



THOMAS A. SCHWEICH
Missouri State Auditor

HARRY J. OTTO, CPA
DEPUTY STATE AUDITOR

July 6, 2011

Honorable Peter Kinder
Lieutenant Governor
State Capitol
Jefferson City, Missouri

Dear Lieutenant Governor Kinder:

To avoid a conflict of interest, the State Auditor has recused himself from all reports pertaining to your office and has directed me to oversee procedures performed by the State Auditor's professional audit staff. This report relates to the reimbursement calculated and paid by you for all in-state lodging costs previously paid to you or on your behalf by the State of Missouri from January 2005 through April 2011. Your calculation considered in-state lodging costs and made no determination if the travel was for official or non-official purposes. Our review has determined that the reimbursement amount of \$52,320.00 was calculated correctly based on your assumptions and methodology. However you should consider the need to make additional reimbursements due to (1) coding errors that were made by your office within the state accounting system that resulted in you not repaying lodging costs totaling \$1,472.53, (2) lodging expenditures totaling \$416.10 paid to you by other state agencies, and (3) not considering meal costs when calculating your reimbursement.

The objectives of our review were to determine if:

1. The reimbursement amount was properly calculated (accurate) for in-state lodging paid to you or on your behalf and the amount calculated was fully reimbursed to the state based on your assumptions.
2. The assumptions, records, and supporting documentation for the reimbursement amount are reasonable and adequate.

Lieutenant Governor - Assumptions and Methodology

On April 26, 2011, you submitted a personal check, totaling \$52,320.00, to the Office of Administration (OA) as reimbursement for in-state lodging costs. We received a written statement from your office indicating the reimbursement was made voluntarily and was not required by law, and that all travel costs paid to you and on your behalf were appropriate and lawful.

Your staff calculated the reimbursement amount using the state accounting system (SAM II) vendor payment information available on the Internet through the Missouri Accountability Portal (MAP). The calculation included all in-state lodging costs that were paid to you, and all in-state lodging costs direct billed by two hotels in St. Louis (Chase Park Plaza and Four Seasons Hotel) to the Office of Lieutenant Governor on your behalf, from January 2005 through April 2011.

Methodology

The methodology to accomplish our objectives included:

- 1) recalculating total vendor payments for in-state lodging paid to you or paid to hotels on your behalf as reported by the MAP during the period from January 2005 through April 2011;
- 2) reviewing all vendor payments made to you, including payments made by the Office of Lieutenant Governor, as well as other state departments, during the period from January 2005 through April 2011;
- 3) analyzing and reconciling the SAM II detailed expenditure transactions with the MAP vendor payment totals for the period from January 2005 through April 2011;
- 4) scanning office SAM II detailed in-state travel expenditures for possible misclassifications and coding errors for the period from January 2005 through April 2011;
- 5) summarizing office in-state travel expenditures for the period from January 2005 through April 2011;
- 6) obtaining an understanding of the status of the Lieutenant Governor's calendar;
- 7) reviewing audit documentation related to travel expenditures, including 10 of 127 expense claims, completed during the two previous audits of the *Office of Lieutenant Governor* (Report Numbers 2010-163 and 2007-64); and
- 8) obtaining deposit documentation from the OA to substantiate the reimbursement amount.

Procedures and Results

Our recalculation of the reimbursement amount, totaling \$52,320.00, using your office's assumptions and methodology for in-state lodging costs, is consistent with the rounded amount determined by your staff. Our analysis of the vendor payment information for the applicable time period is as follows:

Time Period	In-State Lodging Costs*		
	Paid to Lieutenant Governor	Direct Billed by Hotels	Total
July 2010 to April 2011	\$510.23	\$2,307.07	\$2,817.30
July 2009 to June 2010	2,110.88	8,826.78	10,937.66
July 2008 to June 2009	6,235.37	5,625.99	11,861.36
July 2007 to June 2008	3,751.50	5,622.28	9,373.78
July 2006 to June 2007	8,925.96	0.00	8,925.96
July 2005 to June 2006	5,954.96	0.00	5,954.96
January 2005 to June 2005	2,447.58	0.00	2,447.58
Total	\$29,936.48	\$22,382.12	\$52,318.60

* As reported on the SAM II/MAP for vendor payments made through the Office of Lieutenant Governor.

We identified five vendor payments made to you by the Department of Economic Development (Office of Director and Division of Tourism) and the OA, during the period January 2005 to April 2011,

which were not taken into consideration by your office when determining the amount of reimbursement. These payments, totaling \$976.17, were identified on your expense account as travel costs, including in-state meals, mileage, in-state lodging, and a state plane flight, related to your involvement on various boards, commissions, and taskforces. The in-state lodging portion of these payments totaled \$416.10.

While reviewing the office detailed SAM II expenditure transactions and expense claims selected for testing, we also identified misclassifications made by your office due to transactions coded to an incorrect expenditure category. For example, several in-state lodging costs were classified as in-state meal costs, several in-state meal costs were classified as in-state lodging costs, and some in-state lodging costs were classified as out-of-state lodging costs. Overall, in-state lodging costs totaling \$1,838.08 were misclassified, and other costs totaling \$365.55 were misclassified as in-state lodging. While these expenditure misclassifications are not significant, they resulted in in-state lodging, totaling \$1,472.53, not being considered in your reimbursement calculation. We discussed the miscoding of expense accounts with your staff during our previous audits of your office.

For travel expenditures tested in prior audits of your office, with one exception, the room rates charged during in-state lodging stays did not exceed the federal continental United States (CONUS) rates. We did observe that state sales taxes were paid on several hotel stays; however, following discussion with your staff, this appears to have been resolved in the fall 2007 and is no longer an issue. We also noted the Office of Lieutenant Governor never exceeded budget amounts between fiscal years 2005 and 2010.

Meal costs were not considered by your office in the calculation of the reimbursement amount. After corrections were made for the misclassifications noted above, reimbursements made to you for in-state meals totaled \$10,893.13 during the period January 2005 to April 2011. According to the state travel policy, when no overnight travel is involved officials and employees must be in continuous travel status for 12 hours or more to be considered eligible for reimbursement of meal expenses. Your staff indicated to us that meal reimbursements and/or meals paid on your behalf were not considered for reimbursement because your lodging reimbursement greatly exceeded any questionable or inappropriate lodging costs.

We previously audited your mileage reimbursements for non-official use of your state-owned vehicle. In August 2007, you discontinued using the state-owned vehicle for official, commuting, or personal travel. Instead, you used your personal vehicle and claimed mileage for travel related to official business. You subsequently ceased claiming mileage reimbursement and no mileage claims have been paid to you since May 2009. Therefore mileage reimbursements were not addressed for the purposes of this review.

Because there was some confusion reported by various media sources about whether the office calendar was lost and/or not accessible for prior periods, we inquired about the status of the office calendar. According to OA, Information Technology Services Division (ITSD) personnel, the calendar was always accessible through the state archiving system. The state uses an email/calendar archiving system, and this system was upgraded in June 2009. As a result, the upgrade changed the way archived calendars are accessed and viewed. Also, calendar events are archived by posting date rather than event date. In April 2011, upon request by your office, the OA, ITSD restored over 18,000 archived calendar views. This resulted in numerous duplicate entries for some events because every action or revision made to the calendar was restored. The OA, ITSD also provided your office copies of the calendar information electronically, and, upon our request, your office provided a copy of the electronic calendar to us. As a result of the numerous duplicate entries for some events, it is cumbersome to review events on the restored calendars. Although the electronic calendar is your master calendar, your office also indicated that you worked from a printed copy of the calendar and made changes to the calendar as needed. These printed versions were not retained and revisions were not always updated on the electronic calendar.

Limitations

The calendars were not maintained for the purpose of providing a means or method to determine official and non-official events. As a result, we could not reach a comprehensive definitive conclusion with respect to making such as a determination. Documentation was not always complete or accurate as to the specifics of your scheduled events, such as the purpose of the event and a determination whether the event was for official state business.

Therefore, we did not attempt to compare in-state lodging costs paid to you with activities or events scheduled in your calendar. We also did not evaluate the purpose of travel related expenses to determine if the amounts paid for meals were appropriate based on the calendar information.

In addition, misclassifications were noted on four of the ten expense claims selected for review. Although we did not believe it to be cost-effective to review additional expense claims, it is likely additional instances of misclassifications exist in other claims submitted.

Conclusions

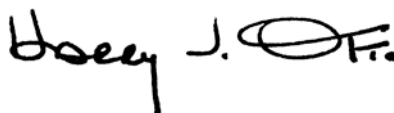
We have concluded:

1) With the exception of office misclassification coding errors which netted to \$1,472.53, you have reimbursed the state for the total amount of in-state lodging costs paid to you or paid on your behalf by the Office of Lieutenant Governor from January 2005 through April 2011.

2) Two other state agencies reimbursed you for lodging expenses totaling \$416.10 during the period from January 2005 through April 2011. These reimbursements were not taken into consideration by your office when determining the amount of reimbursement.

3) We cannot conclude with certainty that you have fully reimbursed the state because meal costs were not considered by your office when determining the reimbursement amount. However, you have assumed that any possible reimbursement calculation of potentially questionable meals (meals total \$10,893.13) would more than be offset by your excessive reimbursement of in-state lodging. The findings of our report do not dispute this assumption.

Sincerely,

A handwritten signature in black ink, appearing to read "Harry J. Otto". The signature is stylized with a large "H" and a circular flourish at the end.

Harry J. Otto, CPA
Deputy State Auditor

The following auditors participated in the preparation of this letter:

Director of Audits:	John Luetkemeyer, CPA
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