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Missouri State Auditor

Office of Lieutenant Governor



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Missouri State Auditor

YELLOW SHEET

Findings in the audit of Office of Lieutenant Governor

Accounting Controls, Records, and Procedures

There were numerous mathematical errors and inconsistencies in the leave and compensatory time records and timesheets. These errors and inconsistencies were not detected by the Lieutenant Governor staff because the mathematical accuracy and/or consistency of information recorded was not verified when timesheets were approved. In addition, there is no independent approval of purchase transactions entered in SAM II.

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Office of Lieutenant Governor

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Missouri State Auditor

Honorable Peter Kinder, Lieutenant Governor
Jefferson City, Missouri

We have audited certain operations of the Office of Lieutenant 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, 2010, 2009, and 2008. 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. Evaluate actions taken related to two issues, the improper conduct of an off-duty employee and temporary additional compensation for certain employees, which had been previously reported by the media.
5. Evaluate the extent to which the recommendation included in our prior audit report was implemented.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office; 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) no significant noncompliance with legal provisions, (3) and (4) no significant deficiencies in management practices and procedures. In addition, the prior recommendation was not implemented. The accompanying Management Advisory Report presents our finding arising from our audit of the Office of Lieutenant Governor.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA

Office of Lieutenant Governor

Management Advisory Report

State Auditor's Findings

Accounting Controls, Records, and Procedures

The Office of Lieutenant Governor needs to improve the accuracy and completeness of leave and compensatory time records and timesheets. In addition, an independent approval of purchase transactions in the state's accounting system (SAM II) is not performed.

1.1 Records

There were numerous mathematical errors and inconsistencies in the leave and compensatory time records and timesheets. Annual leave, sick leave, and compensatory time earned and used are recorded by employees on leave slips and manual timesheets. We reviewed the leave and compensatory time records and timesheets for the current five employees and noted problems in these records for all employees. Some errors/inconsistencies include:

- In one instance, 32 hours of compensatory time used was added to the balance instead of subtracted, resulting in an overstatement of 64 hours.
- The leave and compensatory time earned and used to calculate ending balances did not always agree to the leave and compensatory time activity recorded on the timesheet or leave slip.
- Leave recorded on the leave slip did not always agree to the leave recorded on the timesheet. For example, 7 hours was requested as leave; however, only 1 hour of leave was recorded on the timesheet.
- Ending leave balances recorded on employee timesheets as of June 30, 2010, did not agree to leave balances tracked in SAM II. Annual leave and sick leave differences were noted for each employee. For one employee, the timesheet sick leave balance was 10 hours greater than the SAM II balance, while the timesheet annual leave balance was 6 hours less than the SAM II balance. Another employee's annual and sick leave balances were 4 hours and 6 hours less than SAM II balances, respectively.

These errors and inconsistencies were not detected by the Lieutenant Governor staff because the mathematical accuracy and/or consistency of information recorded was not verified when timesheets were approved. The office is in the process of reviewing and correcting leave and compensatory time balances as a result of these concerns.

Accuracy of leave and compensatory time records and timesheets is necessary to provide support for employee compensation and validity of timekeeping system information. To help ensure mathematical accuracy, the office should consider an electronic timesheet which calculates the ending balance for leave and compensatory time. In addition, leave slips should be reconciled to timesheets, and timesheet leave balances should be reconciled to SAM II balances on a periodic basis.



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Management Advisory Report - State Auditor's Finding

1.2 SAM II approval

There is no independent approval of purchase transactions in SAM II. The Chief of Staff reviews and approves vendor invoices and other supporting documentation before the purchase is entered in SAM II; however, the Director of Administration both enters and approves all purchase transactions in SAM II.

The lack of an independent approval of SAM II purchase transactions increases the risk of errors occurring and remaining undetected, and misuse of funds.

Recommendations

We recommend the Office of Lieutenant Governor:

- 1.1 Periodically reconcile leave slips to timesheets, and timesheet leave balances to SAM II.
- 1.2 Require an independent approval of the expenditure transactions in SAM II.

Auditee's Response

- 1.1 *There was an error on an internal office form used to track leave balances. Thankfully the diligent audit staff found the error in the form. The Lieutenant Governor sincerely appreciates the due diligence of the audit staffer who performed her job professionally and competently. However, the form was not the official time record for the office employees. The records set forth in SAM II constitute the official time records of the employees. The internal office form was corrected as soon as the inconsistencies were noted and the audit staff stated that the matter was corrected to her satisfaction. This issue is closed.*
- 1.2 *Independent approval of all purchase transactions was performed and to state otherwise is false. All expenditures of funds from this office were fully authorized and accounted for properly. Out of the over \$2.8 million dollars appropriated and spent by this office over the last three years audit staff could not find one single transaction, purchase or authorization that was made without authorization. All transactions were reviewed and approved prior to purchase and prior to entry for payment as confirmed by the audit staff as evidenced by staff initials and dates on each purchase and expenditure. Moreover, reconciliation was performed quarterly. All funds were accounted for to satisfaction and the Auditor cannot identify one single instance otherwise.*

Auditor's Comment

While the audit did not identify instances where funds were not accounted for properly, this audit did not review every transaction. Audits are designed to examine and test selected transactions. By allowing the Director of Administration to enter transactions in the SAM II without the subsequent



Office of Lieutenant Governor
Management Advisory Report - State Auditor's Finding

approval of another party, there is an increased risk that inappropriate or unauthorized transactions could occur and go undetected.

Office of Lieutenant Governor

Follow-up on Prior Audit Findings

This section reports the auditor's follow-up on action taken by the Office of Lieutenant Governor on findings in the Management Advisory Report (MAR) of our prior audit report issued for the years ended June 30, 2007, 2006, and 2005.

State Vehicle

Although the Lieutenant Governor reimbursed the state for personal use of his state-owned vehicle, there was no provision in state law which allowed a state vehicle to be used for anything other than official use. The Lieutenant Governor used his assigned state-owned vehicle for official, commuting, and personal use. In addition, a mileage log, indicating the date of travel, beginning and ending odometer readings, and the purpose of the trip, was not maintained.

Recommendation

The Office of Lieutenant Governor, in conjunction with the Office of Administration and other state officials, pursue legislation regarding the proper use of state-owned vehicles and other state resources by elected and other state officials.

Status

Not implemented. While legislation was not pursued regarding the proper use of state-owned vehicles, the state-owned vehicle of the Lieutenant Governor's office is now used only for official state business. In addition, a mileage log is maintained for all trips taken in the state vehicle.

Office of Lieutenant Governor

Organization and Statistical Information

The lieutenant governor is required to meet the same qualifications as the governor. The lieutenant governor is elected for a four-year term.

Under the constitution, the lieutenant governor serves as the ex officio president of the Missouri Senate. In addition, upon the governor's death, conviction, impeachment, resignation, absence from the state or other disabilities, the lieutenant governor shall act as governor.

By law, the lieutenant governor is a member of the Board of Public Buildings, the Board of Fund Commissioners, the Missouri Development Finance Board, the Missouri Community Service Commission, the Missouri Housing Development Commission, and the Tourism Commission. The lieutenant governor is an advisor to the Department of Elementary and Secondary Education on early childhood education and the Parents-as-Teachers program.

The lieutenant governor also serves as the official Senior Advocate for Missouri. The office investigates problems and issues on behalf of senior citizens, and works with the Department of Health and Senior Services to ensure the safety and well-being of Missouri's senior citizens. The lieutenant governor chairs the Missouri Rx Prescription Drug Program.

In addition, the lieutenant governor chairs the Governor's Council for Veterans Affairs and promotes the Missouri Military Family Relief Fund. Other boards and commissions on which the lieutenant governor serves include: Personal Independence Commission (co-chair); Second State Capitol Commission; and Special Health, Psychological, and Social Needs of Minority Older Individuals Commission.

On January 10, 2005, Peter Kinder was inaugurated as the forty-sixth Lieutenant Governor of the State of Missouri. His second term expires in January 2013.

At June 30, 2010, the office employed five full-time employees.

Appendix A-1

Office of Lieutenant Governor
 Statement of Appropriations and Expenditures
 Year Ended June 30, 2010

	<u>Appropriation Authority</u>	<u>Expenditures</u>	<u>Lapsed Balances *</u>
GENERAL REVENUE FUND			
Personal Service	\$ 370,042	363,498	6,544
Payment of real property leases, related services, utilities, systems furniture, structural modifications, and related expenses - Expense and Equipment	35,901	34,966	935
Expense and Equipment	<u>63,075</u>	<u>42,095</u>	<u>20,980</u>
Total General Revenue Fund	<u>469,018</u>	<u>440,559</u>	<u>28,459</u>
FEDERAL BUDGET STABILIZATION-MEDICAID REIMBURSEMENT FUND			
Veterans Remembrance Project	<u>600,000</u>	<u>597,629</u>	<u>2,371</u>
Total Federal Budget Stabilization-Medicaid Reimbursement Fund	<u>600,000</u>	<u>597,629</u>	<u>2,371</u>
Total All Funds	<u>\$ 1,069,018</u>	<u>1,038,188</u>	<u>30,830</u>

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

	<u>Year Ended June 30, 2010</u>
General Revenue Fund	
Payment of real property leases, related services, utilities, systems furniture, structural modifications, and related expenses - Expense and Equipment	<u>\$ 697</u>

Appendix A-2

Office of Lieutenant Governor
 Statement of Appropriations and Expenditures
 Year Ended June 30, 2009

	<u>Appropriation Authority</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
GENERAL REVENUE FUND			
Personal Service	\$ 388,286	368,035	20,251
Payment of real property leases, related services, utilities, systems furniture, structural modifications, and related expenses - Expense and Equipment	37,473	36,325	1,148
Veterans Remembrance Project	600,000	596,833	3,167
Expense and Equipment	<u>63,075</u>	<u>53,323</u>	<u>9,752</u>
Total General Revenue Fund	<u>\$ 1,088,834</u>	<u>1,054,516</u>	<u>34,318</u>

Appendix A-3

Office of Lieutenant Governor
 Statement of Appropriations and Expenditures
 Year Ended June 30, 2008

	<u>Appropriation Authority</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
GENERAL REVENUE FUND			
Personal Service	\$ 376,975	371,556	5,419
Payment of real property leases, related services, utilities, systems furniture, structural modifications, and related expenses - Expense and Equipment	25,004	25,004	0
Veterans Remembrance Project	300,000	286,614	13,386
Expense and Equipment	<u>63,075</u>	<u>60,587</u>	<u>2,488</u>
Total General Revenue Fund	<u>\$ 765,054</u>	<u>743,761</u>	<u>21,293</u>

Appendix B

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

	Year Ended June 30,				
	2010	2009	2008	2007	2006
Lieutenant Governor's office:					
Salaries and wages	\$ 363,498	368,035	371,556	373,182	363,434
Travel, in-state	14,238	25,603	25,749	17,966	13,504
Travel, out-of-state	1,163	335	4,380	3,636	3,180
Supplies	9,758	6,836	13,282	13,633	7,956
Professional development	4,146	2,268	1,575	1,500	1,624
Communication services and supplies	7,834	9,621	7,630	8,122	8,156
Services:					
Professional	2,330	6,203	1,846	1,974	1,907
Maintenance and repair	2,055	1,913	4,694	1,372	1,740
Equipment:					
Computer	0	0	100	75	1,271
Motorized	0	0	0	0	6,000
Office	0	0	776	277	1,726
Building lease payments	34,966	36,325	25,004	25,154	0
Equipment rental and leases	98	90	90	130	180
Miscellaneous expenses	473	454	465	545	729
Total office expenditures	<u>440,559</u>	<u>457,683</u>	<u>457,147</u>	<u>447,566</u>	<u>411,407</u>
Veterans Remembrance Project:					
Communication services and supplies	2,638	1,210	55,767	248,819	0
Services:					
Professional	591,034	592,840	228,207	36,080	0
Maintenance and repair	3,957	2,783	2,640	900	0
Other equipment	0	0	0	13,400	0
Total project expenditures	<u>597,629</u>	<u>596,833</u>	<u>286,614</u>	<u>299,199</u>	<u>0</u>
Total	<u>\$ 1,038,188</u>	<u>1,054,516</u>	<u>743,761</u>	<u>746,765</u>	<u>411,407</u>

Appendix C

Office of Lieutenant Governor
Statement of Changes in General Capital Assets

	Furniture and Equipment	Motor Vehicles	Total
Balance, July 1, 2007	\$ 60,315	19,995	80,310
Additions	0	0	0
Dispositions	0	0	0
Balance, June 30, 2008	60,315	19,995	80,310
Additions	0	0	0
Dispositions	(3,572)	0	(3,572)
Balance, June 30, 2009	56,743	19,995	76,738
Additions	0	0	0
Dispositions	(1,875)	0	(1,875)
Balance, June 30, 2010	\$ 54,868	19,995	74,863