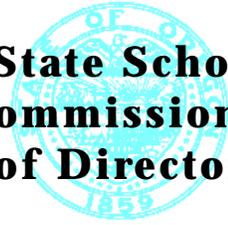


Secretary of State  
**AUDIT REPORT**

**Oregon State Scholarship Commission  
Change of Director Audit**



Phil Keisling, Secretary of State  
John Lattimer, Director, Audits Division

**Summary**

This audit was conducted to comply with *Oregon Revised Statutes* 297.210, which requires the Audits Division to perform an audit or review when the executive head of a state agency leaves that position for any reason.

Douglas L. Collins, who was appointed as the director of the Oregon State Scholarship Commission in 1993, retired from that position effective February 28, 1998. He remained on staff in a temporary status until April 13, 1998, when the new executive director was appointed.

The Oregon State Scholarship Commission provides a variety of financial aid programs designed to assist students in obtaining post-secondary education in Oregon.

Our audit was limited to determining that appropriate separation actions were taken upon the director's leaving. With one exception, we found that all appropriate actions had been taken to properly terminate the director's employment. Our audit was conducted in accordance with generally accepted government auditing standards.

**BACKGROUND**

The Oregon State Scholarship Commission (OSSC) was created as a state agency by the 1959 legislature, and operates under the provisions of *Oregon Revised Statutes* (ORS) 348.505 to 348.695. OSSC staff administers a variety of student financial aid programs under the oversight of a seven member Scholarship Commission.

The Scholarship Commission consists of six members who serve a 4-year term and one student member who serves a 2-year term. The Governor, with the consent of the Senate, appoints members.

The OSSC administers financial aid programs designed to assist students in obtaining post-secondary education in Oregon. Those include the Federal Family Education Loan Program, state grant programs, and approximately 150 private award programs.

OSSC guarantees student financial aid loans, buys defaulted loans from lenders, collects on defaulted loans, and provides a variety of counseling and monitoring services as part of the Federal Family Education Loan Program.

Douglas L. Collins, the executive director of OSSC since July 1993, retired effective February 28, 1998. He remained on staff

in a temporary status until April 13, 1998, when the new executive director was appointed.

**SCOPE AND METHODOLOGY**

This audit was conducted in order to comply with ORS 297.210, which requires the Audits Division to perform an audit or review when the executive head of an agency leaves for any reason. The audit was conducted in accordance with generally accepted government auditing standards. Our audit objectives were to assure appropriate actions were taken to cancel the previous director's access to state systems and return any state assets in his possession, and to assure that

recent transactions authorized by the director were reasonable and complied with appropriate laws and regulations.

In that regard, we:

- Tested travel and payroll transactions that were payable to or authorized by the director during his last six months in office;
- Determined that no contracts were entered into or authorized by the director;
- Found that no check stock or petty cash funds were kept by OSSC;
- Determined that fixed assets assigned to the former director had been returned to the agency, and his access to state computer systems was canceled; and
- Were alert for signs of potential fraud, abuse, and illegal acts for the areas related to audit objectives.

### AUDIT RESULTS

OSSC paid the director, upon his separation, for 290 hours in unused vacation leave.

Department of Administrative Services, Human Resources Services Division, state policy 60.000.05 (9) requires that “an employee who separates after six months of state service shall be paid for not more than 250 unused vacation leave hours.”

According to OSSC, and the Chair of its Search Committee, the director was requested to be in the office full-time through the reporting of a new director.

Earned vacation, therefore, would have been lost unless paid out in cash. DAS rules allow 40 hours to be paid in such

circumstances; however, the reason for such a payoff was not documented at the time that the disbursement was made.

**We recommend** that future payments of unused vacation be made only when written documentation exists at the time of payment supporting that an employee is unable to take earned vacation.

#### ***Agency Response:***

*We agree; we will require written documentation before payment is made to an employee for unused vacation.*

*This report, which is a public record, is intended to promote the best possible management of public resources. Copies may be obtained by mail at Oregon Audits Division, Public Service Building, Salem, Oregon 97310, by phone at 503-986-2255 and 800-336-8218 (hotline), or internet at Audits.Hotline@state.or.us and <http://www.sos.state.or.us/audits/audithp.htm>.*

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DEPUTY DIRECTOR: *Sharron E. Walker, CPA, CFE*

*The courtesies and cooperation extended by the officials and staff of the Oregon State Scholarship Commission were commendable and much appreciated.*

***Auditing to Protect the Public Interest and Improve Oregon Government***