1.1 Personnel costs

State agencies paid personnel costs of approximately \$770,000 for employees of the Governor's office. The Governor's office required 14 agencies to fund either a portion of or the entire salary of some of its employees (9 in fiscal year (FY) 2011, 8 in FY 2010, and 4 in FY 2009).



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State agencies paid the following personnel costs for Governor employees:

Agency	Year Ended June 30,		
	2011	2010	2009 (1)
Department of Agriculture	\$ 7,329	621	3,863
Department of Corrections	40,415	49,229	6,829
Department of Economic Development	12,509	1,874	0
Department of Elementary and Secondary Education	14,032	8,124	0
Department of Health and Senior Services	17,181	10,458	6,829
Department of Higher Education	2,210	481	3,863
Department of Insurance, Financial Institution and Professional Registration	24,855	3,978	0
Department of Labor and Industrial Relations	7,969	5,059	3,863
Department of Mental Health	32,400	55,646	6,829
Department of Natural Resources	16,995	26,044	3,862
Department of Public Safety	34,234	32,121	6,829
Department of Revenue	142,115	6,783	3,862
Department of Social Services	92,428	69,611	6,829
Office of Administration	0	453	2,026
Total	\$ 444,672	270,482	55,484

1) Period of January 12, 2009, through June 30, 2009.

These personnel costs included the St. Louis regional office director, employees performing performance reviews of various state agencies, and three employees handling boards and commission activities. These employees performed functions and programs related to the Governor's office.

In addition, in fiscal year 2011, the Office of Administration (OA) paid \$32,200 to compensate an "advisor on education" to the Governor. In February 2011, the Governor's office and Missouri State University (University) signed a Memorandum of Understanding regarding utilizing the services of the University President as a gubernatorial advisor on issues of education. The Governor's office agreed to compensate the University for one-third of the President's salary for the remainder of the fiscal year. The OA paid the Governor's office obligation in May 2011 from an OA appropriation. This individual became a full-time employee of the Governor's office in fiscal year 2012.

OA employees also perform duties for the office and mansion and do not separately account for and report their time spent on work performed for the Office of Governor. These OA employees perform budget,



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purchasing/expenditure, payroll, and capital asset processing duties, but are considered employees of the OA and are paid from OA appropriations.

1.2 Flights on state planes

From January 2009 to June 2011, various state agencies paid approximately 96 percent of the costs of the Office of Governor flights on state planes. During this period, employees of the Governor's office flew 334 days on state planes, with flight costs totaling approximately \$565,000 of which approximately \$546,000 was paid by other state agencies.

State agencies paid the following flight costs for the Governor's office:

Agency	Year Ended June 30,		
	2011	2010	2009 (1)
Department of Agriculture	\$ 9,370	5,521	8,915
Department of Corrections	5,356	3,253	1,383
Department of Economic Development	63,640	85,448	23,676
Department of Health and Senior Services	8,144	4,776	6,006
Department of Insurance, Financial Institutions and Professional Registration	8,279	13,036	5,872
Department of Labor and Industrial Relations	5,268	6,851	4,335
Department of Mental Health	6,586	3,137	3,906
Department of Natural Resources	19,305	17,358	10,056
Department of Public Safety	71,155	56,507	20,591
Department of Revenue	4,592	6,459	11,573
Department of Social Services	4,592	6,778	10,874
Office of Administration	13,932	8,746	1,383
Total	\$ 220,219	217,870	108,570

1) Period of January 12, 2009, through June 30, 2009.

Included in the amounts above, due to a shortage in the Governor's appropriation near the end fiscal year 2009, the OA transferred flight costs, totaling approximately \$31,000, already paid by the Governor's office to various other state agency appropriations.

1.3 Travel expenses

State agencies paid travel expenses such as meals, mileage, and lodging for various employees of the Governor's office. Employees incurring travel expenses were supervised by and/or performed duties attendant to programs and functions of the Office of Governor. These travel costs totaled approximately \$37,000.



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State agencies paid the following travel expenses for Governor's office employees:

Agency	Year Ended June 30,		
	2011	2010	2009 (1)
Department of Economic Development	\$ 8,751	1,393	0
Department of Health and Senior Services	2,497	0	0
Department of Higher Education	1,425	0	0
Department of Revenue	10,236	0	0
Department of Social Services	8,885	3,591	0
Office of Administration	0	0	319
Total	\$ 31,794	4,984	319

1) Period of January 12, 2009, through June 30, 2009.

1.4 Other operating expenses Several state agencies paid various operating expenses, totaling approximately \$406,000, of the Office of Governor.

State agencies paid the following office expenses for the Governor's office:

Operating Expense	Year Ended June 30,		
	2011	2010	2009 (1)
Association Dues:	\$		
Department of Economic Development	14,200	0	14,200
Department of Health and Senior Services	45,000	0	0
Department of Social Services	130,200	110,100	0
Office of Administration	0	65,100	0
Printing expense:			
Office of Administration	0	0	6,191
Telecommunication expense:			
Office of Administration	0	0	21,560
Total	\$ 189,400	175,200	41,951

1) Period of January 12, 2009, through June 30, 2009.

The association dues were for the National Governors Association and Southern Governors Association. The printing expense included various office supplies such as envelopes and letterhead paper. The telecommunication expense included office phones used by Governor's office staff.

Conclusion

The practice of paying Governor's office personnel and expense/equipment costs from the appropriations of other state agencies makes it difficult to



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establish accountability for the true and accurate costs of operating the Office of Governor, and not only distorts the operating costs of the Governor's office but the operating costs of the state agencies paying the Governor's expenses.

In fiscal year 2012, in an attempt to prevent the appropriation process from being circumvented, the General Assembly included the following language to each agency appropriation bill except the Department of Public Safety (for necessary travel in the event of a statewide emergency): ". . . no funds . . . shall be expended for the purpose of costs associated with travel or staffing for the offices of the Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, or Attorney General."

Although the Governor's office made changes, some Governor employees continue to perform duties attendant to programs and functions of the Office of Governor, but are designated as employees of other state agencies. For example, in July 2011, the three boards and commission employees in the Governor's office were designated as employees of the Department of Insurance, Financial Institutions and Professional Registration (DIFP) in the state accounting system. As a result, their personnel costs are paid through a DIFP appropriation. However, these employees are still physically located in and supervised by and perform the boards and commission duties for the Governor's office. From July to December 2011, flight costs on state planes for the Governor and office employees totaled approximately \$116,000, with the Department of Public Safety paying 35 percent of these costs. In addition, from July to September 2011, an employee of the Department of Economic Development flew with the Governor the majority of the flights and became an employee of the Governor's office in October 2011.

The Governor's office needs to take measures to reduce office and mansion expenses to ensure expenditures are within the approved appropriation authority, similar to efforts by other statewide elected officials such as the Office of Lieutenant Governor, Office of Attorney General, Office of Secretary of State, Office of Treasurer, and Office of State Auditor, and other state agencies.

Recommendation

The Office of Governor discontinue the practice of using other agency appropriations to pay the operating costs of the Governor's office. 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 accounts for its operational costs in a manner that properly reflects the nature of the work it performs.



2. Travel Expenses

The Office of Governor does not document and justify the reasons why lodging and meal standards are exceeded, and airline tickets are not purchased at least 21 days in advance, as is required by the state travel policy. The lodging expense incurred for an extended stay of one employee did not appear to be reasonable and cost effective. The Governor's office does not compare the costs of commercial flights to the costs of using state planes for out-of-state travel.

In addition to travel expenses paid by other state agencies, the Governor's office paid travel expenses totaling approximately \$178,000 during the 3 years ended June 30, 2011.

State travel policy

State travel policy, SP-6, provides that it is an employee's responsibility to demonstrate travel expenses incurred or approved are reasonable and necessary, and should include explanations and documentation to fully substantiate travel expenses. Travel expense documents should stand on their own without the need to seek further explanation.

The travel policy provides that where comparable accommodations are available, when selecting the higher priced lodging, prior approval from the agency should be obtained and the reasons for selecting that lodging should be documented. The federal CONUS lodging rates are to be used as a guideline and any lodging that exceeds those rates must be documented as necessary and approved by the agency. There are also established meal per diem standards for both in-state and out-of-state meals. In addition, each employee is to exercise prudent care in arranging airfare to obtain the lowest feasible fare, and should obtain the lowest reasonable, logical airfare at least 21 days in advance. When this is not possible, the reasons should be documented as part of the transaction, according to the policy.

2.1 Documentation

The majority of the lodging expenses reviewed, especially out-of-state lodging expenses, exceeded the CONUS rate, with no documentation supporting why the higher lodging was necessary and reasonable. We also noted numerous instances of meal expenses that exceeded the OA established per diem rates, and airline tickets that were not purchased at least 21 days prior to the flight, without any justification documented.

- In February 2011, the Governor's office paid for hotel stays in Washington D.C. Payments were made for one room for 4 nights, two rooms for 3 nights, and two rooms for 2 nights, with rates ranging from \$299 to \$472. The CONUS rate for Washington, D.C. was \$181 per night. In total, hotel charges exceeded the CONUS rate by \$2,066.



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- In August 2010, the hotel rate paid for a 2 night stay in Birmingham, Alabama was \$159 per night while the CONUS was \$92 per night.
- In July 2010, the hotel rate paid for a 3 night stay in Boston, Massachusetts was \$254 per night. while the CONUS rate was \$205 per night. Although the employee actually only stayed 2 nights, the office had to pay for an extra night because the room reservation was not canceled the first night.
- In July 2009, the hotel rate paid for a 1 night stay in St. Louis was \$189 while the CONUS rate was \$111.
- In January 2010, the Governor's office paid \$61 for dinner for one individual and \$46 for breakfast for another individual when the total per diem for the entire day was only \$40.
- In ten instances, airline tickets were not purchased at least 21 days prior to the date of the flight. The date purchased ranged from 1 to 14 days prior to the flight.
- Three one-way tickets were purchased instead of cheaper round trip tickets for an airline trip to Washington D.C. in February 2011. The Governor, security, and two staff flew on the state plane to Washington D.C. The two staff flew back commercially using a one-way ticket. These one-way tickets cost \$667 each. Another staff purchased a one-way ticket, costing \$650 and flew commercially to Washington D.C., but flew back on the state plane. A round-trip ticket for a fourth staff to fly commercially was only \$450. None of the one-way tickets were purchased 21 days prior to the date of the flight.

2.2 Lodging expense

The Governor's office did not adequately evaluate the lodging expense of an employee during an extended stay in Jefferson City.

During the 2 years ended June 30, 2011, an employee, domiciled in St. Louis, usually stayed in a specific hotel while in Jefferson City. This employee conducted performance reviews of state agencies and stayed in the hotel for approximately 150 nights at a cost of almost \$12,000. While the nightly rate paid generally approximated CONUS rates, more economical alternatives existed in the Jefferson City area. For example, during 1 week the employee stayed in a different hotel with a rate almost \$24 per night lower. In addition, State Auditor's staff currently receive a nightly rate approximately \$33 lower while staying in Jefferson City. The Governor's office did not ensure the lodging costs were procured in a cost



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effective manner by comparing rates of area hotels and/or negotiating with hotels for a better rate.

2.3 Out-of-state flights

The Governor's office does not evaluate whether commercial flights would be more economical than state planes for out-of-state trips. Some flights on state planes involved significant wait time, which resulted in additional costs; especially those flights with 2 to 4 day layovers for plane and pilots.

Flight costs for 19 out-of-state flights totaled approximately \$92,800, with wait time costs and pilot expense totaling \$15,630 and \$8,570, respectively. These flight costs were allocated to and paid by other state agencies. Multiple flights were made to the Washington D.C. area, and other destinations included Atlanta, Georgia; Dallas, Texas; Chicago, Illinois; and Detroit, Michigan. Examples of out-of-state flights included:

- Five flights with wait times of over 15 hours.
- Two round-trip flights related to out-of-country trips that only dropped-off or picked-up the Governor in the Washington D.C. area.
- Two flights with a 4-day layover, one flight with a 3-day layover, and one flight with a 2-day layover for the plane and pilots.

In addition, there were two flights to Washington D. C. when the state plane flew with the five or six passengers and another staff flew commercial. If all individuals had flown commercial the savings would have been approximately \$15,500.

Comparing the costs of commercial flights to the costs of state planes when traveling out-of-state helps ensure the most economical use of state resources. If the higher cost alternative is chosen, the circumstances and justification for the decision should be documented.

Recommendations

The Office of Governor:

- 2.1 Comply with state travel policy. If it is necessary to exceed the lodging or meal standard, the Governor's office should ensure adequate documentation of the justification and reasoning for exceeding the lodging or meal limits is prepared and retained. When it is not possible to purchase an airline ticket 21 days in advance, the reasons should be documented and retained. When one-way travel is necessary, the cheaper of a one-way or round-trip ticket should be purchased.
- 2.2 Ensure extended lodging stays are reasonable and cost effective.



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- 2.3 Prepare and retain a comparison of the costs of commercial flights to the costs of using state planes for out-of-state travel. When the higher cost alternative is chosen, the circumstances and justifications should be documented and retained.

Auditee's Response

The office follows state travel policy. On occasion, circumstances require some deviations from the policy but efforts to ensure the most cost effective means are implemented. The office will ensure that such instances are appropriately handled. As to the extended lodging stay, that arrangement was based on particular circumstances surrounding a particular work assignment. The office does not foresee those circumstances arising again, but should they arise, will again ensure that the arrangement is reasonable and cost effective.

3. State Resources

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. The state also pays the personal food costs for the Governor and his family. The Governor does not reimburse the state for any political or personal use of state resources.

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. Article III, Sections 38(a) and 39, 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.¹

As a general rule, state resources should be used for the benefit of the general public or for a public purpose, and not for political or personal gain. If the state intends to allow the Governor to use state resources for anything other than business purposes, legislation should be pursued to clearly allow

¹ Federal executives, such as the President, must abide by various federal rules, regulations, and ethics laws governing the use of federal resources for political use. For example, if a presidential trip includes multiple stops, some for political events and some for official purposes, travel costs are allocated between the campaign and the government. The President does not reimburse for any security costs, but he is required to pay for personal items such as food.



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this practice and other related conditions, such as reimbursement, of such use. At a minimum, until such provisions are established, 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.

This condition was reported in prior reports.

Recommendation

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 (except for de minimis activities) or discontinue such use.

Auditee's Response

The office follows state laws regarding use of state resources consistent with previous governors. The Governor is on duty at all times.

4. Capital Assets

The Office of Governor capital asset records and procedures are inadequate. As a result, the Governor's office has little assurance that assets are accounted for properly and safeguarded from theft or misuse, and could not prepare a Statement of Changes in General Capital Assets to be presented in the Organization and Statistical Information section of this report.

The office did not maintain complete and accurate records for capital assets or reconcile the office records to state accounting system (SAM II) capital asset records. Also, SAM II records of mansion capital assets were not accurate or complete. In addition, the mansion did not perform a physical inventory of capital assets. Although the office reconciled the annual physical inventory to the capital assets records, capital assets observed, but not on the records, were not added to the records.

Office

At June 30, 2011, there was a difference of approximately \$170,000 between the Governor's office list of capital asset and the capital assets recorded on SAM II. The SAM II records show approximately 570 items totaling over \$300,000; however, the office list only includes 26 items totaling approximately \$130,000.

According to OA personnel responsible for maintaining the SAM II records for the Governor's office, a significant portion of the difference is due to computer equipment recorded on the SAM II inventory records which should be moved to the OA inventory, and assets with costs under \$1,000 recorded on SAM II but not on the Governor's asset listing. We also noted the SAM II listing included assets which had been sent to the State Agency for Surplus Property by a prior Governor's administration.



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Mansion

At June 30, 2011, the SAM II capital asset records for the mansion included approximately 20 items such as a refrigerator, freezer, stove, and copier, totaling approximately \$37,000. These assets were purchased for the mansion by the OA, and are on the OA inventory records. In addition, mansion personnel indicated the other furniture/equipment in the mansion was purchased by and accounted for by the Missouri Mansion Preservation, Inc. (MMPI).

However, from prior audits, we were aware that various mansion furniture had been purchased with General Revenue Fund monies, and that some furniture was in storage. Mansion personnel indicated that they were not aware that some mansion furniture was in storage. Also, in January 2009, we had provided the current administration with a capital asset listing for the mansion which include approximately 160 items, totaling approximately \$160,000. This listing included items such as beds, dressers, mirrors, tables, clocks, and pianos. We located many of these items in the mansion or storage.

Conclusion

The Code of State Regulations, 15 CSR 40-2.031, requires each department to account for all acquisitions and dispositions, and to maintain adequate capital asset records that contain identification number; description of the item including name, make, model and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition; physical location in sufficient detail to readily locate the item; and method and date of disposition. Also, an annual physical inventory of capital assets should be performed and reconciled to capital asset records and the prior annual physical inventory.

The failure to maintain a complete and accurate inventory listing reduces the control and accountability over capital assets and increases the potential that loss, theft, or misuse will go undetected. In addition, annual inventories are necessary to establish proper accountability over capital assets, and documentation of the physical inventory should be retained to show compliance with state regulations.

This condition was reported in prior reports.

Recommendations

The Office of Governor:

- 4.1 Ensure complete and accurate capital asset records are maintained for the office and mansion. The office and mansion capital asset records should be reconciled to SAM II records.
- 4.2 Require an annual physical inventory be conducted and reconciled to capital asset records. Documentation of the physical inventories should be retained.



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Auditee's Response

Staff performs an annual inventory check, as verified by audit staff who located every item they sought.

5. Mansion

The Office of Governor needs to document the reasons for not charging some entities for events at the mansion. Some mansion operating expenses were not paid from the mansion appropriation.

Mansion expenditures totaled approximately \$142,000 each year for the 3 years ended June 30, 2011.

In 2009, the Governor's office started handling the planning, scheduling, and managing of all mansion events/functions. During previous administrations, most events/functions were planned and managed by the MMPI. Event guidelines for the mansion were established which include usage, labor, and miscellaneous fees and menu pricing. This information is available on the mansion's website.

5.1 Events/Functions

Mansion personnel do not document the reasons why some entities are not charged fees for events/functions at the mansion.

We noted three entities (Lincoln University, MMPI, and Tuesday Club) were not charged fees for holding an event/function at the mansion. Mansion personnel did not maintain documentation to support the reason these entities were not charged. In addition to food and beverage fees, mansion guidelines provide that a minimum usage fee ranging from \$250 for non-profit entities to \$800 for businesses be charged for use of the mansion.

To ensure all entities requesting and holding events/functions at the mansion are treated equitably and fairly, the reasons and explanations for not charging fees should be fully documented and retained.

5.2 Operating expenses

During fiscal year 2011 and a portion of fiscal year 2010, the Governor's office paid the mansion director's salary (\$30,000 per year) from the office operating appropriation rather than the mansion operating appropriation. Also, other operating expenses of the mansion were paid through the office operating appropriation and by the OA.

The current mansion director was employed in May 2010. During May and June 2010, her salary was split between the office and mansion appropriations, each paying approximately \$1,900, and in fiscal year 2011, her entire salary was paid by the Governor's office appropriation. We also identified other mansion operating expenses totaling \$2,888 and \$20,885 for the years ended June 30, 2011 and 2010, respectively, paid by the office operating appropriation. These expenses included items such as food purchases, printing of menus/invitations, and floral arrangements for



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mansion events/functions. In January and April 2009, the OA paid mansion expenses totaling \$49,240 related to mansion operations and events/functions. It appears the Governor's office and OA paid these expense to prevent the mansion from exceeding its appropriation.

By paying the mansion director's salary and other operating expenses from the office and OA appropriations, the Governor's office has understated the operating expenses of the mansion. This practice makes it difficult to establish accountability for the true and accurate costs of operating the mansion, and negates limits established by the General Assembly to control the cost of operating the mansion.

Recommendations

The Office of Governor:

- 5.1 Ensure the reasons and explanations for not charging fees for an event/function at the mansion are documented and retained.
- 5.2 Require the mansion operating expenses to be paid from the mansion appropriation.

Auditee's Response

The three groups noted involved events that either did not have food service or had food provided directly by an outside food vendor. In these instances, any such funds do not go into a state account. The office will consider the recommendation that documentation be provided when costs are waived.

6. Governor's Security Costs

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.

The Governor's security division receives annual appropriations from the state General Revenue Fund for division operating expenses. The operating costs include expenses such as travel, professional development, and equipment. Expenditures from the security division's appropriation totaled approximately \$60,000, \$59,000 and \$128,000 for the years ended June 30, 2011, 2011, and 2009, respectively. However, the salaries and fringe benefits of MSHP patrolmen assigned to the Governor's security division, their vehicles, and related vehicle fuel and maintenance/repair costs, are not paid from the security division's appropriations. These costs are paid from other MSHP appropriations and are not separately tracked and accounted for by the MSHP. In addition, we determined travel expenses totaling \$23,443, \$10,424, and \$7,049 for the years ended June 30, 2011, 2011, 2009, respectively, for the security division were paid by other MSHP appropriations.

The practice of not paying all costs associated with the Governor's security division from division appropriations and/or not separately tracking and accounting for personnel and vehicle expenses reduces the accountability of



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the security division and makes it difficult to determine the total cost to the state for the Governor's security.

A similar condition was noted in our prior audit report.

Recommendation

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

Security is provided by the Missouri State Highway Patrol pursuant to Section 43.330, RSMo.

7. Office Policies and Procedures

The Office of Governor has not established comprehensive written policies and procedures for the operation of the office and does not prepare performance appraisals for employees. The Governor's official calendar is not always maintained in a clear and detailed manner.

7.1 Employee manual

The Governor's office has not developed a written comprehensive employee manual to address issues such as working hours, performance appraisals, lines of authority, code of conduct, use of state resources and other items of importance to employees.

A comprehensive employee manual which details policies and procedures can benefit both the office and employees by providing an understanding between management and employees regarding rights and responsibilities. An employee manual can also provide guidance and control for the effective and consistent management of the office and to help avoid misunderstandings and ensure management's policies are fairly and consistently applied to all employees.

7.2 Performance appraisals

The Governor's office does not require performance appraisals be prepared for employees.

Performance appraisals are needed to adequately evaluate employee performance and provide documented feedback to employees. Performance appraisals also assist in personnel decisions.

7.3 Governor's calendar

The Office of Governor needs to better document the Governor's official business on his official office calendar.

We noted numerous instances when the only documentation of the Governor's activities on his official calendar was meeting, event, appointment, and phone call. Office personnel indicated the purpose of the Governor's activity could be determined by reviewing the Governor's office website for a press release or the internet. However, for days reviewed, we determined documentation of the Governor's activity was not always available through these methods. As a result, it was not possible to



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reach a definitive conclusion as whether official or non-official business was conducted.

Good governance and the conduct of state business requires transparency, openness, and accountability. The Governor's official office calendar should have sufficient detail that a reasonable person is able to ascertain the nature of the business.

Recommendations

The Office of Governor:

- 7.1 Develop a comprehensive written employee manual.
- 7.2 Implement procedures to require annual performance appraisals be prepared for all employees.
- 7.3 Include sufficient detail regarding the Governor's activities on the official calendar to ensure the public is fully informed.

Auditee's Response

The office acknowledges this recommendation.

8. Governor Withholding

In August 2011, the Office of State Auditor issued Report No. 2011-43, *Governor Withholding Report*. The report communicated the results of our comprehensive review of the Governor's actions to withhold state fiscal year (FY) 2012 appropriated expenditures.

Because the OA did not document a calculation of the necessary withholding amount, it was not possible for us to determine whether the amount withheld from FY 2012 appropriated expenditures was accurately calculated. In addition, the method used to make the FY 2012 withholdings did not appear to comply with constitutional provisions.

Subsequent to the release of the withholding report, the State Auditor filed suit against the Governor to resolve issues related to the withholdings. On June 28, 2012, the Circuit Court in Cole County issued a ruling in *Thomas Schweich v Jeremiah W Nixon ET AL*, case number 11AC-CC00567.

The court concluded the Governor could control the rate of expenditures or withhold and reduce expenditures below their appropriation during any time where actual revenues are less than the revenue estimates. However, the court also held that the Governor may not increase expenditures for any line item in excess of the amount of any estimated (E) appropriation, and instructed the Commissioner of Administration to certify no warrant for payment if the expenditure caused the E appropriation to be exceeded.

The State Auditor intends to appeal certain aspects of the court's ruling.

Office of Governor

Organization and Statistical Information

The supreme executive power of the state is vested in the governor. Unless otherwise provided by law, the Governor 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, the Governor 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. 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 30 years of age and must have been a citizen of the United States for at least 15 years and a resident of this state at least 10 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 12, 2009, Jeremiah W. (Jay) Nixon was inaugurated as the state's fifty-fifth governor.

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 other entities including the Missouri Mansion Preservation, Inc., a statewide, nonpartisan, nonprofit organization dedicated to the mansion's restoration and educational programs.

At June 30, 2011, the Governor's office payroll included 25 full-time personnel, and two interns. This includes 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, and two full-time personnel employed at the mansion.

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

The Office of Governor did not receive any federal stimulus monies during the 3 years ended June 30, 2011.

Appendix A

Office of Governor
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2011			2010			2009		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND									
National Guard Emergency	\$ 3,582,175	3,401,847	180,328	209,721	9,678	200,043	2,070,301	2,070,128	173
Government Emergency Fund Commission	1	0	1	1	0	1	1	0	1
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses- Expense	370,095	370,095	0	329,646	323,277	6,369	352,131	339,876	12,255
Special Audits	30,000	2,174	27,826	30,000	30,000	0	200,000	200,000	0
Mansion Operating Expense	142,628	142,626	2	142,628	142,628	0	142,628	142,600	28
Governor's Office	1,986,741	1,986,740	1	2,084,261	2,074,257	10,004	2,005,743	2,005,265	478
Total General Revenue Fund	\$ 6,111,640	5,903,482	208,158	2,796,257	2,579,840	216,417	4,770,804	4,757,869	12,935

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,		
	2011	2010	2009
General Revenue Fund			
Governor's Office	\$ 0	10,000	0
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses- Expense and Equipment	0	6,369	0
Total General Revenue Fund	\$ 0	16,369	0

Appendix B

Office of Governor
Comparative Statement of Expenditures 1) (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Governor's office:					
Salaries and wages	\$ 1,832,617	1,875,690	1,388,176	1,801,670	1,692,312
Travel, in-state	15,105	25,204	87,707	64,309	19,003
Travel, out-of-state	11,164	17,459	20,940	14,823	15,174
Supplies	52,363	40,249	25,133	24,035	39,193
Professional development	8,753	11,946	1,845	5,538	4,105
Communication services and supplies	40,301	39,714	5,463	16,263	32,565
Services:					
Professional	16,900	37,409	413,695	10,784	17,353
Maintenance and repair	1,500	1,442	1,730	2,709	1,817
Office equipment	262	1,523	1,437	2,301	922
Other equipment	0	0	939	0	4,415
Parking leases	682	114	0	0	0
Equipment rental and leases	1,276	1,369	1,449	1,730	2,704
Agency provided food	5,773	21,750	1,605	1,350	3,286
Miscellaneous expenses	24	378	146	21	18
Total office expenditures	<u>1,986,720</u>	<u>2,074,247</u>	<u>1,950,265</u>	<u>1,945,533</u>	<u>1,832,867</u>
Mansion operating: 2)					
Salaries and wages	63,395	77,338	113,778	84,865	84,839
Travel, in-state	0	64	1,071	246	0
Travel, out-of-state	0	900	1,977	507	0
Supplies	8,801	9,460	2,091	10,169	12,977
Professional development	0	0	350	0	0
Communication services and supplies	51	0	0	0	0
Services:					
Professional	13,298	5,972	1,129	6,063	6,194
Maintenance and repair	828	1,575	993	1,545	1,534
Office equipment	0	22	40	0	0
Other equipment	0	40	0	0	0
Agency provided food	56,253	47,257	21,080	36,867	32,549
Miscellaneous expenses	0	0	91	0	0
Total mansion expenditures	<u>142,626</u>	<u>142,628</u>	<u>142,600</u>	<u>140,262</u>	<u>138,093</u>
National Guard Emergency	3,401,847	9,678	2,070,128	160,741	1,113,453
Real property rental and leases	370,095	323,277	339,876	317,025	302,408
Special audits	2,174	30,000	200,000	0	30,000
Association dues	20	10	55,000	0	40,888
Total	<u>\$ 5,903,482</u>	<u>2,579,840</u>	<u>4,757,869</u>	<u>2,563,561</u>	<u>3,457,709</u>

1) The office and mansion expenditures do not include expenses paid by other state agencies.

2) The mansion expenditures do not include expenses paid by the Mansion Donation Fund. See Appendix D.

Appendix C

Office of Governor
 Department of Public Safety, Missouri State Highway Patrol
 Governor's Security Division
 Comparative Statement of Expenditures 1) (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Travel, in-state	\$ 23,600	20,605	30,905	48,717	36,045
Travel, out-of-state	33,323	33,921	93,018	58,989	67,007
Uniform and clothing allowance	0	0	0	0	6,405
Supplies	42	1,130	1,621	481	344
Professional development	160	2,560	160	1,980	1,120
Communication services and supplies	826	0	0	91	224
Services:					
Professional	0	78	0	0	0
Maintenance and repair	0	0	0	0	130
Other equipment	2,250	346	2,514	727	0
Equipment rental and leases	0	0	0	0	7
Total	\$ <u>60,201</u>	<u>58,640</u>	<u>128,218</u>	<u>110,985</u>	<u>111,282</u>

1) The Security Division expenditures do not include expenses paid by other Missouri State Highway Patrol appropriations.

Appendix D

Office of Governor
Mansion Donation Fund

Comparative Statement of Receipts, Disbursements, and Changes in Cash

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
RECEIPTS		
Reimbursements/Donations	\$ 53,359	31,133
DISBURSEMENTS		
Supplies	4,088	1,503
Services, professional	509	3,163
Services, maintenance and repair	0	788
Equipment, office	10	0
Equipment, other	900	0
Agency provided food	21,283	5,606
Total Disbursements	<u>26,790</u>	<u>11,060</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>26,569</u>	<u>20,073</u>
CASH, JULY 1	20,073	0
CASH, JUNE 30	<u>\$ 46,642</u>	<u>20,073</u>

The Mansion Donation Fund is a revolving fund established in the State Facility Maintenance and Operation Fund. The purpose of the Mansion Donation Fund is to accept donations to the mansion for payment of costs associated with events at the mansion.