



Office of the Governor and Lieutenant Governor

Performance Audit

November 2025

Financial Audit Division

Office of the Legislative Auditor

State of Minnesota

Financial Audit Division

The division has authority to audit organizations and programs in the state's executive and judicial branches, metropolitan agencies, several "semi-state" organizations, state-funded higher education institutions, and state-funded programs operated by private organizations.

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November 4, 2025

Members
Legislative Audit Commission

The Honorable Tim Walz, Governor
The Honorable Peggy Flannagan, Lieutenant Governor
The Office of the Governor and Lieutenant Governor

This report presents the results of our performance audit of the Office of the Governor and Lieutenant Governor for the period July 1, 2022, through December 31, 2024. The objectives of this audit were to determine if the office complied with significant finance-related legal requirements and resolved prior audit findings.

The office only partially agrees with Finding 10 as stated in their response on page 41. We have considered all additional information presented by the office and believe the evidence we obtained and the testing we performed during the course of the audit support our conclusions.

This audit was conducted by Heather Rodriguez (Audit Director) and auditors Sheena Kurth; Lisa Makinen, CPA; and Alec Mickelson.

We received the full cooperation of the office's staff while performing this audit.

Sincerely,



Judy Randall
Legislative Auditor



Lori Leysen, CPA
Deputy Legislative Auditor



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Introduction

The Office of the Governor and Lieutenant Governor is responsible for the general direction, administration, and supervision of the affairs of the executive branch of Minnesota state government, as well as state budget proposals. The office is also in charge of appointing state department heads; members of state boards and commissions; and judges to the state's ten judicial districts, the court of appeals, and the supreme court when vacancies occur.

Auditors focus on internal controls as a key indicator of whether an organization is well managed. Internal controls are the policies and procedures management establishes to govern how an organization conducts its work and fulfills its responsibilities. A well-managed organization has strong controls across all of its internal operations. If effectively designed and implemented, controls help ensure, for example, that inventory is secured, computer systems are protected, laws and rules are complied with, and authorized personnel properly document and process financial transactions.

In this audit, we focused on whether the office had controls to ensure that it appropriately collected receipts and reimbursements from events held at the governor's residence, appropriately spent state funds, accurately paid its vendors and employees, and safeguarded state resources.

Minnesota Law Mandates the Implementation of Internal Controls

The Office of the Governor and Lieutenant Governor must have internal controls that:

- Safeguard public funds and assets and minimize incidences of fraud, waste, and abuse.
- Ensure that the Office administers programs in compliance with applicable laws and rules.

The law also requires the Commissioner of Minnesota Management and Budget to review OLA audit reports and help agencies correct internal control problems noted in those reports.

— **Minnesota Statutes 2025, 16A.057**



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Report Summary

Conclusion

The Office of the Governor and Lieutenant Governor generally did not comply with the criteria we tested. We identified a significant number of instances of noncompliance and internal control deficiencies related to receipts, inventory, and payroll and nonpayroll expenditures.

Findings and Recommendations

Finding 1. The Office of the Governor and Lieutenant Governor did not manage its receipts as required by state law and office policies. (p. 18)

Recommendations

- The Office of the Governor and Lieutenant Governor should ensure that it manages its receipts as required by state law and office policies.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls over its receipt processes.
-

Finding 2. The Office of the Governor and Lieutenant Governor did not provide adequate oversight of timesheet completion and approval. (p. 20)

Recommendations

- The Office of the Governor and Lieutenant Governor should provide adequate oversight of timesheet completion and approval.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls over its timesheet completion and approval processes.
-

Finding 3. Prior Audit Findings Partially Resolved. The Office of the Governor and Lieutenant Governor did not attempt to resolve incorrect floating holiday and vacation leave payouts. (p. 22)

Recommendations

- The Office of the Governor and Lieutenant Governor should reduce the vacation balance for the state employee identified.
 - The Office of the Governor and Lieutenant Governor should recover the overpayments it made for each former employee identified.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls over employee vacation leave balances or formally document its prohibition on vacation cap extensions.
-

Finding 4. Prior Audit Finding Unresolved. The Office of the Governor and Lieutenant Governor did not document one employee's eligibility for paid parental leave. (p. 23)

Recommendation

The Office of the Governor and Lieutenant Governor should ensure it sufficiently documents employee eligibility for paid parental leave.

Finding 5. The Office of the Governor and Lieutenant Governor did not issue correct retroactive pay rate adjustments for seven employees. (p. 24)

Recommendations

- The Office of the Governor and Lieutenant Governor should recover the retroactive pay rate adjustment overpayments it made for each employee identified.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure the accuracy of retroactive pay rate adjustments.
-

Finding 6. The Office of the Governor and Lieutenant Governor did not have required documentation to support some payroll and leave adjustments. (p. 26)

Recommendations

- The Office of the Governor and Lieutenant Governor should document all payroll and leave balance adjustments, as required by state policy.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that it documents payroll and leave balance adjustments in accordance with state policy.
-

Finding 7. The Office of the Governor and Lieutenant Governor did not manage its inventory in accordance with its property management policy. (p. 27)

Recommendations

- The Office of the Governor and Lieutenant Governor should maintain an updated inventory of the assets and sensitive items it owns or is responsible for tracking.
 - The Office of the Governor and Lieutenant Governor should segregate incompatible duties in its purchasing, accounting, and property management processes or develop internal controls to effectively mitigate the risk.
-

Finding 8. The Office of the Governor and Lieutenant Governor made numerous late payments to its vendors. (p. 30)

Recommendations

- The Office of the Governor and Lieutenant Governor should promptly pay its vendors.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure it pays vendor invoices promptly.
-

Finding 9. The Office of the Governor and Lieutenant Governor made numerous inaccurate reimbursements to employees and payments to vendors. (p. 31)

Recommendations

- The Office of the Governor and Lieutenant Governor should resolve inaccurate payments.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure it accurately reimburses employees and pays vendors.
-

Finding 10. The Office of the Governor and Lieutenant Governor did not have documentation to support numerous employee expenditure reimbursements, vendor payments, and purchasing card transactions. (p. 33)

Recommendations

- The Office of the Governor and Lieutenant Governor should ensure that it obtains and retains the documentation necessary to support the proper procurement, receipt, and payment of goods and services.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that it obtains and retains the documentation necessary to support the proper procurement, receipt, and payment of goods and services.
-

Finding 11. Prior Audit Finding Unresolved. The Office of the Governor and Lieutenant Governor did not ensure its purchasing card policy contained consistent requirements regarding when cardholders must sign new use agreements.

The Office of the Governor and Lieutenant Governor did not require state purchasing cardholders to sign new use agreements in compliance with its policy. (p. 34)

Recommendations

- The Office of the Governor and Lieutenant Governor should revise its policy to clearly indicate the frequency that cardholders must sign new use agreements.
 - The Office of the Governor and Lieutenant Governor should strengthen internal controls over state purchasing cards to ensure each cardholder signs new use agreements as required by its policy.
-

Finding 12. The Office of the Governor and Lieutenant Governor split some purchasing card purchases, which circumvented established internal controls on spending limits. (p. 35)

Recommendation

The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that state purchasing cardholders do not split payments without prior approval.



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Background

Article V of the *Minnesota Constitution* establishes the Office of the Governor and Lieutenant Governor as part of the executive branch of state government; the office operates under the authority provided in the Minnesota Constitution; *Minnesota Statutes*, Chapter 4; and various other state statutes. The Governor and Lieutenant Governor are elected jointly for a four-year term that begins the first Monday in January following the state's general election. The Governor and Lieutenant Governor share offices and support staff.

Governor Tim Walz and Lieutenant Governor Peggy Flanagan were first elected in November 2018 and were re-elected in November 2022.

Major duties of the governor include:

- Appointing state department heads; members of state boards, councils, and commissions; and judges to the state's ten judicial districts, the court of appeals, and the supreme court when vacancies occur.
- Chairing the State Executive Council, the State Board of Investment, and the Land Exchange Board and serving as a member of the Board of Pardons.
- Serving as Commander-in-Chief of the Minnesota National Guard and overseeing emergency responses.
- Issuing extradition papers, proclamations, and writs of special elections.
- Informing the Legislature of the state's general condition; reviewing, vetoing, or signing into law legislation; consulting with state legislators during annual legislative sessions; and calling special sessions of the Legislature when needed.
- Directing, administering, and supervising the affairs of the executive branch of Minnesota state government, as well as proposing the state budget.
- Performing all other duties as specified by the laws of the state.

The lieutenant governor's chief duty is to assist the governor in carrying out the functions of the executive branch and be prepared to act in the governor's place in the event the governor vacates office or is unable to perform the duties of the office. The lieutenant governor's official duties also include:

- Calling to order the senate on convening day.
- Executing any powers, duties, responsibilities, and functions of the governor delegated to the lieutenant governor by the governor (except Constitutional duties).
- Chairing the Capitol Area Architectural and Planning Board and the Advisory Committee on Capitol Area Security.
- Serving as a member of the State Capitol Preservation Commission and the State Executive Council.



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Audit Scope, Objectives, and Methodology

We conducted this audit to determine whether the Office of the Governor and Lieutenant Governor complied with the criteria we tested and resolved prior audit findings.¹ The audit scope included receipts, payroll expenditures, inventory of assets, and nonpayroll expenditures. The period under examination went from July 1, 2022, through December 31, 2024. Exhibit 1 shows the appropriations, receipts, and expenditures during the audit scope.

Exhibit 1
Appropriations, Receipts, and Expenditures, July 1, 2022, Through December 31, 2024

Beginning Balance	\$ 1,007,692
General Fund Appropriations	22,321,000
Receipts	5,335,658
Expenditures	(23,537,602)
Cancelled Appropriations ^a	(78,978)
Ending Balance	\$ 5,047,770

^a The office did not spend \$14,930 from the Fiscal Year 2022 appropriation, which cancelled back to the Federal Fund. The office did not spend \$64,048 from the Fiscal Year 2023 appropriation, which cancelled back to the General Fund.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

We conducted this performance audit in accordance with generally accepted government auditing standards.² Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives. When sampling was used, we used a sampling method that complies with generally accepted government auditing standards and that supports our findings and conclusions. That method does not, however, allow us to project the results we obtained to the populations from which the samples were selected.

¹ Office of the Legislative Auditor, Financial Audit Division, *Office of the Governor and Lieutenant Governor: Performance Audit* (2022). In addition to the findings from the 2022 report, the Governor’s Office had two findings in a multiagency report we issued in May 2023, *COVID-19-Related Emergency Purchases*. We did not follow up on those two findings in this audit. Instead, we included them in our annual follow-up report, which was released September 22, 2025.

² Comptroller General of the United States, Government Accountability Office, *Government Auditing Standards, 2018 Revision* (Technical Update April 2021).

We assessed internal controls against the internal control standards published by the U.S. Government Accountability Office.³ We assessed compliance against the criteria identified in the Appendix.

Receipts

The 24 state cabinet-level agencies made payments to the office for services provided to support the agency at the state and federal levels. The office also collected reimbursements for events held at the governor's residence and additional miscellaneous receipts.

During the scope of the audit, the office collected \$5,335,658 in interagency receipts, event reimbursements, and other receipts. Exhibit 2 shows the receipts by type.

Exhibit 2

Interagency Receipts, Event Reimbursements, and Other Receipts, July 1, 2022, Through December 31, 2024

Type of Receipt	Amount
Interagency Receipts for Services Provided ^a	\$5,313,455
Governor's Residence Event Reimbursements	16,925
Other ^b	<u>5,278</u>
Total	\$5,335,658

^a The office collected interagency receipts of \$5,040,800 through the reoccurring interagency receipts it collects. During the scope of the audit, the office also collected \$272,655 in additional interagency agreements with cabinet agencies for one-time services it provided.

^b "Other" includes items such as reimbursements for miscellaneous expenditures and insurance dividends. We did not test six deposits in this category totaling \$157 and one transaction reversing a deposit totaling (\$261). As a result, the deposits we tested in this category totaled \$5,382.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

We designed our work to determine whether the office billed, collected, and deposited receipts in compliance with the criteria we tested (as listed in the Appendix). We also examined the office's related internal controls. Exhibit 3 lists the areas we tested related to receipts, our methodology for testing those areas, and the results of our tests.

³ Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government* (September 2014). In September 2014, the State of Minnesota adopted these standards as its internal control framework for the executive branch.

Exhibit 3

Receipts: Areas Tested, Testing Methodology, and Results

Area Tested	Testing Methodology	Result
Interagency Receipts for Shared Services Provided	<ul style="list-style-type: none"> We tested the appropriateness of the amounts billed for all 48 reoccurring interagency agreements, totaling \$5,040,800. We tested the accuracy of the amounts collected and recorded for all 48 reoccurring interagency agreements for shared services and two additional one-time receipts for shared services, totaling \$5,313,455. 	No significant issues; prior audit finding resolved
Governor's Residence Event Reimbursements	<ul style="list-style-type: none"> We tested the accuracy and completeness of the billings and receipts for all nine events, primarily related to nonstate entities, at the governor's residence. The event contracts totaled \$15,271 and the related deposit totaled \$1,049. We tested the accuracy of the billings and receipts for two events state entities held at the governor's residence. The office did not have contracts for these events, but the two related deposits totaled \$15,876. We reconciled the office's deposit logs to bank documentation and deposits in the state's accounting system to determine if the office deposited and accurately recorded cash and check receipts totaling \$210.^a 	See Finding 1 on page 18
Other Deposits	<ul style="list-style-type: none"> We tested the accuracy of five miscellaneous deposits, totaling \$5,382. 	See Finding 1 on page 18
Unrecorded Deposits	<ul style="list-style-type: none"> We tested the validity of four deposits, totaling \$3,458, that the office entered into the state's accounting system but did not fully process.^b 	See Finding 1 on page 18

^a The \$210 does not appear in Exhibit 2 since the office did not record the receipts in the state's accounting system.

^b The \$3,458 does not appear in Exhibit 2 since the office did not fully process the deposits in the state's accounting system.

Source: Office of the Legislative Auditor.

Payroll Expenditures

As of December 2024, the office employed 75 staff. During the scope of the audit, the office had \$19,804,615 in payroll expenditures. Exhibit 4 shows the payroll expenditures by type.

Exhibit 4

Payroll Expenditures, July 1, 2022, Through December 31, 2024

Type of Expenditure	Gross Pay	Employer Expenditures ^a	Total
Hours Worked and Leave Taken	\$14,918,832	\$4,062,494	\$18,981,326
Retroactive Pay Rate Adjustments	369,700	77,043	446,743
Separation Pay	205,891	14,252	220,143
Leave Conversions	98,205	19,026	117,231
Other ^b	205	38,967	39,172
Total	\$15,592,833	\$4,211,782	\$19,804,615

^a "Employer Expenditures" includes the employer's share of FICA, insurance, and retirement contributions.

^b "Other" includes \$13,329 paid to the Minnesota Department of Administration for worker's compensation, \$25,062 paid to the Department of Employment and Economic Development for unemployment compensation, and \$781 for miscellaneous payroll costs. We did not test these expenditures.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

We designed our work to determine whether the office accurately compensated employees in compliance with the criteria we tested (as listed in the Appendix). We also examined the office's related internal controls. Exhibit 5 lists the areas we tested related to payroll, our methodology for testing those areas, and the results of our tests.

Exhibit 5

Payroll Expenditures: Areas Tested, Testing Methodology, and Results

Area Tested	Testing Methodology	Result
Hours Worked	<ul style="list-style-type: none"> We tested the integrity of payroll by verifying the effectiveness of the office's safeguards over timesheet completion and approval, and reviewing payroll reports for 16 of 61 pay periods. 	See Finding 2 on page 20
Governor's and Lieutenant Governor's Salaries	<ul style="list-style-type: none"> We tested the accuracy of the Governor's and Lieutenant Governor's salaries. 	No issues
Salaries of Employees Working on the Presidential Campaign	<ul style="list-style-type: none"> We tested the reasonableness of time worked and leave taken for five individuals who worked on the 2024 presidential campaign in some capacity. 	No issues

Area Tested	Testing Methodology	Result
Retroactive Pay Rate Adjustments	<ul style="list-style-type: none"> We tested the accuracy of 30 of 151 retroactive pay rate adjustments, which included \$86,752 of the \$356,706 paid. We initially tested a random sample of 25 retroactive pay adjustments and subsequently expanded testing to five additional retroactive pay adjustments based on our initial testing. We excluded \$12,994 in retroactive pay adjustments for two employees who received payments from the office's budget but were never full-time employees of the office. 	See Finding 5 on page 24
Separation Payments	<ul style="list-style-type: none"> We tested the eligibility for and accuracy of all 39 separation payments, totaling \$205,891. 	No issues
Holiday Pay	<ul style="list-style-type: none"> We tested the accuracy of all holiday and floating holiday pay, which totaled \$568,815 and \$57,093, respectively. We verified that the office resolved the previous overpayment of two floating holidays. 	<p>No issues</p> <p>See Finding 3 on page 22; prior audit finding partially resolved</p>
Leave Balance Adjustments	<ul style="list-style-type: none"> We tested the accuracy of all 15 adjustments to employee's sick or vacation leave balances that exceeded 10 hours. 	See Finding 6 on page 26
Vacation Leave Conversions	<ul style="list-style-type: none"> We tested the eligibility for and accuracy of 31 conversions of vacation leave to deferred compensation, totaling 1,520 hours and \$98,205. 	No issues
Payroll Adjustments	<ul style="list-style-type: none"> We tested the accuracy of all 24 payroll adjustments, totaling \$22,330. We initially tested a random sample of eight payroll adjustments and subsequently expanded testing to the remaining adjustments based on the results of our initial testing. 	See Finding 6 on page 26
Paid Parental Leave	<ul style="list-style-type: none"> We tested the eligibility for and accuracy of the paid parental leave for one employee who received it, which totaled \$957. 	See Finding 4 on page 23; prior audit finding not resolved
Maximum Vacation Leave Balances	<ul style="list-style-type: none"> We tested that all employees reduced their vacation leave balances to the maximum number of hours allowed by the office's compensation plan. We verified that the office resolved the overpayment of vacation leave to four employees. 	<p>No issues</p> <p>See Finding 3 on page 22; prior finding partially resolved</p>

Source: Office of the Legislative Auditor.

Inventory of Assets

We designed our work to determine whether the office tracked its assets in compliance with the criteria we tested (as listed in the Appendix). We also examined the office's related internal controls. Exhibit 6 lists our methodology for testing inventory and the results of our testing.

Exhibit 6

Inventory: Testing Methodology and Result

Area Tested	Testing Methodology	Result
Inventory	<ul style="list-style-type: none"> We conducted a partial inventory to determine if the office was in compliance with its own policies and procedures. 	See Finding 7 on page 27

Source: Office of the Legislative Auditor.

Nonpayroll Expenditures

During the scope of the audit, the office had \$3,794,373 in nonpayroll expenditures. Exhibit 7 shows the nonpayroll expenditures by type.

Exhibit 7

Nonpayroll Expenditures, July 1, 2022, Through December 31, 2024

Type of Expenditure	Amount
Recurring Expenditures ^a	\$2,560,534
Purchases with State Purchasing Cards ^b	354,551
Other Goods and Services	323,774
Professional/Technical Services	251,036
Interagency Purchases	119,560
Employee Expenditure Reimbursements	105,889
State Airplane Use	78,570
Other Expenditures	459
Total	\$3,794,373

Note: We did not test "Professional/Technical Services," "Interagency Purchases," or "Other Expenditures."

^a "Recurring Expenditures" are expenditures that occur regularly, such as monthly rent, cable, and phone expenditures.

^b This category includes \$61,386 that the Minnesota Department of Administration (Admin) purchased on state purchasing cards assigned to the Office of the Governor and Lieutenant Governor but paid for from Admin's budget. On the state purchasing card statements, expenditures were comingled with purchases paid by both offices; we included all expenditures in our testing.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

We designed our work to determine whether the office obtained and accurately paid for goods and services in compliance with the criteria we tested (as listed in the Appendix). We also examined the office's related internal controls. Exhibit 8 lists the areas we tested related to nonpayroll expenditures, our methodology for testing those areas, and the results of our tests.

Exhibit 8

Nonpayroll Expenditures: Areas Tested, Testing Methodology, and Results

Area Tested	Testing Methodology	Result
Recurring Expenditures	<ul style="list-style-type: none"> We tested the accuracy and timeliness of payments for five types of recurring expenditures, including rent, fleet services, information technology, cable, and phone services, totaling \$2,068,718. Based on the results of our initial testing, we examined four additional types of recurring expenditures, including parking, rug cleaning, memberships, and subscriptions, totaling \$491,659. Overall, we tested \$2,560,377 of the \$2,560,534 paid. 	See Finding 8 on page 30
State Purchasing Cards	<ul style="list-style-type: none"> We verified the existence of eight items at the governor's residence that the office purchased with state purchasing cards that were either larger than most purchases or more prone to misappropriation. The purchases totaled \$10,839. We tested the timeliness and accuracy of payments for all 30 billing statements for the consolidated master account.^a These billing statements closed between June 2022 and November 2024. We tested compliance with state law and purchasing card policies for 49 of 186 monthly purchasing card statements, including 4 judgmentally selected samples and 45 randomly selected samples. These samples included \$99,957 of the \$361,535 in expenditures on those statements. We reviewed the purchasing card agreements for 15 of 16 employees with state purchasing cards to determine if cardholders periodically signed new use agreements, in accordance with office policy. 	<p>No issues</p> <p>See Finding 8 on page 30</p> <p>See Finding 9 on page 31, Finding 10 on page 33, and Finding 12 on page 35</p> <p>See Finding 11 on page 34; prior audit finding not resolved</p>
Other Goods and Services	<ul style="list-style-type: none"> We tested the accuracy and timeliness of payments for a sample of 41 of 290 vouchers, including 1 judgmental sample and 40 random samples. These samples included \$90,973 of the \$323,774 paid. 	See Finding 8 on page 30, Finding 9 on page 31, and Finding 10 on page 33
Employee Expenditure Reimbursements	<ul style="list-style-type: none"> We tested the allowability and accuracy of reimbursements for a random sample of 40 of 618 employee expenditure reimbursements, which included \$10,013 of the \$127,889 paid. 	See Finding 9 on page 31 and Finding 10 on page 33
State Airplane Flights	<ul style="list-style-type: none"> We tested the accuracy of all expenditures for the use of state airplanes, totaling \$78,570. 	See Finding 9 on page 31

^a Each month, the office receives purchasing card statements for each cardholder's activity. The office also receives a master account statement that summarizes all of the purchases and payments made on each cardholder's account.



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Findings and Recommendations

Receipts

The Office of the Governor and Lieutenant Governor collects four different types of receipts: (1) payments from cabinet-level agencies for support at the state and federal levels, (2) reimbursements to cover the cost of events held at the governor's residence, (3) donations to cover costs associated with press events held at the governor's residence, and (4) other ancillary receipts.⁴ State law requires that nonstate entities reimburse the state for the cost of events held at the governor's residence.⁵ Additionally, office policy establishes the process for collecting, depositing, recording, and reconciling these receipts.⁶ The office's records retention schedule requires financial records be maintained for five years unless the records have been audited.⁷

During the scope of the audit, the office entered into nine agreements, primarily with nonstate entities, to hold nine events at the governor's residence, totaling \$15,271. Also during the audit scope, the office received donations to cover costs associated with press events at the governor's residence. The office documented 10 collections from these events on two logs, totaling \$210. We tested whether the office billed and collected amounts owed for governor's residence events as required by state law and followed its receipts and records retention policies.

During the scope of the audit, the office recorded in the state's accounting system collections totaling \$15,876 from two state entities for events held at the governor's residence and five ancillary receipts totaling \$5,382.⁸ Additionally, the office entered four deposits totaling \$3,458 into the state's accounting system but did not fully process them. We tested each of these receipts.

⁴ During the scope of the audit, the office collected \$5,313,455 from cabinet-level agencies for support. We examined all 48 of the related interagency agreements and the money collected under each agreement. We found no significant issues.

⁵ *Minnesota Statutes* 2025, 16B.27, subd. 6. The costs for events at the governor's residence typically include food and beverages, flowers, personnel costs, and indirect costs.

⁶ Office of the Governor and Lieutenant Governor, *Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Recording and Depositing Receipts*, issued December 5, 2018.

⁷ Office of the Governor and Lieutenant Governor, *Records Retention Schedule for the Official Records of the Office of Governor Jesse Ventura* [as adopted by the current administration], issued June 2002.

⁸ We excluded six deposits and one deposit reversal from our testing of the "other collections," as described in Exhibit 2.

FINDING 1**The Office of the Governor and Lieutenant Governor did not manage its receipts as required by state law and office policies.**

We identified weaknesses in almost every aspect of how the office managed its receipts, as detailed below.

- **The office did not recover the costs of some events held at the governor's residence.** Specifically, the office did not collect \$12,448 for seven events held at the governor's residence between August 2022 and January 2023. The office was unaware that it had not collected the amounts it was owed. After we presented the audit results to the office in August 2025, it issued invoices to each organization. We confirmed that the office deposited the full \$12,448 due shortly thereafter.
- **The office did not always record deposits accurately in the state's accounting system.** Specifically, the office did not fully process four deposits it entered into the state's accounting system between September 2024 and January 2025, totaling \$3,458. This resulted in a difference between the office's cash balance at the bank and in the state's accounting system. After we presented the audit results to the office in August 2025, the office finished processing these deposits.
- **The office did not maintain documentation supporting the amounts it billed or deposited.** Specifically, the office:
 - Did not have documentation to confirm that it deposited \$170 in donations it collected from press events held at the governor's residence during December 2023. Without documentation, we could not confirm that the office deposited these donations or that the office appropriately safeguarded the cash and checks from theft.
 - Did not have documentation to support the \$10,560 it charged two state entities in November 2022 and March 2024 for events held at the governor's residence. Without documentation, we could not determine if the amount the office charged was accurate.
 - Did not have documentation to support four ancillary receipts it deposited between October 2022 and September 2023, totaling \$5,190. Without documentation, we could not confirm what these deposits were for or determine if the deposits were accurate.

These errors happened because the office did not have effective internal controls over its receipt processes, such as periodically reconciling source documents to bank deposits and to records in the state's accounting system. Without adequate internal controls, the office is at risk of theft or not collecting funds it is due. Without accurate records, the office does not have accurate information regarding its budget or financial obligations.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should ensure that it manages its receipts as required by state law and office policies.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls over its receipt processes.**
-

Payroll Expenditures

Timesheets State employees are paid biweekly. The office follows state policy, which requires that employees complete their own timesheets. The policy also requires that supervisors with direct knowledge of employees' work and leave approve each timesheet.⁹

In August 2022, the office began transitioning from entering time worked and leave taken in its own electronic timesheets to entering the information in the state's payroll system. As a result, the office became subject to a state policy requiring that payroll staff review an "exception report" each pay period, which shows each time an employee did not complete their own timesheet or someone other than the employee's primary supervisor approved the timesheet.¹⁰ Employees and supervisors are required to document why these exceptions occur by adding a comment to the timesheets. When that does not happen, payroll staff are required to obtain and document the reasons for the exceptions. Obtaining this information allows payroll staff to identify when there are ongoing trends of employees not completing their own timesheets or primary approvers not approving employee timesheets that office leadership needs to address.

During the scope of the audit, there were 61 pay periods in which office staff entered time worked and leave taken into the state's payroll system. We tested a random sample of the exception reports for 16 of these pay periods.

The office also enters into interagency agreements to utilize other agencies' staff to support the work of the office. These agreements resulted in the office paying all or a portion of the payroll expenditures for 11 state employees who were not employees of the Governor's Office. One of the 11 state employees worked full-time at the Governor's Office providing all human resources and payroll services, beginning in July 2022. We tested the extent to which the office approved this employee's timesheets for the 64 pay periods they performed work for the office.

⁹ Minnesota Management and Budget, Statewide Operating Policy and Procedures PAY0017, *Self Service Time Entry*, issued February 2011.

¹⁰ Minnesota Management and Budget, Statewide Operating Policy and Procedures PAY0017, *Self Service Time Entry*, issued February 2011.

FINDING 2

The Office of the Governor and Lieutenant Governor did not provide adequate oversight of timesheet completion and approval.

The office did not ensure that its employees completed their own timesheets and primary supervisors approved employee timesheets, as detailed below.

- We found that employees in two departments within the office frequently did not complete their own timesheets.¹¹ Employees in one department did not complete their own timesheets during 14 of the 16 pay periods we tested. Employees in the second department did not complete their own timesheets during 7 of the 16 pay periods tested. In each instance, staff that completed the timesheets on behalf of the employees did not add a comment indicating why the exceptions occurred.
- Additionally, the primary supervisors of two departments within the office frequently did not approve their employees' timesheets. Primary supervisors for each of the two departments did not approve timesheets for their departments during 8 and 9 of the 16 pay periods we tested. In each instance, the backup approver did not add a comment indicating why the exception occurred.

Payroll staff stated that they reviewed the exception report each pay period but did not document their review. Without documentation showing payroll staff's review of the exception report and the follow up they conducted, we could not determine whether they did not review the exception report, they reviewed the report but did not identify the ongoing trends of noncompliance, or they identified the trends but did not take action to remedy them.

The office also did not ensure that it approved the timesheets of the one employee of another state agency that worked for the office full-time, as detailed below.

- We found that the Governor's Office did not approve the employee's timesheets for any of the 64 pay periods we reviewed, even though the employee reported directly to Governor's Office staff. The office extended the interagency agreement for this employee's services in November 2022 and July 2024 but continued to rely on the other agency to approve this employee's timesheets. The office did not consider the effect the long-term agreement had on its ability to adequately oversee the employee's payroll activities.¹²

When employees do not complete their own timesheets or primary supervisors do not approve their employees' timesheets, it increases the risk that employee compensation will be inaccurate. For example, employees could be paid for hours they did not work.

¹¹ The office assigns all employees to a payroll department and assigns each department to a primary supervisor and one or more backup approvers. A primary supervisor is the individual that is most familiar with the work of the employees in their assigned department. A backup approver is someone that can approve the department's timesheets when the primary supervisor is unavailable.

¹² The last interagency agreement in place during our audit extended through June 2025.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should provide adequate oversight of timesheet completion and approval.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls over its timesheet completion and approval processes.**
-

Holiday and Vacation Leave

Our 2022 audit reported that the office (1) incorrectly paid floating holidays and vacation leave payoffs and (2) did not identify overstated vacation leave balances, as detailed below.¹³

The office incorrectly paid two employees for floating holidays.

- The office paid one employee a second floating holiday in Fiscal Year 2021 instead of requiring the employee to use vacation leave.
- The office also paid one employee \$144 for an unused floating holiday upon separation from state service, which the office's compensation plan does not allow.¹⁴

Additionally, the office did not reduce the vacation leave balances by the required deadline for four employees that received vacation cap extensions.

- Two employees had overstated vacation leave balances of 250 hours and 181.25 hours.
- The overstated leave balances for the other two employees resulted in overpaid vacation leave payoffs of \$9,276 and \$816 at the time of separation.

In the previous audit, we recommended that the office strengthen internal controls, correct the floating holiday pay errors, and address the vacation leave balance issues we identified.¹⁵ State policy also requires that the office attempt to collect the overpayments, which we also recommended.¹⁶ During this audit, we examined whether the office resolved the overpayments and overstated vacation leave balances.

¹³ Office of the Legislative Auditor, Financial Audit Division, *Office of the Governor and Lieutenant Governor: Performance Audit* (2022), 16–19.

¹⁴ Office of the Governor and Lieutenant Governor, *Office of Governor Tim Walz and Lt. Governor Peggy Flanagan Compensation Plan*, July 1, 2019–June 30, 2021.

¹⁵ One of the recommendations from our 2022 audit suggested that the office “strengthen internal controls over floating holiday pay.” We determined that the office resolved our recommendation by transitioning to the state’s payroll system, which has safeguards to prevent the office from paying an employee more than one floating holiday in a fiscal year.

¹⁶ Minnesota Management and Budget, Statewide Operating Policy and Procedures PAY0033, *Correction of Overpayments*, issued March 2017; and Office of the Legislative Auditor, Financial Audit Division, *Office of the Governor and Lieutenant Governor: Performance Audit* (2022), 16–19.

FINDING 3 *Prior Audit Findings Partially Resolved***The Office of the Governor and Lieutenant Governor did not attempt to resolve incorrect floating holiday and vacation leave payouts.**

The office did not resolve incorrect floating holiday pay for either employee we identified in the prior audit. Specifically, the office did not reduce one employee's vacation leave by eight hours to offset the extra floating holiday it paid out in Fiscal Year 2021 or attempt to collect \$144 for the floating holiday it incorrectly paid to a separated employee.

In May 2025, office leadership told us that they had reached out to the affected employee, and they believed the office had reduced their vacation balance by eight hours. However, we reviewed the employee's leave balance record in the state's payroll system, and we could not confirm the reduction of hours. Office leadership also told us that they were not seeking repayment from the separated employee because the overpayment was a result of an error the office made. However, state policy requiring the collection of overpayments does not exempt employees from repayment if the overpayment was outside their control.¹⁷

The office also did not resolve incorrect vacation leave payouts for two of the four employees we identified in the prior audit. Specifically, the office did not attempt to collect the \$9,276 and \$816 in overpaid vacation leave it issued to two separated employees. In April 2025, office leadership told us that they did not attempt to collect the overpayments because it was not in the public interest to do so. State law allows debt to be written off for this reason, but we disagree that it would not be in the public interest to pursue the recovery of this debt.¹⁸

After we presented the audit results to the office in August 2025, the office notified us that it was sending out collection notices to the two employees identified in the prior audit. The office provided copies of the letters it sent, which were dated August 12, 2025. We did not conduct further tests to confirm that the office collected the overpayments.

The prior audit also recommended that the office strengthen internal controls over employee vacation leave balances, to safeguard against these types of overpayments in the future. The office told us that it no longer allows employees to receive vacation cap extensions. While this would eliminate the need for internal controls in this area, the office did not have any formal documentation, such as an internal memo or policy, implementing the change. Without documentation, we could not verify the office's claim.

¹⁷ Minnesota Management and Budget, Statewide Operating Policy and Procedures PAY0033, *Correction of Overpayments*, issued March 2017.

¹⁸ *Minnesota Statutes* 2025, 16D.09, subd. 1.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should reduce the vacation balance for the state employee identified.**
 - **The Office of the Governor and Lieutenant Governor should recover the overpayments it made for each former employee identified.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls over employee vacation leave balances or formally document its prohibition on vacation cap extensions.**
-

Paid Parental Leave

The office's compensation plan provides for up to 240 hours of paid parental leave following the birth or adoption of a child. The plan states:

Employees are eligible if they meet eligibility criteria for Family and Medical Leave Act ("FMLA") leave, which generally means the employee has been employed by the Governor's office for twelve (12) months and has worked at least 1,250 hours during the year immediately preceding the leave.

Our 2022 audit reported that the office did not appropriately document two employees' eligibility for paid parental leave. We recommended the office strengthen internal controls to ensure that it has sufficient documentation of its employees' eligibility for paid parental leave. During the scope of this audit, we tested whether the office documented the eligibility of one employee that received paid parental leave totaling \$957.

FINDING 4 *Prior Audit Finding Unresolved*

The Office of the Governor and Lieutenant Governor did not document one employee's eligibility for paid parental leave.

The office did not have documentation showing that one employee experienced an event that qualified them for paid parental leave. Additionally, while we were able to independently verify that the employee met the eligibility requirements, the office did not have evidence that it verified the employee had been employed by the office for 12 months and worked at least 1,250 hours in the year prior to the leave.

The employee's paid parental leave began in May 2022, before the release of the prior audit report in August 2022. The office did not subsequently obtain documentation demonstrating that the employee met the eligibility requirements, although the employee continued to take paid parental leave through November 2022.

RECOMMENDATION

The Office of the Governor and Lieutenant Governor should ensure it sufficiently documents employee eligibility for paid parental leave.

Pay Rate Adjustments

The office records pay rate increases in the state's payroll system with an effective date. If that effective date is within the current or a future pay period, the payroll system will calculate pay at the new rate starting on the effective date. If that effective date is in a prior pay period, the state pays the employee a retroactive pay rate adjustment.

When calculating the retroactive pay rate adjustment, the state's payroll system does not factor in previous retroactive pay rate adjustments that employees already received for the same timeframe.¹⁹ For this reason, state policy requires that payroll staff verify the accuracy of the system-calculated retroactive pay rate adjustment.²⁰

During the scope of the audit, the office issued 151 retroactive pay rate adjustments totaling \$356,706. We tested a random sample of 25 retroactive pay adjustments and subsequently expanded testing to include an additional 5 retroactive pay rate adjustments based on errors we found in our initial sample. The retroactive pay rate adjustments we tested totaled \$86,752.

FINDING 5

The Office of the Governor and Lieutenant Governor did not issue correct retroactive pay rate adjustments for seven employees.

The office overpaid retroactive pay rate adjustments for seven employees by a total of \$6,711. All seven overpaid employees received a prior retroactive pay rate adjustment for the same timeframe covered by the retroactive pay rate adjustment we tested. The office used the system-calculated amount for the retroactive pay rate adjustment. However, the system used the original amount paid to the employee instead of the adjustment amount paid. One sample was also missing one pay period of activity.

Payroll staff told us that they spot-checked the calculations for accuracy. However, the office did not have evidence of its review of the retroactive pay adjustment calculations. Without documentation we could not determine if payroll staff did not review the calculations or whether their review was not sufficient to identify and correct the resulting errors.

After we presented our audit results in August 2025, the office notified us that it was sending out collection notices to the seven employees it overpaid. The office provided copies of the letters it sent, which were dated August 12, 2025. We did not conduct further tests to confirm that the office collected the overpayments.

¹⁹ For example, an employee received an original compensation rate of \$23.95 for the period of July 25, 2022, through August 2, 2022. The state paid the employee a lump-sum payment to retroactively increase their compensation rate during that period to \$28.74, on August 26, 2022 (due to a promotion). When the office settled the 2021–2023 labor agreement, the employee was eligible for a lump-sum payment to retroactively increase their compensation rate (during that same period) to \$29.60. When the payroll system calculated the associated retroactive pay rate adjustment, it used \$23.95 as the baseline salary instead of \$28.74.

²⁰ Minnesota Management and Budget, Statewide Operating Policy and Procedures PAY0025, *Pay Rate Adjustments*, issued April 2001.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should recover the retroactive pay rate adjustment overpayments it made for each employee identified.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure the accuracy of retroactive pay rate adjustments.**
-

Payroll and Leave Adjustments

The office processes manual adjustments to employees' payroll records to modify the amount or type of payment that it originally processed for an employee. For example, the office may reclassify vacation leave as sick leave or add hours when employees work during a pay period but do not submit timesheets in time for automatic processing in the state's payroll system.

Employees' leave balance adjustments are mostly automated in the state's payroll system, but some users have the ability to manually adjust those balances.²¹ There are two primary reasons for adjustments to employees' sick and vacation leave balances. First, the office's compensation plan allows employees to accrue up to eight hours of vacation leave for time they work on a holiday.²² The state's payroll system automatically adds the vacation leave to employees' balances based on information entered on employees' timesheets. Second, the office manually adjusts leave balances when employees transfer from a state entity that does not use the state's payroll system or when employees separate from state service and forfeit leave balances.

Regardless of the type of adjustment, state policies require that payroll staff document the adjustment made and the reason for the adjustment. In some instances, staff also need to document a supervisor's approval for the adjustment.²³

During the scope of the audit, the office processed 24 manual payroll adjustments totaling \$22,330.²⁴ We tested a random sample of eight payroll adjustments and subsequently expanded testing to the remaining 16 payroll adjustments based on the results of our initial testing. The office also processed 15 leave balance adjustments that exceeded 10 hours during the scope of the audit. We tested all 15 of these leave balance adjustments.

²¹ Minnesota Management and Budget, Statewide Operating Policy and Procedure PAY0026, *Leave Balance Adjustments*, issued December 2007. In certain situations, an agency may need to manually adjust or establish an employee's paid leave balance. Payroll or human resources employees typically perform this function.

²² Office of the Governor and Lieutenant Governor, *Office of Governor Tim Walz and Lt. Governor Peggy Flanagan Compensation Plan*, July 1, 2019–June 30, 2021, July 1, 2021–January 31, 2023, and February 1, 2023–June 30, 2025.

²³ Minnesota Management and Budget, Statewide Operating Policy and Procedures PAY0023, *Prior Period Adjustments*, issued October 2005; Statewide Operating Policy and Procedures PAY0024, *Current Period Adjustments*, issued September 2006; and Statewide Operating Policy and Procedures PAY0026, *Leave Balance Adjustments*, issued December 2007.

²⁴ Approximately 75 percent of all payroll adjustments occurred during Fiscal Year 2023, which was the year the office transitioned to the state's payroll system. This transition likely contributed to the number of payroll adjustments the office processed.

FINDING 6**The Office of the Governor and Lieutenant Governor did not have required documentation to support some payroll and leave adjustments.**

For 21 of 24 payroll adjustments and 2 of 15 leave balance adjustments, the office did not document the adjustments it made, the reason it made the adjustments, and supervisory approval for the adjustments, as required by state policy. These adjustments included:

- Ten adjustments to add all payroll activity during one pay period for employees that did not submit timesheets. These adjustments increased payroll expenditures by \$7,567.
- Eight adjustments that modified the type of payment made. For example, four adjustments reclassified regular hours worked as leave or overtime. Due to the nature of the adjustments, only one of the eight adjustments affected the amount paid to the employee. It increased payroll expenditures by \$59.
- Three adjustments that added or reduced the number of hours paid to the employee or increased the compensation rate originally paid to the employee. These adjustments decreased payroll expenditures by \$184.
- Two adjustments to add eight hours of vacation leave to two employees' vacation leave balances; neither employee included the hours on their approved timesheets.

The office did not have sufficient internal controls to ensure that that the office adequately documented and approved adjustments to payroll and leave balances. Payroll staff told us that they relied on verbal communication and approvals; however, without documentation, we could not determine if the office made adjustments that were accurate and properly authorized.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should document all payroll and leave balance adjustments, as required by state policy.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that it documents payroll and leave balance adjustments in accordance with state policy.**
-

Inventory of Assets

The office has its own property management policy that defines three categories of assets that it tracks.²⁵ Capital assets have an acquisition price of \$30,000 or more, are expected to be used for more than two years, and do not lose their identity when being used. Non-capital assets have an acquisition price between \$5,000 and \$29,999. Sensitive items include items such as computers, printers, audio and visual equipment, signature machines, and cell phones.²⁶

The office's property management policy requires a periodic inventory of assets and sensitive items, although the office policy includes inconsistent requirements for the frequency of the inventory. One section of the policy states that the office will perform inventory each December, but another section states that the office will inventory capital assets annually, and non-capital assets and sensitive items biennially.

The governor's office in the state capitol and the governor's residence contain assets that other state entities own and manage. For example, Minnesota IT Services (MNIT) owns the laptops issued to office staff, and the Minnesota Department of Administration (Admin) owns the furniture at the governor's residence.²⁷ The office does not need to include these items in its asset list because the state entities that own the assets track and inventory them.

During the audit, we requested that the office provide its current asset list and the specific dates of inventories the office had completed during the scope of the audit.

FINDING 7

The Office of the Governor and Lieutenant Governor did not manage its inventory in accordance with its property management policy.

The office provided us with a list of current cell phones and hot spots, and a separate document that it claimed was an asset list. The list contained approximately 10 digital equipment items; however, it did not contain the identifying information necessary to track the items (such as asset numbers and serial numbers). The office had not updated the list since November 2023.

We reviewed the state's accounting system and found a separate asset tracking list for the office; staff were not aware of this list. This asset tracking list contained approximately 80 items that were in service, but the office had not added to the list since 2019. We selected a sample of 18 items from the asset list in the state's accounting system and requested to view them. The office confirmed that it did not have any of the 18 items requested.

²⁵ Office of the Governor and Lieutenant Governor, *Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Property Management*, issued December 5, 2018.

²⁶ The property management policy requires that the office tracks some sensitive items, such as computers, signature machines, and cell phones, regardless of their cost. The policy only requires that the office tracks other sensitive items, such as printers and audio and visual equipment, if the cost exceeds \$500.

²⁷ *Minnesota Statutes* 2025, 16B.27, subd. 2.

Since the office did not have a complete and current inventory list, we performed additional procedures to better understand the office's management of its assets and sensitive items. We conducted walkthroughs of the governor's office at the state capitol and of the governor's residence; we documented 32 items that had an asset tag and that we believed could meet the office's thresholds for tracking.²⁸ Other state entities (such as MNIT and Admin) owned and were tracking 21 of the 32 items with asset tags. Of the remaining 11 items with asset tags:

- Four items were on the office's asset list in the state's accounting system but were listed as disposed. This included two shredders and one printer at the capitol and a shredder at the governor's residence.
- Seven items were not on any asset lists. These items included a television, a printer, a mini fridge, an autopen, a scanner, and two podiums. All items were at the governor's office in the state capitol.

During the walkthroughs, we also learned that the office had temporary access badges, which are considered sensitive items. Another state agency issues and owns the badges but does not conduct a periodic inventory to verify that the badges have not been lost or stolen. For this reason, we believe it is the office's responsibility to track the badges. The office told us that it was not tracking the access badges on an asset list because they believed another state agency managed the badges.

While the procedures and testing we performed indicate that the office has not kept an updated inventory list for many years, we attribute this issue to staff turnover in key positions. The employee responsible for all aspects of inventory management started in January 2024. The employee did not receive inventory training when they started the position and was not aware of the asset management tools in the state's accounting system until we began our audit in January 2025. While the office is not required to maintain non-capital assets and sensitive items in the asset management tool, that is where it has tracked them in the past.

In addition to not tracking inventory, the office has not maintained adequate segregation of duties. During our testing, one employee was responsible for purchasing and receiving goods and services; processing vendor payments; tracking and disposing of inventory; conducting physical inventories; monitoring compliance with the office's property management policy; and ensuring adequate internal controls over property management.

By not tracking assets and sensitive items and not maintaining adequate segregation of duties, the office significantly increases the risk that assets will be misappropriated without detection.

²⁸ Asset tags are uniquely numbered stickers that are attached to the asset and used to track it while it is in use.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should maintain an updated inventory of the assets and sensitive items it owns or is responsible for tracking.**
 - **The Office of the Governor and Lieutenant Governor should segregate incompatible duties in its purchasing, accounting, and property management processes or develop internal controls to effectively mitigate the risk.**
-

Nonpayroll Expenditures

Payment Timing

State law requires that state agencies pay vendors within 30 days of receiving an invoice for goods or services.²⁹ We tested the following types of expenditures to determine if the office paid vendors promptly.

- **Payments for recurring expenditures**, totaling \$2,560,377. The office processed these payments to nine vendors for services it utilized repeatedly. Examples included rent, information technology, cable, and phones. We performed detailed testing on four vendors the office paid \$2,068,718 during the audit scope. These payments related to 208 invoices.
- **Payments for state purchasing card expenditures**, totaling \$354,961. The office processed 80 payments against 30 master billing statements that closed between June 2022 and November 2024.³⁰ We tested all of these payments.
- **Payments for various goods and services expenditures**, totaling \$323,774. The office processed 290 payment vouchers for goods and services, such as supplies, delivery, printing, and training. We tested a random sample of 40 vouchers as well as 1 additional voucher we identified in our analysis.

Because the office is not required to track the date it receives invoices, we determined if it paid an invoice balance by the end of the next billing cycle (state purchasing card expenditures) or within 30 days of the invoice date or by the invoice due date (recurring and various other expenditures). If the office did not pay the invoice balance by those dates, we considered it a late payment.

²⁹ *Minnesota Statutes* 2025, 16A.124, subd. 3.

³⁰ Each month, the office receives purchasing card statements for each cardholder's activity. The office also receives a master account statement that summarizes all of the purchases and payments made on each cardholder's account.

FINDING 8**The Office of the Governor and Lieutenant Governor made numerous late payments to its vendors.**

The office consistently made late payments to its vendors during the scope of the audit.

- Of the 208 invoices for recurring expenditures we tested, the office paid 92 invoices between 1 day and 359 days late. The 92 invoices were paid an average of 31 days late.
- Of the 30 billing statements for state purchasing card expenditures we tested, the office paid 29 billing statements late. The unpaid balances continued to roll forward from month-to-month.
- Of the 41 invoices for various goods and services expenditures we tested, the office paid 23 invoices between 3 and 128 days late. The 23 invoices were paid an average of 34 days late.

Two additional issues with state purchasing cards resulted in late vendor payments.

- The office did not fully process six vouchers to pay 14 state purchasing card transactions. Office staff initiated the payment process in the system; however, they did not enter the final approval needed to complete the payment process. As a result, the office did not remit \$1,013 to the vendor for payment.
- One of 80 purchasing card payments was returned to the office but the office did not reissue the payment, even though it was for a legitimate expenditure. Office staff did not identify the issue because they did not verify that the payments the office made appeared on subsequent billing statements.

The office did not have internal controls to ensure the timeliness of payments to vendors. As a result, the office was charged \$1,062 in reactivation and late fees during the scope of the audit. It also did not maximize the prompt payment rebates offered by the state purchasing card vendor.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should promptly pay its vendors.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure it pays vendor invoices promptly.**
-

**Payment
Accuracy**

Internal control standards direct management to design control activities to address risks that exist within a process.³¹ For example, internal controls should ensure that employees process payments accurately and appropriately document transactions.

We tested the following types of expenditures to determine if the office accurately reimbursed employees and paid vendors.

- The office reimbursed 618 employee expenditure requests during the scope of the audit, totaling \$127,889. We tested a random sample of 40 reimbursements.
- The office paid 25 invoices for the use of state airplanes during the scope of the audit, totaling \$78,570. We tested all of these payments.
- The office issued 290 vouchers to pay for various goods and services during the scope of the audit, totaling \$323,774. We tested a random sample of 40 vouchers as well as 1 additional voucher we identified in our analysis.
- The office received 186 individual purchasing card statements with \$361,535 in expenditures. We tested a random sample of 45 purchasing card statements as well as 4 additional statements we identified in our analysis.

FINDING 9**The Office of the Governor and Lieutenant Governor made numerous inaccurate reimbursements to employees and payments to vendors.**

The office made the following inaccurate payments during the scope of the audit.

- Of the 40 employee expenditure reimbursements we tested, 14 contained various errors that resulted in inaccurate payments to employees, including (1) miscalculated mileage, (2) incorrectly claimed meals, and (3) math errors. In addition, we identified instances where the request for reimbursements did not match the payments to the employees and where the office miscoded the reimbursements as taxable or not taxable in the state's payroll system. As a result, the office overpaid seven reimbursements by a total of \$135 and underpaid four reimbursements by a total of \$120. The office also incorrectly charged or did not charge taxes on five reimbursements.³²
- Of the 25 state airplane payments we tested, the office duplicated payments for two flights. The Minnesota Department of Transportation (MnDOT) originally billed the office with two invoices that had incorrect flight dates. When MnDOT realized the error, it issued corrected invoices. The office incorrectly paid all four invoices, resulting in an overpayment of \$7,406.

³¹ Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government* (September 2014), 45–48.

³² Two of the employee expense reimbursements contained more than one error.

- Of the 41 goods and services payments we tested, 3 contained sales tax errors. In each case, the office directed the state’s accounting system to automatically remit sales taxes directly to the Department of Revenue. However, the office also paid the sales taxes included on the vendor invoices directly to the vendor. As a result, the office overpaid \$235 in sales taxes.
- Of the 49 individual purchasing card statements we tested, a purchase on 1 statement contained sales tax errors. The vendor did not include sales tax on the invoice but the cardholder indicated that they paid sales tax on their purchasing log. As a result, the office underpaid \$92 in sales taxes.

For some errors, the office had internal controls but they were not effective in identifying the errors. For example, employees’ supervisors reviewed six of the expenditure reimbursement requests but did not catch the errors we identified. For other errors, the office did not have internal controls to ensure the accuracy of payments. For example, the office did not verify that state airplane invoices matched the supporting documentation and did not confirm if it had previously paid for the flights.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should resolve inaccurate payments.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure it accurately reimburses employees and pays vendors.**
-

Expenditure Support

The office is subject to many different purchasing policies and procedures. For example, the office has its own policies on state business travel and purchasing card use, both of which require documentation such as itemized receipts and preapproval for travel exceeding 35 miles.³³ Additionally, the office follows state procurement and purchasing card policies, which require the office to retain documentation such as evidence of solicitation and approved exceptions to the policies.³⁴ We detail all of the criteria we tested against in the Appendix.

We tested employee expenditure reimbursements, vendor payments, and purchasing card transactions to determine if the office had complied with the applicable policies. We list the populations we tested prior to Finding 9 on the previous page.

³³ Office of the Governor and Lieutenant Governor, *Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Employee Business Travel*, issued February 12, 2020, and *Policy on Purchasing Card Use*, issued December 5, 2018, revised September 2024.

³⁴ Minnesota Department of Administration, Office of State Procurement, *Authority for Local Purchase Manual, sec. 2.15 Documentation for Solicitation File*, revised October 1, 2022, and July 7, 2023, and *Purchasing Card Use Policy 1b, sec. 2.6 Purchasing Card Use Exceptions*, issued November 2013, revised April 2018.

FINDING 10**The Office of the Governor and Lieutenant Governor did not have documentation to support numerous employee expenditure reimbursements, vendor payments, and purchasing card transactions.**

The office did not have documentation to support the following expenditures that occurred during the scope of the audit.

- 16 of 40 employee expenditure reimbursements we tested did not include all required documentation or required information:
 - 11 were missing written preapprovals for travel exceeding 35 miles
 - 4 were missing out-of-state travel authorizations forms
 - 2 were missing justification and approval forms for expenditures submitted more than 60 days after travel
 - 2 were missing departure and arrival times for reimbursement requests, which is necessary to validate that the employee was eligible for meal reimbursements³⁵
- 40 of the 41 vendor payments we tested did not include all required documentation:
 - 1 was missing all procurement and payment documentation
 - 2 were missing price quotes or other documentation proving that the office competitively solicited the purchases
 - 40 were missing packing slips, email confirmations, or other evidence proving that the office received the goods and services it purchased³⁶
- Of the 49 individual purchasing card statements we tested, 18 did not have all required documentation. The office did not provide any receipts for transactions on seven statements, did not provide some receipts for transactions on eight statements, and did not provide itemized receipts for transactions on four statements.³⁷

The office did not have sufficient internal controls to ensure that expenditures were adequately supported by documentation and approved. The office told us that for some items—such as travel exceeding 35 miles—they gave verbal approvals. However, without documentation, we could not determine that the expenditures were properly authorized, appropriate, and accurate.

³⁵ Three of the employee expenditure reimbursements were missing multiple types of documentation.

³⁶ Three of the vouchers were missing multiple types of documentation.

³⁷ One sample was missing receipts for some purchases and had non-itemized receipts.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should ensure that it obtains and retains the documentation necessary to support the proper procurement, receipt, and payment of goods and services.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that it obtains and retains the documentation necessary to support the proper procurement, receipt, and payment of goods and services.**
-

Purchasing Card Use Agreements

Our 2022 audit reported that the office's policy included inconsistent requirements for how often purchasing cardholders were required to sign a new use agreement.³⁸ One section of the policy stated that new use agreements must be signed every three years, but another section stated that new agreements must be signed every four years.³⁹ In the previous audit, we recommended the office revise its policy to clearly indicate how often cardholders must sign new use agreements. During this audit, we reviewed whether the office resolved the inconsistency.

During the scope of the audit, 16 office employees had state purchasing cards. We tested whether the office required 15 of the cardholders to sign new use agreements in compliance with its policy.⁴⁰

FINDING 11 *Prior Audit Finding Unresolved*

The Office of the Governor and Lieutenant Governor did not ensure its purchasing card policy contained consistent requirements regarding when cardholders must sign new use agreements.

The Office of the Governor and Lieutenant Governor did not require state purchasing cardholders to sign new use agreements in compliance with its policy.

In September 2024, the office updated its policy on purchasing cards; however, the policy still contained inconsistencies regarding the frequency of signing new use agreements. One section of the policy stated that new use agreements must be signed every two years, but another section stated that new agreements must be signed every three years.

³⁸ Office of the Legislative Auditor, Financial Audit Division, *Office of the Governor and Lieutenant Governor: Performance Audit* (2022), 22–23.

³⁹ Office of the Governor and Lieutenant Governor, *Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Policy on Purchasing Card Use*, issued December 5, 2018.

⁴⁰ We did not test one cardholder's compliance with the office's requirement on new use agreements. This employee made their last state purchasing card purchase during the billing cycle that ended in July 2022. We released the prior audit report in August 2022 and, therefore, the office did not have sufficient time to obtain an updated use agreement.

We performed our testing to determine if the office required cardholders to sign new use agreements in the three-year period between fiscal years 2023 and 2025. We determined that one state purchasing cardholder had not signed a new use agreement since 2018, and two had not signed new use agreements since 2019.

These same three cardholders were identified in a finding in the prior audit report. We released the prior audit report in August 2022, and the three cardholders with expired agreements made their last state purchasing card purchases during the billing cycles ending in December 2022 and January 2023. The office told us that it believes the four or five months between the release of the prior audit report and the cardholders' last purchases was not sufficient time for it to execute new use agreements. We disagree.

The office did not have sufficient internal controls to ensure that purchasing cardholders sign new use agreements in compliance with its policy during the entire scope of the audit. Nevertheless, the office did obtain signed use agreements for all six current cardholders as of January 2025. Requiring cardholders to sign new use agreements is important because it reminds them of the responsibilities and limitations associated with having a state purchasing card.

RECOMMENDATIONS

- **The Office of the Governor and Lieutenant Governor should revise its policy to clearly indicate the frequency that cardholders must sign new use agreements.**
 - **The Office of the Governor and Lieutenant Governor should strengthen internal controls over state purchasing cards to ensure each cardholder signs new use agreements as required by its policy.**
-

Purchasing Card Limits

Office policy establishes guidelines for the use of state purchasing cards, including maximum amounts for individual transactions (\$5,000) and total transactions in a billing cycle (\$20,000).⁴¹ The policy also prohibits splitting a purchase into smaller transactions to circumvent purchasing limits, unless the cardholder receives an approved exception.

FINDING 12

The Office of the Governor and Lieutenant Governor split some purchasing card purchases, which circumvented established internal controls on spending limits.

Of the 49 individual purchasing card statements we tested, 2 contained purchases that the cardholder split into two transactions to avoid the \$5,000 spending limit without obtaining preapproval. The first purchase was for flowers totaling \$7,893. The second

⁴¹ Office of the Governor and Lieutenant Governor, *Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Policy on Purchasing Card Use*, issued December 5, 2018, revised September 2024.

purchase was for furniture totaling \$7,343. Both purchases were related to the governor's residence.

In each instance, the office did not have sufficient internal controls to prevent the noncompliance. The split transactions occurred in June 2022 and June 2023. At that time, the two cardholders had not signed a new use agreement since October 2015. The use agreements require employees to acknowledge their understanding of the related office policy.

Transaction limits on state purchasing cards are set to deter cardholders from making purchases that are over \$5,000 and subject to competitive solicitation.⁴²

RECOMMENDATION

The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that state purchasing cardholders do not split payments without prior approval.

⁴² Minnesota Department of Administration, Office of State Procurement, *Authority for Local Purchase Manual, sec. 2.5 Competitive Requirements*, revised October 1, 2022, and July 7, 2023.

Appendix:

Compliance Requirements Tested

Area Tested	Compliance Requirement
Receipts: <ul style="list-style-type: none"> • Interagency Receipts for Shared Services Provided • Governor's Residence Event Reimbursements • Other Deposits • Unrecorded Deposits 	<ul style="list-style-type: none"> • Interagency agreements with members of the Governor's Cabinet • <i>Minnesota Statutes</i> 2025, 16B.27, subd. 6 • Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Recording and Depositing Receipts</i>, issued December 5, 2018 • Office of the Governor and Lieutenant Governor, <i>Records Retention Schedule for the Official Records of the Office of Governor Jesse Ventura</i> [as adopted by the current administration], issued June 2002
Payroll Expenditures: <ul style="list-style-type: none"> • Hours Worked • Governor's and Lieutenant Governor's Salaries • Salaries of Employees Working on the Presidential Campaign • Retroactive Pay Rate Adjustments • Separation Payments • Holiday Pay • Leave Balance Adjustments • Vacation Leave Conversions • Payroll Adjustments • Paid Parental Leave • Maximum Vacation Leave Balances 	<ul style="list-style-type: none"> • Compensation Council, memorandum to Speaker of the House and President of the Senate, <i>Compensation Council Recommendations</i>, March 31, 2023 • <i>Laws of Minnesota</i> 2001, First Special Session, chapter 10, art. 1, sec. 2, subd. 4 • Minnesota Association of Professional Employees (MAPE), <i>Unit 14: General Professional Labor Agreement Between the State of Minnesota and the Minnesota Association of Professional Employees</i>, July 1, 2023–June 30, 2025 • Minnesota Management and Budget, Human Resources and Labor Relations Policy 1435, <i>Paid Parental Leave</i>, revised January 2020 • Minnesota Management and Budget, <i>Mass Retroactive Pay Adjustments – Reference</i> • Minnesota Management and Budget, Statewide Operating Policies and Procedures: <ul style="list-style-type: none"> ○ PAY0016, <i>Biweekly Time Reporting by Employees</i>, issued February 2011 ○ PAY0017, <i>Self Service Time Entry</i>, issued February 2011 ○ PAY0023, <i>Prior Period Adjustments</i>, issued October 2005 ○ PAY0024, <i>Current Period Adjustments</i>, issued September 2006 ○ PAY0025, <i>Pay Rate Adjustments</i>, issued April 2001 ○ PAY0026, <i>Leave Balance Adjustments</i>, issued December 2007 ○ PAY0028, <i>Agency Verification of Payroll and Human Resources Transactions</i>, issued August 2011 ○ PAY0033, <i>Correction of Overpayments</i>, issued March 2017 ○ PAY0038, <i>Severance, Leave and Other Payoffs</i>, issued December 2007 ○ 0504-01, <i>Debt Collection Process and Actions</i>, revised March 9, 2021 • <i>Minnesota Statutes</i> 2025, 16D.09, subd. 1 • Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz and Lt. Governor Peggy Flanagan, Compensation Plan</i>, July 1, 2019–June 30, 2021, July 1, 2021–January 31, 2023, and February 1, 2023–June 30, 2025

Area Tested	Compliance Requirement
Inventory	<ul style="list-style-type: none"> • Comptroller General of the United States, Government Accountability Office, <i>Standards for Internal Control in the Federal Government</i> (September 2014) • Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Property Management</i>, issued December 5, 2018
Nonpayroll Expenditures:	<ul style="list-style-type: none"> • <i>Minnesota Statutes</i> 2025, 16A.124, subd. 3 • Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Political Activities</i>, issued 2019
• Recurring Expenditures	
Nonpayroll Expenditures:	<ul style="list-style-type: none"> • Comptroller General of the United States, Government Accountability Office, <i>Standards for Internal Control in the Federal Government</i> (September 2014) • Minnesota Department of Administration, Office of State Procurement: <ul style="list-style-type: none"> ○ <i>Authority for Local Purchase Manual</i>, revised October 1, 2022, and July 7, 2023 ○ <i>Purchasing Card Use Policy 1b</i>, issued November 2013, revised April 2018 • Minnesota Management and Budget, Statewide Operating Policy 0802-01, <i>Payment Request, Preparation, and Approval</i>, revised July 20, 2022 • <i>Minnesota Statutes</i> 2025, 16A.124, subd. 3; and 16B.27, subd. 2 • Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz & Lt. Governor Peggy Flanagan</i>: <ul style="list-style-type: none"> ○ <i>Policy on Purchasing Card Use</i>, issued December 5, 2018, revised September 2024 ○ <i>Political Activities</i>, issued 2019 • Office of the Governor and Lieutenant Governor, <i>Records Retention Schedule for the Official Records of the Office of Governor Jesse Ventura</i> [as adopted by the current administration], issued June 2002
• State Purchasing Cards	
Nonpayroll Expenditures:	<ul style="list-style-type: none"> • Comptroller General of the United States, Government Accountability Office, <i>Standards for Internal Control in the Federal Government</i> (September 2014) • Minnesota Department of Administration, Office of State Procurement: <ul style="list-style-type: none"> ○ <i>Authority for Local Purchase Manual</i>, revised October 1, 2022, and July 7, 2023 ○ <i>Purchasing Policy 23: Acquisitions ALP Policy, Procedures, and Training Overview</i>, revised July 2023 • <i>Minnesota Statutes</i> 2025, 16A.124, subd. 3; 16A.41, subd. 1; and 43A.38, subd. 2 • Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Political Activities</i>, issued 2019 • Office of the Governor and Lieutenant Governor, <i>Records Retention Schedule for the Official Records of the Office of Governor Jesse Ventura</i> [as adopted by the current administration], issued June 2002
• Other Goods and Services	

Area Tested	Compliance Requirement
Nonpayroll Expenditures: <ul style="list-style-type: none"> Employee Expenditure Reimbursements 	<ul style="list-style-type: none"> Comptroller General of the United States, Government Accountability Office, <i>Standards for Internal Control in the Federal Government</i> (September 2014) Internal Revenue Service: <ul style="list-style-type: none"> <i>Publication 15, (Circular E), Employer's Tax Guide</i>, revised December 16, 2021, December 13, 2022, and December 19, 2023 <i>Standard Mileage Rates</i> Minnesota Management and Budget, <i>Employee Business Expenses BTX – Reference</i> Minnesota Management and Budget, Administrative Procedure 4.4, <i>Special Expenses</i>, issued May 9, 1983, revised December 3, 2013 <i>Minnesota Statutes</i> 2025, 15.435; and 43A.38, subd. 2 Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz and Lt. Governor Peggy Flanagan Compensation Plan</i>, July 1, 2019–June 30, 2021, July 1, 2021–January 31, 2023, and February 1, 2023–June 30, 2025 Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz & Lt. Governor Peggy Flanagan</i>: <ul style="list-style-type: none"> <i>Political Activities</i>, issued 2019 <i>Employee Business Travel</i>, issued February 12, 2020
Nonpayroll Expenditures: <ul style="list-style-type: none"> State Airplane Flights 	<ul style="list-style-type: none"> Comptroller General of the United States, Government Accountability Office, <i>Standards for Internal Control in the Federal Government</i> (September 2014) <i>Minnesota Statutes</i> 2025, 16A.124, subd. 4; and 43A.38, subd. 4 Office of the Governor and Lieutenant Governor, <i>Office of Governor Tim Walz & Lt. Governor Peggy Flanagan, Political Activities</i>, issued 2019 Office of the Governor and Lieutenant Governor, <i>Records Retention Schedule for the Official Records of the Office of Governor Jesse Ventura</i> [as adopted by the current administration], issued June 2002



OLA



**Office of Governor Tim Walz &
Lt. Governor Peggy Flanagan**

October 31, 2025

Judy Randall, Legislative Auditor
Office of the Legislative Auditor
140 Centennial Office Building
658 Cedar Street
Saint Paul, MN 55155

Dear Auditor Randall:

Thank you for the opportunity to review and comment on the Office of the Legislative Auditor's performance review of the *Office of the Governor and Lieutenant Governor*. The Governor's Office appreciates your office's review and recommendations. This review was wide-ranging. It examined areas not raised in the OLA's 2022 financial audit of the Governor's Office and even identified practices that predated the current administration.

In the course of that thorough review, the OLA identified narrow and discrete areas for improvement. Even before the OLA initiated this review, the Governor's Office had resolved almost half of the issues identified, many of which were isolated to 2022. We have taken significant steps to improve internal controls to mitigate future issues by implementing strengthened standard operating procedures about documentation, billing, receipt management and reconciliation, and asset management. Moreover, we made strategic employment decisions to increase capacity and professionalize the office's operations function. Importantly, this review did not find any financial misuse or malfeasance.

The Governor's Office has resolved 11 of 12 of the report's findings and implemented its recommendations.

Finding	Status	Date
Finding 1	Resolved	2024
Finding 2	Resolved	Spring 2025
Finding 3	Resolved	Summer 2025
Finding 4	Resolved	2022
Finding 5	Resolved	Summer 2025
Finding 6	Resolved	Spring 2025
Finding 7	Partially Resolved	Winter 2025
Finding 8	Resolved	Spring 2025
Finding 9	Resolved	Summer 2025
Finding 10	Resolved	2025
Finding 11	Resolved	2024
Finding 12	Resolved	2024

We value the thorough and professional review conducted by the OLA's staff. Throughout the audit process, we have appreciated the OLA's collaborative work with our office to identify opportunities to improve internal controls. Below are our office's responses to the audit findings cited in the report:

Response to the OLA's Findings and Recommendations

OLA Finding 1

- The Office of the Governor and Lieutenant Governor did not manage its receipts as required by state law or office policies.

OLA Recommendations pertaining to Finding 1

- The Office of the Governor and Lieutenant Governor should ensure that it manages its receipts as required by state law and office policies.
- The Office of the Governor and Lieutenant Governor should strengthen internal controls over its receipt processes.

Agency Response to Finding 1

- **Narrative Response:** The Governor's Office agrees with the OLA's finding and supports the OLA's recommendations.
- **Current Status:** Resolved.
- **Corrective Action:** The Governor's Office has strengthened its internal controls to better manage receipts. Specifically, we have added more employee training, updated standard operating procedures, introduced new software, and hired new staff focused on these tasks.
- **Completion Date:** 2024.

OLA Finding 2

- The Office of the Governor and Lieutenant Governor did not provide adequate oversight of timesheet completion and approval.

OLA Recommendations pertaining to Finding 2

- The Office of the Governor and Lieutenant Governor should provide adequate oversight of timesheet completion and approval.
- The Office of the Governor and Lieutenant Governor should strengthen internal controls over its timesheet completion and approval processes.

Agency Response to Finding 2

- **Narrative Response:** While the Governor's Office practice of timesheet oversight was consistent with the practice of other state agencies, the Governor's Office agrees with the OLA's finding and supports the OLA's recommendations.
- **Current Status:** Resolved.
- **Corrective Action:** In 2022, after the OLA's prior audit, the Governor's Office strengthened its internal controls over its timesheet completion and approval processes by providing additional manager and employee training, updating standard operating procedures, and implementing new software to ensure proper timesheet management. We again updated our standard operating procedures in the spring of 2025.
- **Completion Date:** Spring 2025.

OLA Finding 3

- The Office of the Governor and Lieutenant Governor did not attempt to resolve incorrect floating holiday and vacation leave payouts.

OLA Recommendations pertaining to Finding 3

- The Office of the Governor and Lieutenant Governor should reduce the vacation balance for the state employee identified.
- The Office of the Governor and Lieutenant Governor should recover the overpayments it made for each former employee identified.
- The Office of the Governor and Lieutenant Governor should strengthen internal controls over employee vacation leave balances or formally document its prohibition on vacation cap extensions.

Agency Response to Finding 3

- **Narrative Response:** The Governor's Office agrees with the OLA's findings and supports the OLA's recommendations. The Governor's Office sent letters to the former employees seeking to recover the overpayments.
- **Current Status:** Resolved.
- **Corrective Action:** The Governor's Office strengthened its internal controls related to payroll management in fall 2022 when we started using the State's payroll management system. Since then, there have been no payroll or benefit incidents. Additionally, we have taken other actions including strengthened internal controls over its floating holiday usage and vacation payouts such as: more manager and employee training and updated standard operating procedures. As noted above, in 2025, the Governor's Office sent letters attempting to recover overpayments.
- **Completion Date:** Summer 2025.

OLA Finding 4

- The Office of the Governor and Lieutenant Governor did not document one employee's eligibility for paid parental leave.

OLA Recommendations pertaining to Finding 4

- The Office of the Governor and Lieutenant Governor should ensure it sufficiently documents employee eligibility for paid parental leave.

Agency Response to Finding 4

- **Narrative Response:** The Governor's Office agrees with the OLA's findings and supports the OLA's recommendations. The underlying issue raised by the OLA was an isolated incident, which happened in 2022 and was resolved by the Governor's Office shortly thereafter.
- **Current Status:** Resolved in 2022.
- **Corrective Action:** The Governor's Office has strengthened its internal controls to ensure it sufficiently documents employee eligibility for paid parental leave. These controls include more employee training, updated standard operating procedures, and new software.
- **Completion Date:** 2022.

OLA Finding 5

- The Office of the Governor and Lieutenant Governor did not issue correct retroactive pay rate adjustments for seven employees.

OLA Recommendations pertaining to Finding 5

- The Office of the Governor and Lieutenant Governor should recover the retroactive pay rate adjustment overpayments it made for each employee identified.
- The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure the accuracy of retroactive pay rate adjustments

Agency Response to Finding 5

- **Narrative Response:** The Governor's Office agrees with the OLA's findings and supports the OLA's recommendations. In August 2025, the Governor's Office sent letters to the current and former employees seeking to recover the overpayments.
- **Current Status:** Resolved.
- **Corrective Action:** Going forward, the Governor's Office has taken actions to mitigate the potential for future issues related to retroactive pay rate adjustments, which all occurred during the same timeframe in 2022. The Governor's Office has strengthened its internal controls to ensure the accuracy of retroactive pay rate adjustments through employee training and the automated state payroll system. As noted above, in 2025, the Governor's Office sent letters attempting to recover overpayments.
- **Completion Date:** Summer 2025.

OLA Finding 6

- The Office of the Governor and Lieutenant Governor did not have required documentation to support all payroll and leave adjustments.

OLA Recommendations pertaining to Finding 6

- The Office of the Governor and Lieutenant Governor should document all payroll and leave balance adjustments, as required by state policy.
- The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that it documents payroll and leave balance adjustments in accordance with state policy.

Agency Response to Finding 6

- **Narrative Response:** The Governor's Office agrees with the OLA's findings and supports the OLA's recommendations.
- **Current Status:** Resolved.
- **Corrective Action:** The Governor's Office has strengthened its internal controls to ensure that it documents payroll and leave balance adjustments in accordance with state policy. These controls include more employee training, updated standard operating procedures, and new software.
- **Completion Date:** Spring 2025.

OLA Finding 7

- The Office of the Governor and Lieutenant Governor did not manage its inventory in accordance with its property management policy.

OLA Recommendations pertaining to Finding 7

- The Office of the Governor and Lieutenant Governor should maintain an updated inventory of the assets and sensitive items it owns or is responsible for tracking.
- The Office of the Governor and Lieutenant Governor should segregate incompatible duties in its purchasing, accounting, and property management processes or develop internal controls to effectively mitigate the risk.

Agency Response to Finding 7

- **Narrative Response:** The Governor's Office agrees with the OLA's findings and supports the OLA's recommendations.
- **Current Status:** Partially Resolved.
- **Corrective Action:** The Governor's Office has segregated incompatible duties in its purchasing, accounting, and property management processes or developed internal controls to effectively mitigate the risk.

- **Planned course of action:** The Governor's Office will work on maintaining an updated inventory of the assets and sensitive items it owns or is responsible for tracking.
- **Completion Date:** Winter 2025.
- **Person Responsible:** Deputy Chief of Staff for Operations and Residence.

OLA Finding 8

- The Office of the Governor and Lieutenant Governor made numerous late payments to its vendors.

OLA Recommendations pertaining to Finding 8

- The Office of the Governor and Lieutenant Governor should promptly pay its vendors.
- The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure it pays vendor invoices promptly.

Agency Response to Finding 8

- **Narrative Response:** The Governor's Office agrees with the OLA's findings and supports the OLA's recommendations.
- **Current Status:** Resolved.
- **Corrective Action:** The Governor's Office has implemented strengthened internal controls to prevent late payments. These additional internal controls include increased training for employees, revised standard operating procedures, and new staff tasked with administrative operations.
- **Completion Date:** Spring 2025.

OLA Finding 9

- The Office of the Governor and Lieutenant Governor made numerous inaccurate reimbursements to employees and payments to vendors.

OLA Recommendations pertaining to Finding 9

- The Office of the Governor and Lieutenant Governor should resolve inaccurate payments.
- The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure it accurately reimburses employees and pays vendors.

Agency Response to Finding 9

- **Narrative Response:** The Governor's Office agrees with the OLA's findings and supports the OLA's recommendations.
- **Current Status:** Resolved.
- **Corrective Action:** The Governor's Office has implemented strengthened internal controls to prevent inaccurate reimbursements. Additionally, the Governor's Office has made adjustments to resolve inaccurate payments. These additional internal controls include increased employee training, revised standard operating procedures, and new staff assigned to administrative operations.
- **Completion Date:** Summer 2025.

OLA Finding 10

- The Office of the Governor and Lieutenant Governor did not have documentation to support numerous employee expenditure reimbursements, vendor payments, and purchasing card transactions.

OLA Recommendations pertaining to Finding 10

- The Office of the Governor and Lieutenant Governor should ensure that it obtains and retains the documentation necessary to support the proper procurement, receipt, and payment of goods and services.

- The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that it obtains and retains the documentation necessary to support the proper procurement, receipt, and payment of goods and services.

Agency Response to Finding 10

- **Narrative Response:** The Governor's Office partially agrees with the OLA's findings and supports the OLA's recommendations to the extent that they are consistent with state policy regarding preapproval for in-state travel. The Governor's Office and MMB each have travel policies that only require preapproval in advance of in-state travel, and do not require specific methods of preapproval. The Governor's Office followed these policies and obtained verbal approval before in-state travel.
- **Current Status:** Resolved in 2025.
- **Corrective Action:** The Governor's Office has strengthened internal controls to ensure that it obtains and retains the documentation necessary to support the proper procurement, receipt, and payment of goods and services. These additional internal controls include increased employee training, revised standard operating procedures, and new staff assigned to administrative operations. The Governor's Office will continue to follow the Governor's Office Travel Policy and MMB's Travel Policy.
- **Completion Date:** 2025.

OLA Finding 11

- The Office of the Governor and Lieutenant Governor did not ensure its purchasing card policy contained consistent requirements regarding when cardholders must sign new use agreements.

OLA Recommendations pertaining to Finding 11

- The Office of the Governor and Lieutenant Governor should revise its policy to clearly indicate the frequency that new use agreements must be signed by cardholders.
- The Office of the Governor and Lieutenant Governor should strengthen internal controls over state purchasing cards to ensure each cardholder signs new use agreements as required by its policy.

Agency Response to Finding 11

- **Narrative Response:** The Governor's Office agrees with the OLA's findings, supports the OLA's recommendations, and notes that it resolved the issue in 2024 when it implemented a revised policy.
- **Current Status:** Resolved in 2024.
- **Corrective Action:** The Governor's Office has been using a revised policy since 2024 and all current cardholders have signed agreements.
- **Completion Date:** 2024.

OLA Finding 12

- The Office of the Governor and Lieutenant Governor split some purchasing card purchases, which circumvented established internal controls on spending limits.

OLA Recommendations pertaining to Finding 12

- The Office of the Governor and Lieutenant Governor should strengthen internal controls to ensure that state purchasing cardholders do not split payments without prior approval.

Agency Response to Finding 12

- **Narrative Response:** The Governor's Office agrees with the OLA's findings, supports the OLA's recommendations, and notes that it resolved the issue in 2024 when it implemented a revised policy.
- **Current Status:** Resolved in 2024.
- **Corrective Action:** The Governor's Office has been using a revised policy since 2024 which has strengthened internal controls to ensure that state purchasing cardholders do not split payments

without prior approval. Additional internal controls include increased employee training, revised standard operating procedures, and new staff assigned to administrative operations.

- **Completion Date:** 2024.

Once again, thank you for the opportunity to respond to the OLA's report.

Sincerely,

A handwritten signature in black ink, appearing to read 'CS' or 'Chris Schmitter' in a stylized, cursive script.

Chris Schmitter



OLA

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