



**OFFICE OF THE LEGISLATIVE AUDITOR**  
STATE OF MINNESOTA

Financial-Related Audit

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**Office of the Governor**  
**January 1, 2001, through January 6, 2003**



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## Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately fifty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year and one best practices review.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of Representatives and Senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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All OLA reports are available at our Web Site: <http://www.auditor.leg.state.mn.us>

If you have comments about our work, or you want to suggest an audit, investigation, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at [auditor@state.mn.us](mailto:auditor@state.mn.us)



## OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Representative Tim Wilkin, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

The Honorable Tim Pawlenty  
Governor of Minnesota

The Honorable Jesse Ventura  
Former Governor of Minnesota

We have audited the Office of the Governor for the period January 1, 2001, through January 6, 2003, as further explained in Chapter 1. Our audit scope included payroll, travel, rent, membership fees, communications, supplies and equipment, and Governor's residence user reimbursements. The audit objectives and conclusions are highlighted in the individual chapters of this report.

We conducted our audit in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that the Office of the Governor complied with provisions of laws, regulations, and contracts that are significant to the audit. The management of the Office of the Governor is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, and contracts.

Pursuant to Minn. Stat. Section 3.975, this report has been referred to the Office of the Attorney General. The Attorney General has the responsibility to ensure the recovery of state funds and, in fulfilling that role, may negotiate the propriety of individual claims.

This report is intended for the information of the Legislative Audit Commission and the management of the Office of the Governor. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 26, 2003.

/s/ James R. Nobles

James R. Nobles  
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: March 31, 2003

Report Signed On: July 19, 2003

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### **Audit Participation**

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Brad White, CPA, CISA	Audit Manager
Michael Hassing, CPA	Auditor-in-Charge
Doreen Bragstad, CPA	Auditor
Alan Sasse, CPA	Auditor

### **Exit Conference**

We discussed the results of the audit with the following staff of the Governor's Office at an exit conference on June 9, 2003:

Paula Brown	Director of Operations
John Pemble	Administrative Services Director

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## Report Summary

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The Office of the Legislative Auditor audits each of the constitutional officers twice during each term pursuant to Legislative Audit Commission policy. This audit focused on the financial activities during the final two calendar years of Governor Jesse Ventura's administration.

### Key Finding

- Office of the Governor funds were used to reimburse one employee for ineligible travel costs. The Department of Administration provided administrative support to the Office of the Governor for the Minnesota Office of Citizenship and Volunteer Services (MOCVS). The department inappropriately reimbursed the employee for hotel costs totaling \$273, which it had also paid directly to the purchasing card company. We recommended recovery of the overpayment, and that the office compare purchasing card statements with employee expense reimbursements to ensure expenses are not paid for twice. (Finding 1, page 10)

### Related Audits

In conjunction with the audit of the Office of the Governor, we issued separate reports on our examination of the Governor's Residence Council and a review of Governor-elect transition funding provided for Governor Tim Pawlenty. Financial activities for both of these areas are managed by the Department of Administration.

**Financial-Related Audit Reports** address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work at the Office of the Governor included payroll, travel, and administrative expenditures for rent, membership fees, communications, supplies and equipment, and Governor's residence user reimbursements. We also reviewed expenditures related to activities of the Governor, including executive protection, volunteer services, and Governor-elect transition costs, which are administered by other state agencies. The office's response is included in the report.

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## Chapter 1. Introduction

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Article V of the State Constitution established the Office of the Governor as part of the executive branch of state government. The office operates under the authority of Minnesota Statutes Chapter 4. The Governor and Lieutenant Governor are elected jointly for a four-year term that begins the first Monday in January following the election. The Governor and Lieutenant Governor share offices and support staff. As chief executive, the Governor is responsible for the general direction, administration, and supervision of the affairs of state government, as well as the development of legislative proposals. The Lieutenant Governor's chief duty is to assist the Governor in carrying out the functions of the executive branch. The Governor has also delegated other duties to the Lieutenant Governor.

Governor Jesse Ventura and Lt. Governor Mae Schunk took office in January 1999. Governor-elect Tim Pawlenty and Lt. Governor Carol Molnau were elected in November 2002 and sworn into office on January 6, 2003.

The Office of the Governor's activities were funded primarily by General Fund appropriations. The Legislature originally appropriated \$4,171,000, \$4,601,000, and \$4,714,000 for fiscal years 2001, 2002, and 2003, respectively. However, legislative reductions of \$460,000 and \$502,000 were made to appropriated amounts for fiscal years 2002 and 2003. In addition, the office returned \$165,000 from its fiscal year 2003 appropriation for salary and contract savings. The office also received reimbursements to the Governor's Residence User Fund for private use of the governor's mansion. The Governor's Office utilized personnel of other state agencies for executive protection, computer network and database support, and operation of the Governor's residence.

By Legislative Audit Commission policy, the Office of the Legislative Auditor audits each of the constitutional officers twice during each term. This audit focused on the financial activities during the final two calendar years of the Governor Ventura administration ending January 6, 2003.

In conjunction with the audit of the Office of the Governor, we issued separate reports on our examination of the Governor's Residence Council and a review of Governor-elect transition funding provided for Governor Tim Pawlenty. Financial activities for both of these areas are managed by the Department of Administration.

Table 1-1 summarizes the sources and uses by fund for the Office of the Governor in fiscal year 2002.

**Table 1-1  
Sources and Uses  
Fiscal Year 2002**

	<b>General Fund</b>	<b>Special Revenue Fund (Note 2)</b>	<b>Gift Fund (Note 2)</b>
<b>Sources:</b>			
State Appropriation	\$4,601,000	\$ 0	\$ 0
Appropriation Reduction (Note 1)	(460,000)	0	0
Receipts	0	6,424	2,246
Transfers In	0	40,109	52,550
Balance Forward In	0	0	723
Total Sources	<u>\$4,141,000</u>	<u>\$ 46,533</u>	<u>\$ 55,519</u>
<b>Uses:</b>			
Payroll and Benefits	\$3,119,180	\$ 7,604	\$ 7,147
Rent	375,588	23,809	1,943
Supplies and Equipment	103,882	1,801	486
Travel	91,612	3	115
Membership Fees	116,650	0	0
Communications	126,408	5,365	56
Other Expenditures	81,604	7,951	45,049
Total Uses	<u>\$4,014,924</u>	<u>\$ 46,533</u>	<u>\$ 54,796</u>
Balance Forward Out (to Fiscal Year 2003)	<u>\$ 126,076</u>	<u>\$ 0</u>	<u>\$ 723</u>

Note 1: Appropriation reduction specified in Minnesota Laws (2002), Chapter 220, Art. 10, Sec. 4 as amended by Minnesota Laws (2002) Chapter 374, Art. 7, Sec. 9.

Note 2: During fiscal year 2002, the Office of the Governor, with administrative support from the Department of Administration, was responsible for and oversaw the activities of the Minnesota Office of Citizenship and Volunteer Services (MOCVS). In addition to appropriated funds, MOCVS moneys were transferred in from the Department of Administration from the special revenue and gift funds. Total MOCVS expenditures were \$298,607 for fiscal year 2002, including \$197,277 from General Fund appropriations, \$46,533 from special revenue resources, and \$54,796 from gifts. The MOCVS function disbanded in February 2002.

Source: Minnesota Accounting and Procurement System (MAPS) for fiscal year 2002, as of March 18, 2003.

In fiscal year 2003, under a joint powers agreement pursuant to Minn. Stat. Section 471.59, the Office of the Governor received a transfer of \$361,702 from the Office of the Attorney General to restore budget cuts to the Ombudsman for Mental Health and Mental Retardation. The funds were immediately transferred out pursuant to a separate joint powers agreement with the Ombudsman for Mental Health and Mental Retardation.

In a separate audit, Legislative Audit Report #03-16, issued in March 2003, we identified some concerns with the way the Governor's Office contracted for services relating to the transition team on workforce and economic development. The office did not fund the contract, which instead was entirely paid with federal monies managed by the Department of Economic Security. Concerns were raised about the contract's negotiation and execution and inability to locate certain required progress reports.



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## Chapter 2. Employee Payroll

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### *Chapter Conclusions*

*The Office of the Governor's internal controls provided reasonable assurance that employees were accurately compensated in compliance with its personnel plan and management's authorization, and that payroll expenditures were properly recorded in the accounting and payroll systems. For the items tested, the office complied with material finance-related legal provisions and the personnel plan of the Office of the Governor.*

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The Governor's Office Compensation Plan establishes the compensation, terms, and conditions of employment for employees of the Office of the Governor. The plan provides salary ranges for support staff, professional staff, and managerial staff. All employees covered by the plan serve in unclassified positions, except the Administrative Services Manager, as discussed below. The Office of the Governor employed full-time staff at four locations including the Capitol, Administration Building, Governor's residence, and an office in Washington, D.C. During our two-year audit period from January 1, 2001, to January 6, 2003, the Governor's Office disbursed \$4,925,498 in payroll expenditures.

Additionally, certain employees that work for the Governor's Office are employed by other executive branch agencies. The Administrative Services Manager, employed by the Department of Administration, is permanently assigned and funded by the Governor's Office. The residence groundskeeper is employed by the Governor's Office but is paid by the Department of Administration's Plant Management Division.

The Governor's Office also paid the salaries for the employees of the Minnesota Office of Citizenship and Volunteer Services (MOCVS) during fiscal year 2002. The MOCVS facilitated citizen participation in local government. The 2001 Legislature transferred the MOCVS appropriation from the Department of Administration to the Governor's Office. The MOCVS disbanded in February 2002.

Table 2-1 provides an analysis of payroll expenditures by location for fiscal years 2001 and 2002.

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**Table 2-1**  
**Payroll Expenditures by Location**  
**For Fiscal Years 2001 and 2002**

<b>Location:</b>	<b>2001</b>	<b>2002</b>
Governor's Office	\$2,593,528	\$2,467,561
Governor's Residence <sup>(Note 1)</sup>	461,550	388,962
Washington Office	141,671	140,656
MOCVS	0	136,752
Total Payroll Expenditures	<u><b>\$3,196,749</b></u>	<u><b>\$3,133,931</b></u>

Note 1: Governor's Residence expenditures are shown net of \$4,466 and \$12,485 expenditure reimbursements for fiscal years 2001 and 2002, respectively.

Source: Minnesota Accounting and Procurement System (MAPS), as of March 2003.

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## Audit Objectives and Methodology

We focused on the following objectives during our audit of payroll expenditures:

- Did the Office of the Governor's internal controls provide reasonable assurance that it accurately compensated its employees in compliance with the office's personnel plan and management's authorization and properly recorded payroll expenditures in the state's accounting system?
- Did the office comply with material finance-related legal provisions and the Governor's Office personnel plan?

To meet these objectives, we interviewed staff from the Governor's Office to gain an understanding of the internal control structure over personnel and payroll processing. We tested biweekly payroll transactions and verified that hours processed were supported by timesheets authorizing hours worked and leave taken. We analyzed payroll distributions by earning codes and pay period end dates, and reviewed staff salary levels and pay increases for compliance with the Governor's Office compensation plan. The salaries of the Governor and Lieutenant Governor were compared to the levels approved by the compensation council.

## Conclusions

The Office of the Governor's internal controls provided reasonable assurance that employees were accurately compensated in compliance with its personnel plan and management's authorization, and that payroll expenditures were properly recorded in the state's accounting and payroll systems. For the items tested, the office complied with material finance-related legal provisions and the Governor's Office personnel plan.

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## Chapter 3. Travel Expenditures

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### *Chapter Conclusions*

*The Office of the Governor's internal controls provided reasonable assurance that vendors and employees were accurately paid for travel costs, and that these expenditures were properly recorded in the accounting system. For the items tested, except for the following item, the office complied with travel requirements of the Governor's Office personnel plan, state travel policies, and other finance-related legal provisions.*

*Office of the Governor funds were used to reimburse one employee for ineligible travel costs. The Department of Administration provided administrative support to the Office of the Governor for the Minnesota Office of Citizenship and Volunteer Services (MOCVS). The department inappropriately reimbursed the employee for hotel costs totaling \$273, which it had also paid directly to the purchasing card company. We recommended recovery of the overpayment, and that the office compare purchasing card statements with employee expense reimbursements to ensure expenses are not paid for twice.*

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The Governor, Lieutenant Governor, and their staff incur travel costs while conducting state business. The office incurred out-of-state travel for National Governor's Association conferences, meetings with staff and Minnesota's Congressional delegation in Washington, D.C., and for trips to promote economic development in Minnesota. The office generally used a local travel agency to book its flights. The office required employees to document the purpose and approval for out-of-state travel in advance of each trip. The office used the Department of Transportation's airplane and Central Motor Pool vehicles when traveling within the state.

The office's personnel plan establishes criteria for when an employee is eligible to receive reimbursement for travel costs, such as transportation, meals, lodging, and other miscellaneous expenses. Typically, the office directly paid for certain travel costs associated with the trips, such as commercial transportation. Table 3-1 shows travel costs paid by the Governor's Office for fiscal years 2001 and 2002.

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**Table 3-1**  
**Travel Expenditures**  
**Two Fiscal Years Ended June 30, 2002**

	<u>2001</u>	<u>2002</u>
Out-of-State Travel	\$50,013	\$31,676
In-State Travel	27,122	32,627
Motor Pool Rentals	<u>26,740</u>	<u>27,429</u>
Total	<u>\$103,875</u>	<u>\$91,732</u>

Source: Minnesota Accounting and Procurement System as of March 2003.

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In addition to these costs, the Governor and his staff accompanied other state agency staff on trips where they deemed the Governor's presence essential. The state agency requesting the Governor's attendance paid the costs of the trip from its own appropriation. For example, the Department of Trade and Economic Development paid for most economic trade missions. During the two-year audit scope, the Governor went on trade missions to Germany, China, and Cuba.

The Governor also went on trips paid by outside parties:

- In August 2001, the Governor and a staff member went to Syracuse, New York for a fishing "challenge" hosted by the New York Governor. The Governor's radio show was broadcast from New York. The State of New York paid for the Governor's travel costs, while the State of Minnesota paid \$857 for the staff member's costs.
- In October 2001, the Governor, the First Lady, and several staff members toured Ground Zero in New York City and met with two bonding agencies regarding Minnesota's credit rating. ABC/Disney paid the airfare and lodging costs for the Governor and his Communications Director. The State of Minnesota paid \$5,700 in travel costs for the First Lady and the other staff members.
- In December 2001, the Governor testified before the U.S. Congress about anti-trust issues surrounding major league baseball. A local private party paid the Governor's travel costs.

The Governor is provided with 24-hour security. The Department of Public Safety used state troopers to provide the security detail for the Governor and first family while at work, home, or in travel status. The Department of Public Safety pays for the executive protection of the Governor, including all personnel and travel costs. During the audit period, the Department of Public Safety paid approximately \$1.38 million for costs related to security services provided to the Governor.

## **Disclosure of Expense Reimbursements**

Minn. Stat. Section 11A.075 requires the Governor and other members of the State Board of Investment to file an annual disclosure statement with the Campaign Finance and Public Disclosure Board. The statute requires disclosure of expenses or reimbursements, such as meals,

## **Office of the Governor**

entertainment, transportation, lodging, and seminars exceeding \$50 annually that were paid by investment companies or businesses in which the state has invested money. The Governor's Office monitors the Governor's activities and notifies him when activities fall within the purview of this statute and require disclosure.

The Office of the Governor filed the required reports for Governor Ventura due April 15, 2001, for calendar year 2000 and April 15, 2002, for 2001. However, no SBI disclosure report for Governor Ventura was filed April 15, 2003, for calendar year 2002. We questioned the Campaign Finance and Public Disclosure Board about this, and they sent out the requests on April 28, 2003, and had not yet received a response. We suggested this be done at the end of the term as part of the close-out of constitutional officers filings.

## **Audit Objectives and Methodology**

We focused on the following objectives during our audit of travel expenses:

- Did the Office of the Governor's internal controls provide reasonable assurance that vendors and employees were accurately paid for travel costs, and that travel expenditures were properly recorded in the state's accounting system and in compliance with the Office of the Governor's compensation plan and management's authorization?
- Did the office comply with the Governor's Office personnel plan, state travel policies, and other finance-related legal provisions?

To meet these objectives, we interviewed staff from the Office of the Governor to gain an understanding of the internal control structure and procedures for payment of travel claims. We analyzed travel costs, tested vendor invoices, and examined employee travel reimbursements. We also tested a sample of invoices and employee expense reimbursements related to the out-of-state travel costs incurred by the Department of Public Safety for the security of the Governor and by the Minnesota Office of Citizenship and Volunteer Services. We also reviewed the calendar year 2001 and 2002 expense reimbursement disclosures filed with the Campaign Finance and Public Disclosure Board.

## **Conclusions**

The Office of the Governor's internal controls provided reasonable assurance that vendors and employees were accurately paid for travel costs, and that these expenses were properly recorded in the accounting system. For the items tested, except for the following item, the office complied with travel requirements of the Governor's Office personnel plan, state travel policies, and other finance-related legal provisions.

Regarding travel costs paid by other agencies, we found that the Department of Administration provided an inappropriate expense reimbursement of \$273 to an employee of the Minnesota Office of Citizenship and Volunteer Services (MOCVS) for lodging also paid directly to the state's purchasing card company.

## Office of the Governor

### **1. The Department of Administration provided an inappropriate expense reimbursement to a MOCVS employee for charges directly paid on a state credit card.**

The Governor's Office funds were used to reimburse the director of Minnesota Office of Citizenship and Volunteer Services (MOCVS) \$273 for lodging charges that were also paid directly to the state's purchasing card company. The Department of Administration provided administrative support for the MOCVS financial activity, even though the organization's budget was moved to the Office of the Governor in fiscal year 2002.

Employees continued to submit expense reimbursements, including supporting documentation, directly to the Department of Administration. Each month, the director of MOCVS matched original receipts to the purchasing card statement. The Department of Administration's accounting office, however, did not compare employee expense reports to the purchasing card statements. As a result, the office paid the director for charges that appeared on both the expense reimbursement form and the monthly purchasing card statement.

#### *Recommendation*

- *The Office of the Governor should work with the Department of Administration to seek reimbursement from the employee for the duplicate payment of \$273.*

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## Chapter 4. Administrative Expenditures

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### *Chapter Conclusions*

*The Office of the Governor's internal controls provided reasonable assurance that it accurately paid administrative expenditures for rent, memberships, communications, supplies, and equipment, and that these transactions were authorized by management and properly recorded in the accounting system. In addition, the office properly recorded fixed asset purchases on the state's fixed asset inventory. For the items tested, the Governor's Office complied with applicable procurement requirements for purchasing and bidding and accurately billed and deposited reimbursements for the use of the Governor's residence.*

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In addition to payroll and travel expenses, as previously discussed, the Governor's Office incurred administrative costs for rent, memberships, communications, supplies, and equipment. Certain costs for operating the Governor's residence were reimbursed through the Governor's Residence User Fund.

### **Rent**

The Governor's Office rented office space in the State Capitol, the Administration Building, and in Washington D.C. The office also rented equipment and other miscellaneous items for use at the Capitol and Governor's residence functions. Table 4-1 shows the annual rent expenditures incurred by the Governor's Office for fiscal years 2001 and 2002.

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**Table 4-1**  
**Rent Expenditures**  
**Two Fiscal Years Ended June 30, 2002**

	<u>2001</u>	<u>2002</u>
Rent – State-Owned Space <sup>(Note 1)</sup>	\$283,299	\$372,455
Rent – Washington D.C. Office	35,789	26,484
Miscellaneous Rental	<u>2,980</u>	<u>600</u>
Total	<u>\$322,068</u>	<u>\$399,539</u>

Note 1: The increase in rent expenditures was due to additional space required for the Minnesota Office of Citizen and Volunteer Services (MOCVS) and rate increases that went into effect for fiscal year 2002.

Source: Minnesota Accounting and Procurement System (MAPS) as of March 2003.

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## Office of the Governor

### Membership Fees

The Governor's Office paid for national memberships that had a direct benefit to the State of Minnesota. The primary memberships were with the National Governors Association and the National Conference of Lieutenant Governors. Membership in these organizations provided a forum for states to discuss issues relating to shared resources and shared problems in an effort to jointly resolve the issues. The Governor's Office paid \$115,800 for membership in the National Governors Association for fiscal year 2002. Due to budget cutbacks, the office decided not to renew this membership for fiscal year 2003.

### Communications

Communication expenditures include items such as network services, postage and mail, and delivery services. Network service includes telephone service, computer communications, cellular telephone use, fax charges, and pager charges. The office requires employees to reimburse the office for any personal cellular phone calls. Table 4-2 shows the communication expenditures incurred by the Governor's Office for fiscal years 2001 and 2002.

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**Table 4-2**  
**Communication Expenditures**  
**Two Fiscal Years Ended June 30, 2002**

	<u>2001</u>	<u>2002</u>
Network	\$ 84,640	\$76,993
Postage, Mailing, and Shipping	12,897	22,091
Freight, Delivery, and Other	<u>2,699</u>	<u>56</u>
Total	<u>\$100,236</u>	<u>\$99,140</u>

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Source: Minnesota Accounting and Procurement System (MAPS) as of March 2003.

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### Supplies and Equipment

The office purchased various office supplies, generally from the Central Stores Division of the Department of Administration, to support office operations, including items shipped to the Washington, D.C. office. The Governor's Office spent \$60,091 for various supplies purchased during the year ended June 30, 2002. The office also purchased gifts, awards, pictures, and flowers for public recognition or gratitude through the Governor's necessary expense account. In addition, the Governor's Office purchased goods for the Governor's residence, such as supplies for cleaning and maintenance of the residence. Food and beverages were purchased for the Governor's family consumption and for events held at the residence. The Governor reimbursed the office for food based on a monthly formula calculation designed by the U.S. Department of Agriculture.



## **Office of the Governor**

### **Governor's Residence**

The State of Minnesota maintains and operates a residence for the Governor, located at 1006 Summit Avenue in Saint Paul. Its use is defined in Minn. Stat. Section 16B.27, Subd. 1, as follows:

*The governor's residence must be used for official ceremonial functions of the state, and to provide suitable living quarters for the governor of the state.*

The residence provides the Governor a place to host dignitaries, hold meetings with cabinet and legislative staff, and conduct other official state events. The residence can also be used for social events of government and non-profit organizations. Non-state related functions are allowed if reimbursement is obtained and deposited in the Governor's Residence User Fund. During calendar years 2001 and 2002, the residence was host to 158 and 74 registered events, respectively. Although there were fewer events in 2002, due to the closure of the residence for four months, the percentage of events charged to the user fund was significantly higher in 2002. During the audit period, the Governor's Office collected approximately \$43,000 in reimbursements for events held at the residence.

The Governor's Office employs a residence manager to plan, budget, and oversee all of the activities held at the residence. The Governor's Residence Council is responsible for soliciting gifts for furnishings and the restoration of the residence. We conducted a separate audit of the Governor's Residence Council for the four years ended December 31, 2002.

### **Audit Objectives and Methodology**

We focused on the following objectives during our audit of administrative expenditures:

- Did the Office of the Governor's internal controls provide reasonable assurance that it accurately paid administrative expenditures, obtained management authorization, and properly recorded transactions in the accounting system?
- Did the office properly record equipment purchases in the state's fixed asset records?
- Did the office comply with applicable procurement requirements and accurately bill and collect reimbursements for non-state events held at the Governor's residence?

To meet these objectives, we interviewed staff from the Office of the Governor to gain an understanding of the internal control structure over administrative disbursements, procurement, and the reimbursement procedures for the Residence User Fund. We compared rent payment transactions to authorized leases and membership payments to authorized invoices. We analyzed supply and equipment expenditures, performed detailed tests of transactions, and tested compliance with procurement requirements and management's authorization. We tested user fund transactions for proper billing and deposit of reimbursements for non-state events held at the Governor's residence.

## **Office of the Governor**

### **Conclusions**

The Office of the Governor's internal controls provided reasonable assurance that it accurately paid administrative expenditures for rent, memberships, communications, and supplies and equipment, and that these transactions were authorized by management and properly recorded in the accounting system. The office properly recorded equipment purchases on the state's fixed asset inventory. For the items tested, the Governor's Office complied with applicable procurement requirements for purchasing and bidding and accurately billed and deposited reimbursements for the use of the Governor's residence.

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## Status of Prior Audit Issues As of March 31, 2003

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### Most Recent Audit

**Legislative Audit Report 01-34**, issued in June 2001, covered the first two calendar years of the Governor Jesse Ventura administration ending December 31, 2000. The audit included a review of payroll, rent, memberships fees, supplies and materials, communications, travel-related expenses, and reimbursements for use of the Governor's residence. The audit report contained four findings. Two of the findings related to travel expense reimbursements. The third finding related to the use of cellular phones. The last finding related to contract specifications for the Governor's weekly radio broadcast. The Governor's Office implemented the recommendations to resolve all of the findings discussed in the report.

#### State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota and quasi-state organizations, such as the metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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# STATE OF MINNESOTA

## Office of Governor Tim Pawlenty

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

June 16, 2003

James Nobles  
Legislative Auditor  
Office of the Legislative Auditor  
First Floor South, Centennial Building  
658 Cedar Street  
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to the findings and recommendations in the audit of the Governor's Office for the time period January 1, 2001, through December 31, 2002. The audit covers Governor Ventura's last two years in office. John Pemble, Administrative Services Manager, and I have had the opportunity to serve in both Governor Ventura's and Governor Pawlenty's administrations. As a result, we are in a good position to create policies and procedures that ensure sound financial practices.

With regard to the report's finding and recommendation:

### **Finding:**

Office of the Governor funds were used to reimburse one employee for ineligible travel costs. The Department of Administration provided administrative support to the Office of the Governor for the Minnesota Office of Citizenship and Volunteer Services (MOCVS). The department inappropriately reimbursed the employee for hotel costs totaling \$273, which it had also paid directly to the purchasing card company.

### **Recommendation:**

The Office of the Governor should work with the Department of Administration to seek reimbursement from the employee for the duplicate payment of \$273.

James Nobles

June 16, 2003

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**Response:**

The Governor's Office has requested that the Department of Administration seek reimbursement from the employee for the duplicate payment. The Department of Administration has recently sent a letter to the individual requesting reimbursement of these funds.

We appreciate the professional work that you and your staff have provided during this audit and if you have any further questions or concerns, please feel free to call me.

Sincerely,

*/s/ Paula Brown*

Paula Brown

Director of Operations

cc: Governor Tim Pawlenty  
Governor Jesse Ventura  
Chief of Staff Charlie Weaver