
Secretary of State

Informational Report on the
Secretary of State's
Government Waste Hotline



Audits Division

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Audits Division

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This report summarizes activity through the Secretary of State's Government Waste Hotline since its inception in 1995. Sections 177.170 and 177.180 of the Oregon Revised Statutes established this toll-free hotline for reporting waste, inefficiency or abuse by state agencies, state employees or persons under contract with state agencies. The hotline law also provides confidentiality for the identity of the callers, with the reported information remaining confidential unless it is confirmed.

As required, this report describes the number, nature and resolution of reports made. Questioned costs of almost \$1.5 million are described in Table 1 of the report. These dollars represent monies spent that were not spent in accordance with applicable laws, or potential savings that could result from improved efficiencies or the elimination of waste or abuse.

If you have questions regarding this report, feel free to contact Sharron Walker, the Deputy Director who oversees the hotline activity, or me.

OREGON AUDITS DIVISION

John N. Lattimer
Director

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BACKGROUND

The 1995 Legislature enacted legislation that became Oregon Revised Statute Sections 177.170 and 177.180, mandating the Secretary of State to establish a toll-free telephone line for reporting waste, inefficiency or abuse by state agencies, state employees or persons under contract with state agencies. The law requires state offices open to the public to display notice of the toll-free line, known as the Government Waste Hotline. The law also provides confidentiality for the identity of hotline callers, with the reported information remaining confidential unless the Secretary of State finds that waste, inefficiency or abuse has occurred. If the report is confirmed, the reported information remains confidential until the investigation is complete.

For reports that may involve violations of the Oregon ethics law (ORS Chapter 244), the Secretary is to notify the Government Standards and Practices Commission. For reports that may involve criminal activity, the Secretary is to notify the appropriate law enforcement agency. Upon completion of the investigation, the Secretary is to prepare a written determination that shall be provided to the hotline caller and the involved agency or public body, and shall be available for public inspection.

In addition, the Secretary is required to prepare an annual report and submit it to the Legislative Assembly and appropriate interim committees. The report shall describe the number, nature and resolution of reports made through the Government Waste Hotline and shall identify savings resulting from improved efficiencies or the elimination of waste or abuse resulting from reports received and investigations conducted under this law. The report shall also list the number and nature of any positive reports relating to state agencies, state employees, or persons under contract with state agencies.

The Hotline's toll-free number is 800-336-8218. This phone number connects to a voice mailbox for callers to leave a message. In addition, interested parties can provide information via the Internet email address: Audits.hotline@state.or.us. The messages are checked each Friday and transcribed onto the hotline log. As staff is available, the calls and emails are reviewed to determine whether sufficient information was provided, whether a callback is possible, and whether the described concern can be audited. Available information is evaluated to determine if an audit or review will be conducted. For example, some calls initiate audits or reviews, while other callers are referred to agencies that are appropriate

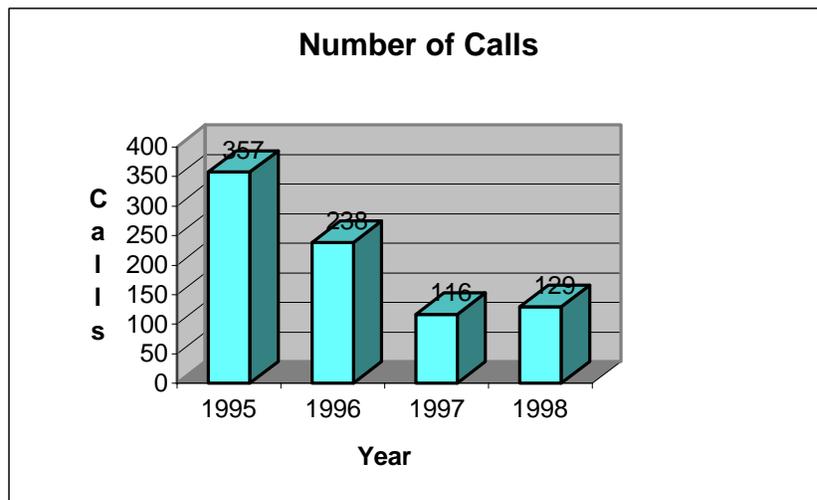
Background

to address their concerns. In addition, some calls that may not have fallen within the hotline's statutory purpose cited above, but were within the Secretary's audit authority resulted in follow-up action. For example, local governments that receive state funding would not be 'persons under contract with state agencies,' but the Secretary may have authority to audit the local or state funds.

STATISTICS

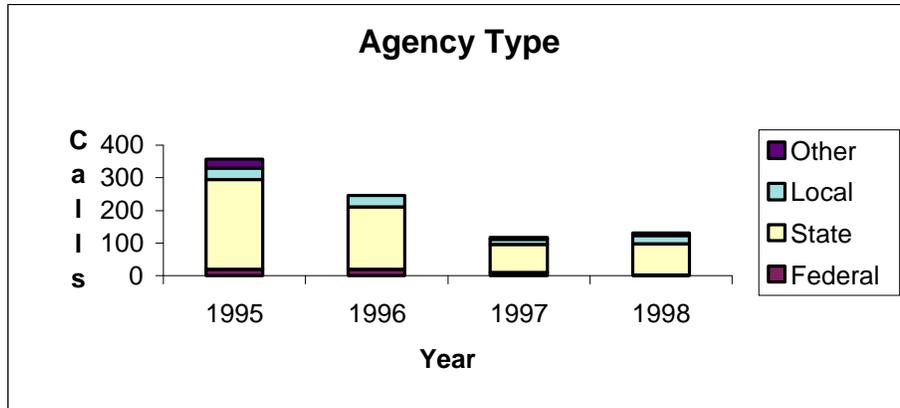
For comparability, the following data is accumulated on a calendar year basis. The hotline began operation during January 1995 although it was not statutorily mandated at that time. The other years contain 12 complete months of data.

As shown in the following chart, the number of calls peaked in 1995, the first year of the Government Waste Hotline.



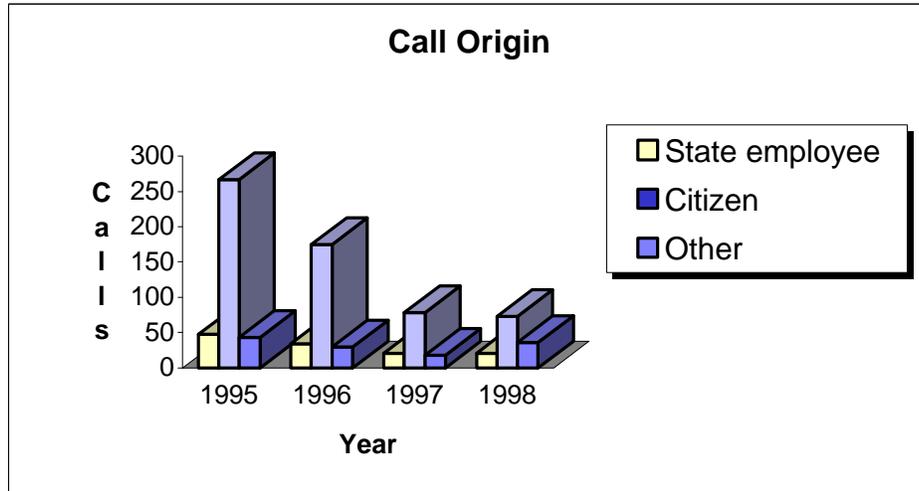
In 1995, a substantial number of calls were requests from state agencies for copies of hotline posters. The statute requires state agencies with public access to display the hotline notice. Several other calls during that year stated opinions regarding the state's decision to join a Colorado lawsuit. Advertising of the hotline during 1996 triggered substantial interest from the test market areas. The number of hotline calls have leveled out to around 120 per year, with early 1999 continuing this trend.

While many calls related to state agencies, several commented on federal or local governments. In addition, some calls were regarding non-government matters, labeled 'other' in the chart below.



	1995	1996	1997	1998
Federal	20	21	10	3
State	274	189	86	96
Local	35	36	14	25
Other	28	0	6	7
	<u>357</u>	<u>246</u>	<u>116</u>	<u>131</u>

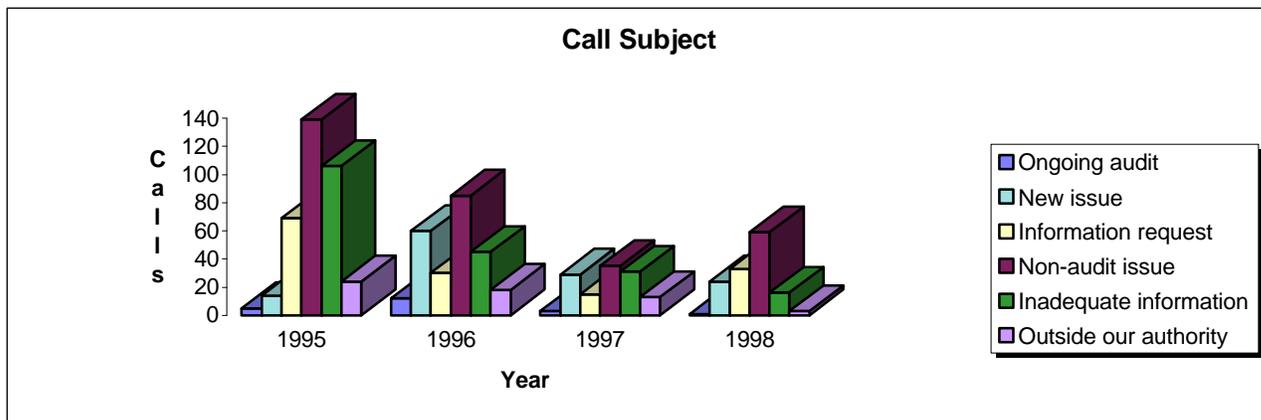
The caller's information sometimes related to more than one agency; thus, 1996 and 1998 totals exceed the number of calls for those years.



	1995	1996	1997	1998
State employee	47	34	20	20
Citizen	267	175	78	73
Other	43	29	18	36
	<u>357</u>	<u>238</u>	<u>116</u>	<u>129</u>

The majority of the calls came from citizens, with state employees and other unclassifiable types of calls being about equal numbers. 'Other' calls include those that are anonymous, come from organization representatives, etc.

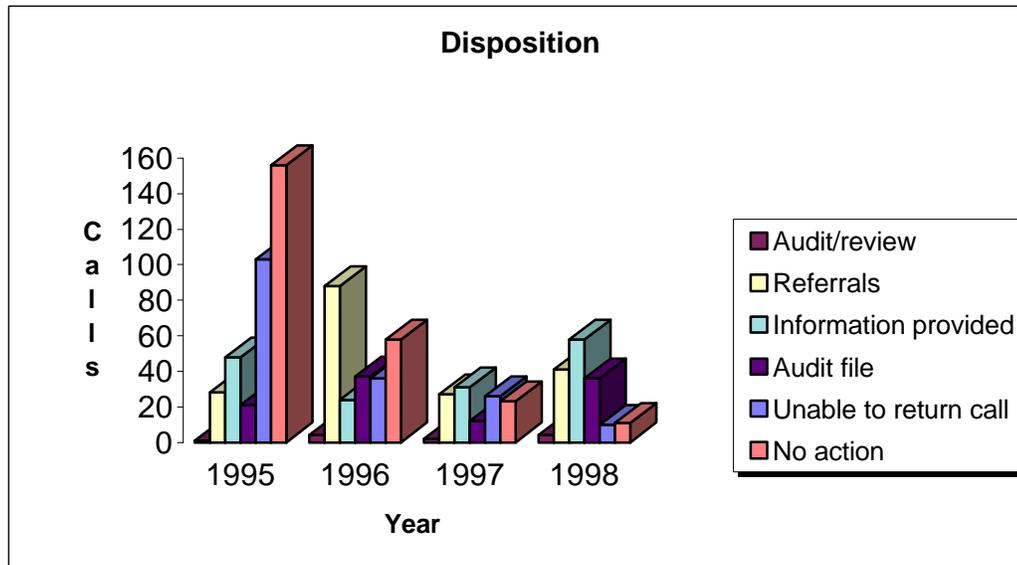
The hotline calls related to a variety of topics. Some of the calls provided new audit information or related to ongoing audits. Other calls requested information, such as copies of audit reports or where to address a particular concern. Several of the calls, however, were not audit issues or were outside the Secretary's audit authority. For example, these calls included concerns that should be addressed by another government agency, matters that were personal legal issues, or were simply statements of opinion. Calls categorized as 'inadequate information' were generally anonymous calls with insufficient information or a call in which the caller could not provide sufficiently specific information to allow or merit follow-up action.



	1995	1996	1997	1998
Ongoing audit	5	12	3	1
New issue	14	60	29	24
Information request	69	30	15	33
Non-audit issue	139	85	35	59
Inadequate information	106	45	31	16
Outside our authority	24	18	13	3
	<u>357</u>	<u>250</u>	<u>126</u>	<u>136</u>

Some issues fit more than one category, so the totals exceed the number of calls received each year.

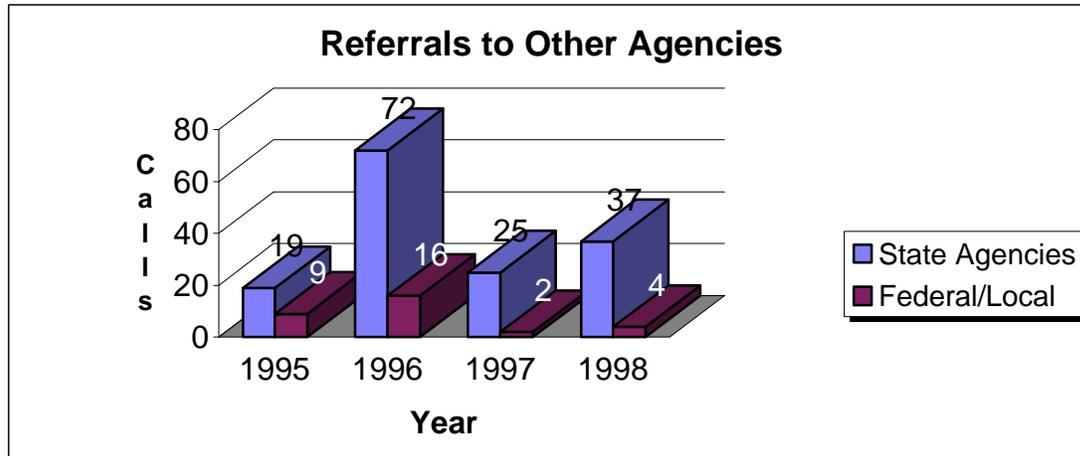
After reviewing the initial call, Audits Division staff contacted the callers, when possible, to obtain more detailed information about the concern. For anonymous calls, the division's ability to take action depended on the specificity and nature of information provided. For example, a call stating, "I witnessed abuse of a person by an employee of the (name) department. The employee was very hard on a customer. When confronted, the employee said he was three months from retirement and there was nothing (caller) could do to him," might result in no action due to lack of specific information regarding the incident and lack of a contact person for follow up. On the other hand, a call stating, "(Caller's name) is concerned about (named company). Alleges they are using unskilled labor to install heating equipment. Has video of the installations," could be referred to the appropriate agencies for follow up. The following chart depicts, in broad categories, the follow-up activity taken.



	1995	1996	1997	1998
Audit/review	1	4	2	4
Referrals	28	88	27	41
Information provided	48	24	31	58
Audit file	21	37	12	36
Unable to return call	103	36	26	10
No action	156	58	23	11
	<u>357</u>	<u>247</u>	<u>121</u>	<u>160</u>

Audits or reviews may result in formal audit reports, or in management letters advising the particular agency of the Secretary's findings. The 'referrals' category shows the number of calls referred to other state agencies, local or federal agencies. This will be discussed further in the next section. The number of informational responses has remained fairly steady over the four years. There has been a notable decline in the number of callers who we are not able to successfully contact for follow-up action. As shown by the chart, the number of hotline calls for which no action is required or possible has also greatly declined, both in number and ratio, since 1995. This category includes calls such as those stating opinions or anonymous calls with insufficient information for effective follow-up action to be taken.

As previously noted, referrals included providing the hotline caller's information to other state, local or federal agencies, as appropriate. When applicable, the information was relayed to more than one agency.



Because of confidentiality provisions of the hotline law, the division first contacts the caller and offers to provide contact information for the applicable agency to the caller or to provide the caller's reported information to the applicable agency. The majority of referrals made during these four years involved allegations of benefit program fraud. These cases are most frequently referred to the Department of Human Resources, Adult and Family Services Fraud Investigation Unit.

The statute requires the Secretary to report to the Government Standards and Practices Commission, or to appropriate law enforcement agencies, when applicable. During these four years, we have referred or provided information on five cases to GSPC and to law enforcement agencies. Four of these GSPC cases resulted in findings of violations or fines, or both. None of the referrals to law enforcement agencies resulted in criminal prosecutions. The Department of Justice has recently filed for civil recovery as a result of our audit of the state's computer printer contract. A hotline caller provided significant information that resulted in the audit of this contract, which was in effect during the period of July 1993 through July 1997.

To date, sufficient data has not been tracked regarding resolution of fraud allegations referred to other state agencies. In particular, the Adult and Family Services Division has been reluctant to share its outcome data related to our hotline referrals, citing confidentiality issues.

In at least one instance, however, we were told that a hotline call regarding a possible abuse of the Oregon Health Plan resulted in an overpayment recovery of \$7,317. We still need to resolve these confidentiality issues with other agencies' investigative units so that we can meet the statutory requirement to report savings or the elimination of waste or abuse resulting from reports received via the hotline.

Costs associated with the audits and reviews listed in Table 1 on page 11 totaled approximately \$550,000. Maintaining hotline data and related records and following up or referring hotline calls absorbs approximately \$18,000 of additional staff time during a biennium.

SUMMARY

Since its inception, the hotline has received 840 calls from state employees, citizens, and other sources regarding issues ranging from potential fraud, waste or abuse to statements of opinion. Of these, 11 calls have resulted in a new review or investigation by the Audits Division, while 21 calls related to ongoing audits. Based on data provided through the National State Auditors Association, this 'productivity' measure is below that of other state auditors' fraud, waste and abuse hotlines. This 4 percent rate for audits or reviews is significantly below the 10 to 15 percent average resulting, perhaps, from the limited resources we have available to dedicate to call resolution. During this same period, however, we have referred five cases to the Government Standards and Practices Commission and to law enforcement agencies, and 184 calls to other federal, state or local agencies for follow-up action.

TABLE 1

REPORTS RELATED TO HOTLINE CALLS

Report No.	Report Name	Comments	Questioned Costs
95-36	Department of Human Resources, Services to Children and Families – Adoption Assistance/Foster Care	Recommended improved controls over payments for services.	\$59,342
95-39	OHSU – ServiceMaster Contract	Recommended OHSU request the return of unearned fees and interest on public funds held by contractor, renegotiate annual fees, and improve other controls and procedures.	\$224,000
96-17	Department of Human Resources, Fairview Training Center – Lab Contract	Recommended DHR enforce usual charge rule and seek refund based on lowest price guarantee.	\$37,000
Letter dated July 17, 1996	OHSU – Catheter Lab Recycling	Recommendations to improve internal controls and procedures for catheter tip recycling proceeds and overtime.	Not quantified.
96-49	Klamath County Fair and Race Meet	Recommendations to improve compliance and controls. Referred matters to Oregon State Police and GSPC.	\$132,853
97-73	Investigation of Allegations of Building Code Violations in Harney County	Recommended Building Codes Division issue sanctions against this company and several state agencies take action to improve compliance with their respective requirements.	Not quantified.
97-80	Department of Administrative Services – Procurement of Custodial Supplies	Recommendations to improve compliance and internal controls and procedures. Recommendation to terminate the contract at the next practical opportunity and rebid.	Not quantified.

Table 1

98-20	Rogue Valley Transportation District	Recommended Oregon Department of Transportation ensure RVTD recovers identified excess payments, improves controls and procedures to ensure compliance.	\$20,116
98-34	Crook County School District	Recommendations to improve compliance and internal controls and procedures.	\$269,395
98-44	Department of Administrative Services – Printer Contract	Reported apparent overcharges by contractor. DOJ has filed suit for civil recovery.	\$706,000
99-01	Southern Curry Cemetery Maintenance District	Recommendations to improve compliance and controls. Found receipts not deposited, payments on receivables not deposited, payments without a contract.	\$46,833
		Total	\$1,495,539

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The mission of the Audits Division is to “Protect the Public Interest and Improve Oregon Government.” The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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