



Claire McCaskill

Missouri State Auditor

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August 2006

# ADMINISTRATION

## Missouri Ethics Commission



Office Of  
Missouri State Auditor  
Claire McCaskill

August 2006

**The following findings were included in our audit of the Office of Administration, Missouri Ethics Commission.**

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The Missouri Ethics Commission (MEC) was created by the Missouri Ethics Law of 1991. The law provides for the MEC to have responsibilities for the enforcement of conflict of interest and lobbying laws and campaign finance disclosure laws.

The Missouri Ethics Commission's enforcement authority is often limited or non-existent because some state laws are vague, confusing, and inconsistent. Noted problems include:

- State law requires each lobbyist or lobbyist principal to file a report, due twice a year, describing proposed legislation or actions supported or opposed. However, the law allows either the lobbyist or lobbyist principal to file this report and some principals have numerous lobbyists, which makes it difficult for the MEC to determine if all required reports were filed. Furthermore, penalties are not allowed for late filers or non-filers.
- State law allows a political subdivision to adopt an ordinance establishing its own method of disclosing potential conflicts of interest. Adopting this ordinance limits the number of employees of the political subdivision that have to file a report with the MEC and allows them to file a short form report rather than a long form. The law does not allow the MEC to charge a penalty for non-filers or late filers of the short form report.
- State law allows the MEC to request a political subdivision to submit a listing of persons designated as decision-making public servants, who are required by law to file a personal financial disclosure report. We noted 11 political subdivisions in 2004 that did not comply with the MEC's request for a listing and there is no penalty provisions for non-compliant political subdivisions.

The MEC is required by law to maintain files of lobbyist reports, campaign finance disclosure reports, and personal financial disclosure reports for public inspection, as well as review and audit them for timeliness, accuracy, and completeness. It appears the MEC is adequately reviewing reports for timeliness and ensuring these reports are filled out properly and signed. In addition, the MEC performs crosschecks on some campaign finance reports. The MEC considers these actions to be "audits" of the reports; however there is no independent audit or verification of the data in the reports.

The statutory deadline was not met for deciding election complaints for 21 out of 28

YELLOW SHEET

complaints filed before the April 4, 2006 election because the MEC did not have a quorum of four commissioners. A quorum was not possible as three of the six commissioner's terms expired on March 15, 2006, and new commissioners were not appointed in time to meet the statutory requirement of 15 days. Although appointments have since been made and approved, they were not done in a timely manner. Due to similar circumstances, 6 out of 15 and 12 out of 13 complaint decisions were untimely in 2004 and 2002, respectively.

The MEC does not publish written opinions annually as required by state law. The MEC currently lists opinions on their website with a brief description. The MEC management indicated they have plans to make their opinions available on the MEC's website, but there is currently no timeframe for this project.

Also included in the report are recommendations related to expenditures, information system policies and procedures, and performance appraisals.

Many of the findings in this audit were also included in our prior audit report #2002-37.

**All reports are available on our website: [www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

OFFICE OF ADMINISTRATION  
MISSOURI ETHICS COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT .....	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS .....	4-13

<u>Number</u>	<u>Description</u>	
1.	Statutory Requirements.....	5
2.	Report Review and Auditing Procedures.....	6
3.	Election Complaints and Written Opinions .....	8
4.	Expenditures .....	9
5.	Information System Policies and Procedures. ....	11
6.	Performance Appraisals.....	12

FOLLOW-UP ON PRIOR AUDIT FINDINGS.....	14-18
--	-------

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	19-25
---	-------

Appendix

A-1	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 2005 and 2004.....	22
A-2	Years Ended June 30, 2003 and 2002.....	23
B	Comparative Statement of Expenditures (From Appropriations), Years Ended June 30, 2005, 2004, 2003 and 2002.....	24
C	Comparative Statement of Receipts - General Revenue Fund, Years Ended June 30, 2005, 2004, 2003 and 2002.....	25

STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Matt Blunt, Governor  
and  
Members of the Missouri Ethics Commission  
and  
Robert F. Connor, Executive Director  
Missouri Ethics Commission  
Jefferson City, MO 65109

We have audited the Office of Administration, Missouri Ethics Commission. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2005, 2004, 2003, and 2002. Section 105.955 (17), RSMo, does not allow the State Auditor's Office to review any file or document pertaining to any particular investigation, audit, or review by the Missouri Ethics Commission. As a result of this restriction on our access to such records, we could not determine if the commission had complied with laws pertaining to such investigations. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.
2. Review compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the Missouri Ethics Commission, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to 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 significant instances of

noncompliance with the 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.

Except as indicated in the first paragraph, our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Ethics Commission.



Claire McCaskill  
State Auditor

May 9, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Randall Gordon, CPA
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MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS



OFFICE OF ADMINISTRATION  
MISSOURI ETHICS COMMISSION  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1. Statutory Requirements**

The MEC's enforcement authority is often limited or non-existent because the state laws are vague, confusing, inconsistent, and contain numerous exceptions to the various reporting requirements. The MEC has the responsibility for the enforcement of conflict of interest and lobbying laws (Section 105.450-498, RSMo). Examples of problems noted are as follows:

**Lobbyist reporting**

Section 105.473.12, RSMo, requires each lobbyist or lobbyist principal to file a report describing proposed legislation or actions supported or opposed. This report is due twice a year on March fifteenth and May thirtieth. However, the law allows either the lobbyist or lobbyist principal to file this report and some principals have numerous lobbyists. As a result, the law makes it difficult for the MEC to determine if all required reports were filed. In addition, the law does not allow the MEC to assess a penalty for late filers or non-filers.

**Personal financial disclosure reporting**

Section 105.485.4, RSMo, allows a political subdivision to adopt an ordinance establishing its own method of disclosing potential conflicts of interest. Adopting this ordinance limits the number of employees of the political subdivision that have to file a report with the MEC and allows them to file a short form report (employees of political subdivisions not adopting such an ordinance must file a long form). However, the law does not allow the MEC to charge a penalty for non-filers or late filers of the short form.

Section 105.955.18, RSMo, allows the MEC to request a political subdivision to submit a listing of persons designated as decision-making public servants, who are required by law to file a personal financial disclosure report. The law allows the political subdivision 30 days from the date of the request to submit the list to the MEC. We noted 11 political subdivisions in 2004 that did not comply with the MEC's request for a listing. The law does not allow the MEC to charge a penalty if a political subdivision fails to file the listing.

Failure to have clear, well-written laws limits the MEC's ability to effectively monitor and enforce compliance with Chapter 105. Legislative changes have been pursued by the MEC that would resolve some of these issues, but the changes have not passed.

This condition was also noted in our prior report.

**WE RECOMMEND** the MEC continue to pursue statutory changes to Chapter 105 to ensure the laws include appropriate enforcement provisions.

**AUDITEE'S RESPONSE**

*The Missouri Ethics Commission provided the following response:*

*The auditor states that Missouri Ethics Commission enforcement authority is hampered due to state laws being vague, confusing, and inconsistent and contains numerous exceptions to various reporting requirements. The report cites several examples to support their position. These pertain to lobbyist reporting and personal finance disclosure reporting. The Missouri Ethics Commission for the years contained within the audit has annually supported legislation that would affect the methodology in which it can enforce Chapter 105, RSMo. These changes have not been enacted into law; however, the commission will continue to recommend legislation that will attempt to correct the issues set forth in this audit.*

**2.**

**Report Review and Auditing Procedures**

The MEC does not perform adequate reviews and audits of reports received. The MEC is required by law to maintain files of lobbyist reports, campaign finance disclosure reports, and personal financial disclosure reports for public inspection. The law requires the MEC to review and audit these reports for timeliness, accuracy, and completeness. However, the MEC does not audit these reports by performing random independent verification of the data contained in them unless a complaint is filed under Section 105.472, RSMo. The following describes the current review process:

**Lobbyist reports**

Lobbyists are required to register with the MEC. Once registered, the MEC provides the lobbyist a username and a password, which the lobbyist uses to file the monthly expenditure reports electronically using the internet. Edit checks within the electronic reporting system help ensure the form is mathematically accurate and all required fields are properly completed before the report is accepted into the reporting system. In addition, the system generates lists of non-filers as well as late filers and the MEC reviews these lists on a monthly basis.

**Campaign finance disclosure reports**

Campaign finance disclosure reports are filed throughout the year by various candidates and committees. The MEC reviews each of these reports for timeliness and ensures the reports are filled out properly and signed. In addition, the MEC performs crosschecks of electronically filed reports and a random sample of five percent of reports filed on paper. If potential problems are identified by the crosschecks, further review is performed by obtaining bank documentation.

### **Personal financial disclosure reports**

Personal financial disclosure reports are filed throughout the year by candidates for election, elected officials, individuals appointed to office, and various other individuals. The MEC reviews each of these reports for timeliness, proper signature, and proper reporting period. In addition, the MEC maintains a database of all known required filers and applicable filing deadlines which allows the MEC to identify potential non-filers.

Section 105.955.14(2), RSMo, requires the MEC to review and audit the reports noted above for timeliness, accuracy, and completeness. Section 105.959.1 requires the MEC to review reports and statements filed pursuant to Section 105.470 (**Lobbyist**), Section 105.483 (**Financial Interest**), and Chapter 130 (**Campaign Finance**) for completeness, accuracy, and timeliness, and upon review, if there are reasonable grounds to believe that a violation has occurred, shall conduct an audit of such reports and statements. In addition, Section 105.955.14(3), RSMo, requires cross-checks of information included in such statements and reports and Section 130.032.7, RSMo, requires a review for campaign contribution limits.

It appears the MEC is adequately reviewing reports for timeliness and ensuring these reports are filled out properly and signed. In addition, the MEC performs crosschecks on some campaign finance reports. While the MEC considers these actions to be audits of the reports, we would not consider them to be an actual audit because there is no independent verification of the data in the reports.

While it would not be feasible to audit about 1,000 monthly lobbyist reports, about 9,000 to 10,000 annual personal financial disclosure reports, and about 11,000 to 12,000 campaign finance disclosure reports in a major election year (about 4,000 reports are received in other years), it would be feasible to audit a sample of each type of report. Such audits should include a review of supporting documentation to verify the accuracy and completeness of information reported (i.e., expenditures, income, etc.). Auditing a sample of reports in this manner would provide assurance as to the accuracy and completeness of the reporting process and possibly act as a deterrent and prevent inaccurate or fraudulent reporting. According to MEC management, they do not have legislative authority to perform these types of audits as some other states and jurisdictions do.

This condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the MEC perform audits of the various reports by obtaining independent verification of the data to ensure the accuracy and completeness of the reporting process.

## **AUDITEE'S RESPONSE**

*The Missouri Ethics Commission provided the following response:*

*The audit report reflects that even though the Missouri Ethics Commission conducts audits based on crosschecks, reviews for completeness and verification of timeliness, it should be the practice of the Missouri Ethics Commission to perform more significant audits by independent verification of the data. This audit methodology would require the commission to employ significant staff to travel the state and review the individual records of various persons and committees that possess those records.*

*The Missouri Ethics Commission will make an effort to determine the methodology required to implement this recommendation and pursue legislative changes necessary.*

### **3. Election Complaints and Written Opinions**

Statutory requirements for deciding election complaints and for publishing opinions were not met.

- A. Section 105.955, RSMo, states all members of the commission shall be appointed by the governor with the advice and consent of the senate and terms of successor members of the commission shall expire on March fifteenth of the fourth year of their term. Subsection 4, states the procedures for filling expired terms on the commission.

The statutory deadline was not met for deciding election complaints for 21 out of 28 complaints filed before the April 4, 2006 election because the MEC did not have a quorum of four commissioners. Section 130.054, RSMo, indicates that complaints received on persons running for office within 60 days prior to the primary election must be investigated and voted on by at least four commissioners within 15 business days. A quorum was not possible as three of the six commissioner's terms expired on March 15, 2006, and new commissioners were not appointed in time to meet the statutory requirement of 15 days.

The Governor appointed two commissioners on April 21, 2006. They were confirmed by the Senate on May 4, 2006. Commission meetings were held on May 5 and May 18, 2006, to decide the late complaint cases and to ensure compliance with other statutory deadlines. Although appointments have been made and approved, they were not done in a timely manner to ensure the MEC would be in compliance with state law regarding the 15 day complaints. According to MEC management, having three commissioners' terms expire on March 15th of an even numbered year causes a problem with deciding the complaints filed for that year's April election by the statutory deadline. As a result, due to similar circumstances, 6 out of 15 and 12 out of 13 complaint decisions were untimely in 2004 and 2002, respectively.

- B. The MEC does not publish written opinions annually as required by statute. Section 105.955.16 (1), RSMo, indicates opinions must be published annually and the name of the requestor shall be deleted from the published opinions. The MEC currently lists opinions on their website with a brief description. The original opinions are maintained by the MEC in a notebook and still include the requestor's name. However, the name of the requestor is deleted from the opinion when copies are made upon request by the public. The opinions are less accessible than required by statute since the opinions are not published. The MEC management indicated they have plans to make the entire opinion, minus the requestor's name, available on the MEC's website, but there is currently no timeframe for this project.

**WE RECOMMEND** the MEC:

- A. Work in cooperation with the Governor to ensure the MEC is able to maintain a quorum of commissioners to ensure compliance with statutory requirements for reviewing complaints.
- B. Ensure opinions are published annually as required by law.

**AUDITEE'S RESPONSE**

*The Missouri Ethics Commission provided the following responses:*

- A. *We will continue to work with the appropriate authorities in the process of nominating, appointing, and confirming the Missouri Ethics Commission members.*
- B. *The auditor recommendation that maintaining the commission opinions on the website will continue to be a goal of the commission members and its staff. The commission, and the staff, agrees that the annual publishing of opinions on its website is a target that should be pursued. However, 105.955.16(1), RSMo., contains a sentence that provides that the opinions shall be available for review in the office of the commission. This restriction may have to be removed before the opinions may be available by electronic methods. The statutory change will be discussed with the members of the General Assembly.*

**4.**

**Expenditures**

The MEC reimbursed some employees for meals when the meals were not eligible for reimbursement, and has not solicited proposals for legal services since 1996.

- A. The MEC reimbursed some employees for meals when the employees were not in continuous travel status for 12 hours or more. According to 1 CSR 10-11.010 (3), to be eligible for reimbursement of meals, employees must be in continuous travel

status for 12 hours or more and employees shall indicate this on their expense report.

Before the regulation went into effect in July 2002, the Office of Administration (OA) sent out a notice to agencies reminding them of the new rule. The notice stated that only the Commissioner of Administration could approve exceptions to the rule. Any approved exceptions must be coded differently to allow for tracking the expenses for notification to the IRS of taxable income to the employee. The MEC did not seek an exception from the Commissioner of Administration and did not code these expenses so that the proper IRS forms would be prepared. After we brought this to their attention, the MEC management contacted the OA and has made the necessary corrections to allow the Form W2-C to be prepared for the employees and to allow for the proper withholdings to be made from their pay. The MEC management also reminded employees of this regulation and said they will not allow these reimbursements in the future.

While the MEC has corrected the current situation, they should ensure state policies regarding meal reimbursements are followed.

- B. The MEC has not solicited proposals for legal services since 1996 and does not have a written policy for the selection and procurement of legal services. Section 105.955.15(4), RSMo, allows the MEC to contract for services including legal counsel. The MEC originally solicited proposals for legal services ten years ago, in 1996. Since that time, the MEC has renewed the contract each year with the same firm without soliciting for proposals from other possible firms. There was no documentation indicating why proposals were not solicited for the legal counsel. This firm received approximately \$120,000 during the four years ended June 30, 2005. While professional services, such as attorneys, may not be subject to the standard bidding procedures, the MEC should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting services to a competitive selection process does not preclude the MEC from selecting the vendor or individual best suited to provide the service required.

Procurement and selection processes are necessary to ensure the MEC is receiving the best services and rates. The process should include soliciting proposals and evaluating these proposals for technical experience, capacity and capability of performing the work, past record of performance, and the firm's proximity to and familiarity with the MEC.

**WE RECOMMEND** the MEC:

- A. Follow state policy for allowing meal reimbursements only when employees document continuous 12 hour travel status.

- B. Adopt a policy addressing the procurement and selection of legal services, and periodically solicit proposals for the selection of these service providers. All documentation regarding proposals solicited should be retained.

### **AUDITEE'S RESPONSE**

*The Missouri Ethics Commission provided the following responses:*

- A. *The recommendation of the auditor regarding meal reimbursement for travel less than twelve hours was implemented immediately upon the commission being notified of the error.*
- B. *Regarding the recommendation pertaining to procurement and selection of legal services, the Missouri Ethics Commission annually reviews the contract for the attorney, who has provided service to the Missouri Ethics Commission based on the special issues and content of cases submitted to the attorney. The annual solicitation for new legal services, could result in a situation that might place the Missouri Ethics Commission in a position of delay in review and determination of action in cases assigned to the legal service contractor. However, the Missouri Ethics Commission will review our procedures and, if possible, make appropriate changes to the process.*

<b>5. Information System Policies and Procedures</b>
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The MEC has not established policies and procedures for all aspects of its electronic information system. Written policies and procedures have not been prepared for:

- a) Establishing, maintaining, and terminating user IDs and passwords - Procedures are essential to protect data from unauthorized access and to prevent intentional or unintentional modification, disclosure, or deletion of applicable information.
- b) Maintaining program documentation and operating instructions - Program documentation should be properly documented and maintained. In addition, operating instructions should be readily available to staff to allow for more efficient and effective use of these programs to generate reports or run queries.
- c) Producing reports - A report production list would help ensure that applicable staff is aware of their responsibilities and that all reports are generated accurately and timely.
- d) Changing software - Procedures for software and programming changes are essential to prevent unauthorized changes.

- e) Backing-up data - Procedures for backing-up data are essential to minimize the impact of the loss of original data.
- f) Disaster recovery - Procedures are needed for disaster recovery and contingency planning. Procedures need to include testing backed-up data to ensure critical operations can continue without interruption when unexpected events occur (fire, weather, or sabotage).

The MEC has changed various aspects of its operations from manual reporting to electronic filing. The changing information system environment at the MEC should be addressed in formal written policies and procedures which would establish lines of authority for software changes, production of reports, programming documentation, backing-up data, and disaster recovery planning.

This condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the MEC establish formal written policies and procedures for all aspects of its electronic information system.

### **AUDITEE'S RESPONSE**

*The Missouri Ethics Commission provided the following response:*

*The auditor recommends the Missouri Ethics Commission establish formal written procedures for all aspects of our electronic information system. The Missouri Ethics Commission agrees that written policies are important in the operation of information systems. The systems that were in operation at the beginning of the time period of this audit were not documented by employees who developed those systems and those individuals are no longer employed by the Missouri Ethics Commission. The systems are being updated and the procedures are being rewritten, with specific documentation of the entire process. The future system upgrades will be appropriately documented. There are actual processes in place regarding back up and the other issues reflected in the audit, however, complete written documentation has not been developed. The systems stated in the audit will be completely documented as soon as possible.*

**6.**

### **Performance Appraisals**

Periodic written performance appraisals are not prepared for MEC's employees. The MEC follows the Office of Administration, Division of Personnel guidelines for performance appraisals, which requires supervisors to conduct an annual performance appraisal for each employee.

Employee personnel files reviewed did not contain written appraisals. The MEC management indicated that due to the small number of employees, performance reviews are handled on a more informal basis. Discussions with employees regarding their performance are held in person on an as needed basis instead of in writing once a year.



Written performance appraisals can be used to document and support decisions on salary increases, promotions, and other personnel actions. In addition, appraisals can lead to improvements in overall work quality.

This condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the MEC prepare written performance appraisals for all employees.

### **AUDITEE'S RESPONSE**

*The Missouri Ethics Commission provided the following response:*

*The audit recommends that written performance appraisals should be prepared on an annual basis. These appraisals would be used in various actions regarding employees of the commission. The methodology of annual reviews may be appropriate in agencies and units that have a significant number of employees. However, the everyday contact and discussion of personnel issues with a small staff, seems to be more effective in the management of employee/employer issues. The Missouri Ethics Commission and the staff will consider the benefit of the annual appraisal and will devise appropriate policies and definitions to implement a procedure that will pertain to the recommendation.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

OFFICE OF ADMINISTRATION  
MISSOURI ETHICS COMMISSION  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Missouri Ethics Commission (MEC) on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2001.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the commission should consider implementing those recommendations.

1. Statutory Requirements

The MEC's enforcement authority was often limited or non-existent because the state laws were vague, confusing, inconsistent, and contained numerous exceptions to the various reporting requirements. Problems were noted regarding lobbyist reporting, campaign finance disclosure reporting, and personal financial disclosure reporting.

Recommendation:

The MEC pursue statutory changes to Chapters 105 and 130 to ensure the laws include appropriate enforcement provisions.

Status:

Statutory changes regarding campaign finance disclosure reporting were passed. Although the MEC has pursued statutory changes regarding lobbyist reporting and personal financial disclosure reporting, new legislation has not been passed by the General Assembly. See MAR finding number 1.

2. Electronic Reporting Systems

A. The MEC was required by Sections 105.477 and 130.057, RSMo, respectively, to establish an electronic reporting system for lobbyist, campaign finance, and personal financial disclosure reporting. The MEC had not complied with the provisions of these laws in a timely manner. The contracts for the electronic reporting systems for campaign finance and lobbyists were poorly administered and managed, and these systems should have been implemented in a more timely manner. In addition, the MEC did not develop a system for personal finance disclosures.

B. The MEC's reporting systems did not allow users functionality similar to other state web sites. Missouri's lobbyist system only allowed users to access a list of lobbyists and principals, view lobbyist monthly reports filed (since December 2000), and do searches for lobbyist expenditures made for or on behalf of certain

state elected officials only. In addition, the MEC's web site only allowed the user to make searches on statewide elected officials, members of the general assembly, and supreme court judges. Also, Missouri's campaign finance system only allowed users to view reports filed during 2001 and only some of the reports for prior years.

Recommendations:

The MEC:

- A. Implement the electronic reporting systems for campaign finance and personal financial disclosure as soon as possible.
- B. Update all reporting systems to provide more functionality for the public.

Status:

- A. Partially implemented. The electronic reporting system for campaign finance has been implemented, however, personal financial disclosures have not been converted to an electronic system. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.

3. Assessment of Late Filing Fees

The MEC did not assess penalties for late filings of monthly expenditure reports by lobbyists from January 1, 1998 through January 31, 2001. In addition, the MEC had not assessed penalties for late campaign finance disclosure reports since 1997. The law did not authorize the MEC to waive late filing penalties.

Recommendation:

The MEC assess late filing fees in accordance with state laws and bill for those fees on a timely basis.

Status:

Implemented.

4. Report Review and Auditing Procedures

The MEC was required by law to maintain files of lobbyist reports, campaign finance disclosure reports, and personal financial disclosure reports for public inspection. The law requires the MEC to review and audit these reports for timeliness, accuracy, and completeness. However, the MEC did not audit these reports unless a complaint was

filed. It appears the MEC was adequately reviewing reports for timeliness and ensuring these reports are filled out properly and signed, and the MEC performed some crosschecks. However, the MEC could not determine if reports are accurate and complete unless the MEC performed audits of reports.

Recommendation:

The MEC perform audits of the various reports to ensure the accuracy and completeness of the reporting process.

Status:

Not implemented. See MAR finding number 2.

5. Information System Policies and Procedures

The MEC had not established policies and procedures for all aspects of its electronic information system. The MEC only had draft procedures for the electronic lobbyist reporting system and the web page.

Recommendation:

The MEC establish formal written policies and procedures for all aspects of its electronic information system.

Status:

Not implemented. See MAR finding number 5.

6. Personnel Policies and Procedures

- A. The MEC followed the Office of Administration, Division of Personnel guidelines for performance appraisals, which required supervisors to conduct an annual performance appraisal for each employee. We reviewed the personnel files for all current employees and none contained written appraisals.
- B. The MEC did not require prospective employees to complete applications for employment. We reviewed the personnel files for all current employees and none contained an application for employment. In addition, the MEC did not routinely contact persons listed as references nor document any reference or background checks that were made.

Recommendations:

The MEC:

- A. Prepare written performance appraisals for all employees on a periodic basis.
- B. Require individuals seeking employment to complete an employment application and perform and retain documentation of reference and background checks.

Status:

- A. Not implemented. See MAR finding number 6.
- B. Partially implemented. The MEC does require employees to complete an employment application; however, two files we reviewed did not contain a completed application. The MEC does perform reference checks and performs background checks on investigative personnel only. Although not repeated in the current MAR, our recommendation remains as stated above.

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

OFFICE OF ADMINISTRATION  
MISSOURI ETHICS COMMISSION  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Missouri Ethics Commission (MEC) was created by the Missouri Ethics Law of 1991 (Section 105.955, RSMo). The MEC is charged with enforcement of conflicts of interest and lobbying laws (Section 105.450-498, RSMo) and campaign finance disclosure laws (Chapter 130, RSMo). The MEC is assigned to the Office of Administration for budgeting purposes only.

The MEC receives and reviews complaints alleging violations of the conflict of interest and lobbying statutes and the campaign finance disclosure statute. After investigation of these complaints, the MEC refers the complaints to the appropriate prosecuting authority or disciplinary authority along with recommendations for sanctions. The MEC may also initiate judicial proceedings on its own.

The MEC reviews and audits reports required by the campaign finance disclosure law, the financial interest disclosure laws, and the lobbying registration and reporting laws. The MEC acts as the public repository for such reports. The MEC provides information and assistance to lobbyist, elected and appointed officials, employees of the state and political subdivisions, and the general public.

The MEC is composed of six members, not more than three of whom may be the same political party. These members must be from different congressional districts, and no more than three can be from an odd- or even-numbered congressional district. The governor appoints the members of the MEC with the advice and consent of the Senate. The commission elects a biennial chair. Members of the Missouri Ethics Commission as of June 30, 2005, were:

<u>Name</u>	<u>Term Expires</u>
Pier C. Patterson, Chair	March 15, 2006 (1)
Mariann Tow, Vice Chair	March 15, 2006 (2)
Clyde Farris	March 15, 2006 (3)
Warren E. Nieburg, Ph.D.	March 15, 2008 (4)
Michael E. Dunard	March 15, 2008 (5)
Robert L. Simpson	March 15, 2008

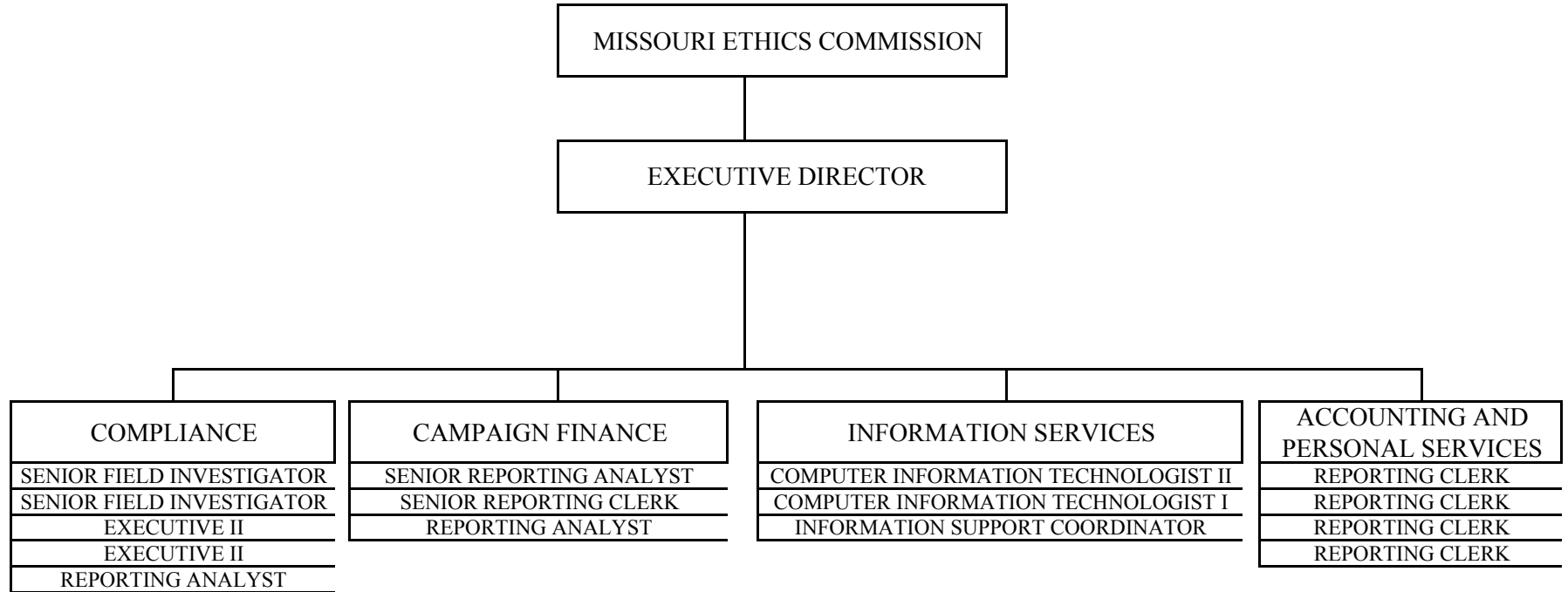
- (1) Brad Mitchell was appointed in April 2006 and confirmed in May 2006 to replace Pier C. Patterson.
- (2) John King was appointed in April 2006 and confirmed in May 2006 to replace Mariann Tow.
- (3) Michael Kilgore was appointed in June 2006 to replace Clyde Farris.
- (4) Warren E. Nieburg, Ph.D. is the current Chair.
- (5) Michael E. Dunard is the current Vice Chair.

The MEC employs twenty full-time personnel.

An organization chart follows.



OFFICE OF ADMINISTRATION  
MISSOURI ETHICS COMMISSION  
ORGANIZATION CHART  
JUNE 30, 2005



Appendix A-1

OFFICE OF ADMINISTRATION  
 MISSOURI ETHICS COMMISSION  
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2005			2004		
	Appropriation Authority	Expenditures	Lapsed Balances **	Appropriation Authority	Expenditures	Lapsed Balances **
GENERAL REVENUE FUND						
Personal Service	\$ 854,962	814,034	40,928	829,762	777,698	52,064
Expense and Equipment	352,945	283,977	68,968	376,932	344,371	32,561
Building Lease	63,903	59,787	4,116	123,690	59,787	63,903 *
Total General Revenue Fund	\$ 1,271,810	1,157,798	114,012	1,330,384	1,181,856	148,528

\* Biennial appropriations set up in fiscal year 2004 are re-appropriations to fiscal year 2005. After the fiscal year-end processing has been completed, the unexpended fiscal year 2004 appropriation balance for a biennial appropriation is established in fiscal year 2005. Therefore, there is no lapsed balance for a biennial appropriation at the end of fiscal year 2004.

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

	Year Ended June 30,	
	2005	2004
GENERAL REVENUE FUND		
Personal Service	\$ 20,000	0
Expense and Equipment	0	0
Building Lease	0	3,710
Total General Revenue Fund	\$ 20,000	3,710

Appendix A-2

OFFICE OF ADMINISTRATION  
 MISSOURI ETHICS COMMISSION  
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2003			2002		
	Appropriation Authority	Expenditures	Lapsed Balances **	Appropriation Authority	Expenditures	Lapsed Balances **
<b>GENERAL REVENUE FUND</b>						
Personal Services	\$ 821,362	770,633	50,729	844,362	769,706	74,656
Expense and Equipment	563,662	443,358	120,304	625,662	374,286	251,376
Building Lease	145,966	59,787	86,179	195,670	49,704	145,966 *
Total General Revenue Fund	\$ 1,530,990	1,273,778	257,212	1,665,694	1,193,696	471,998

\* Biennial appropriations set up in fiscal year 2002 are re-appropriations to fiscal year 2003. After the fiscal year-end processing has been completed, the unexpended fiscal year 2002 appropriation balance for a biennial appropriation is established in fiscal year 2003. Therefore, there is no lapsed balance for a biennial appropriation at the end of fiscal year 2002.

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

	Year Ended June 30,	
	2003	2002
<b>GENERAL REVENUE FUND</b>		
Personal Service	\$ 44,914	46,535
Expense and Equipment	77,813	118,069
Building Lease	0	40,983
Total General Revenue Fund	\$ 122,727	205,587

Appendix B

OFFICE OF ADMINISTRATION  
 MISSOURI ETHICS COMMISSION  
 COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,			
	2005	2004	2003	2002
Salaries and wages	\$ 814,034	777,698	770,633	769,706
Travel:				
In-State	25,310	42,029	41,695	45,804
Out-of-State	2,473	1,003	2,126	4,693
Fuel and utilities	18,304	17,837	18,601	9,113
Supplies	33,486	41,066	66,838	49,953
Professional development	3,514	1,960	4,586	16,326
Communication services and supplies	32,607	33,715	39,469	42,560
Services:				
Professional	58,607	52,258	89,989	100,485
Housekeeping and janitorial	6,520	7,051	6,050	6,837
Maintenance and repair	25,857	28,493	17,346	11,885
Equipment:				
Computer	65,715	79,975	85,435	74,264
Office	7,948	0	67,961	1,162
Other	1,848	0	0	0
Rentals and leases:				
Real property	59,787	59,787	59,787	50,204
Equipment	1,202	37,883	954	9,116
Miscellaneous expenses	566	801	697	758
Refunds	20	300	1,611	830
Total Expenditures	\$ <u>1,157,798</u>	<u>1,181,856</u>	<u>1,273,778</u>	<u>1,193,696</u>

Appendix C

OFFICE OF ADMINISTRATION  
 MISSOURI ETHICS COMMISSION  
 GENERAL REVENUE FUND  
 COMPARATIVE STATEMENT OF RECEIPTS

	Year Ended June 30,			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
RECEIPTS				
Lobbyists registration fees	\$ 1,970	1,340	2,130	2,260
Penalties	61,941	83,051	88,087	99,504
Fees for copying public records	2,704	7,525	9,335	7,025
Other	20	322	279	469
Total Receipts	<u>\$ 66,635</u>	<u>92,238</u>	<u>99,831</u>	<u>109,258</u>