

Office of the Governor

Financial Audit

For the Two Calendar Years Ended December 31, 1994

June 1995

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

95-29



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Members of the Legislative Audit Commission

The Honorable Arne Carlson
Governor of Minnesota

The Honorable Joanne Benson
Lieutenant Governor of Minnesota

We have audited the Office of the Governor for the period January 1, 1993 through December 31, 1994, as further explained in Chapter 1. Our audit scope included payroll, rent, membership dues, travel, personal expense accounts, and governor's residence user fund receipts. The summary on the next page highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that the Office of the Governor complied with provisions of laws, regulations, contracts, and grants that are significant to the audit.

This report is intended for the information of the Legislative Audit Commission and the management of the Office of the Governor. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 23, 1995.

We thank the Office of the Governor staff for their cooperation during this audit.

A handwritten signature in dark ink, appearing to read "James R. Nobles".

James R. Nobles
Legislative Auditor

A handwritten signature in dark ink, appearing to read "John Asmussen".

John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: March 17, 1995

Report Signed On: June 15, 1995

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155

612/296-4708

Office of the Governor

Financial Audit

For the Two Calendar Years Ended December 31, 1994

Public Release Date: June 23, 1995

No. 95-29

Agency Background

The Office of the Governor was established as part of the executive branch of state government by Article V of the State Constitution and operates under Minn. Stat. Chapter 4. The Governor and Lieutenant Governor are elected jointly for a four-year term, which begins the first Monday in the January following the election. Governor Arne Carlson and Lieutenant Governor Joanne Benson were elected on November 8, 1994. This is the second term for Governor Carlson. In his first term, Joannell Dyrstad was the Lieutenant Governor. Under the current administration, the Governor and Lieutenant Governor are combined under one office and share staff. As chief executive, the Governor is responsible for the general direction and supervision of the affairs of the state. Specifically, he is responsible for the administration of state government, development of legislative proposals, appointments, review of legislation, and preparation of comprehensive long range plans for state growth. The Lieutenant Governor's chief duty is to assist the Governor in carrying out the functions of the executive branch. The Governor has also delegated several other duties to the Lieutenant Governor.

The Office of the Governor received annual General Fund appropriations of approximately \$3.4 million for fiscal year 1994 and 1995. In calendar year 1993, the office spent approximately \$3.2 million, of which \$2.2 million was for payroll. In calendar 1994, it spent approximately \$3.6 million, of which \$2.5 million was for payroll.

Audit Areas and Conclusions

Our audit scope included a review of payroll, rent, membership fees, travel, personal expense accounts, and governor's residence user fund receipts for the period from January 1, 1993 through December 31, 1994. The Office of the Governor accurately authorized, paid, accounted for, recorded, and retained documentation for payroll, rent, membership dues, travel and personal expense account expenditures. The office also granted pay increases within the provisions of the Governor's compensation plan. The travel and personal expense account expenditures serve a public purpose and were reasonable. In addition, the Office of the Governor accurately bills and deposits receipts for the use of the Governor's residence.

Contact the Financial Audit Division for additional information.

296-1730

Office of the Governor

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Audit Participation

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

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Lori Pellicci, CPA	Auditor-In-Charge
Beth Hammer, CPA	Auditor
Gail Thurmer, CISA	Auditor

Exit Conference

We noted one matter involving the internal control structure and its operation that we reported to the management of the Office of the Governor at the exit conference held on June 9, 1995. The following staff attended the meeting:

Morrie Anderson	Chief of Staff
Rice Davis	Director of Operations
John Pemble	Accounting Director

Chapter 1. Introduction

The Office of the Governor was established as part of the executive branch of state government by Article V of the State Constitution and operates under Minn. Stat. Chapter 4. The Governor and Lieutenant Governor are elected jointly for a four year term which begins the first Monday in the January following the election. Under the current administration, the Governor and Lieutenant Governor are combined under one office and share staff. As chief executive, the Governor is responsible for the general direction and supervision of the affairs of the state. Specifically, he is responsible for the administration of state government, development of legislative proposals, appointments, review of legislation, and preparations of comprehensive long range plans for state growth. The Lieutenant Governor's chief duty is to assist the Governor in carrying out the functions of the executive branch. The Governor has also delegated several other duties to the Lieutenant Governor.

Governor Arne Carlson and Lieutenant Governor Joanne Benson were elected on November 8, 1994. This is the second term for Governor Carlson. In his first term, Joannell Dyrstad was the Lieutenant Governor. Most activities of the Office of the Governor are financed through General Fund appropriations. The Legislature appropriated \$3,470,000 and \$3,471,000 for fiscal years 1994 and 1995. Revenues of the office included receipts for the Governor's Residence User Fund, as shown in Chapter 3, and receipts for miscellaneous activities of \$19,202 and \$7,156 in calendar years 1993 and 1994. Because the activities of the Lieutenant Governor are included in the appropriations to the Governor, we will show the activities of both offices in one table. In addition, the Governor also utilizes employees and resources of other state agencies in special situations. Minn. Laws of 1993, Chapter 192, Section 8, requires the Governor to report such usage to the Legislature on a yearly basis. The summary below includes expenditures from January 1, 1993, through December 31, 1994, for the office.

Table 1-1
Office of the Governor
Expenditures Summarized by Type

<u>Expenditures</u>	<u>Year Ended December 31</u>	
	<u>1993</u>	<u>1994</u>
Payroll	\$2,218,938	\$2,551,768
Rent	199,479	249,601
Fees	59,963	251,127
Travel	89,355	92,539
Personal Expense Accounts	21,466	13,620
Other Expenditures	<u>643,037</u>	<u>429,318</u>
Total Expenditures	<u>\$3,232,238</u>	<u>\$3,587,973</u>

Source: Expenditures recorded on the Statewide Accounting System from January 1, 1993 through December 31, 1994.

Chapter 2. Administrative Expenditures

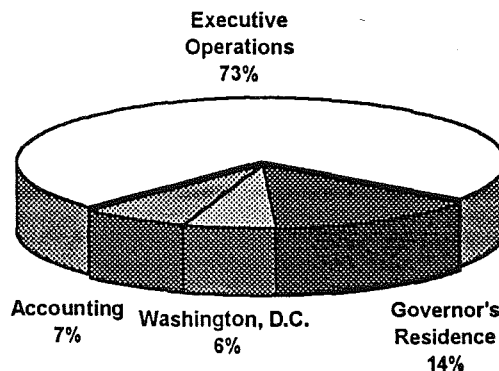
Chapter Conclusions

The Office of the Governor accurately authorized, paid, accounted for, recorded, and retained documentation for payroll, rent, membership dues, travel and personal expense account expenditures. The office granted pay increases within the provisions of the Governor's compensation plan. The travel and personal expense account expenditures served a public purpose and were reasonable.

Payroll

The Office of the Governor has approximately 55 full-time employees. Minnesota Statutes authorize a separate compensation plan for these employees. The plan allows for three categories of positions: support, professional, and managerial. Each position category has individual salary range levels. Employees covered by the plan serve in an unclassified status. The Governor's Office assumed the Washington, D.C. office in fiscal year 1992. Previously, it was with the Minnesota Planning Office. The Washington, D.C. office currently has three employees. To achieve continuity between changes in governors, the accounting director is an employee of the Department of Administration, but is paid from the Governor's appropriation. The office allocates and monitors personnel costs in four separate divisions. Figure 2-1 shows the percentage of employees in each division.

Figure 2-1
Percentage of Employees by Division



Source: Expenditures recorded on the statewide accounting system from January 1, 1993, through December 31, 1994.

Office of the Governor

For the two years ended December 31, 1994, the office disbursed approximately \$4,770,000 in personnel expenditures. Other employees worked for the Office of the Governor, but were paid by other agencies. These expenditures were reported to the Legislature annually, as required by Minnesota Laws of 1993, Chapter 192, Section 8. The Department of Administration directly funded a full-time groundskeeper at the Governor's residence. Under an interagency agreement, the Governor's Office transferred one staff member to the Metropolitan Waste Control Commission to perform work on the commission's behalf through August 1994. Finally, the Department of Public Safety provided security for the Governor and his residence.

We focused our review of payroll on two objectives. The first objective was whether the Office of the Governor properly authorized, expended, accounted for, and supported payroll expenses. Our second objective was whether the Office of the Governor had reasonable procedures for awarding employee pay increases.

The methodology used to evaluate the audit objectives over payroll included sampling and analytical reviews. We reviewed employee timesheets to ensure the office paid employees for actual time worked. In addition, we completed an analysis of pay increases and verified that these increases were within the provisions of the Governor's compensation plan.

In our review of payroll, we found that the Office of the Governor accurately authorized, paid, accounted for, and documented payroll expenditures. The office also granted pay increases within the provisions of the Governor's Compensation Plan.

Other Administrative Expenses

The Office of the Governor had total administrative expenditures, excluding payroll, of \$2,049,505 for the two years ended December 31, 1994. Rent expenditures were for the rental of office space, equipment, and the Governor's automobile. The office paid membership dues for the state's membership in various national and regional organizations. Travel included both in-state and out-state trips, as well as rental of a Department of Transportation plane for the Governor's use. The personal expenses are discussed more fully later in the chapter. Table 2-1 shows the administrative expenditures we reviewed.

Office of the Governor

Table 2-1
Material Administrative Expenditures
For the Two Years Ended December 31, 1994

	<u>Calendar Year</u>	
	<u>1993</u>	<u>1994</u>
Rent		
State Capitol Building office	\$115,517	\$179,364
Administration Building office	24,209	15,998
Washington, D.C. office	28,662	32,252
Other	31,092	21,987
Membership Dues		
National Governor's Association	95,130	97,000
Council of Great Lakes Governors	20,000	20,000
Upper Mississippi River Basin	35,000	35,000
Other	950	300
Travel		
In-state	15,519	12,430
Out-state	24,441	29,510
Rental of Department of Transportation plane	49,395	50,599
Personal Expense Accounts (See Table 2-2)	<u>21,466</u>	<u>13,620</u>
Total	<u>\$461,380</u>	<u>\$508,060</u>

Source: Expenditures recorded on the statewide accounting system from January 1, 1993, through December 31, 1994.

Our review of rent, membership dues, travel, and the personal expense account focused on whether the Office of the Governor properly authorized, paid, and accounted for these expenditures. For travel and personal expense account expenditures we examined whether these expenditures were for a public purpose and reasonable.

The methodology used to evaluate these audit objectives included analytical reviews, tests of transaction details and balances, and tests of compliance. We reviewed the relationships between accounting and nonaccounting data, substantiated account balances, and determined the validity of summary information. Tests of compliance determined whether specific internal policies and procedures operated effectively and whether the offices adhered to specific statutes.

The personal expense accounts were used for special expenses incurred in connection with the Governor's assigned official duties, which were not reimbursable through the regular expense regulations. The majority of the transactions were for less than \$100. Table 2-2 shows the personal expenses summarized into three categories.

Office of the Governor

Table 2-2
Personal Expense Accounts Expenditures by Category
For the Two Years Ended December 31, 1994

	Governor		Lt. Governor	
	<u>Expense Dollars</u>	<u>Expense %</u>	<u>Expense Dollars</u>	<u>Expense %</u>
Meals, food, meeting and conference refreshments	\$17,206	52%	\$ 500	24%
Awards, pictures, flowers for public recognition or gratitude	15,100	46%	1,529	74%
Other	<u>704</u>	<u>2%</u>	<u>47</u>	<u>2%</u>
Total	<u>\$33,010</u>	<u>100%</u>	<u>\$2,076</u>	<u>100%</u>

Source: Expenditures recorded on the statewide accounting system from January 1, 1993, through December 31, 1994.

During our review of rent, membership dues, travel and personal expense account expenditures for the Office of the Governor we found these expenditures properly authorized and paid in compliance with internal policies and statutes. We also found them accurately recorded in the accounting system. In addition, we determined the travel and personal expense account expenditures were reasonable and for a public purpose.

Chapter 3. Reimbursement for Use of Governor's Residence

Chapter Conclusion

The Office of the Governor accurately billed and deposited receipts for the use of the Governor's residence.

The State of Minnesota maintains and operates a residence to provide living quarters for the Governor and his family. Minnesota Statutes allow the Governor to use the residence for official ceremonial functions. A residence manager is responsible for the planning and budgeting all activities held at the residence. The manager oversees a full-time staff that is responsible for cleaning, preparing meals, and maintaining the residence. The Governor's Residence Council is responsible for soliciting funds for furnishings and the restoration of the residence. We conduct a separate audit of the council.

The Governor's office is authorized by Minn. Stat. Section 16A.723 to collect reimbursement for events held at the Governor's residence. With input from the Governor and his family, the residence manager determines what events will be conducted at the residence. By reviewing the residence budget and purpose of the event, the manager decides whether the Governor's office will fund a specific event or require the user to reimburse actual costs. The Department of Finance operating procedures require users to reimburse the Governor's office for events that do not serve a state purpose. The Governor's office collected reimbursements from users of approximately \$41,000 and \$30,000 during calendar years 1993 and 1994, respectively.

The Governor's office accounting staff are responsible for preparing invoices, depositing receipts, and monitoring accounts receivable balances for reimbursable events. Residence staff keep track of direct costs associated with specific events. Direct costs include food, invitations, equipment rental, flowers, and food service worker time. After an event, residence staff give direct cost information to the accounting staff to use in preparing invoices. The office does not require users to reimburse the Governor's office for indirect costs. The staff consider these costs as part of the operating costs of the residence and do not believe that reimbursed events add to these operating costs.

We focused our review over the reimbursement of events held at the Governor's residence on whether the Governor's accounting staff accurately billed users for direct costs associated with events held at the residence. We also reviewed whether the Office of the Governor deposited reimbursements properly.

The methodology used to evaluate the audit objectives included sampling and analytical reviews. We selected a sample of events and verified that accounting staff billed users for all direct charges associated with the event. In addition, we completed an analytical review of amounts billed to amounts deposited.

In our review of reimbursement billings for events held at the Governor's residence, we found that the Governor's office accurately billed users for direct charges. In addition, the office properly deposited receipts associated with these billings.