Susan Montee, JD, CPA
**Missouri State Auditor**

# GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

# House of Representatives

**September 2009**

**Report No. 2009-91**

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YELLOW SHEET

Office of the
Missouri State Auditor
Susan Montee, JD, CPA

**September 2009**

The following report is our audit of the General Assembly and Supporting Functions - House of Representatives.

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No documentation was maintained by the House to support the decision to privatize print shop and copy center activities, or of the procurement process to select a vendor to provide these services. Costs related to this contract totaled nearly $2.5 million during the first 3 years of the contract period. In June 2005, the House entered into a 5-year contract with a private vendor to operate the print shop and copy center. The initial contract period is through June 30, 2010, with the contract to be renewed after that on a monthly basis unless terminated by either party. Prior to June 2005, the House operated the print shop and copy center with its own employees and leased printing and copying equipment from a different vendor.

Current House officials could not locate a formal request for proposals (RFP) or any competitive proposals/bids that were obtained and evaluated prior to the award of this contract. In addition, the House could provide no documentation which indicated an internal cost benefit analysis was performed to support the decision to out-source this operation. The circumstances surrounding the decision to privatize this operation and the selection of the service contractor are troubling and do not provide assurance this decision was made in a proper competitive environment. The audit recommended the House perform an internal cost benefit analysis to determine the most cost effective method to obtain print shop and copy center services when the contract expires in June 2010. If the decision is made to continue to out-source this operation, the House should solicit proposals through a formal RFP process and ensure complete documentation of the bid comparison and selection process is maintained.

Donations are solicited from lobbyists by House members and/or staff for various costs, including staff Christmas parties, retirement receptions, and food for late work sessions. The House did not maintain records of the expenses paid by lobbyists, therefore, the extent of such payments and the lobbyists who paid them could not be readily determined; however, the amounts could be substantial as our audit of the Senate noted over $49,000 was donated by lobbyists during the 3 years ended June 30, 2008, to pay similar expenses of the Senate and its staff. In addition, the House did not notify or remind the lobbyists of the need to report the expenses paid on behalf of the House to the Missouri Ethics Commission.

Actively soliciting donations from lobbyists could give the appearance of, and may result in, a conflict of interest. To promote compliance with laws related to lobbyist activities, the House should notify lobbyists of the reporting requirement when soliciting and receiving donations, and of the need to amend expenditure reports filed with the Ethics

Commission for any donations not previously reported.

The House does not require employees to work a minimum of 40 hours per week as is required of employees of most other state agencies. House employees are only required to work a 35-hour work week. In addition, House policy provides annual leave benefits that are more generous than those allowed to most other state employees.

The House reimbursed out-going members for out-of-state travel expenses incurred after their final legislative session, and currently has no policy regarding this situation. The audit noted that three out-going members attended out-of-state conferences after the close of the 2006 legislative session and incurred travel costs totaling $4,560. Another out-going member also attended an out-of-state conference and incurred travel expenses of $909, though records indicate the member participated in a swearing-in ceremony for a national organization's new officer. Travel expenses incurred by House members to attend out-of-state conferences after the close of their final legislative session do not appear to be necessary or reasonable. In contrast, the Senate does not allow out-of-state travel in similar instances and has established a formal policy which prohibits term limited senators from being reimbursed for out-of-state travel following the close of their final regular session in the legislature.

The House paid $15,149 in January 2007 for lapel pins and charms as gifts for each member of the 2007/2008 legislative class, at a cost of $73 per item. Similarly, in January 2009, the House paid $19,442 for lapel pins and charms for each member of the most current legislative class at an approximate cost of $93 per item. These gifts do not appear to be a necessary or prudent use of state funds.

Property control duties are not adequately segregated, with the employee who is primarily responsible for maintaining the capital asset records also performing the physical inventories. Efforts to investigate items not located during physical inventories are not adequately documented and missing items that still cannot be located after being investigated are not written off in a timely manner. As of November 2008, the records listed 330 items (with a total acquisition cost of approximately $283,000) as missing. In addition, the capital asset records have not always been properly updated to accurately reflect property transactions.

Receipts are not always remitted to the state treasury for deposit on a timely basis. During the 3 years ended June 30, 2008, a total 29 deposits totaling $82,460 were made, or an average $2,843 per deposit.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES

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**SUSAN MONTEE, JD, CPA**
**Missouri State Auditor**

Members of the General Assembly - House of Representatives
Jefferson City, Missouri

We have audited the General Assembly and Supporting Functions - House of Representatives. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, and 2006. The objectives of our audit were to:

1. Evaluate the House of Representatives' internal controls over significant management and financial functions.

2. Evaluate the House of Representatives' compliance with certain legal provisions.

3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the House of Representatives, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and



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circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the House of Representatives' management and was not subjected to the procedures applied in our audit of the House of Representatives.

The accompanying Management Advisory Report presents our findings arising from our audit of the General Assembly and Supporting Functions - House of Representatives.

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

## 1. Privatization of Print Shop and Copy Center

No documentation was maintained by the House to support the decision to privatize print shop and copy center activities or of the procurement process to select a vendor to provide these services. Costs related to this contract totaled nearly $2.5 million during the first 3 years of the contract period.

In June 2005, the Chairman of the House Administration and Accounts Committee executed a 5-year contract with a vendor (Vendor A) to out-source the operations of the print shop and copy center. This contract required Vendor A to provide equipment and personnel to run the center from June 29, 2005, through June 30, 2010, with the contract to be renewed after that on a monthly basis unless terminated by either party. Prior to June 2005, the House operated the print shop and copy center with House employees and leased printing and copying equipment from a different vendor (Vendor B). Approximately 2 1/2 years remained on this equipment lease at June 2005.

The contract provided Vendor A minimum monthly fees of $62,020 for printing and copying services during the first year of the agreement, with Vendor A being allowed to increase the fees by up to 5 percent annually in subsequent years. The contract also provided that Vendor A would be entitled to other fees, including a specified charge for impressions over an established maximum. Also as part of the contract agreement, Vendor A agreed to pay almost $1 million to Vendor B to acquire equipment and release the House from its liability under the existing equipment lease contract. After the June 2005 agreement was finalized, the House terminated the print shop and copy center employees. According to a House official, those employees were given the option to work for Vendor A in the print shop and copy center or be transferred to another department within the House. During the 3 years ended June 30, 2008, the House paid Vendor A almost $2.5 million pursuant to this contract.

The House maintained no documentation to support the decision to out-source this operation or the subsequent procurement of the service contractor. Current House officials could not locate a formal request for proposals (RFP) or any competitive proposals/bids that were obtained and evaluated prior to the award of this contract. In addition, the House could provide no documentation which indicated an internal cost benefit analysis was performed to support the decision to out-source this operation. A current House employee indicated it was his understanding that before the decision was made to out-source the services, Vendor A submitted a proposal/cost benefit analysis to the House which indicated a cost savings could be realized if the House privatized this operation. In addition, this employee indicated he believed Vendor B was given the opportunity to submit a proposal related to these services.

During the audit, representatives of the two vendors were contacted and copies of the proposals submitted were obtained. Our analysis of this information indicated Vendor B's proposal had a lower monthly minimum fee rate and a higher established quantity of maximum impressions. However, since no documentation was maintained by the House, the reason(s) why Vendor A's proposal was selected could not be determined. In addition, while each vendor projected the House would realize a cost savings if their proposal was selected, it appears neither proposal considered any equity the House might lose if the equipment lease was paid off or terminated early.

A representative of Vendor B told us the House did not formally solicit proposals for these services, but she had learned of the House's plans to possibly privatize the print shop and copy center operation through a conversation with a House employee. According to that individual, after contacting the former Committee Chairman, Vendor B was told it could submit a proposal for these services. If this information is accurate, it is apparent the House did not procure these services through a competitive procurement process.

The circumstances surrounding the decision to privatize this operation and the selection of the service contractor are troubling and do not provide assurance this decision was made in a proper competitive environment. A competitive procurement process for major purchases, involving a written RFP and formal evaluation of the proposals received, helps assure appropriate efforts are made to obtain the lowest and best price for goods or services and ensures any interested parties are given an equal opportunity to participate in House business. In addition, the House procurement policy, established in January 2006, requires the solicitation of competitive bids for major purchases. Documentation of the various proposals received, and the selection process and criteria should be retained to support any decisions made.

**WE RECOMMEND** the House of Representatives maintain complete documentation to support all major future procurement decisions in accordance with current House policy. In addition, when the contract expires in June 2010, the House should perform an internal cost benefit analysis to determine the most cost effective method to obtain print shop and copy center services. If the decision is made to continue to out-source this operation, the House should solicit proposals through a formal RFP process and ensure complete documentation of the bid comparison and selection process is maintained.

***AUDITEE'S RESPONSE***

*The decision to privatize the print shop and copy center services was conceived, executed, implemented, and documented in 2005 under leadership and management of the House of Representatives which is no longer with the organization. As noted in the State Auditor's Audit Finding 3.A. of 2003, the House did not have in place a written procurement policy. Consistent with the Auditor's recommendation of 2003, House policy H-02 relating to the procurement of goods and services was adopted in January 2006. As such, the House did not violate terms of any existing policy during the awarding of the contract under review in this finding.*

*Additionally, Rules of the House of Representatives for the 93rd General Assembly adopted on January 18, 2005, vest in the House Standing Committee on Administration and Accounts "sole and complete control of all financial and business obligations of the House." The decision to execute the current print shop and copy center vendor contract was made in an open committee forum with prior public notice of the committee meeting given on June 2, 2005. During the hearing of June 7, 2005, the House Standing Committee on Administration and Accounts received public testimony, discussed and debated details of the contract, and awarded the contract to the current vendor by a vote of 6 in favor, 2 against. As such, the House met all policy and legal obligations necessary for adopting and executing said contract.*

*Further, the House of Representatives agrees that efforts should be made to ensure complete documentation for major procurement decisions. The House would also note the current vendor contract has exceeded expectations with regard to the quality and cost-effectiveness of the vendor's provision of services. The House will continue to review compliance efforts relating to procurement policies adopted by the Committee on Administration and Accounts and augment such efforts as necessary.*

## 2. Expenses Paid by Lobbyists

Donations are solicited from lobbyists by House members and/or staff for various costs, including food for late work sessions, staff Christmas parties, and retirement receptions. This situation could give the appearance of, and may result in, a conflict of interest. In addition, the House did not notify lobbyists of the need to report the expenses paid on behalf of the House to the Missouri Ethics Commission.

According to House officials, during the 3 years ended June 30, 2008, lobbyists paid Jefferson City restaurants or similar service establishments for the cost of food and beverages served to House members when working late during the legislative sessions and for other purposes. House officials told us that when monies are needed, House members and/or staff will contact lobbyists and inquire whether they are interested in helping to pay the related costs. Any checks provided by lobbyists as donations/contributions are made payable to the vendor and are either remitted directly to the vendor by the lobbyist or forwarded to the restaurant/establishment by the House.

A. The House did not maintain records of food and beverage expenses paid by lobbyists, therefore, the extent of such payments and the lobbyists who paid them could not be readily determined. However, the amounts could be substantial. In a recent audit of the Senate, we noted that legislative body also solicited and accepted monies from lobbyists to pay similar expenses. In that audit, we noted that over $49,000 was donated by lobbyists during the 3 years ended June 30, 2008, to pay for similar costs for the Senate and its staff. Actively soliciting donations from lobbyists could give the appearance of, and may result in, a conflict of interest. As a result, House officials should reconsider the practice of soliciting donations from lobbyists.

B. According to House officials, lobbyists have not been notified or reminded of the requirement to report any expenses made on behalf of House members or staff to the Missouri Ethics Commission. Because the House did not maintain records of those lobbyists who paid the food and beverage costs, we were unable to determine whether the applicable lobbyists properly reported those expenses to the Ethics Commission. However, the recent audit of the Senate disclosed that similar donations made on behalf of that legislative body were not properly reported by lobbyists in a number of instances.

Section 105.473, RSMo, requires that all expenditures made by a lobbyist or his/her lobbyist principals on behalf of state officials and their staffs be reported monthly by the lobbyist to the Missouri Ethics Commission.

To promote compliance with state laws related to lobbyist activities, the House should notify the lobbyists of the reporting requirement when soliciting and upon the receipt of the donations. In addition, the House should consider contacting those lobbyists who donated monies in the past, if they can be identified, and suggest they amend the expenditure reports filed with the Ethics Commission for any applicable donations not reported previously.

C. In addition to paying food and beverage costs of House members during late work sessions, various other expenses were paid by lobbyists. These costs included Christmas parties for House staff and retirement receptions for outgoing representatives.

During audit fieldwork the House provided no records of the expenses paid by lobbyists, therefore, the extent and nature of the expenses paid could not be determined. However, during the recent audit of the Senate, approximately $10,000 was spent on lobbyist-funded food and beverage costs provided to senators and Senate staff related to late work sessions during the 3 years ended June 30, 2008. In addition, lobbyists paid for food and beverage costs for the annual Christmas parties for Senate staff (the Senate Christmas party was held at the same restaurant where the House staff party was held in fiscal year 2008) at a cost of about $2,000 annually. Further, expenditures incurred for a retirement reception held in fiscal year 2007 for outgoing senators totaled approximately $10,400.

The expenditures noted above are not allowable for most state agencies. The State of Missouri Administrative Policy SP-5, issued in January 2002 by the Office of Administration, appears to prohibit or restrict food and beverage expenditures by state agencies for Christmas parties or retirement receptions.

Subsequent to audit fieldwork, the House provided documentation that suggested the estimated cost of the December 2006 holiday party may have been between $1,300 and $1,600. Other documentation provided included a listing of eight sponsors of the event, information indicating related expenditures of $400 were reported to the Missouri Ethics

Commission by four sponsor lobbyists, and evidence the Chief Clerk paid $929 from personal funds to cover the unpaid balance of the event. Documentation of the 2007 holiday party (actually held in early January 2008) included an invoice from the restaurant totaling $707, and information indicating expenditures of $1,000 were reported to the Ethics Commission by various lobbyists related to this event.

**WE RECOMMEND** the House of Representatives reconsider the practice of soliciting donations from lobbyists, and notify lobbyists of the reporting requirements and the need to amend expenditure reports filed with the Ethics Commission for any donations not previously reported. In addition, the House should ensure any future expenditures made on behalf of House members and staff are necessary.

***AUDITEE'S RESPONSE***

*The House of Representatives agrees that all donations or gifts provided to reportable entities should be fully and correctly reported to the Missouri Ethics Commission (MEC). However, the House has neither the jurisdiction to enforce the MEC reporting requirements nor the legal obligation to notify lobbying entities regarding reportable events or reporting methods associated with lobbyist donations or gifts; this comports with the same level of jurisdiction and legal obligation as each state-wide office holder in Missouri. Such jurisdiction and obligations are placed within the Missouri Ethics Commission to be independent of and outside the immediate reach of individuals that may benefit from such lobbyist gifts or donations.*

*In its audit of the Missouri Ethics Commission of August 2006, the State Auditor's Office acknowledged the MEC's purview over such issues as authorized in 105.955, RSMo, and noted the following:*

> *"The MEC does not perform adequate reviews and audits of reports received. The MEC is required by law to maintain files of lobbyist reports, campaign finance disclosure reports, and personal financial disclosure reports for public inspection. The law requires the MEC to review and audit these reports for timeliness, accuracy, and completeness. However, the MEC does not audit these reports by performing random independent verification of the data contained in them unless a complaint is filed under Section 105.472, RSMo."*

*The Auditor's Office is recommending an inappropriate violation of the segregation of duties by asserting that as a matter of policy the beneficiary of a donation or gift should also be in a role of directing a lobbyist to report a donation or gift or directing the means by which the gift should be reported. This is incongruent with the notion of segregating responsibilities to avoid the appearance of impropriety as recommended in finding number 5 of this audit.*

*While state funds were not used to provide for the events described in this audit finding, the House finds wholly objectionable and disagrees with the inclusion of confidential material from an audit of an organization outside of our purview that has not, as of this writing, yet been made public. Such information should not have been presented to the House of Representatives, nor should such information be utilized to draw comparisons against the House, when the provision of such information by the State Auditor's Office may be a violation of 29.070, RSMo. If the Auditor asserts such information is not a violation of 29.070, RSMo, then access to the full report from which the inappropriately disclosed information was drawn should have been made* *available to the House of Representatives for purposes of providing adequate context for review and response. As such, the House intends to follow an appropriate course of due process for further investigation, determination, and resolution of this matter by the appropriate authorities.*

**AUDITOR'S COMMENT**

Our finding does not suggest the House has primary responsibility for ensuring lobbyist expenditures are properly reported; that responsibility lies with the lobbyists themselves. However, considering lobbyists have incurred expenditures supporting House events/functions, it seems House officials would have an interest in promoting compliance with the Missouri Ethics Law regarding the reporting of those expenditures. In addition, we reject the House's allegation that a violation of Section 29.070, RSMo, occurred. During our audit of the General Assembly, that included separate reports of the Senate and House, limited information related to the Senate was included in the draft House report to better and more fully present the potential magnitude of this audit finding.

## 3. Personnel Matters

The House of Representatives does not require its employees to work a minimum of 40 hours per week and provides annual leave benefits that are more generous than that allowed most other state employees.

Attorney General's Opinion No. 46, 1980 to Bradford, concluded legislative employees are exempt from the requirements of Section 36.350, RSMo, regarding hours of work, sick and annual leave accruals, and other personnel matters. However, our review of House personnel policies disclosed the following concerns:

A. The House does not require employees to work a minimum of 40 hours per week as is required of employees of most other state agencies. The House handbook defines the standard workweek for House employees as a five-day week, but specifies that flexibility is allowed in employees' work schedules provided the employee meets the minimum hours required for the month. The minimum number of hours is not defined in the handbook; however, based on discussions with Human Resources staff and reviews of employee timesheets, the minimum number of work hours per month is calculated by multiplying seven times the number of working days in the month. As a result, House employees are only required to work a 35-hour work week.

Pay for other state employees is generally based on an eight hour day/forty hour work week. It appears inequitable for employees of the House to be required to work fewer hours per week than is required of most other state employees.

B. House policy provides annual leave benefits that are more generous than those allowed to most other state employees. House policy provides that its employees earn 10 hours of annual leave benefits per month during the first 5 years of service. After 5 years, the employees earn annual leave at a rate of 14 hours per month. Most state employees earn 10 hours of annual leave per month during the first 10 years of service, with that rate increasing to 12 hours per month after 10 years of service, and to 14 hours per month after 15 years of service.

There appears to be no basis for the House to provide annual leave benefits to its employees that are more generous than those provided to most other state employees. In addition, the additional annual leave benefits provided to House employees results in increased costs to the state.

Similar conditions were reported in previous audits of the House of Representatives. It is our understanding that changes that would have impacted these policies were considered after the previous audit, but those changes were not adopted.

**WE RECOMMEND** the House of Representatives:

A. Require its employees to work 40 hours per week as is required of most other state employees.

B. Reduce the annual leave benefits provided to its employees to an amount equal to those provided to most other state employees.

***AUDITEE'S RESPONSE***

*A. For years, the House of Representatives has allowed its hours of work policy to be flexible in not requiring a strict, 40-hour workweek due to the unique workload demands of the legislative session on its employees. Since compensatory time is not awarded to many House employees, a lower hourly workweek requirement allows employees to offset some of the extra hours worked during the session in the interim. As in our response to the 2003 audit, however, the House Administration and Accounts Committee will again review this policy in light of this recommendation.*

*B. For years, the House of Representatives has allowed its employees to accrue annual leave at the higher state rate with less years of state service due to the nature of session driven work and the high staff turnover caused by 2-year election cycles. As stated in our response to the 2003 audit, however, the House Administration and Accounts Committee will again review this policy in light of the current recommendation.*

## 4. Expenditures

Out-going House members were reimbursed for out-of-state travel expenses incurred after their final legislative session. In addition, gifts were provided to incoming House members which did not appear to be a necessary or prudent use of state funds.

A. The House reimbursed out-going members for out-of-state travel expenses incurred after their final legislative session, and currently has no policy regarding this situation. We noted three out-going members attended out-of-state conferences after the close of the 2006 legislative session and incurred travel costs totaling $4,560. Another out-going member also attended an out-of-state conference and incurred travel expenses of $909. House records indicated the member participated in a swearing-in ceremony for a national organization's new officer.

House policy defines members' allowable expenses as reasonable expenses directly related to those individuals' legislative duties. Travel expenses incurred by House members to attend out-of-state conferences after the close of their final legislative session do not appear to be necessary or reasonable. In contrast, the Senate does not allow out-of-state travel in similar instances and has established a formal policy which prohibits term limited senators from being reimbursed for out-of-state travel following the close of their final regular session in the legislature.

B. The House paid $15,149 in January 2007 for lapel pins and charms as gifts for each member of the 2007/2008 legislative class. Each of the 163 members of the House was provided one pin or charm, depending on their preference, with these items costing approximately $73 a piece. Similarly, in January 2009, the House paid $19,442 for lapel pins and charms for each member of the most current legislative class at an approximate cost of $93 per item. According to a House official, these gifts have traditionally been given to each member of a legislative class.

We also noted that approximately 40 extra lapel pins/charms were purchased in both of these instances and the costs presented above include these extra items. According to a House official, every year members lose their pins and need replacements. That official indicated that in those instances, the members must purchase the replacement pin with personal funds that are deposited to the credit of the House Revolving Fund.
These gifts do not appear to be a necessary or prudent use of state funds. The House should ensure state funds are used only for items that are necessary and beneficial to the House's functions.

**WE RECOMMEND** the House of Representatives:

A. Establish a policy to prohibit or restrict out-of-state travel expenses of out-going members after their final legislative session.

B. Refrain from providing gifts to House members.

***AUDITEE'S RESPONSE***

*A. State Representatives are officials that are elected to serve the constituents they represent. Their terms of office as well as their responsibilities as a duly-elected official* *are established by the Missouri Constitution. Accordingly, House policies have been enacted consistent with terms of office established by the Missouri Constitution.*

*Any State Representative submitting requests for travel authorization does so based upon his or her own discretion as determined by the value of the information to be obtained and its relevance to the Representative's duties.*

*Further, the Auditor's staff stated during audit review discussions that this finding is based on the concern that members not returning to the legislature do not benefit from travel in situations where the travel does not provide additional value to Missouri taxpayers. Since State Representatives are required to stand for public election every two years, the House cannot determine which members will or will not be returning until an election occurs. Further, many State Representatives facing their final eligible term of office with the House choose to seek election to other state positions. In such situations, the House believes State Representatives seeking travel authorization may prove beneficial to the state and Missouri's taxpayers.*

*B.* *It has been, for several years prior, the practice to provide State Representatives with one member lapel pin at no charge to the Representative at the beginning of a new General Assembly. This pin serves as a unique identification for the Representative both within the State Capitol, at other state-sponsored meetings and events, and is a designation in recognition of the elected service of the State Representative. Should the Representative lose his or her pin, they may replace it at cost from his or her own personal funds. While the Auditor considers these items to be gifts, the House of Representatives utilizes the pins to provide a recognizable form of identification for State Representatives at state meetings and events.*

*It is the understanding of the House of Representatives that executive agencies utilize state funds to purchase service pins for employees upon reaching milestones of tenure within the employing organization, as authorized by 1 CSR 10-3.010. In audit review discussions with the auditors, the concern focuses on the individual cost of such pins, not the purchase of pins itself. Accordingly, the House of Representatives will continue to seek alternative materials and bids for production of the pins at a lower per-unit cost to more closely match similar purchases made by executive agencies.*

## 5. Capital Asset Records and Procedures

The House of Representatives has not adequately segregated property control duties, documented follow-up efforts to locate missing items, or accurately updated the capital asset records for some property transactions.

The House of Representatives accounts for its capital assets using two separate systems, the fixed asset subsystem of the state's accounting system (SAMII) and a computerized system (Fassetrack), which has bar coding capabilities. The Fassetrack system includes assets costing $250 or more, while the SAMII system includes assets costing $1,000 or more. At June 30, 2008, the House owned approximately $1.8 million in furniture and equipment items and vehicles according to the SAMII system.

A. Property control duties are not adequately segregated. The employee who is primarily responsible for maintaining the capital asset records also performs the physical inventories.

To ensure property records are accurate and to safeguard assets from theft or misuse, physical inventories should be performed by someone independent of the custodial and recordkeeping functions.

B. Efforts to investigate items not located during physical inventories are not adequately documented and missing items that still cannot be located after being investigated are not written off in a timely manner. As of November 2008, the Fassetrack system listed 330 items (with a total acquisition cost of approximately $283,000) as missing and an additional 8 items (with a total acquisition cost of over $13,000) as stolen.

Many of the items listed as missing were purchased more than 10 years ago and have been missing for a number of years. House employees indicated the missing items could not be located during physical inventories and most of the stolen items were also items not located in previous physical inventories and the former inventory control clerk presumed the items stolen. While House employees indicated they generally follow-up on items not located during physical inventories by reviewing records of disposed items or by contacting the individual last assigned or responsible for the item, these follow-up actions are not documented. In addition, the House does not write-off such items after reasonable efforts have been made to investigate or locate the missing or stolen items, but continues to maintain these items on its property records (classified as missing or stolen) in the event the items are subsequently found.

To ensure its capital assets are properly accounted for, the House should maintain adequate documentation of its efforts to investigate items that cannot be located during the periodic physical inventories. That documentation should include the person(s) contacted, dates, and explanations/results of the investigation to help ensure adequate follow-up efforts have been performed. In addition, the House should consider writing-off any items not located after all reasonable efforts have been made to locate the items or reclassify those items in a manner which distinguishes them from missing items still being investigated.

C. The capital asset records have not always been properly updated to accurately reflect property transactions. We reviewed 49 items that were either acquired or disposed of during the audit period and noted the following instances where the applicable property items were not accurately reflected in the property records:

- Three items had an incorrect disposal date on the SAMII listing.

- Two acquired items were not added to the property records.

- One surplused item had not been recorded on the property records.

- One item was listed as still in use after it had been surplused.

To ensure the capital asset records accurately reflect current property items, the House should properly update its records when property acquisitions and dispositions occur.

**WE RECOMMEND** the House of Representatives:

A. Ensure an individual who is independent of the capital assets custodial and recordkeeping functions performs periodic physical inventories.

B. Document the follow-up actions taken to investigate missing items not located during the physical inventories. In addition, items that cannot be located should be written-off after all reasonable efforts have been made to locate the items or reclassify those items in a manner which distinguishes them from missing items which are still being investigated.

C. Ensure the capital asset records are properly updated for all property acquisitions and dispositions.

***AUDITEE'S RESPONSE***

*A. As has been previously indicated by House officials, much of the physical inventory is completed in the presence of individuals other than the House Inventory Control Specialist responsible for custodial and recordkeeping functions to provide a method of oversight in the inventory process. The House of Representatives agrees with the audit finding, however, that periodic inspections of capital assets by an individual independent of the custodial and recordkeeping functions will enhance the effectiveness of internal controls in this area. The House will formalize existing protocols for periodic sample inspections separate and apart from the individual responsible for custodial and recordkeeping functions.*

*B. The House agrees that additional documentation for follow-up actions will enhance physical inventory internal controls and will develop and implement additional protocols where practical. House officials have discussed with the auditors the development of write-off procedures and are gathering information and auditor recommendations relating to the best-practices for proper execution of write-offs.*

*C. The House agrees that capital asset records must be properly updated for property acquisitions and disposition in a timely fashion. Previous actions by House administration have significantly improved compliance and timeliness of asset control.*

*The House will continue to monitor and assess the updating of acquisition and disposition records to determine whether further action is necessary.*

| **6.** | **Untimely Deposits** |
|---|---|

The House of Representatives does not always remit receipts timely to the state treasury for deposit to the House of Representatives Revolving Fund. During the 3 years ended June 30, 2008, we noted a total 29 deposits totaling $82,460, or an average $2,843 per deposit, were made to this fund. Only eight deposits were made during fiscal year 2008. We noted one $6,560 deposit made on February 13, 2008, which appeared to include all monies received in January 2008 as well as those monies received in February 2008 through the date of the deposit.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be remitted for deposit on a timely basis.

**WE RECOMMEND** the House of Representatives remit monies received to the state treasury in a timely manner.

***AUDITEE'S RESPONSE***

*The House of Representatives agrees with this recommendation and is initiating procedures to ensure deposits are made on a more frequent and regularly occurring basis.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Legislative power in Missouri is vested by Article III, Section 1, Constitution of Missouri, in the General Assembly, more commonly known as the legislature. The legislature is composed of the Senate and the House of Representatives.

The House of Representatives consists of 163 members elected for 2-year terms at each general election. A member generally may serve up to 8 years as a representative based upon re-election. The House of Representatives convenes annually on the first Wednesday following the first Monday in January and adjourns on May 30, with no consideration of bills after 6:00 P.M. on the first Friday after the second Monday in May.

Each representative must be at least 24 years of age, a qualified voter of the state for 2 years, and of the district he/she represents for 1 year. The speaker of the House of Representatives is the presiding officer.

Representatives received salaries as follows:

| | Year Ended June 30, | | |
|---|---|---|---|
| Positions | 2008 | 2007 | 2006 |
| Speaker of the house | $ 33,851 | $ 33,851 | $ 33,851 |
| Speaker pro tem and floor leaders | 32,851 | 32,851 | 32,851 |
| All remaining representatives | 31,351 | 31,351 | 31,351 |

Representatives were authorized to receive per diems, mileage allowances, and mileage reimbursement as follows:

| Effective Dates | Per Diem | Mileage Rate |
|---|---|---|
| July 1, 2005 – September 30, 2005 | $76.80 | |
| October 1, 2005 – September 30, 2007 | 79.20 | |
| October 1, 2007 – June 30, 2008 | 87.20 | |
| July1, 2005 - June 30, 2006 | | $0.375 |
| July 1, 2006 - June 30, 2007 | | 0.415 |
| July 1, 2007 – June 30, 2008 | | 0.455 |

Each representative is paid a per diem each day the representative is in attendance at the legislative session. In addition, representatives are reimbursed for each mile traveled when commuting to and from Jefferson City for each week the legislature is in session. Members do not receive per diems or statutory mileage allowances during technical sessions; however, mileage expenses are reimbursed from the House of Representatives' contingency funds. Each member is also credited with $800 a month to cover the cost of office supplies, district staff salaries, postage, mileage incurred and not paid for by statute, and other incidental expenses. In July 2007, each member received an additional $1,227 one time credit for postage.

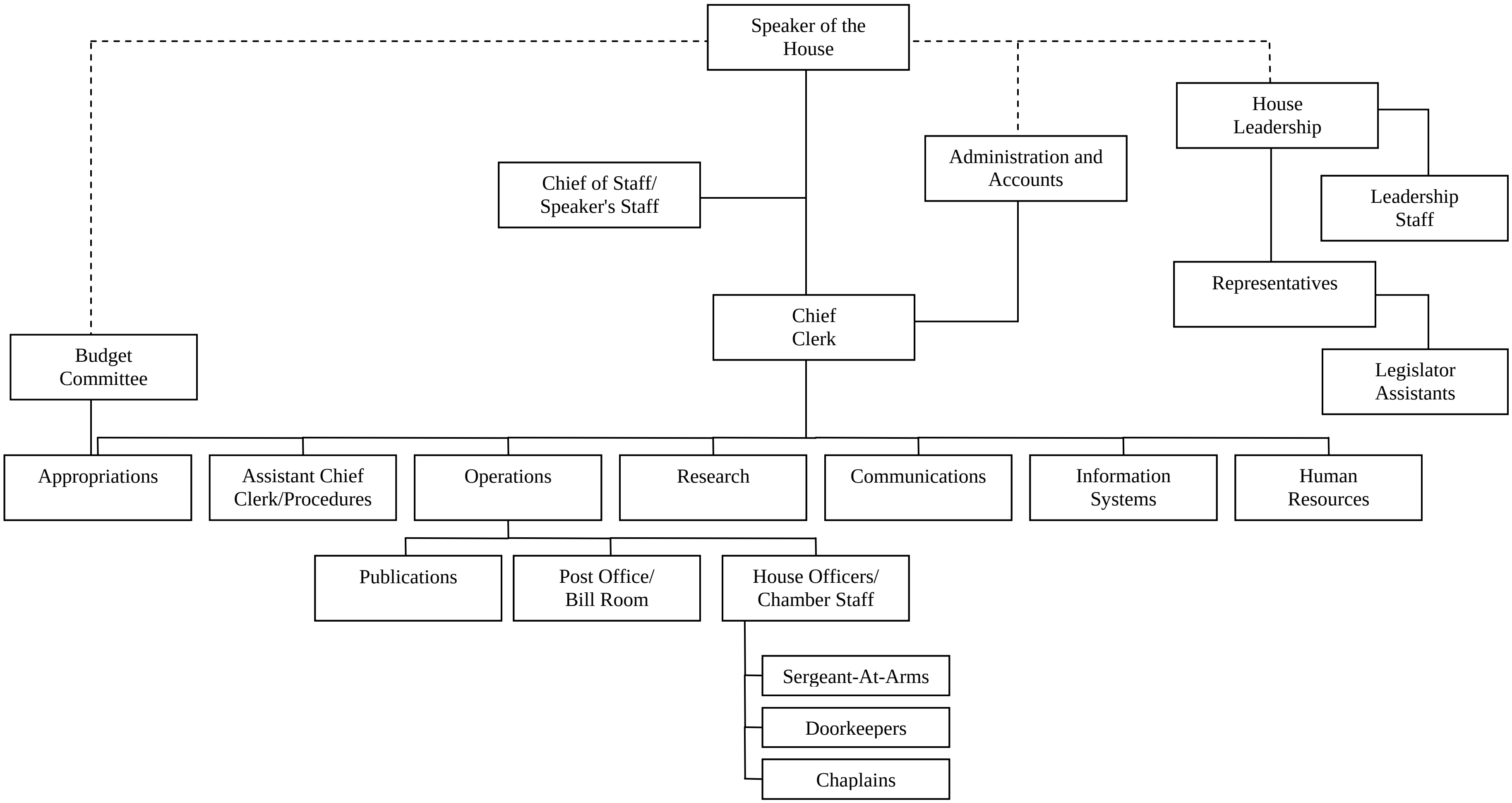
The Speaker of the House appoints and approves members to the Administration and Accounts Committee which has control of the financial obligations and business affairs of the House. The committee also prescribes rules governing the expenditure of funds allotted to individual members for the operation of their offices. Former Representative Mark Wright served as Chairman of the Administration and Accounts Committee from January 2005 until January 2007. Representative Kenny Jones has served as Chairman of the committee since January 2007.

The Chief Clerk is elected by the House members and is responsible for maintaining the financial records of the House and overseeing its operations. Stephen Davis served as Chief Clerk from January 2003 until July 2006. Adam Crumbliss has served as Chief Clerk since July 2006.

The House of Representatives is organized into seven divisions consisting of: appropriations, information systems, research, human resources, communications, operations, and assistant chief clerk/procedures. At June 30, 2008, the House of Representatives had 94 full-time employees, 154 legislative assistants, and 21 part-time and session employees.

An organization chart follows.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
ORGANIZATION CHART
JUNE 30, 2008



Appendix A

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
HOUSE OF REPRESENTATIVES REVOLVING FUND
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS

| | | Year Ended June 30, | | |
|---|---|---|---|---|
| | | 2008 | 2007 | 2006 |
| RECEIPTS | | | | |
| Sales and reimbursements | $ | 25,676 | 33,569 | 31,522 |
| Total Receipts | | 25,676 | 33,569 | 31,522 |
| DISBURSEMENTS | | | | |
| Transfers to General Revenue Fund - State | | 31,868 | 276 | 47,554 |
| Expense and equipment | | 14,786 | 18,926 | 13,657 |
| Total Disbursements | | 46,654 | 19,202 | 61,211 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | | (20,978) | 14,367 | (29,689) |
| CASH AND INVESTMENTS, JULY 1 | | 36,200 | 21,833 | 51,522 |
| CASH AND INVESTMENTS, JUNE 30 | $ | 15,222 | 36,200 | 21,833 |

Appendix B

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

| | | Year Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2008 | | | 2007 | | | 2006 | | |
| | | Appropriation Authority | Expenditures | Lapsed Balances | Appropriation Authority | Expenditures | Lapsed Balances | Appropriation Authority | Expenditures | Lapsed Balances |
| GENERAL REVENUE FUND-STATE | | | | | | | | | | |
| House contingent expenses | $ | 11,051,904 | 10,977,666 | 74,238 | 10,784,796 | 10,784,318 | 478 | 10,326,956 | 10,311,346 | 15,610 |
| Representatives' expense vouchers | | 1,566,009 | 1,117,760 | 448,249 | 1,565,479 | 1,564,859 | 620 | 1,564,800 | 1,564,799 | 1 |
| Representatives' salaries | | 5,117,283 | 5,021,237 | 96,046 | 5,117,283 | 5,076,864 | 40,419 | 5,117,283 | 5,043,914 | 73,369 |
| Representatives' mileage | | 440,491 | 427,653 | 12,838 | 400,491 | 373,253 | 27,238 | 342,660 | 328,554 | 14,106 |
| Representatives' per diem | | 1,290,960 | 998,942 | 292,018 | 1,290,960 | 941,292 | 349,668 | 1,083,950 | 929,121 | 154,829 |
| Total General Revenue Fund-State | | 19,466,647 | 18,543,258 | 923,389 | 19,159,009 | 18,740,586 | 418,423 | 18,435,649 | 18,177,734 | 257,915 |
| HOUSE OF REPRESENTATIVES REVOLVING FUND | | | | | | | | | | |
| Contingent expenses | | 45,000 | 14,786 | 30,214 | 45,000 | 18,926 | 26,074 | 45,000 | 13,657 | 31,343 |
| Total All Funds | $ | 19,511,647 | 18,558,044 | 953,603 | 19,204,009 | 18,759,512 | 444,497 | 18,480,649 | 18,191,391 | 289,258 |

Appendix C

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

| | | Year Ended June 30, | | | | |
|---|---|---|---|---|---|---|
| | | 2008 | 2007 | 2006 | 2005 | 2004 |
| Salaries and wages | $ | 13,870,507 | 13,616,700 | 13,451,889 | 13,461,304 | 13,451,694 |
| Travel, in-state | | 1,729,101 | 1,628,582 | 1,512,845 | 1,406,437 | 1,438,643 |
| Travel, out-of-state | | 78,359 | 82,987 | 48,262 | 23,881 | 39,593 |
| Supplies | | 775,694 | 1,292,956 | 1,141,273 | 975,243 | 890,951 |
| Professional development | | 86,476 | 62,445 | 57,311 | 64,544 | 36,405 |
| Communication services and supplies | | 329,656 | 332,356 | 378,060 | 387,050 | 426,840 |
| Services: | | | | | | |
| Professional services | | 952,564 | 946,551 | 125,126 | 171,715 | 112,779 |
| Housekeeping and janitorial | | 120,164 | 110,860 | 103,181 | 117,098 | 87,609 |
| Maintenance and repair | | 89,282 | 161,179 | 990,745 | 857,546 | 691,360 |
| Computer equipment | | 376,969 | 324,258 | 211,526 | 183,338 | 109,111 |
| Office and other equipment | | 53,249 | 87,629 | 73,702 | 107,549 | 30,286 |
| Property and improvements | | 18,703 | 15,439 | 12,469 | 15,620 | 5,450 |
| Building and equipment leases | | 11,292 | 11,292 | 12,292 | 11,332 | 11,332 |
| Miscellaneous | | 66,028 | 86,278 | 72,710 | 98,261 | 81,947 |
| Total | $ | 18,558,044 | 18,759,512 | 18,191,391 | 17,880,918 | 17,414,000 |

Appendix D

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

| All Funds | | Furniture and Equipment | Vehicles | Total |
|---|---|---|---|---|
| Balance, July 1, 2005 | $ | 2,160,624 | 18,928 | 2,179,552 |
| Additions | | 52,963 | 0 | 52,963 |
| Dispositions | | (246,106) | 0 | (246,106) |
| Balance, June 30, 2006 | | 1,967,481 | 18,928 | 1,986,409 |
| Additions | | 131,393 | 0 | 131,393 |
| Dispositions | | (122,342) | 0 | (122,342) |
| Balance, June 30, 2007 | | 1,976,532 | 18,928 | 1,995,460 |
| Additions | | 99,385 | 0 | 99,385 |
| Dispositions | | (263,879) | 0 | (263,879) |
| Balance, June 30, 2008 | $ | 1,812,038 | 18,928 | 1,830,966 |