

---

Secretary of State

State of Oregon

**Status of 1998 Audit Recommendations as  
Reported by State Agencies**



Audits Division

---



---

Secretary of State

State of Oregon

**Status of 1998 Audit Recommendations as  
Reported by State Agencies**



**Audits Division**



OFFICE OF THE  
SECRETARY OF STATE  
Phil Keisling  
Secretary of State  
Suzanne Townsend  
Deputy Secretary of State



AUDITS DIVISION  
John Lattimer  
Director

(503) 986-2255  
FAX (503) 378-6767

---

*Auditing for a Better Oregon*

Senator Duncan and  
Representative Lewis, Co-Chairs,  
and Members of the Legislative Audit Committee

Dear Committee Members:

The Oregon Audits Division is pleased to present this report containing state agencies' reports on their progress in implementing 1998 audit recommendations. Information is reported "as of" June 30, 1999. During the summer of 1999, we requested that agencies submit information on the implementation status of our recommendations. We compiled that information into this report. It has not, as yet, been verified.

We hope that you find this information useful and we look forward to working with the committee.

OREGON AUDITS DIVISION

John N. Lattimer  
Director

November 17, 1999



## Table of Contents

Oregon Department of Transportation – Special Review – Change of Director Report #98-02, January 16, 1998 .....	1
Oregon Youth Authority – Youth Correctional Facilities – Education and Treatment Programs Report #98-05, February 18, 1998.....	2
Oregon State Fair and Exposition Center – Special Review Report #98-06, February 27, 1998.....	9
Senior and Disabled Services Division – Facility Abuse Complaint Investigations, Estate Administration, and Adult Foster Home Licensing Report #98-07, March 17, 1998 .....	13
State Board of Massage Technicians – Special Review – Change of Director Report #98-09, March 19, 1998 .....	19
Department of Revenue – Property Tax Exemptions Report #98-10, March 24, 1998 .....	20
Department of Revenue – General and Personal Income Tax Application Controls Report #98-12, May 7, 1998 .....	25
Office of Energy – Small Scale Energy Loan Program Report #98-16, May 22, 1998 .....	29
Commission for Women – Special Review – Change of Director Report #98-18, May 22, 1998 .....	30
Department of Human Resources – Investigation of Seiders Enterprises, Inc. Report #98-19, May 29, 1998 .....	31
Oregon Department of Transportation – Rogue Valley Transportation District Report #98-20, May 29, 1998 .....	41
Oregon Department of Transportation – Highway Construction Report #98-24, July 1, 1998.....	46
Department of Corrections – Prison Construction – Infrastructure Planning and Development Report #98-26, July 15, 1998.....	48
Driver and Motor Vehicle Services – A Limited Review of Cash Handling at Selected Field Offices Report #98-28, July 17, 1998.....	51
Department of Geology and Mineral Industries	

## Table of Contents (cont.)

Report #98-29, July 28, 1998 .....	56
Department of Corrections – Prison Construction Procurement and Contract Development	
Report #98-30, July 29, 1998 .....	59
Crook County School District – Special Review	
Report #98-34, September 9, 1998 .....	63
Adult and Family Services Division – Review of State-Subsidized Child Care Payments	
Report #98-35, September 17, 1998 .....	73
Department of Administrative Services – Computer Center General Controls Review	
Report #98-39, October 27, 1998 .....	85
Oregon Department of Education – Child and Adult Care Food Program – A Child's Place	
Report #98-40, November 19, 1998 .....	89
Department of Corrections – Prison Construction Program – Long-Range Planning and Budgeting	
Report #98-43, December 3, 1998 .....	90
Department of Administrative Services – Printer Contract	
Report #98-44, December 18, 1998 .....	95
Department of Human Resources – Computer Center General Controls Review	
Report #98-49, December 23, 1998 .....	96
Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls	
Report #98-51, December 31, 1998 .....	101
Directory of Key Officials	
Director .....	117

# Status of 1998 Audit Recommendations as Reported by State Agencies

## Oregon Department of Transportation – Special Review – Change of Director

Report #98-02, January 16, 1998

<p><b>Finding #1:</b> Reimbursements were being made to employees for out-of-state travel without sufficient documentation to support the claims and for amounts that may not be appropriate.</p>	
Recommendation	Status Reported by Agency as of 6/30/99
<p>Require employees to review travel policies and procedures and submit adequate information to support out-of-state travel claims.</p>	<p><b>Fully Implemented:</b> We developed an ODOT Travel Handbook based on the Oregon Accounting Manual and distributed it to all ODOT Managers to share with employees. The manual also is available on the Intranet for reference. As new managers attend the Management Core Curriculum, we provide training on the basics of travel.</p>
<p>Require that employees processing claims for reimbursement not process claims that do not have proper documentation.</p>	<p><b>Fully Implemented:</b> As travel expense claims are processed, our Accounting Technician reviews them to ensure that all proper documentation is attached. Most out-of-state claims for conferences include detailed information. We could educate employees more on this.</p>
<p>Require approval for travel claims of all employees before those claims are paid, including the director.</p>	<p><b>Fully Implemented:</b> Effective July 1, 1999, we implemented procedures that require the review of Director travel claims by one of the two ODOT Executive Deputy Directors.</p>
<p><u>Management's Response from Original Report:</u></p> <p>We are in agreement that the department can improve its controls over reimbursements to employees for out-of-state travel. In support of this goal, we will provide a reminder to all employees to review travel policies with particular emphasis on the requirement for approval and documentation of out-of-state travel and reiterate that employees processing claims for reimbursement will not process any claim that does not have all required documentation. In addition, we are in the process of reevaluating the department's existing policy governing approval of executive level travel claims.</p>	

**Oregon Youth Authority – Youth Correctional Facilities – Education and Treatment Programs**

Report #98-05, February 18, 1998

**Finding #1:** The evaluations required by Senate Bill 1 (passed by the Legislative Assembly in 1995) to be conducted on juveniles when committed to Oregon's youth correctional facilities were not being consistently conducted.

Recommendation	Status Reported by Agency as of 6/30/99
<p>Develop comprehensive policies applicable to all facilities specifying the assessments to be provided for each incoming youth and timeframes for their administration, in accordance with SB1.</p>	<p><b>Fully Implemented:</b> We developed a policy to address this issue. Policy Statement II-A-9.4 outlines provisions for assessment of all youth entering OYA facilities. At Hillcrest and McLaren, the Mental Health assessments and psychological/psychiatric evaluations are completed on 100 percent of OYA youth within required timelines. Contracted psychiatrists, contracted psychologists and psychological interns are currently assessing each youth during intake. SB 341, sponsored by OYA and recently passed, clarifies assessment requirements pertaining to youth when initially placed in Youth Correction Facilities, clarifies requirements for psychological and psychiatric evaluations as well as for vocational assessments. It authorizes us to meet the assessment requirements by either conducting them or causing them to be conducted. Additionally, we are working with the Department of Education to develop standards for assessing youth at this time.</p>

Management's Response from Original Report:

We agree that intake practices can be improved. We maintain, however, that our practices are sound. For example, the report is critical of the fact that all youths are not given a psychological or psychiatric evaluation during the intake process. As noted in the audit report, current practice provides for all youths to be screened for mental health status and, when indicated, a full evaluation is conducted. To conduct a psychological or psychiatric evaluation without cause is not a good use of public resources. In fact, industry practice would dictate that youths who do not need this level of review should not be subject to it.

**Oregon Youth Authority – Youth Correctional Facilities – Education and Treatment Programs (cont.)**

Report #98-05, February 18, 1998

<p><b>Finding #2:</b> Management controls necessary to ensure that all incoming juveniles receive the fully battery of assessments required by SB1 and good professional practices have not been implemented.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Develop appropriate management controls to ensure that all new intake assessment policies and procedures are successfully implemented.</p>	<p><b>Fully Implemented:</b> We provide management and oversight of intake policy and procedure through the Closed Custody Review Board (CCRB) process. CCRB's are administrative reviews of youth assessments, observations, and recommendations. We also provide quarterly and exit reviews. We are continuing to review and enhance management controls for all programs. We are participating in the Performance Based Standards project that includes the development of 63 performance standards covering six areas of facility operation: Safety, Order, Security, Programming/Education, Health/Mental Health, and Justice. The standards are being tested nationally in 30 sites, including all of our Youth Correctional Facilities. Analysis of the data has been followed with the implementation of a "facility improvement plan," which addresses maintenance of the standards, including those for the intake process in our facilities. These standards are being measured at all of our youth correctional facilities as part of our participation in the Performance Based Standards for Juvenile Correction and Detention Facilities Improvement Plan. A management reporting process has been developed. The process produces detailed information regarding close custody daily population, close custody monthly population, intake and treatment, and discharges.</p>
<p><u>Management's Response from Original Report:</u></p> <p>Because we are a new state agency (established in 1996), we are still in the process of developing management controls and will continue this effort.</p>	

**Oregon Youth Authority – Youth Correctional Facilities – Education and Treatment Programs (cont.)**

Report #98-05, February 18, 1998

**Finding #3:** The interagency agreement between the OYA and the Department of Education did not address specific requirements for intake assessments including educational, special education, and vocational evaluations which are required under Senate Bill 1.

Recommendation	Status Reported by Agency as of 6/30/99
<p>Enter into specific and detailed interagency agreements with the Department of Education specifying requirements for educational, special education, and vocational testing. Such agreements should detail requirements for sharing information, integrating results into reformation plans, and involving parents.</p>	<p><b>Fully Implemented:</b> We have implemented contracts with Oregon Department of Education/Willamette ESD that stipulate conditions and requirements for education, special education, and vocational testing. In addition, as pertains to the successful transition of youths from youth correctional facilities, we, in conjunction with University of Oregon, Vocational Rehabilitation Division, and Oregon Department of Education, have implemented "Project Support," a pilot transition-to-work program for formerly incarcerated adolescents with disabilities. Three transition specialists have been hired to coordinate services for youth from three counties who will soon be paroled into the community. The specialists will serve as liaisons between the facility and the communities in providing employment support to these youths. The project also will provide training or education, if needed, for specific jobs as well as vocational counseling and guidance. This pilot project is receiving outside independent evaluation and technical assistance from the University of Oregon College of Education. This has improved the quality of our services and assurance of a safe and healthy environment for youth offenders.</p>

Management's Response from Original Report:

State and federal law requires that educational evaluations be conducted by appropriately licensed educators. The 1993 Oregon Legislative Assembly designated the Oregon Department of Education as the agency responsible for education programs in state operated juvenile corrections facilities. We already have an interagency agreement with the Department of Education, but it can, no doubt, be improved upon. We will continue to involve parents with the youth incarcerated in our institutions when appropriate. Not all parents can be appropriately engaged in a youth's reformation plan due to specific family conditions related to a youth's criminal conduct and/or a youth's treatment.

**Oregon Youth Authority – Youth Correctional Facilities – Education and Treatment Programs (cont.)**

Report #98-05, February 18, 1998

<p><b>Finding #4:</b> There was limited external oversight of OYA programs for the purpose of upgrading or improving services to adjudicated youths. Only a few individual programs had adopted any professional practice standards and OYA had not established a rigorous and systematic internal quality assurance process.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Adopt quality standards and develop a written quality assurance plan for all facility treatment, educational, and special educational programs.</p>	<p><b>Partially Implemented:</b> <i>We are currently developing Performance Based Standards for all of our Youth Corrections Facilities via an OJJDP-funded project that is being coordinated by our Program Office. Oregon is the only state in which all the juvenile closed custody facilities are participating. The Department of Education is also participating in this project.</i></p>
<p>Establish a new performance measure related to program oversight for inclusion in the agency's budget submitted to the Legislative Assembly.</p>	<p><b>Fully Implemented:</b> <i>We submitted this performance measure as part of our 1999 — 2001 budget request.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We requested an internal auditor position to help carry out these functions, but it was not funded by the legislature. Further, we are currently participating in a performance standards project funded by the Office of Juvenile Justice and Delinquency Prevention in the United States Department of Justice. We are field-testing a set of performance-based standards for juvenile confinement facilities that appear to support Oregon's commitment to use the outcomes as measures of success. Existing professional standards, such as those developed by the American Correctional Association, are process-oriented rather than outcome-oriented.</i></p> <p><i>We have, for several years, used performance measures that support the Oregon Benchmarks to measure important outcomes. These measures demonstrate the following improvements in outcomes:</i></p> <ul style="list-style-type: none"> <li>➤ <i>Parole revocations, though still too high, are declining.</i></li> <li>➤ <i>More youth are attending school and obtaining high school diplomas and GEDs.</i></li> <li>➤ <i>Through work programs, youth are earning more money to pay restitution.</i></li> <li>➤ <i>Dramatically fewer youth are escaping from our facilities.</i></li> <li>➤ <i>Fewer youth are recidivating during their first year of release.</i></li> <li>➤ <i>OYA employees are an increasingly diverse workforce that better represents our youth.</i></li> <li>➤ <i>Staff is participating in more training.</i></li> <li>➤ <i>Workplace safety is improving.</i></li> </ul> <p><i>We will add a new performance measure related to program oversight to our existing performance measurements and seek funding for it.</i></p>	

**Oregon Youth Authority – Youth Correctional Facilities – Education and Treatment Programs (cont.)**

Report #98-05, February 18, 1998

<p><b>Finding #5:</b> Vocational training programs provided only limited job training and work experience opportunities.</p>	
Recommendation	Status Reported by Agency as of 6/30/99
<p>Work with business, labor, and industrial representatives to establish an ongoing review and improvement program for facility vocational and rehabilitation training.</p>	<p><b>Fully Implemented:</b> Willamette ESD has established several vocational links to the community with programs like the Print Shop, cosmetology, and job fairs. Hillcrest maintains a high number of outside representatives through its volunteer program. MacLaren has a contract with CH2A of Portland that is a private nonprofit company to explore and develop opportunities for youth in the facility and the community involving private industry. In addition, the provider is networking with Portland Community College Board of Directors to facilitate post-high school educational and vocational opportunities for our post-graduate youth, both in the facilities and for those who are transitioning back to their community. MacLaren has created a developmental opportunity for a staff person to network within Woodburn and the surrounding communities for vocational, employment, and community service opportunities for youth involvement. These activities are coordinated by the youth opportunity committee, which is a joint OYA and Willamette ESD work group that analyzes educational and vocational needs of the youth population. MacLaren recently submitted a grant proposal to erect a Recycling Center at the facility that will employ youth and provide training on waste management as well as simple accounting and business principles. With the hiring of a fulltime Work Coordinator, we continue to seek federal and state opportunities that could enhance our vocational training programs.</p>
<p><u>Management's Response from Original Report:</u></p> <p>Acting on recommendations from the State Employment Division, the Oregon Youth Authority and the Department of Education have recently eliminated four outdated vocational training programs and instituted new ones designed to better train youth for today's job market. We will continue to work with ODE to improve these services.</p>	

**Oregon Youth Authority – Youth Correctional Facilities – Education and Treatment Programs (cont.)**

Report #98-05, February 18, 1998

<b>Finding #6:</b> Beer and wine tax revenues to help support MacLaren's drug and alcohol abuse programs had not been obtained.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Seek approval for MacLaren's alcohol and drug abuse program and apply for grant moneys for this program from the state Office of Alcohol and Drug Abuse Programs.	<b>Partially Implemented:</b> Hillcrest's Drug and Alcohol program is currently certified. MacLaren recently applied for a grant to improve the facility alcohol and drug program and we will continue to explore certification of the current program.
<u>Management's Response from Original Report:</u>	
We will continue to work with the State Office of Alcohol and Drug Abuse Programs to secure additional treatment funds and program improvements. Certification of the MacLaren program will be explored, with the intent of such certification resulting in program improvements. We cannot currently discern any difference in the outcomes of the certified program at Hillcrest and the non-certified program at MacLaren. The certified program does, however, have far more reporting and paper requirements.	

<b>Finding #7:</b> A comprehensive report on recidivism of juveniles has not been produced, as required by Senate Bill 1. This report was due before April 1, 1996.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Prepare and submit the required recidivism report using data already provided from approximately 20 cooperating counties. Explain the difficulties encountered in obtaining the necessary data from the counties. The report should cover calendar years 1995 and 1996. In addition, prepare another report, covering 1997, by the next statutorily specified deadline of April 1, 1998.	<b>Partially Implemented:</b> We recently released the "Juvenile Recidivism Report, Oregon's First Statewide Report on Juvenile Recidivism." This report was sponsored by OYA, Oregon Juvenile Department Directors Association, and the Commission on Children and Families. It is based on data pertaining to youth that committed offenses in 1994. Data from 1995, 1996 and 1997 has been collected, and a report on the data is scheduled for release. JJIS is being implemented in all of our field offices and all but two County Juvenile Departments. As per HB 2744, the remaining two counties will provide the required data to us. JJIS will allow more consistent and thorough data to be collected for future reporting.
<u>Management's Response from Original Report:</u>	
We have communicated with the Legislature on this report and have been encouraged by the Senate Judiciary members to continue to develop JJIS (which will establish the necessary database from which to extract a recidivism report) in cooperation with the counties. We will continue to follow this guidance and will produce a report containing the available data. The January 1998 Emergency Board granted funds for JJIS implementation. We will continue development efforts and seek the necessary expert assistance.	

**Oregon Youth Authority – Youth Correctional Facilities – Education and Treatment Programs (cont.)**

Report #98-05, February 18, 1998

<b>Finding #8:</b> Information needed from counties to evaluate the effectiveness of the current treatment programs in youth correctional facilities was not systematically gathered.	
Recommendation	Status Reported by Agency as of 6/30/99
Include appropriate language in annual contracts for diversion programs administered through Oregon's counties to ensure that adequate outcome data is reported to OYA that will enable it to monitor program effectiveness and improve the quality of its services.	<b>Not Implemented:</b> HB 2744 which establishes the Juvenile Justice Information System (JJIS) and directs us to adopt rules regarding the system also requires Juvenile Departments to provide JJIS data to us.
<i>Management's Response from Original Report:</i>	
<i>Each county's ability to submit such data depends upon many factors, but most importantly on the funding priorities of the county to develop such a data reporting system. We have spent the last two years developing a trusting relationship around the development of the JJIS with each county government in the state. We are well aware of the difficulty counties currently have in producing data and this is why we have pursued the JJIS in a collaborative manner rather than a punitive one. To begin to penalize counties now for a lack of data by withholding diversion funds would foolishly jeopardize the JJIS.</i>	

<b>Finding #9:</b> The component of the Juvenile Justice Information System that would enable it to report on outcome information had not been specifically developed and was not scheduled for development until late in 1998.	
Recommendation	Status Reported by Agency as of 6/30/99
Develop specific plans for implementing an outcome-based performance measurement system to ensure that the new Juvenile Justice Information System will produce practical and reliable outcome information useful to agency administrators and state policy makers.	<b>Under Consideration:</b> The ABT Performance Based Standards have been developed; we are in "round one" where data is being collected and we are in the process of implementation. These standards will assist us in measuring outcomes in our facilities. We have not yet determined how JJIS will produce the data derived by the ABT process. The next phase will be to "tie" JJIS to the system.
<i>Management's Response from Original Report:</i>	
<i>We, with our juvenile justice partners, are already doing all of the above.</i>	

**Oregon State Fair and Exposition Center – Special Review**

Report #98-06, February 27, 1998

<b>Finding #1:</b> Fair superintendents were granted broad authority over the employment and management of temporary staff without sufficient compensating controls, creating the opportunity for the misuse of funds due to the potential creation of “ghost” employees.	
Recommendation	Status Reported by Agency as of 6/30/99
Either limit the authority of the superintendents or implement a compensating control for the second pay period similar to that performed during the first pay period.	<b>Fully Implemented:</b> We implemented this recommendation by sampling payroll for both pay periods of the 1998 Fair. We plan to do the same for the 1999 Fair.
<u>Management’s Response from Original Report:</u>	
We do not concur entirely with this finding. The finding deals with a potential loss that cannot be measured. Yet we agree in principle with improving controls wherever feasible. We will implement your recommendation for additional compensating controls at the end-of-fair [second] payroll. A sample of employee paychecks at the end of the 1998 Fair will be verified by our internal auditor.	

<b>Finding #2:</b> Fixed costs were not allocated to the annual state fair.	
Recommendation	Status Reported by Agency as of 6/30/99
Utilize existing budget structure to provide more useful and accurate financial information on the annual state fair and non-fair activities. At a minimum, estimate what fixed costs, including permanent staff time, should be allocated to the annual state fair and non-fair activities. Derive and document an allocation method that appears reasonable and reflects more accurate financial results.	<b>Partially Implemented:</b> We have increased the allocation percentage of fixed costs to the fair. We are developing our accounting “tools” to issue an annual statement that allocates 100 percent of revenue and expenditure to either the fair or other events. We feel that the cost of doing this is very high and SFMS doesn’t quite do it yet. This recommendation is theoretically sound, but the cost of implementation is very high for current accounting data.
<u>Management’s Response from Original Report:</u>	
We agree with this analysis. Technical assistance will be sought from both the Secretary of State Audit Division and DAS Controller’s Division to design an accounting system. The objective will be to design accounting procedures, using SFMS functionality, that will allocate fixed costs equitably between Exposition Events and the fair. This must be done at a reasonable cost. We are unable to provide a projected completion date for this activity. In addition, we will review the allocation of fixed costs in the “annual fair statements.” These special statements have been prepared for the 1995 through 1997 fairs. We will revise and reissue the statements if a larger portion fixed cost is found to be allocable to the Annual State Fair.	

**Oregon State Fair and Exposition Center – Special Review (cont.)**

Report #98-06, February 27, 1998

**Finding #3:** The rate covenant, which requires the fair to establish fees and charges that will result in sufficient fiscal year revenues, was not met so the fair was required to engage a professional fair consultant.

Recommendation	Status Reported by Agency as of 6/30/99
Utilize the recommendations and guidance provided by the professional fair consultant.	<b>Fully Implemented:</b> We considered all of the recommendations from Markin Consulting and most of them were accepted. All of the fee increases that were recommended were implemented. Two program recommendations were rejected because they were unworkable.

Management's Response from Original Report:

We agree with the report findings. All reasonable recommendations of Markin Consulting, the retained financial consultant, will be implemented as soon as possible.

**Finding #4:** ORS 286.135, which requires the fair to request the Secretary of State to conduct a financial audit of its bond program at least annually or for the fair to obtain an exemption from this audit requirement from the Department of Administrative Services, was not complied with.

Recommendation	Status Reported by Agency as of 6/30/99
Request an audit on a periodic basis and obtain exemptions from the audit requirement from the Department of Administrative Services during other years.	<b>Fully Implemented:</b> We requested and received a waiver from the Department of Administrative Services for the 1998 annual audit requirement. We plan to request a waiver again for 1999.

Management's Response from Original Report:

We have already complied with ORS 286.135, and requested a waiver from DAS for the 1998 annual audit period of the 1996 Revenue Bonds.

**Oregon State Fair and Exposition Center – Special Review (cont.)**

Report #98-06, February 27, 1998

<b>Finding #5:</b> The decision to form a contract versus a license, permit, or agreement was not adequately documented, and policies and procedures specifying which contracting method is recommended under certain circumstances did not exist.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Establish and implement policies and procedures to ensure that adequate documentation is maintained on contracting decisions. In addition, seek guidance from the Attorney General regarding the recommended use of the various contracting methods.	<b>Fully Implemented:</b> <i>We have developed policies in this area and have a contract-type selection checklist.</i>
<u>Management's Response from Original Report:</u>  <i>We agree with the finding. Our contracts coordinator and Director of Business Services will develop procedures to document decisions on contract types for State Fair business, by June 30, 1998.</i>	

<b>Finding #6:</b> Written guidelines for overtime approval and authorization did not exist.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Establish and implement policies and procedures to ensure that adequate and consistent documentation is maintained for overtime authorizations.	<b>Fully Implemented:</b> <i>We have developed an internal policy on overtime.</i>
<u>Management's Response from Original Report:</u>  <i>We agree with this finding. The recommendation to develop written procedures for the approval of overtime work will be implemented. Procedures will be in place by June 30, 1998. The Director of Operations has already issued a policy that requires overtime to be approved in advance. The "memo policy" will be incorporated in the above-noted written procedure.</i>	

**Oregon State Fair and Exposition Center – Special Review (cont.)**

Report #98-06, February 27, 1998

<b>Finding #7:</b> Several issues, including cost allocation and policies and procedures for contracting methods and overtime authorization, had not been addressed.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Consider having an operation study done of the utilization of staff and resources.	<b><i>Partially Implemented:</i></b> We believe the management audit of the Legislative Fiscal Office fulfilled this recommendation.
<b><i>Management's Response from Original Report:</i></b>	
<i>We agree with this finding. It is probably always possible to improve upon the use of resources and staff. However, we suggest that the Legislative Performance Audit now being conducted satisfies your recommendation for a further "operational study." We are unable to commit to any further analysis of the State Fair and Exposition Center.</i>	

**Senior and Disabled Services Division – Facility Abuse Complaint Investigations, Estate Administration, and Adult Foster Home Licensing**  
 Report #98-07, March 17, 1998

<b>Finding #1:</b> Criminal records checks were not always run on providers, employees or non-client residents of adult foster homes.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Establish a procedure and train local office staff to routinely confirm that all providers, resident managers, and non-client residents identified during all AFH visits, licensing or other, have current criminal record checks.	Senior and Disabled Services Division was asked to provide information regarding the status of this recommendation on June 23, 1999. As of November 3, 1999, no response was received.
File completed record check forms alphabetically by year. This method of filing should allow local offices to easily determine whether an individual has current record checks.	
Require local office staff to issue only written warnings for AFH failure to submit "Criminal History Release Authorization" forms or to document the issuance of verbal warnings in provider files.	
<u>Management's Response from Original Report:</u>	
<i>We will reaffirm our policy and provide training regarding verification of staff and non-client residents in the home during licensing or other monitoring visits, and to subsequently verify that criminal record checks have been completed. We also will provide guidelines to local offices on developing effective system for criminal records check tracking such as filing alphabetically by year.</i>	

**Senior and Disabled Services Division – Facility Abuse Complaint Investigations, Estate Administration, and Adult Foster Home Licensing (cont.)**

Report #98-07, March 17, 1998

<p><b>Finding #2:</b> Actions to protect adult foster home residents, such as performing licensing inspections, noting deficiencies, establishing timelines for corrective actions, and ensuring that deficiencies are corrected before license issuance or renewal were not always completed as required.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Provide local office inspectors with additional training emphasizing deficiency follow-up procedures and documentation.</p>	<p>Senior and Disabled Services Division was asked to provide information regarding the status of this recommendation on June 23, 1999. As of November 3, 1999, no response was received.</p>
<p>Review administrative rules to ensure compliance with ORS 443.790. Specifically, review the timeframe for deficiency correction of 60 days in OARs 411-50-415, 411-50-420, and 411-50-460 to determine whether they conflict with the statutory timeframe of 30 days per ORS 443.790.</p>	
<p><i>Management's Response from Original Report:</i></p> <p><i>We agree with this recommendation and will provide additional training and policy clarification. We will explore new methods of assuring that deficiencies have been corrected. We also are currently reviewing the statute and regulations with the goal of eliminating conflicts.</i></p>	

**Senior and Disabled Services Division – Facility Abuse Complaint Investigations, Estate Administration, and Adult Foster Home Licensing (cont.)**

Report #98-07, March 17, 1998

<p><b>Finding #3:</b> Adult foster home providers and resident managers did not always meet the training requirements of completing a training course, passing a basic training examination, and attending at least 10 hours of annual continuing training.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Ensure that all of the eleven providers and resident managers identified as exceptions by the audit have passed the basic training course exam.</p>	<p>Senior and Disabled Services Division was asked to provide information regarding the status of this recommendation on June 23, 1999. As of November 3, 1999, no response was received.</p>
<p>Require local offices to obtain documentation verifying providers and resident managers have passed a basic training course examination prior to licensing.</p>	
<p>Institute a policy requiring inspectors to document providers failing to complete 10 hours of training as a deficiency on a notice of violation. This formally documents the training deficiency and will serve as a reminder to perform follow-up action.</p>	
<p><i>Management's Response from Original Report:</i></p> <p><i>We agree and will review all eleven exceptions with local offices and ensure that basic training course exams have been passed. The documentation requirement is current SDSD policy and will be re-emphasized in writing and during training with local offices. We also will provide additional training on deficiency follow up for local office staff.</i></p>	

**Senior and Disabled Services Division – Facility Abuse Complaint Investigations, Estate Administration, and Adult Foster Home Licensing (cont.)**

Report #98-07, March 17, 1998

<p><b>Finding #4:</b> Abuse complaint investigation timelines, such as when investigations should start and when reports should be issued, were not always met.</p>	
Recommendation	Status Reported by Agency as of 6/30/99
Provide additional training to division and local office staff emphasizing timelines.	<p>Senior and Disabled Services Division was asked to provide information regarding the status of this recommendation on June 23, 1999. As of November 3, 1999, no response was received.</p>
Consider obtaining an electronic or manual tracking and monitoring system for facility abuse complaint investigations.	
To ensure that investigations begin within time requirements, document the time facility abuse complaints are received and the time investigations begin.	
Review the procedures local offices use to triage complaints.	
Define the term “promptly” in administrative rule.	
To ensure that timely corrective actions are issued for RCFs and ALFs, consider establishing time requirements in administrative rule, such as there are for AFHs and nursing facilities.	
<p><u>Management’s Response from Original Report:</u></p> <p><i>We began planning activities for the enhancement of our entire Adult Protective Services program in August 1996. A draft manual was completed in September of 1997 and pilot training began shortly thereafter. We will edit the manual and training to place additional emphasis on the timelines of the adult protective services system, including facility abuse complaint investigations. Statewide training is planned for the summer of 1998. We also have been developing an internal system that will aid local offices in monitoring the complaint investigation process. We will include a centralized online reporting system as part of our process of setting data system development priorities. We will begin to generate reports that indicate which local offices are following required timelines. It is already division policy that local offices document the time they receive complaints and begin investigations. These time requirements will be reemphasized in policy communications and training. We also will review local procedures with the goal of providing local offices guidance on the most effective</i></p>	

*methods of triaging complaints. Finally, we will clarify the meaning of the word "promptly."*

**Senior and Disabled Services Division – Facility Abuse Complaint Investigations, Estate Administration, and Adult Foster Home Licensing (cont.)**

Report #98-07, March 17, 1998

<p><b>Finding #5:</b> Some deceased client funds cannot be recovered through the bank letter process because local office personnel are not reporting some client deaths in a timely manner, or reporting them at all.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Provide training to local offices and the Estate Administration Unit detailing the process and importance of notifying the unit of client deaths.</p>	<p>Senior and Disabled Services Division was asked to provide information regarding the status of this recommendation on June 23, 1999. As of November 3, 1999, no response was received.</p>
<p>Determine the feasibility of obtaining deceased client listing from the Oregon Health Division. The unit could then develop a process to identify and notify local offices of the client's death and request the information needed to begin estate recovery processes.</p>	
<p><u>Management's Response from Original Report:</u></p> <p><i>We agree with this recommendation and already have taken several steps toward this goal. Estates staff has reviewed and revised training materials to place more emphasis on timely completion of reporting forms and will be issuing a formal policy memorandum stressing the importance of timely reporting. We have arranged for Estates Administration Unit staff to conduct a portion of the division's Medicaid training of local office staff. EAU also is planning a quarterly Estate Administration Training to familiarize all local office staff with the estate recovery process. This training will start being delivered this year. We are also very interested in pursuing the possibility of obtaining vital statistics information from the Health Division and our Information System staff will do so.</i></p>	

**Senior and Disabled Services Division – Facility Abuse Complaint Investigations, Estate Administration, and Adult Foster Home Licensing (cont.)**

Report #98-07, March 17, 1998

<p><b>Finding #6:</b> Funds held by the Division of State Lands that belonged to a deceased client whose public assistance is subject to recovery can be recovered by the division.</p>	
Recommendation	Status Reported by Agency as of 6/30/99
<p>Work with the Division of State Lands to claim and recover the abandoned property identified by the audit.</p>	<p>Senior and Disabled Services Division was asked to provide information regarding the status of this recommendation on June 23, 1999. As of November 3, 1999, no response was received.</p>
<p>Determine whether the performance of further procedures to identify assets currently held by the DSL would be effective.</p>	
<p>Identify and implement a process to monitor and claim future recoverable abandoned property collections.</p>	
<p><u>Management's Response from Original Report:</u></p> <p><i>We are identifying staff members who can begin the property recovery process. We will examine whether possible recoveries will justify the addition of staff to the EAU. Methods of matching DSL and Medicaid records also will be explored.</i></p>	

**State Board of Massage Technicians – Special Review – Change of Director**

Report #98-09, March 19, 1998

<b>Finding #1:</b> The 1995 — 97 biennium budget was over- and under-spent in several areas.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Obtain reports comparing biennial expenditures to budget on a quarterly or semi-annual basis. This will provide the board with additional oversight to the financial activities and information concerning the use of the board's limited funds.	<b>Fully Implemented:</b> <i>The Executive Director now provides a financial report at each Board meeting. The report compares expenditures to budget on a quarterly basis.</i>
<u>Management's Response from Original Report:</u>  <i>We reviewed the Secretary of State's Audit Report and considered the presented recommendation to obtain quarterly or semiannual reports that compare biennial expenditures to budget. At the February 21, 1998 meeting, the Board voted unanimously to request such reports on a quarterly basis.</i>	

**Department of Revenue – Property Tax Exemptions**

Report #98-10, March 24, 1998

**Finding #1:** Forty percent of the enterprise zone property tax exemptions tested did not meet all of the statutory and rule requirements necessary to receive the exemption. Sufficient policies and procedures had not been established.

Recommendation	Status Reported by Agency as of 6/30/99
<p>Work with county assessors to develop and implement policies and procedures for counties to follow when processing enterprise zone exemption applications.</p> <p>In addition, establish policies and procedures for Department of Revenue staff to follow for the enterprise zone program.</p>	<p><b>Partially Implemented:</b> <i>In the 1999 legislative session, SB 245 was introduced to make changes to verify enterprise zone exemption qualifications, eliminate the gross receipts test, and clarify the pre-certification process. Our work plan includes future training sessions on processing enterprise zone applications. Currently, all counties are advised and encouraged to use a checklist when working enterprise zone accounts. We are currently in the process of putting together an enterprise zone manual that will be distributed to all counties. This manual will contain procedures on how to process applications, value enterprise zone accounts and identify items that qualify for the exemption. We have also started an exemptions tech group. This group is facilitated by our personnel and has members from any county that wishes to participate. The purpose of the group is to meet on a regular basis and discuss the different exemption programs. Our goal is to have better communication between us and the counties concerning these programs.</i></p> <p><i>We are in the process of reviewing our administrative rules that deal with the enterprise zone program. Due to assumed changes that were presented to the 1999 legislature, this process has been delayed some. We will be writing several additional rules to help clarify our responsibilities.</i></p>

Management's Response from Original Report:

*The department's work with county assessors is ongoing, although our presence in county offices has been seriously reduced in recent years. We will actively pursue contacts during the next two years to determine the procedures that exist in each county. We will develop standard procedures for county assessment staff to use for the various portions of the enterprise zone program that apply to property value and qualifications.*

*The department will refine its internal policies and procedures as part of the regular rules and policy processes. We will emphasize those areas specifically addressed by this audit.*

**Department of Revenue – Property Tax Exemptions (cont.)**

Report #98-10, March 24, 1998

<p><b>Finding #2:</b> The department had not established adequate policies and procedures for its own staff to follow related to the control of enterprise zone pre-certification and exemption materials.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Increase supervision and control over counties' granting of enterprise zone property tax exemptions, where possible, to help ensure that exemptions are consistently granted according to applicable laws and regulations. Establish a system of periodic reviews of county programs to provide training and feedback to county staff and to ensure that established policies and procedures are being followed.</p>	<p><b>Under Consideration:</b> <i>Currently, our work plan includes continuing education classes regarding procedures for processing enterprise zone applications. Over the next two years we will review enterprise zone files and offer individualized assistance to the exemption specialists in each county.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Our two-year work plan for enterprise zones will increase our presence in county offices to review program activities and make recommendations for corrective action or program enhancement.</i></p>	

<p><b>Finding #3:</b> Most of the counties interviewed during this review indicated that training provided by the Department of Revenue related to the enterprise zone exemption program was minimal.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Increase efforts to provide enterprise zone exemption training to the county assessor's offices. As a part of the training, include the enterprise zone exemption program in the exemption manual, and recommence distribution of pertinent information to the counties to aid them in making exemption decisions.</p>	<p><b>Under Consideration:</b> <i>We are in the process of revising the Exemptions Manual and a section devoted to enterprise zone procedures may be included. Once complete, we will distribute the new manual and present training.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We will increase our training efforts, coordinated with Oregon Economic Development Department staff as available. We will include the enterprise zone exemption program in the manual.</i></p>	

**Department of Revenue – Property Tax Exemptions (cont.)**

Report #98-10, March 24, 1998

<b>Finding #4:</b> Contradictions existed between enterprise zone statutes, administrative rules, and Department of Justice interpretations.	
Recommendation	Status Reported by Agency as of 6/30/99
In consultation with the Oregon Economic Development Department and other pertinent parties, introduce legislation to clarify enterprise zone exemption statutes so that it is clear (a) what requirements an organization must meet to qualify for exemption, and (b) who is responsible for ensuring that the requirements are met.	<b>Under Consideration:</b> We will review the enterprise zone laws prior to the 2001 legislative session with a committee of stakeholders with the goal of making enterprise zone statutes clear and user-friendly.
<i>Management's Response from Original Report:</i>	
We already are coordinating with OEDD to chose assessors, zone managers, companies, Oregon Economic Development Department staff and Department of Revenue staff to participate in a group that will create a legislative bill to streamline this exemption program.	

<b>Finding #5:</b> Seventeen percent of the fraternal and charitable property tax exemptions tested did not meet all of the statutory and rule requirements necessary to receive the exemption. Sufficient policies and procedures had not been established.	
Recommendation	Status Reported by Agency as of 6/30/99
Work with county assessors to establish and implement policies and procedures that will better ensure that only appropriate exemptions are granted.	<b>Partially Implemented:</b> We are facilitating an Exemption Task Force. This working group of department and county representatives is rewriting policies, procedures and standardizing form letters for statewide distribution.
<i>Management's Response from Original Report:</i>	
We will work with the county assessors to implement policies and procedures that identify the necessary steps in the review process.	

**Department of Revenue – Property Tax Exemptions (cont.)**

Report #98-10, March 24, 1998

<p><b>Finding #6:</b> The department had not established adequate policies and procedures for its own staff to follow related to the control of enterprise zone pre-certification and exemption materials.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Increase supervision and control over counties' granting of fraternal and charitable property tax exemptions, where possible, to help ensure that exemptions are consistently granted according to applicable laws and regulations. Establish a system of periodic reviews of county programs to provide training and feedback to county staff and to ensure that established policies and procedures are being followed.</p>	<p><b>Partially Implemented:</b> Our work plan includes scheduled county visits to review files and provide onsite training, program critiques and recommendations in all counties. File review in Benton and Wasco counties is currently in progress and ongoing. File review and training in Yamhill County is scheduled to begin in August 1999.</p>
<p><u>Management's Response from Original Report:</u></p> <p>We will be regularly reviewing county programs to identify problems that require feedback for correction and statewide training for consistent application of the laws.</p>	

<p><b>Finding #7:</b> Between 1995 and 1997, the department provided one comprehensive training class that included training on exemptions. Only 14 of the 36 counties were represented at the 1996 training session.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Provide training to counties on a periodic basis. This training should include a review of documentation required before an exemption can be granted and how to collect and review the information.</p>	<p><b>Partially Implemented:</b> We presented formal training on exemption procedures in July 1998 at the Central Oregon Summer School. Our work plan includes continued training, both formal classroom style and informal training, in all county assessor offices.</p>
<p><u>Management's Response from Original Report:</u></p> <p>We will increase training in this area to clarify the needed review and collection of information for these exemption applications.</p>	

**Department of Revenue – Property Tax Exemptions (cont.)**

Report #98-10, March 24, 1998

**Finding #8:** The statutes did not require periodic review of the exempt organization's current status; therefore, an application that was submitted and approved many years ago still would be considered active and valid today.

Recommendation	Status Reported by Agency as of 6/30/99
<p>Consider introducing legislation that would require all organizations to periodically submit updated application materials so that the information in the county files remains current and so that county assessors have an opportunity to periodically review and reassess the appropriateness of exemptions.</p>	<p><b>Not Implemented:</b> <i>An interim committee of exemption stakeholders met to find solutions to benefit all affected parties. The group decided to propose a bill to simplify filing requirements. The working group did not agree to legislate periodic reapplication because current law does not prevent an assessor from requesting a new application or information.</i></p>

Management's Response from Original Report:

*We already have begun identifying assessors and representatives of charitable organizations to participate in a group that will create a legislative bill to improve the exemption process and ensure that the assessor has current information about the organization's property and its use.*

**Finding #9:** The definition of what constitutes a "change in use" was not immediately clear.

Recommendation	Status Reported by Agency as of 6/30/99
<p>Consider introducing legislation or drafting an administrative rule to clarify what constitutes a "Change in Use" of a property.</p>	<p><b>Fully Implemented:</b> <i>We proposed SB 244 to accommodate "change of use." SB 244 was passed and signed by the Governor. This bill provides remedy where nonprofits fail to file an application for new property or change of use of existing property.</i></p>

Management's Response from Original Report:

*The group that we are convening will address the issue of "change in use."*

**Department of Revenue – General and Personal Income Tax Application Controls**

Report #98-12, May 7, 1998

<b>Finding #1:</b> Computer services was reviewing logs for trends only, and was not reviewing management reports.	
<b>Recommendation</b>	<b>Status Report – Auditor Follow Up as of 6/30/99</b>
Identify the security and change management reports necessary to adequately monitor and manage the department's computer systems.  Develop procedures to ensure that reports are monitored.	<b>Partially Implemented:</b>  <i>A procedure has been implemented to log password resets; however, not all resets are being logged. The operations staff is not reviewing the log. Six management reports are being reviewed; steps are being taken to document that review.</i>
<u>Management's Response from Original Report:</u>  <i>We recently have instituted a new procedure. Users request to have their passwords "reset" because they've exceeded the number of tries for successful sign-on and now are logged by the operators. The operations staff reviews these logs daily.</i>  <i>Another recently implemented procedure is to review any object that has been added to or deleted from the system that is greater than one megabyte. We also are monitoring DASD usage for the same one-megabyte increases or decreases. In total, there are six management reports that are reviewed on a weekly basis. This procedure is located in the AS/400 Standards, Policies, and Procedures Manual.</i>	

<b>Finding #2:</b> The systems development life cycle (SDLC) project documentation was not adequate to determine if the SDLC was being followed. There were no procedures to verify that a transfer request was for a valid project, or that users and management had reviewed the changes and approved the transfer before it was made.	
<b>Recommendation</b>	<b>Status Report – Auditor Follow Up as of 6/30/99</b>
Produce the documentation necessary to adequately track systems projects and ensure that only authorized, properly tested changes are used in production.	<b>Not Implemented:</b> <i>The two new steps mentioned in the original response have not yet been added to the Production Program Administrator's duties.</i>
<u>Management's Response from Original Report:</u>  <i>Our current tracking system contains the status of a task by its tracking number. The record also contains the name of the technician or user who last updated the status. We will modify our current procedure for reviewing the tracking record to indicate that the user has approved, prior to moving the change into production. Two new steps will be added to the Production Program Administrator verification procedure for move requests. First, the Task Tracking Number/Task Number will be checked to verify that the status includes a "User Approved" status. Second, the Task Tracking Number/Task Number list of changed objects will be compared to the objects being moved. The move request will not be moved unless the status shows approved by a user and the list of objects to move matches the list of changed objects</i>	

for the task.

**Department of Revenue – General and Personal Income Tax Application Controls (cont.)**

Report #98-12, May 7, 1998

**Finding #3:** Policies and procedures did not prohibit testing in the production environment.

Recommendation

Status Report – Auditor Follow Up as of 6/30/99

Prohibit the modification or testing of programs in the production environment. If use of the production environment for changes is necessary due to an emergency situation, the department should institute controls to detect unauthorized changes and ensure that all changes made were appropriate.

**Not Implemented:** *The procedures have not been updated and staff has not been trained.*

Management's Response from Original Report:

*We agree. Our procedure will be updated accordingly and the staff will be trained on the updated procedure.*

**Finding #4:** The disaster recovery plan was not kept current, nor has it been tested.

Recommendation

Status Report – Auditor Follow Up as of 6/30/99

Review and update the disaster recovery plan to reflect current conditions.

**Partially Implemented:**

*The disaster recovery plan has not been updated.*

Rehearse the plan, including recovery of all mission-critical processing functions.

*A rehearsal has been conducted; however, recommendations from the 'hot site' have not been resolved.*

*No further testing has been scheduled.*

Management's Response from Original Report:

*We agree that we should update the disaster recovery plan, as it applies to the AS/400 environment, with the most current information and will do so. We will schedule a rehearsal whether under our current "hot site" agreement or at the site chose in the Department of Administrative Services' Request for Proposal process. The rehearsal will be scheduled by July 1, 1998.*

**Department of Revenue – General and Personal Income Tax Application Controls (cont.)**

Report #98-12, May 7, 1998

<b>Finding #5:</b> Controls were not effective in restricting access authority to that needed for current employees to perform their assigned duties.	
<b>Recommendation</b>	<b>Status Report – Auditor Follow Up as of 6/30/99</b>
<p>Improve internal communications to ensure that employment status changes are reflected in timely changes to computer access.</p> <p>Match more closely access authority to job duties.</p>	<p><b>Partially Implemented:</b></p> <p><i>Computer services is working on improving communication of employee status changes.</i></p> <p><i>The computer access form and procedure is currently being worked on.</i></p> <p><i>Group or subgroup profiles by cost center have not been completed.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We agree. We will implement a new process to inform Computer Services when the status of an employee changes. We also are developing a new computer access form that will assist in identifying terminating employees and those who transfer between cost centers. Further, we are working with our personnel section to find ways to improve communications between the two sections. We are continuing the project of developing a new methodology and procedure to have group or subgroup profiles by cost center. This project is scheduled for completion by June 30, 1999.</i></p>	

<b>Finding #6:</b> The responsibilities of the security officer were not documented as part of a position description.	
<b>Recommendation</b>	<b>Status Report – Auditor Follow Up as of 6/30/99</b>
<p>Include the duties and responsibilities of the security officer in the job description of the individual assigned for the job.</p>	<p><b>Not Implemented:</b> <i>The responsibilities of the department's security officer have not been documented in the position description.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We agree. We will include the duties of the department security officer in that person's position description by July 1, 1998.</i></p>	

**Department of Revenue – General and Personal Income Tax Application Controls (cont.)**

Report #98-12, May 7, 1998

<b>Finding #7:</b> The four system security values selected did not meet industry standards.	
Recommendation	Status Report – Auditor Follow Up as of 6/30/99
Enhance security of setting the four system security values to the recommended levels.	<b>Not Implemented:</b> <i>The system security values have not been changed.</i>
<u>Management's Response from Original Report:</u>	
<i>Of the four recommended values, we agree with and will implement three. The final one is not practical, given our environment. We would be happy to discuss this value with the auditor.</i>	

<b>Finding #8:</b> Nine generic user profiles were maintained that may not be needed. Additionally, the use of the profiles was not being monitored.	
Recommendation	Status Report – Auditor Follow Up as of 6/30/99
Revoke all unused or unnecessary generic user profiles.  Monitor the use of the remaining user profiles to ensure that the profiles are only being used by authorized individuals to perform authorized activities.	<b>Not Implemented:</b>  <i>Generic user profiles have not been deleted nor the need documented.</i>  <i>The manager is not monitoring PFA On-Call requests.</i>
<u>Management's Response from Original Report:</u>	
<i>We agree. We will determine which ones are needed and document this need. All remaining generic user profiles will be deleted.</i>	
<i>The manager of the System's Development Unit will monitor all of the PFA On-Call requests.</i>	

**Office of Energy – Small Scale Energy Loan Program**

Report #98-16, May 22, 1998

<p><b>Finding #1:</b> Errors and misstatements were made, such as investment income that was not recorded, adjustments were recorded in the wrong period, transactions were not reported in accordance with generally accepted accounting principles, and unidentified differences existed between financial statement balances. Also, some cash reconciliations were not completed after conversion to the new accounting system.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Increase understanding of the new accounting system. This will assist in identifying errors and misstatements in the general ledger.</p>	<p><b>Fully Implemented:</b> <i>We have implemented this recommendation.</i></p>
<p>General ledger balances of investment income should be reconciled to subsidiary records prepared from Treasury records.</p>	<p><b>Fully Implemented:</b> <i>We prepare this reconciliation monthly.</i></p>
<p>Cash reconciliations should be brought current, and all errors identified in the reconciliation process corrected.</p>	<p><b>Fully Implemented:</b> <i>We prepare this reconciliation monthly.</i></p>
<p>Design and put in operation internal controls to assure that transactions and balances are properly identified, recorded and valued, and correctly reported in the financial statements.</p>	<p><b>Partially Implemented:</b> <i>We have written our accounting manual but, due to April 1999 Y2K software changes at the Oregon State Treasury, some of the T-codes have been added and some have been closed, making some of our procedures in need of revision.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We agree with the audit recommendations and have continued to correct procedures and T-codes for recording transactions. We converted to the new SFMS accounting system in May 1997, and agree that there were conversion problems, but we have learned much through this process. Corrective action is being implemented. We will continue to monitor our methods for recording investment income, although we believe that the problems noted by the auditors were conversion problems and are not ongoing system problems. We will also be contacting other agencies to determine the best method to track and reconcile investment income for financial reporting purposes. We no longer rely on the reconciliations performed by others, because we have assumed that duty and adjusted the process to meet our needs. We expect to be current with all reconciliations by May15, 1998. Management will continue to review reconciliations on a monthly basis. Finally, we will document our internal controls by updating the procedures manual we wrote as part of the conversion process. We recognize that we need to modify the manual to document the changes we have implemented as a result of understanding the system better.</i></p>	

**Commission for Women – Special Review – Change of Director**

Report #98-18, May 22, 1998

<p><b>Finding #1:</b> There was only one staff person who collected receipts from donations, dinner tickets, and the sale of booklets; prepared a listing of checks for deposit; and delivered them to the Department of Administrative services for recording and deposit.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Establish procedures to account for the number of tickets issued for the Women of Achievement dinner, and for the number of <i>Women &amp; The Law</i> booklets sold.</p>	<p><b>Fully Implemented:</b> <i>We have implemented this recommendation.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We are developing a new policy to handle checks and cash to eliminate this problem. As for the Women &amp; The Law books, a count is underway to determine how many books are remaining, and who has possession of each one. A record of this, and how much money is received, will be developed.</i></p>	

**Department of Human Resources – Investigation of Seiders Enterprises, Inc.**

Report #98-19, May 29, 1998

<b>Finding #1:</b> Subsequent to the 1994 review, MHDDSD did not perform another onsite review to determine whether Seiders' Medicaid billings were valid.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Perform provider audits on a more frequent basis, particularly for those providers falling outside usual cost parameters for the services being billed.	<b>Partially Implemented:</b> <i>Our audit unit has been analyzing the providers' monthly billing activities and identified those who fall outside the usual cost parameters. The audit program has been drafted and the annual site reviews will begin in September.</i>
<u>Management's Response from Original Report:</u>	
<i>We generally agree with this recommendation. We plan to use a risk-assessment approach whereby we will identify certain cost parameters for rehabilitative outpatient services billed on a fee-for-service basis, develop standard results for these parameters, and perform a limited scope review of providers operating at levels significantly outside of these cost parameters. Because of the small number of staff that we have to perform review functions, we think doing more frequent reviews of all providers will not produce as significant results as a more targeted risk-based approach. By analyzing data we currently have available to assess provider performance against standard results and for any other significant deviations, we will be able to more effectively select those to be reviewed. Then by using a more focused review process, we can delve into areas where providers are operating outside of normal cost parameters. We expect to be able to develop this program within one year.</i>	

<b>Finding #2:</b> A 1994 MHDDSD Medicaid audit of Seiders' records found a 33 percent error rate when comparing billed therapy to the clients' treatment plans; however, Seiders was given an overall 96 percent score for service documentation.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Give more weight to critical test results, such as those relating to the allowability of services, when evaluating audit results.	<b>Partially Implemented:</b> <i>Our site reviews will begin in September, and will give more weight to critical test results when evaluating audit results. The division's audit program is written to give more weight on major issues.</i>
<u>Management's Response from Original Report:</u>	
<i>We agree with the recommendation. Reviews that we perform in the future, based on the program described above, will be focused more on areas where providers diverge significantly from normal cost parameters in the fee-for-service system. We agree that focusing on reviews on cost substantiation when data points to significant deviations will be more beneficial.</i>	

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

**Finding #3:** An SCF employee was assigned to serve as “liaison” to Seiders. This employee arranged for his wife to provide bookkeeping services to Seiders. Seiders paid the SCF employee’s wife partially by installation of a sprinkler system at their home and partially by salary payments.

Recommendation	Status Reported by Agency as of 6/30/99
<p>Monitor the performance of employees serving in liaison roles to minimize the risk of conflicts of interest occurring. Furthermore, educate employees on state laws that apply to their relationships with SCF contractors, such as those prohibiting conflicts of interest.</p>	<p><b>Fully Implemented:</b> We have provided employees clear guidance on conflict of interest issues. Employees have individual copies of the employee handbook and the code of ethics manual. Both include conflict-of-interest guidelines that were fully discussed by the Employee Services Manager and SCF managers. Supervisors also have copies of state laws and policy affecting employee conflict of interest. Distribution of guidelines and discussion of conflict of interest is an active part of new employee orientation.</p>

Management’s Response from Original Report:

We concur with the findings that employees need clear guidelines on conflict-of-interest issues. SCF has the following measures in place: SCF developed and published a code of ethics manual for employees in 1997; SCF revamped its employee handbook in 1997, which includes conflict of interest information; SCF provided all employees an individual copy of the code of ethics and handbook and required all supervisors to sign off that they had presented the information to employees and provided opportunities for discussion using formats provided; the Employee Services Assistant Administrator provided training sessions for all SCF managers on use of these materials; all new employees receive copies of these materials and have discussions on ethics and conflict of interest at new employee orientation and in supervisory discussions; all supervisors have been provided copies of DHR and DAS policies on ethics and conflict of interest; and employees are required by policy to submit declarations of possible conflict of interest to Employee Services.

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

<b>Finding #4:</b> Subsequent to March 26, 1996, when children were removed from Seiders' care, SCF paid an additional \$32,288 on the group home, TPCC, and foster care contracts.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Ensure contract payments are discontinued when a provider is no longer providing services, whether voluntarily or involuntarily.	<b>Fully Implemented:</b> <i>We believe our procedure for terminating contracts will prevent payments when services are no longer provided. Additional staff have alleviated some workload issues and allows us to more effectively carry out our fiduciary responsibilities in a timely manner.</i>
<u>Management's Response from Original Report:</u>	
<i>Procedures are in place in SCF, the DHR contracts section, and the DHR accounting section supporting SCF to terminate contracts on the system when necessary. As indicated in the audit, however, these sections are in need of additional staff to ensure that all controls can be carried out in a timely manner. To address the recommendation, it has been made clear to staff in both contracts and accounting that entering the termination actions on the appropriate systems in a timely manner is a priority. Additional staff was approved by the Emergency Board in April 1998 to better allow us the capacity to effectively carry out our fiduciary responsibilities in a timely manner.</i>	

<b>Finding #5:</b> The December 1997 exception report contained numerous exceptions dating as far back as January 1997. Because items were dropped from the report after one year, older items may have been purged without having been resolved.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Ensure that over- and under-utilization amounts are monitored on a periodic basis when appropriate. This will require resolving exceptions listed on edit reports on a timely basis.	<b>Partially Implemented:</b> <i>The number of exceptions on the edit report has dramatically decreased. Fewer situations create an exception and those remaining on the report at month end are reviewed by both central and branch staff for resolution.</i>
<u>Management's Response from Original Report:</u>	
<i>We agree that exceptions on edit report should be resolved and will work to develop a periodic reconciliation procedure. Experience and ongoing audits find that the risk is not as great as indicated by the audit report. Administrative reductions have impaired our ability to resolve exceptions on a monthly basis. The limited benefit from the higher administrative cost makes a staff increase difficult to justify.</i>	

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

<b>Finding #6:</b> Utilization calculations were made using invoices, rather than actual services approved for payment.	
Recommendation	Status Reported by Agency as of 6/30/99
Utilization rates should be calculated using data from the accounting system, which reflects approved services that have been paid rather than billed services.	<b>Not Implemented:</b> <i>Current staffing levels continue to prevent monitoring utilization based on accounting data.</i>
<u>Management's Response from Original Report:</u>	
<i>Our process of monitoring utilization is based on provider billings, because utilizing accounting data based on authorized services is not as accurate or timely as the provider billing records. Until we are staffed to preclude differences between the accounting system and billed services, utilization rates will be calculated using data from the provider billing rather than the accounting system.</i>	

<b>Finding #7:</b> Contract language was not consistent with SCF procedures.	
Recommendation	Status Reported by Agency as of 6/30/99
Contract language should be revised to be consistent with the Residential Resources Unit's procedures, i.e. to place a provider on a "per capita" reimbursement when utilization falls below 90 percent for two months.	<b>Fully Implemented:</b> <i>We have revised the contract language, and utilization-monitoring procedures are consistent with the contract. The contract requirements are more restrictive and revert the provider to per capita reimbursement if utilization falls below 95 percent (rather than 90 percent).</i>
<u>Management's Response from Original Report:</u>	
<i>We concur with the recommendation on contract language development consistent with the agency's utilization monitoring procedures.</i>	

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

<p><b>Finding #8:</b> Temporary placement may not be appropriate for special needs children; however, the Seiders' contract was established for 4.75 placements. Full utilization under the contract would require temporary placements to use the partial position.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>For providers specializing in special-needs cases, which usually result in infrequent turnover, SCF should consider using full positions for the contracted average daily population rates.</p>	<p><b>Partially Implemented:</b> <i>Our program planning is designed to avoid less than full positions for the contracted adult daily population rates. New contracts have been arranged to give SCF control of client intake so beds do not stay empty. This enables us to avoid problems with full capacity. Limited staffing prevents us from controlling intake for all contracts.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We prefer to contract for full rather than portions of contracted ADP. This is done whenever possible; however, when a program facility can only be licensed for 5 ADP, we are forced to contract for something less than 5, because contracting for the full capacity would never give the provider an opportunity to overfill to make up for time when they are underfilled. Experience shows that children move in and out of a program many times over the course of a 2-year contract period. Many times a placement cannot be at the provider's door to fill the bed of the child who is leaving, necessitating that the provider have the ability to overfill above the contracted level to make up for days when beds are empty. Contracting for the full licensed capacity puts us and the provider in the position of entering a contract that can never be fully met.</i></p>	

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

<p><b>Finding #9:</b> Documentation was not required by SCF to ensure that goods or services actually had been provided.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Require documentation of actual costs incurred for purchases that are reimbursed to care providers, such as alarms, motion detectors, etc.</p>	<p><b>Fully Implemented:</b> <i>We do not anticipate specific equipment purchases for future contracts. Providers are expected to be fully equipped and are selected on that basis. If an equipment contract could not be avoided, we ask that costs be submitted in advance of contract implementation. Special contracts are also reviewed prior to audit and any equipment requirements are reviewed at that time.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We use a market approach to contracting as opposed to a cost-plus approach. Accordingly, we will continue to make every effort to negotiate contract purchases as close to market as is possible. We will provide training to the resource developers located in the branch offices and the contracts officers to ensure that they are aware of local market, state price lists, and other factors that could affect contract pricing. We will work with Financial Services to determine the best way to achieve market pricing for contracts. We do not believe that requiring documentation to be submitted to document actual costs for all components of these contracts would provide a sufficient benefit to dedicate additional staff costs to this effort.</i></p>	

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

<p><b>Finding #10:</b> Some children in Seiders' care were funded for similar services by more than one program or contract.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Monitor state services provided to children in custody to minimize the risk of overlapping services with duplicate funding. This should include exchanging contract details with MHDDSD or other state agencies serving the same clients. Caseworkers in the branch office nearest the children's placement facilities should be assigned to facilitate regular, effective monitoring of their care.</p>	<p><b>Not Implemented:</b> Lack of sufficient SCF caseworkers with financial expertise and time continues to prevent the multiple service contract oversight recommended. DHR is expanding the links between multiple financial databases, but the expense and complexity continue to make this a lower priority. As staff returns from the Year 2000 project, we expect the priorities to be reevaluated.</p>
<p><u>Management's Response from Original Report:</u></p> <p>Caseworkers' expertise and training is centered on social work and child welfare practice. SCF caseworkers lack the financial expertise and time to exercise the multiple service contract oversight recommended. DHR is expanding the links between its multiple financial databases, but this work is complex and expensive and is a lower priority at this time because of the Year 2000 project. Lack of sufficient staff and systems support prevents DHR from complying with this recommendation. Full compliance with the recommendation would be even broader in scope because of other state agencies (e.g. Department of Education and Oregon Youth Authority) and local entities who are also involved. Caseworkers are often unaware of these other providers or payers.</p>	

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

**Finding #11:** Caseworkers were often not available to attend the quarterly meetings with Seiders' staff, and requests for local caseworkers to monitor children were done for only two of the 24 children in Seiders' care.

Recommendation	Status Reported by Agency as of 6/30/99
Require branch managers to monitor whether caseworkers are able to attend quarterly meetings for children who have been placed out of the area. When appropriate, request the local branch to assign a caseworker for courtesy supervision so that the child's care and treatment can be more effectively monitored.	<p><b>Fully Implemented:</b> <i>By requiring that staff review and comply with policy for out of county case supervision, we are assured that client care and treatment are effectively monitored.</i></p>

Management's Response from Original Report:

*We agree with this recommendation. Our policy requires caseworkers to either actively supervise cases placed out of county or request a courtesy supervision of the receiving branch. We found workers were confused about whether or not this policy actually applied to the Seiders placements. All units were required to review the policy and comply with it.*

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

<p><b>Finding #12:</b> Even four months after children had been transferred to other placements, caseworkers had not ensured that Seiders' or their employees' signatory authority had been removed from the accounts.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Require caseworkers to consider the potential for bank accounts being maintained by care providers for children SCF's custody, and to take appropriate action to get those monies deposited in the SCF Trust Account. Alternatively, SCF should develop guidelines for safeguarding children's funds that are allowed to be held by its care providers.</p>	<p><b>Partially Implemented:</b> We are revising policy III-B.5 "Trust Accounts" to address the incongruity with policy I-A.4.1 "Rights of Children." The Rights of Children policy ensures that a child in SCF custody has the right "To earn and keep his or her own money and to receive guidance in managing resources to prepare . . . for independence." The Trust Accounts policy directs that "all money" is to be deposited in the child's trust account. This was not intended to include money earned by the child.</p>
<p><u>Management's Response from Original Report:</u></p> <p>We have extensive procedures for assuring that funds for the benefit of the child in care are transferred to the child's Trust Account. Provider contracts contain a requirement that "any payment or reimbursement received from a parent or guardian or any other personal entitlement received on behalf of any child serviced under this contract..." be turned over to SCF promptly. This is NOT meant to cover the child's allowance money or earning from fulltime or part-time employment. In fact, our policy states that the child in SCF custody has a right, "To earn and keep his or her own money and to receive guidance in managing resources to prepare him or her for independence." The "Rights of Children" policy is incongruent with the Trust Account Policy; we will amend the Trust Account policy to clarify that children are not required to turn over their personal earnings to SCF for deposit in the Trust Account to prevent penalizing children who want to gain work experience and the benefits of earning their own money.</p> <p>We believe residential treatment and foster care providers are in the best position to assure that the money management skill development happens for an individual child. We will modify provider contracts to clarify this expectation and the expectation that any funds the child has will transfer with the child to a new placement or be refunded to the child who is emancipated.</p>	

**Department of Human Resources – Investigation of Seiders Enterprises, Inc. (cont.)**

Report #98-19, May 29, 1998

<b>Finding #13:</b> Options were limited for care providers for special-needs children.	
Recommendation	Status Reported by Agency as of 6/30/99
Work to develop more care providers for special-needs children so that alternatives are available when costs of care become prohibitive with one provider.	<b>Partially Implemented:</b> Additional funding allowed us to address the growth in special-needs children. Children with developmental disabilities who are in the state's care and custody were transferred to MHDDSD during the 1999-01 biennium.
<u>Management's Response from Original Report:</u>	
We concur with the recommendation. We received a portion of the requested additional funding for special needs from the Emergency Board in 1995-97 and during the 1997 Legislative Session we received funding for an additional array of services to help address some of the growth in this population in SCF custody. This is clearly not enough as this caseload continues to grow.	

**Oregon Department of Transportation – Rogue Valley Transportation District**

Report #98-20, May 29, 1998

<p><b>Finding #1:</b> RVTD's former general manager and former senior planner entered into transactions or engaged in activities that may have resulted in personal benefit to themselves or their relatives.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Incorporate in its assurances and certifications obtained from local agencies a requirement that local agencies comply with ORS Chapter 244.</p>	<p><b><i>Under Consideration:</i></b> Program documents were reviewed by legal counsel. The advice received was that mentioning a specific statute in grant assurances adds nothing to the statute in terms of legal compulsion. Past assurances did include a general provision that any grant is conditioned upon compliance with all applicable state and federal requirements, but that was removed based upon advice that it added nothing. Resuming use of that sort of general assurance in the certifications is under active consideration.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The employee was disciplined and both the General Manager and the employee who may have been involved have left RVTD. We note that the questionable activities involved actions that all public officials should know are inappropriate and that we are attempting to make our grant agreements uniform and straightforward. Therefore, we will take action to ensure that grant recipients are aware of their responsibilities as public officials under ORS Chapter 244 and require appropriate guarantees in certifications and assurances.</i></p>	

**Oregon Department of Transportation – Rogue Valley Transportation District (cont.)**

Report #98-20, May 29, 1998

<b>Finding #2:</b> RVTD paid questionable amounts to cab companies providing transportation services required the Americans with Disabilities Act.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Review questioned amounts totaling approximately \$16,074 with RVTD and consult with legal counsel regarding initiating action to recover amounts determined unallowable or inappropriate.	<b>Fully Implemented:</b> We consulted legal council regarding the \$16,074 in question. A \$2,000 overpayment to a vendor caused by misreading a handwritten invoice was recovered from the vendor. Advice was sought from legal counsel as to whether or not questioned costs were unallowable or inappropriate and whether any such cost could be recovered from RVTD. It was determined that none of the \$14,074 in questioned costs was unallowable or inappropriate, and no cost recovery is appropriate or possible.
<u>Management's Response from Original Report:</u>	
<p>The most significant problem was that RVTD was acting without adequate written agreements with the cab companies. All of RVTD's actions and agreements in this regard should have been in compliance with FTA rules and practices. We concur with recommendations to bring RVTD's agreements into compliance. However, whether the payments resulting from these actions were unallowable or inappropriate must be determined by the FTA based on its rules. Therefore, while we do not disagree with the recommendation that it question the amounts with RVTD and consult legal council about collection of those determined to be unallowable or inappropriate, we intend to consult with FTA before we proceed.</p>	

**Oregon Department of Transportation – Rogue Valley Transportation District (cont.)**

Report #98-20, May 29, 1998

<p><b>Finding #3:</b> The contract negotiated between RVTB and the cab companies did not appear to comply with federal regulations and were not cost effective.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Assist and monitor RVTB management in ensuring that future contracts entered into with the cab companies comply with federal procurement regulations.</p>	<p><b>Not Implemented:</b> We question the applicability of this recommendation. Lift Program operational costs are not paid through federal grants, but rather through a combination of state and local funds. As such, state and local procurement policies apply. We find no violation of state or local procurement requirements that need to be addressed.</p>
<p>Require RVTB to perform a written cost analysis for all current contracts with cab companies, including any flat rate contracts or van lease agreements. Review written cost analysis and compare the analysis to contracts entered into by RVTB.</p>	<p><b>Not Implemented:</b> Vendor selection is done under state, not federal law. State law, rules and legislative intent for the Special Transportation Fund emphasize local control and local flexibility. We do not have a written agreement with grantees covering the formula allocation of Special Transportation Funds; nor are we a party to these agreements. As such, we do not have a basis to require preparation of written cost analysis; nor is there a basis for us to review them in comparison with existing contracts. Procurement and contracting are done by RVTB in conformance with state law and rule. Cost is important, but it is not the sole determinant in vendor selection.</p>
<p><u>Management's Response from Original Report:</u></p> <p>We will review our monitoring program to assure that it is in compliance with state and federal requirements. It should be recognized that most of this activity would take place through third party compliance audits. Where necessary, we will review cost analysis to the extent possible.</p>	

**Oregon Department of Transportation – Rogue Valley Transportation District (cont.)**

Report #98-20, May 29, 1998

<p><b>Finding #4:</b> RVTD's lease agreements for vans were not cost effective, did not ensure passenger safety, and did not define what qualifies as incidental use.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Require RVTD to enter into new written lease agreements for vans. In determining lease amounts, RVTD should consider, in addition to maintenance costs, the market rate charged to lease similar vehicles and the amount of revenues the cab companies receive from non-program use. Also, require RVTD to obtain evidence of liability and collision insurance, to review maintenance records on a regular basis, and to develop and implement procedures for monitoring non-program use. Also, determine and communicate to RVTD, with assistance from the Federal Transit Administration officials, what level of non-program use would qualify as incidental use.</p>	<p><b>Not Implemented:</b> We have discussed these concerns with RVTD management. However, we do not have a basis in law, rule or contract to require RVTD and its vendors to void current contracts and enter into new agreements.</p>
<p><u>Management's Response from Original Report:</u></p> <p>We believe these issues point to inadequacies in RVTD's financial control system and that RVTD should review its systems to ensure that these problems do not continue. The mispayments, if they occurred, were from RVTD to the cab companies and should be repaid from the cab companies to RVTD. RVTD has primary responsibility to obtain repayment, but our Public Transit Section will monitor the progress on repayment and the strengthening of their financial control system.</p>	

**Oregon Department of Transportation – Rogue Valley Transportation District (cont.)**

Report #98-20, May 29, 1998

<b>Finding #5:</b> Shared rides were charged and paid as individual rides.	
Recommendation	Status Reported by Agency as of 6/30/99
Require RVTD to establish and implement procedures for monitoring taxicab companies for shared rides. Also, require RVTD to include in its contracts with cab companies specific language stating that they will not charge federal and state customers more for the same services.	<b>Not Implemented:</b> We have discussed these issues with RVTD management, but we do not believe we have a basis in law, rule or contract to impose such requirements on RVTD.
Consult legal council to discuss initiating action to recover possible overpayments.	<b>Fully Implemented:</b> We have consulted legal counsel and there is no basis to seek any monetary recovery.
<u>Management's Response from Original Report:</u>	
(See response to Finding # 4 above.)	

<b>Finding #6:</b> Errors and omissions in cab driver billing logs should have resulted in RVTD refusing to pay for the related trips.	
Recommendation	Status Reported by Agency as of 6/30/99
Require RVTD to implement adequate reviews of cab driver billing logs. These procedure should include reviewing for duplicate trip numbers on the same day or missing trip information.	<b>Not Implemented:</b> We have discussed this issue with RVTD management. However, we do not have a basis in law, rule or contract to impose such a requirement on RVTD.
<u>Management's Response from Original Report:</u>	
(See response to Finding #4 above.)	

**Oregon Department of Transportation – Highway Construction**

Report #98-24, July 1, 1998

**Finding #1:** Better internal communication can limit highway construction costs increases. Avoiding costs that are foreseeable and do not add utility to a project provide an opportunity for cost savings. We noted some instances where this had occurred.

Recommendation	Status Reported by Agency as of 6/30/99
Continue to require the use of project development teams and emphasize the importance of avoiding costs that do not add value to a project.	<b>Fully Implemented:</b> Project teams are now required on all projects, which will result in better communications, as well as better designs. Project narrative reports after construction are also valuable for communications.

Management's Response from Original Report:

*We are concerned when construction cost overruns do occur and agree that continued use of project teams will help keep costs in check.*

**Finding #2:** Evaluation of the causes for highway construction project cost increases can help control future cost increases. Such a review currently does not occur.

Recommendation	Status Reported by Agency as of 6/30/99
Begin recording the causes of contract cost increases using distinct categories. This information should then be evaluated and communicated to the appropriate staff in order to better control future contract cost increases.	<b>Fully Implemented:</b> We have begun doing this. This first report on this item was sent out July 1, 1999. This information will point to areas in which to focus work processes and will result in high quality plans and less construction costs.

Management's Response from Original Report:

*We currently have a process in place to document lessons learned from any project problems, including design, and pass them on to designers and other key personnel. At the completion of all construction projects, the Project Manager writes and distributes a narrative report of project issues — things that worked well and things that need improvement. However, we will look into tracking and analyzing for comparison the specific causes of cost increases.*

**Oregon Department of Transportation – Highway Construction (cont.)**

Report #98-24, July 1, 1998

<p><b>Finding #3:</b> Pre-qualification of highway construction contract bidders could be improved. Verification of the accuracy of information on the application and consideration of past performance did not occur. There was an assumption that a contractor's ability to obtain a performance bond sufficiently demonstrates ability to meet contract requirements.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Consider contractors' past performance when awarding highway construction contracts. Also, consider using the pre-qualification process to establish contractors' capacity limits for performing highway construction.</p>	<p><b>Partially Implemented:</b> The newly developed disqualification program is developed and on its way to Administrative Rule approval. It is estimated the new program will begin to be included with projects going to bid in early 2000. This program should result in increased attention to quality and improved specification compliance.</p>
<p><u>Management's Response from Original Report:</u></p> <p>While many states set some limits on contractors' ability to bid jobs, our research shows that these states are no more effective at preventing poor contractors from getting contracts. We suggest that a past performance review process to screen contractor pre-qualification needs to be cost beneficial. We do subscribe to a federal publication listing all debarred contractors and do review that listing before awarding a contract. Also, a contractor's bond company looks at the past performance of a contract prior to issuing a performance bond, which may result in either no bond being issued, or a higher premium to the contractor if past performance has been poor. For these reasons, we have chosen not to add staff to review contractor pre-qualification until we are certain that the added administrative staff will be effective in eliminating the problem. With your comments and information, we will pursue an emphasis on pre-qualification.</p> <p>In response to national interest to find an effective contractor pre-qualification process, there is currently underway a national study by the Pennsylvania Transportation Institute for quality-based pre-qualification. Although they have also struggled with effective measurement in the pre-qualification arena, the findings of this report, when completed, may provide us additional direction for effective pre-qualification. We are closely following this research.</p>	

**Department of Corrections – Prison Construction – Infrastructure  
Planning and Development**  
Report #98-26, July 15, 1998

**Finding #1:** As of December 31, 1997, infrastructure planning and development was not completed for any of the prisons being built. When Snake River Phase 2 was 85 percent complete, the department and the city of Ontario did not yet have an agreement on water infrastructure. An agreement on sewer infrastructure was signed in October 1997, when the Snake River construction was in its 26<sup>th</sup> month. The department had not reached an agreement with the city of Umatilla for water and sewer infrastructure for the Two Rivers facility, a project that was in its eighth month. At the start of the current construction cycle, the department had no statutes, procedures, or guidelines on the appropriate timeline or process for completing infrastructure planning, negotiations, or development.

Recommendation	Status Reported by Agency as of 6/30/99
<p>Develop an infrastructure process that will result in completion of planning and acquisition agreements in the early stages of a project.</p>	<p><b>Partially Implemented:</b> As indicated in the prior audit response, we are required by the Department of Administrative Services to have infrastructure agreements in place prior to the sale of the Certificates of Participation. This process is also included in our Project Management Procedures Manual, developed in May 1998. We signed the water agreement for the Snake River Correctional Institution with the city of Ontario on June 22, 1998. We signed the water and sewer agreements for the Two Rivers Correctional Institution with the city of Umatilla on June 2, 1998. Draft infrastructure agreements have been prepared with the city of Wilsonville for the Women’s Prison and Intake Center and will be finalized as soon as the site has been confirmed.</p>

Management’s Response from Original Report:

*The Department of Administrative Services (DAS) requires basic infrastructure agreements to be in place prior to the sale of Certificates of Participation (which is the current funding source for the construction projects). Specifically, DAS requires that a formal agreement be executed between the host community that owns and operates the infrastructure facility and the Department of Corrections, which provides the following: agreement as to the scope of the expansion of the infrastructure facility; the budget limits available to pay the costs of the infrastructure within the context of the entire prison project; the service provider’s unconditional commitment to fully cooperate with the state in the process of implementing the infrastructure improvements; and the service provider’s unconditional commitment to provide infrastructure services to the facility throughout its useful life at fair service charge rates comparable to those rates charged to other users by the system.*

**Department of Corrections – Prison Construction – Infrastructure  
Planning and Development (cont.)**

Report #98-26, July 15, 1998

<b>Finding #2:</b> Infrastructure planning and development tasks were not built into the schedule used by construction managers.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Incorporate infrastructure development into the construction schedule to help ensure completion of infrastructure before the project completion date.	<b>Fully Implemented:</b> <i>The notion behind this recommendation was part of the reason for development of the department's long-range planning process in the spring of 1996. A Project Management Procedures Manual was developed in May 1998, which includes an infrastructure process that will benefit us in the completion of planning and acquisition agreements.</i>
<u>Management's Response from Original Report:</u>	
<i>In April of 1998, a detailed procedures manual for new prison construction projects will be implemented outlining reporting, scheduling, design, construction and administrative requirements for all projects. This manual will include the process for infrastructure planning and development.</i>	

<b>Finding #3:</b> While not in place at the time construction started, the department reorganized in July 1997 to provide more staff with the requisite skills to work with local governments on infrastructure.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Provide the knowledge and skills needed to manage infrastructure planning and development (including contract management, fiscal management and negotiations).	<b>Fully Implemented:</b> <i>As noted in the audit report, we had reorganized to provide a team of three assigned for each project with expertise in construction, operations and community relations. This configuration has ensured the blend of expertise necessary for not only successful infrastructure planning, but the construction of a facility that is operationally sound and cost effective.</i>
<u>Management's Response from Original Report:</u>	
<i>As noted in the audit report, we restructured and improved the management and oversight of construction projects. A team of three with expertise in construction, operations, and community relations is assigned for each project. This configuration ensures the blend of expertise necessary for not only successful infrastructure planning, but the construction of a facility that is operationally sound and cost effective.</i>	

**Department of Corrections – Prison Construction – Infrastructure  
Planning and Development (cont.)**

Report #98-26, July 15, 1998

<b>Finding #4:</b> Written water and sewer agreements did not exist for some of the department's correctional institutions.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Negotiate formal agreements for water and sewer services at each of the correctional institutions.	<b>Partially Implemented:</b> <i>The Internal Audit Unit developed a list of institutions without agreements for utilities for the Business and Finance Division. The Facilities Services Section is continuing the process by working with the communities to ensure that utility agreements are in place.</i>
Review the process for monitoring water and sewer usage rates and total costs. Information from monitoring should be used to identify and evaluate conservation proposals, discuss rates and infrastructure improvements with local governments, and assist development of plans for new prisons.	<b>Partially Implemented:</b> <i>The Facilities Services Section is working with the Department of Energy and has completed a one-year analysis of electrical usage at the Oregon State Penitentiary. Other institutions are being reviewed and evaluated for cost savings on all utility services.</i>
<i>Management's Response from Original Report:</i>	
<i>We do not disagree with these recommendations and will request our internal audit section to review the issue and respond as appropriate.</i>	

**Driver and Motor Vehicle Services – A Limited Review of Cash Handling at Selected Field Offices**

Report #98-28, July 17, 1998

<p><b>Finding #1:</b> Physical security over cash was not adequate to prevent or detect loss/theft of funds during the normal course of daily business and after hours.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Review field offices' needs for change funds considering the unique requirements of each office. Change funds should be increased to appropriate levels so that bank deposits are not used for making change.</p>	<p><b>Partially Implemented:</b> We have improved our cash-handling processes, eliminated need for using prior day's receipts, improved balance rate, and reduced the risk of internal cash loss. However, implementing the change fund recommendation increased our net cash on hand by \$87,550. This increases our "exposure" for external theft and reduces availability of those funds for highway purposes.</p>
<p>Consideration should be given to placing orders for cash with armored car services.</p>	<p><b>Fully Implemented:</b> We now use armored car services for 21 additional offices and we improved our guidelines for offices still taking cash to the bank. This reduced our risk, but increased our direct expenditures by about \$125,000 per biennium.</p>
<p>Field office management and staffs perform annual risk self-assessments of their offices' cash handling practices and physical security needs.</p>	<p><b>Partially Implemented:</b> We have developed a plan and procedures for annual office risk assessments. We plan on implementing in the Fall of 1999, after Y2K and other project rollouts have been completed. Developing this plan and procedures has identified additional cash-handling improvements and reduced our risk to cash.</p>
<p>Review the field services manual for adequacy to address these issues and make any changes needed to assure compliance. Provide training to field office staff to heighten awareness of cash management issues and requirements.</p>	<p><b>Fully Implemented:</b> We have documented changes and revised procedures for all offices. This resulted in increased awareness among employees and managers about the importance of secure cash handling practices.</p>
<p><u>Management's Response from Original Report:</u></p> <p>Currently, change funds are made from our revolving fund and so are limited overall to the statutory maximum of \$40,000. We are analyzing our change fund needs and exploring options with ODOT to reduce reliance on prior day's receipts as a source for making change. This includes reviewing the availability, cost and practicality of adding and/or expanding armored car service wherever possible. During the first quarter of 1999, we will be re-instituting periodic risk assessments for each field office working with law enforcement and security experts, as well as ODOT FSB in developing our evaluation tools and method. Our Field Services also is developing refresher training for all employees. The training will include the report preparation process and be provided in the late fall and winter of 1998/1999.</p>	

**Driver and Motor Vehicle Services – A Limited Review of Cash Handling at Selected Field Offices (cont.)**

Report #98-28, July 17, 1998

<b>Finding #2:</b> There was a lack of adequate segregation of duties in the deposit preparation process.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Involve more than one person at key points in the daily balancing process, such as when the previous day's receipts are first counted and again when the deposit is prepared.	<b>Fully Implemented:</b> <i>We have fully implemented this recommendation.</i>
Review and reduce, where possible, the number of people with too many access levels.	<b>Fully Implemented:</b> <i>We have fully implemented this recommendation.</i>
<u><i>Management's Response from Original Report:</i></u>	
<i>The Field Services Administration Manual will be revised by August 31, 1998, to require, where staffing allows, that field office deposits be verified by the manager or designee prior to the deposit being made. Taking into account our current data processing needs and priorities, we also will be reviewing access levels and the functions assigned to each level and will delete those employees who no longer need "manager" access. We believe that with increased emphasis on training, monitoring, and quality control of the daily report preparation and balancing process, we can continue to involve as many employees as possible in all office functions.</i>	

**Driver and Motor Vehicle Services – A Limited Review of Cash Handling at Selected Field Offices (cont.)**

Report #98-28, July 17, 1998

<b>Finding #3:</b> Field offices were making numerous errors on their daily deposits.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Place more emphasis on accurate deposit preparation and provide additional training to field management and staff as needed. Consideration should be given to restricting the daily balancing process to a limited number of individuals to assure consistency and accuracy in the process.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Revise the procedure manual to require verification of the actual count of currency and checks to the deposit slip just prior to the deposit being delivered to the bank.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Revise the procedure manual to require that field office management or lead workers review and approve the daily deposits prior to their being submitted to the bank.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Implement a procedure for notifying DMV management of the number and types of errors made by field offices in their deposits. This information can then be used by DMV management as a tool to gauge performance efficiency and to improve procedures and training.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>We agree that office management and/or lead workers should review the daily deposits where possible. This change will be implemented this fall. Additionally, DMV Field Services and ODOT FSB will formalize the current informal procedure for providing feedback on deposit errors.</i>	

**Driver and Motor Vehicle Services – A Limited Review of Cash Handling at Selected Field Offices (cont.)**

Report #98-28, July 17, 1998

<b>Finding #4:</b> Controls over managing access to DMV systems needed to be strengthened.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Establish guidelines for assigning access levels that provide for adequate segregation of functions. Where staffing limitations make this impractical, certain key transactions (e.g. deletes, inventory adjustments, daily reports) should be reviewed and approved by field management.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Periodically provide field locations with security reports listing the individuals who currently have system access. Assign field managers the responsibility for timely review of the reports and assuring that access is appropriately restricted to job related need.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Develop a comprehensive information systems security policy, codify the policy in the field services manual, and provide training to all DMV staff on the policy.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Address issues related to use of passwords for the NLS and DRIVE systems by implementing procedures to assure that passwords are kept confidential and access to these systems is limited to only authorized persons and relate specifically to job responsibilities.	<b>Partially Implemented:</b> <i>A recent conversion from OS-2 to NT has provided improved password security features. We will implement additional password security features/practices as we update our current systems and develop new applications.</i>
<u>Management's Response from Original Report:</u>	
<i>We recently prepared office access lists, reviewed them, and made needed changes. By September 30, 1998, Field Services and Information Technology Services will have established an ongoing process to keep system access current. They also jointly will develop policies and procedures related to system security that will be included in the refresher training in the fall. Although we believe current practices provide a reasonable level of security, given the constraints and age of our current systems, we will consider additional password security factors as we update current systems and develop new applications.</i>	

**Driver and Motor Vehicle Services – A Limited Review of Cash Handling at Selected Field Offices (cont.)**

Report #98-28, July 17, 1998

<b>Finding #5:</b> DMV employees at certain field offices also were employed by automobile dealers. This created a possibility of a conflict of interest under Oregon ethics laws for public employees.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Review the practice of employing persons who also are employed by automobile dealers and refer the issue to the Government Standards and Practices Commission (GSPC) for advice.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>DMV is already reviewing this practice, and has consulted the executive director of the GSPC on several matters where a perception of conflict or appearance of inappropriateness may exist. Although the verbal advice received indicates that the current limited practice does not violate ethics laws, DMV will request a staff opinion. The specific problems noted in one office were not consistent with prescribed practices and have been corrected.</i>	

<b>Finding #6:</b> "Dealer Logs" reflecting individuals involved in each step of handling dealer transactions were being periodically purged although they were the only place some of this information was recorded.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Dealer logs should be kept in the manner of other accounting information as required by state rules and regulations.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>By August 31, 1998, DMV Field Services will consult with ODOT FSB and ODOT Records Management to determine the appropriate retention schedule for dealer logs, notify each field office, and add the retention requirement to the procedure manual.</i>	

**Department of Geology and Mineral Industries**

Report #98-29, July 28, 1998

**Finding #1:** Cash receipting controls could be improved at the Portland administrative office.

**Recommendation**

**Status Reported by Agency as of 6/30/99**

Initiate the following procedural changes at the Portland administrative office: (1) assign two people to open mail that may contain cash remittances; (2) prepare receipt logs when the mail is opened and checks are received; (3) make daily deposits of receipts; (4) reconcile the cash receipts logs to validate deposit slips; (5) restrictively endorse all checks and place them in a secure location until deposit; (6) safeguard keys to the locked cabinets where receipts are held; (7) reassign staff to obtain maximum possible separation of cash handling and accounting duties; and (7) ensure that all receipts issued by the Grants Pass field office are accounted for.

**Partially Implemented:** We have implemented the given recommendations excepts as follows: because we are limited to one employee in our field offices, we cannot require two people to open mail. Because of the very low volume of sales (\$6,000 per year), daily deposits are not consistent with good management. The offices are making deposits on a weekly basis. Cash receipts have been better accounted for in Grants Pass and checks have are being restrictively endorsed sooner. Office keys are also better safeguarded.

Management's Response from Original Report:

We agree that having a cash receipts log maintained by another person than the accountant who opens the mail and records the receipt is a good internal control that possibly should be implemented. However, it is important to realize that the risk factor of handling these receipts is mitigated. Since the audit, we have issued new internal control policies for field offices. Most of our cash receipts are handled through the Nature of the Northwest bookstore, which deposits cash daily. The small amount of daily receipts in the Grants Pass and Baker City field offices is deposited weekly. We believe that the time loss associated with daily deposits would be a hardship and an unacceptable reduction of public service. We are now requiring Albany to do daily deposits. We are now including the checks received at the Portland administrative office in the daily bookstore deposits. Current staffing levels do not permit further segregation of duties.

**Department of Geology and Mineral Industries (cont.)**

Report #98-29, July 28, 1998

<b>Finding #2:</b> Cash receipting controls could be improved at the field offices.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Initiate the following changes to procedures at field offices: (1) issue receipts in numeric order; (2) provide each customer with one copy of the tri-copy receipt, retain the second, and submit the third copy to the Portland administrative office with each remittance report; (3) list receipts in numeric order on the remittance reports; (4) account for voided receipts on remittance reports, and send all three copies of voided receipts to the Portland administrative office with the remittance reports; and (5) track accounts receivable in a subsidiary ledger, and issue receipts only when cash is received.	<b>Fully Implemented:</b> We have implemented these recommendations and have benefited from better accounting of receipts sequentially.
<i>Management's Response from Original Report:</i>	
<i>(See response to Finding #1 above.)</i>	

<b>Finding #3:</b> Three receipts were missing from the receipts issued by the Grants Pass field office for three months during the 1997 fiscal year.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
The Portland administrative office staff must ensure all field office receipts are accounted for.	<b>Fully Implemented:</b> We have implemented this recommendation and receipts are better accounted for.
<i>Management's Response from Original Report:</i>	
<i>(See response to Finding #1 above.)</i>	

**Department of Geology and Mineral Industries (cont.)**

Report #98-29, July 28, 1998

<b>Finding #4:</b> Accounting for reclamation bonds and deposits could be improved.	
Recommendation	Status Reported by Agency as of 6/30/99
(1) Recognize as revenue the \$37,446 in cash bonds that will not be refunded; and (2) correct the Albany field office process for reporting assigned deposits to the Portland administrative office.	<b>Fully Implemented:</b> <i>We have implemented this recommendation and achieved a higher level of accuracy in financial reporting.</i>
<u>Management's Response from Original Report:</u>	
<i>We have changed the reporting of Trust Funds Payable as recommended by the Oregon Audits Division.</i>	

<b>Finding #5:</b> Controls over fixed assets could be strengthened.	
Recommendation	Status Reported by Agency as of 6/30/99
(1) Maintain a complete and accurate subsidiary ledger of fixed assets and reconcile this ledger to the general ledger quarterly; (2) ensure that property tags affixed to fixed assets agree with the subsidiary ledger; and (3) prepare property disposition requests in a timely manner.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>The fixed assets record was accurate in the department's books. We had not as yet assembled a new ending balance list that would agree with the department's books. We had not filled out property disposition requests for three assets; however, we had signed inventory sheets from the responsible parties. We had not completed quarterly reconciliations; however, the department had only two capital purchases during the entire fiscal year. To keep this in perspective, we have exactly 23 fixed assets, six of which are trucks. The safeguarding of these assets seems to be little jeopardized by these oversights in an agency our size.</i>	

**Department of Corrections – Prison Construction Procurement and Contract Development**

Report #98-30, July 29, 1998

<b>Finding #1:</b> Selection panel processes and procedures could be improved.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Develop a process for ensuring that selection panels for construction contractors contain an appropriate balance of agency and non-agency personnel; have the appropriate expertise and experience; are adequately rotated between proposal and interview selection phases and between projects; are provided with adequate guidance on how to evaluate and score proposals and interviews; and are free from potential conflicts of interest.	<b>Partially Implemented:</b> <i>The Facilities Services Section Project Manual was implemented May 1998 and included a section on contractor selection process. The manual is currently under revision to be more detailed and standardized for scoring all contractors. The revised manual is scheduled to be available prior to the Lakeview prison project scheduled to start in November 1999.</i>
<u>Management's Response from Original Report:</u>	
<i>We agree in principle to the recommendation; however, reality prevented full implementation. A conscious effort was made to keep our staffing to a minimum and to use professional consultants to the degree necessary. This limited the number of department staff members who had the appropriate technical expertise; therefore, rotation between the proposal and interview selection phases and between projects would have involved more staff members than existed. Also, the involvement of selection panel members from outside the department has been difficult to obtain. Relatively few individuals have the time available to devote to this type of activity. Our participants did have discussions and agreement on how to evaluate and score proposals and interviews; however, the process was not at that time reduced to a formal written document. (A procedure was developed in 1997.) Finally, it is recommended that the process be free from potential conflicts of interest. The text of the audit referenced an example where one of the four proposing project management firms listed panel members as references. In that case, we would have had greater concern should that relationship not have been listed, since the proposer was once on the department's staff. The fact that someone then goes on to another career in the private sector should not eliminate the person from bidding work for which the person is qualified and, perhaps uniquely, knowledgeable.</i>	

**Department of Corrections – Prison Construction Procurement and Contract Development (cont.)**

Report #98-30, July 29, 1998

**Finding #2:** Documentation of the selection process and award decisions could be improved to provide assurance that the selection process was followed and to provide support needed to show how decisions were made if challenged.

Recommendation	Status Reported by Agency as of 6/30/99
Develop a process for ensuring that selection process and award decisions are fully documented. The documentation maintained should clearly indicate selection panel participants, decisions made, and the bases for all decisions.	<p><b>Fully Implemented:</b> Documentation for the three institutions mentioned in the audit has been organized and filed in a central location. A system has been developed for future projects to assure all documentation pertaining to the selection process and award decisions is maintained in a central location.</p>

Management's Response from Original Report:

*We agree with this recommendation. Although the current version of the Project Management Procedures Manual for CM/CG construction projects does address the selection process for the CM/CG and professional consultants, we recognize the need for additional procedures to address these issues.*

**Department of Corrections – Prison Construction Procurement and Contract Development (cont.)**

Report #98-30, July 29, 1998

<p><b>Finding #3:</b> Limited emphasis was given to contract cost and CM/GC fees were agreed to without first determining whether the proposed fees were reasonable.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Develop a process for ensuring that the contract cost amounts proposed by CM/GC firms are reasonable. Also, consider increasing the emphasis placed on contract cost in the selection process to make price more competitive.</p>	<p><b>Partially Implemented:</b> <i>The Facilities Services Section implemented in May 1998 a Project Management Procedures manual including guidelines for the CM/GC selection process. The CM/GC selection is based on qualifications; however, the emphasis on contract cost has been increased. A revised manual is scheduled to be available prior to the next project starting in November 1999.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>As noted in the audit, CM/GC contract procurements are based primarily on qualifications; price is a factor that needs to be considered and given adequate weight. It needs to be clarified that even though the contract cost carried an approximate 10 percent weight in the CM/GC selection process, that does not mean the state is at risk for paying more for the construction project than necessary. All second-tier contractors bidding on the actual construction activity are selected based upon competitive bids. We pay only for the cost of the work that is established by the result of the competitive bid process. It is true that the negotiated Guaranteed Maximum price may be higher than the combined total of the competitive bids for the original project scope; however, the difference becomes savings for the state, or allows us the opportunity to adjust the project scope to address issues that may arise as the project progresses. For example, if a prison industry opportunity is identified that requires a larger industries building than originally provided for, any "additional" amount within the GMP could be used to enlarge the structure to the necessary size.</i></p> <p><i>The audit text also contained the following statement: "Our review also found that the department accepted the fee amounts submitted by the CM/GC firms in their initial proposal documents and did not negotiate or conduct the analytical review necessary to determine whether the proposed fees are reasonable." We do not agree with this statement, nor do we feel that the reference to a lower fee percentage established for a Washington project is relevant. A fee comparison is valid only in the circumstance where the scope of services, location, point in time, and construction market are comparable. This comparability with the Washington project is not evident from the information contained in the audit text. While we are unable to provide written documentation indicating how the CM/GC fee for the SRCI project was negotiated, we believe the location and economic conditions during that time were taken into account and the fee is appropriate.</i></p>	

**Department of Corrections – Prison Construction Procurement and Contract Development (cont.)**

Report #98-30, July 29, 1998

<b>Finding #4:</b> Contract cost limits could be improved.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Ensure that detailed contract cost limits are adequately established to protect the state from cost overruns. For contracts in which work is authorized in phases, establish the total contract amount up front. Requested increases to established contract cost amounts should be closely monitored to ensure that the increases are justified.	<b>Not Implemented:</b> <i>We believe we were already following this practice. There was no cost overrun on both contracts cited. We are in full agreement cost limits are appropriate where the full extent of the scope of necessary work is known for an original contract. We adhere to the guidelines of OAR 125-020 and OAR 125-310 as supplemented by the DOC Project Management Procedures Manual.</i>
<u>Management's Response from Original Report:</u>	
<i>The example referenced in the audit text identified a contract that ultimately increased by 86 percent over the original proposed amount. That particular contract was amended twice. The first amendment included additional technical effort to accommodate the fast-track construction schedule plus a time extension; and the second covered inspection activity not identified in the original scope – plus a further time extension. Neither of these circumstances presented “cost overruns” but, rather, additional effort. We are in full agreement that cost limits are appropriate where the full extent of the scope of necessary work is known for an original contract.</i>	

<b>Finding #5:</b> Controls over contract amendments could be improved to avoid duplication of services, increased project costs, or reduced service levels.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Establish a process for ensuring that contract amendments are developed on a timely basis and then manage this process to ensure that developed amendments are fully executed.	<b>Fully Implemented:</b> <i>We agreed and have implemented the procedure outlined in the original response. The responsibility for construction-related contracts and contract amendments has been placed with one person in the Facilities Services Section and has provided the expertise desired. The procedural process is outlined in the DOC Project Management Procedures Manual.</i>
<u>Management's Response from Original Report:</u>	
<i>We agree. The text references an amendment that was to cover inmate work activities, an amendment that should have been in place. Since the audit, we have placed responsibility for construction-related contracts and contract amendments with one position within the Facility Services section. That position is not the same charged with managing the contract for the new construction projects. It is hoped that this action will provide the necessary contract expertise and assist in competing any necessary amendments on a timely basis. It should also be recognized that the contract amendment process also includes review by the Attorney</i>	

*General's Office for legal sufficiency. The timeframe for that review is not controlled by the Department of Corrections.*

**Crook County School District – Special Review**

Report #98-34, September 9, 1998

**Finding #1:** In 1994, the district purchased computers through transactions that did not appear to be at arm's length. These purchases were made from an individual who was serving on the district's computer technology and equipment committees.

Recommendation	Status Reported by Agency as of 6/30/99
Obtain and evaluate purchasing information independently to ensure that it obtains the best product for the price and to ensure its future transactions are at arm's length.	<b>Fully Implemented:</b> <i>This was a one-time occurrence and has not happened since. This was a frivolous one-time finding that actually saved the district money.</i>

Management's Response from Original Report:

*The decision to purchase the 210-MB computer was partially financial and partially a result of our desire to use Novell certified computers on our network. There are so many variables in the computer selection process that comparing prices based on any one capability means very little. While the purchase was proper in this case, the district agrees that it is important to avoid the appearance of impropriety and that it independently evaluates purchasing information. This has already been implemented by hiring a network administrator.*

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

<p><b>Finding #2:</b> For one transaction reviewed, it appeared that an employee had not been keeping his privately-owned business separate from his official position with the district. In addition, this transaction involved the purchase of pre-owned equipment for a "new" price.</p>	
Recommendation	Status Reported by Agency as of 6/30/99
<p>Prohibit the network administrator and other district employees from selling goods or services to the district. School employees should be prohibited from using their school district telephone numbers for conducting private business.</p>	<p><b>Fully Implemented:</b> <i>This was a one-time occurrence and has not happened since.</i></p>
<p>Ensure that usual purchasing procedures are followed, including obtaining independent, competitive quotes when required, and documenting a need for equipment or services prior to the purchasing transaction occurring. In addition, district management should consider the appropriateness of paying a new equipment price for used equipment prior to making the purchase.</p>	<p><b>Fully Implemented:</b> <i>This was a one-time occurrence and has not happened since.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The district network administrator personally ordered a digital camera for his own use. He cancelled the order, purchased another, and then received the camera he cancelled several days later. The company claimed to have a no-return policy, and the network administrator had two cameras. Shortly thereafter, the principal at Cecil Sly Elementary called inquiring about digital cameras. The network administrator answered her questions, and in the course of conversation explained that he had one he could sell her. He offered to sell it for exactly what he paid for it. The principal asked the business manager for his opinion. The business manager concluded that, although it was out of the ordinary, it appeared that the principal was able to buy exactly what she wanted at a fair price. When the business manager later discussed the transaction with the superintendent, the superintendent made it clear that such purchases could not be allowed. That information was relayed to the network administrator and the principal, and there has been no recurrence of such sales to the district.</i></p>	

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

<b>Finding #3:</b> Three significant issues were not presented to the board for approval.	
Recommendation	Status Reported by Agency as of 6/30/99
Ensure that all relevant issues are presented to the board for information or approval as appropriate.	<b>Under Consideration:</b> <i>We feel this has already been enforced. We disagree with the audit findings.</i>
<u>Management's Response from Original Report:</u>	
<p><i>As for the computer contract, the business manager called each board member to explain the situation. By the second week of school, the high school computer labs were in operation. At the September board meeting, the business manager explained all of the steps which had been taken to the board.</i></p> <p><i>As for the hiring of a temporary elementary principal, there are no policies, regulations or statutes that require the superintendent to receive prior approval for hiring a substitute administrator; existing policies that are in place give the superintendent that authority.</i></p>	

<b>Finding #4:</b> Information provided to the board was not sufficiently documented and therefore had little reliability.	
Recommendation	Status Reported by Agency as of 6/30/99
Ensure that the board prepares and retains adequate documentation for the expenditure of public funds.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<p><i>We agree with the auditor's recommendation that adequate documentation for expenditure of public funds must be in place. However, the documentation in this situation was adequate considering that it was an emergency situation. It appears that the investigation by the auditors on this particular issue was incomplete.</i></p>	

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

**Finding #5:** Board minutes for January 1994 through June 1997 indicate that the board ratified decisions made by telephone polls on several occasions. The polls were conducted by district management between the monthly board meetings to obtain approval for proposed operating decisions.

Recommendation	Status Reported by Agency as of 6/30/99
Cease using telephone polls to make operating decisions and make these decisions in a public meeting. The board and district management should also consider more frequent board meetings to address matters that must be handled more immediately than the monthly meetings allow.	<b>Fully Implemented:</b> Telephone polls are no longer used.

Management's Response from Original Report:

*To expedite projects, the Board was polled and the projects moved ahead rather than waiting until the next board meeting.*

**Finding #6:** Two board policies (Grants From Private Sources and Purchasing Authority) create confusion or appear to be contradictory.

Recommendation	Status Reported by Agency as of 6/30/99
Review the district's internal memorandum related to grant proposals and, if necessary, clarify its intent for the superintendent's decision-making authority.	<b>Fully Implemented:</b> We have implemented this recommendation.
Establish a general purchasing authority threshold for the superintendent and business manager.	<b>Fully Implemented:</b> We have implemented this recommendation.

Management's Response from Original Report:

*As a result of the auditor's recommendation, we will review the policies to correct any ambiguities or contradictions regarding procedures between private grants and state and federal grants.*

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

<b>Finding #7:</b> A formal procurement process was not always used as required by public procurement laws.	
Recommendation	Status Reported by Agency as of 6/30/99
Comply with applicable public procurement rules and board policies.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>"Multiple small purchases" are a gray area in the procurement process. When a year-long buying pattern is known in advance, a formal bidding process may be appropriate. When year-long needs cannot be predicted, however, the district must rely on individual purchases using quotations at the time of purchase. In all cases these purchases are documented, appropriation authority is confirmed and the board members receive and approve a list of all account payable checks over \$250 at each month's board meeting.</i>	

<b>Finding #8:</b> District management did not always comply with public procurement laws.	
Recommendation	Status Reported by Agency as of 6/30/99
Ensure compliance with public procurement rules and expand procurement checklist to include: (1) requirements for advertisements; (2) solicitation requirements; (3) a requirement to date and time-stamp all bid or proposal submissions; (4) receipt of supplementary information; (5) a reminder to document reasons for not rejecting bids or proposals that do not meet specifications; (6) reasons for awarding the contract; (7) documentation of sole source vendors; and (8) a requirement for requests for proposals, including a list of findings indicating why the solicitation should be a request for proposal versus an invitation to bid.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>During the time covered by the report, the Business Office made tremendous strides in improving and refining its purchasing practices. In 1996, at the height of new high school construction activity, the district hired a recognized expert in the public procurement field. We asked him for a no-holds-barred evaluation of our practices and his suggestions for changes and improvements, and his resulting report was the subject of an extensive public dialogue. There is still room for improvement, however; it is not accurate to suggest that procedures the district did or did not use in 1995 are indicative of its present practices. The particular instances noted in the report can be addressed only if the district knows specifically what was</i>	

found.

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

**Finding #9:** In February 1996, the district hired a consultant for \$10,000 to help with its strategic planning project. The district did not have procedures in place for screening and selecting personal services contractors.

Recommendation	Status Reported by Agency as of 6/30/99
Develop and implement procedures for screening and selecting personal services contractors.	<b>Not Implemented:</b> We are in disagreement with the finding.
Use formal written contracts when applicable and implement contract-monitoring procedures.	<b>Not Implemented:</b> We are in disagreement with this finding.

Management's Response from Original Report:

*The issue of hiring a consultant in February of 1996 was incorrectly documented by the auditor. Furthermore, OAR 125-20-130, Personal Services Contract Definition, states, "Personal services contracts are not 'public contracts' as defined in ORS 270.011(5) and are not subject to the competitive procurement provisions of ORS 279.005 through 279.111." Consequently, the district believes that it followed proper procedure and that the superintendent acted within the scope of his job description and the authority delegated to him by the board per board action.*

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

<p><b>Finding #10:</b> The district was not consistent in following established procedures, updating test scores for employees, using comparable information to evaluate candidates, and establishing a position prior to hiring for that position.</p>	
Recommendation	Status Reported by Agency as of 6/30/99
<p>Expand hiring procedures to include written procedures for a standard screening and interviewing process.</p>	<p><b>Fully Implemented:</b> <i>We have implemented this recommendation.</i></p>
<p>Comply with hiring policies and procedures; establish a period for which employees' test scores are valid, and require employees to update scores if applying for a position after the period expires; and reopen the recruitment process if revisions are made to the position description and/or salary range.</p>	<p><b>Not Implemented:</b> <i>We are not in agreement with this finding and have not implemented this recommendation.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Between the time that the Secretary of State's auditors began their audit and the completion of the audit, the district hired a very experienced and successful school district personnel director. This director reviewed the district's practices and received an extensive report that included recommendations for improvement. In general, the report was very positive and the recommendations made have been implemented. Although following all hiring procedures in all cases has not occurred, the district is substantially in compliance with its hiring procedures, is using skill testing appropriately, and is hiring the most qualified applicant in every circumstance.</i></p>	

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

<b>Finding #11:</b> Documentation of essential recruitment and selection decisions could be improved.	
Recommendation	Status Reported by Agency as of 6/30/99
Retain essential recruitment and selection records such as those described in the Oregon Administrative Rules for school districts.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>Recommendations made by the auditor for retention of recruitment and selection records are noted and will be reviewed. As with all employers, minor inconsistencies can be found at any given time in the district's hiring processes. The district hires a large number of people and thoroughly reviews finalists before making a hiring decision. The district has very limited staff who, according to a knowledgeable consultant, do a commendable job of managing the hiring process.</i>	

<b>Finding #12:</b> Formal training on the hazards of chemicals and asbestos was not provided to three recently-hired custodians.	
Recommendation	Status Reported by Agency as of 6/30/99
Ensure that new employees receive the formal training required by state and federal health and safety programs.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>(No response to this finding was made in the original report.)</i>	

<b>Finding #13:</b> Periodic surveillance of identified asbestos sites was not performed from November 1995 until March 1997, as required by AHERA.	
Recommendation	Status Reported by Agency as of 6/30/99
Ensure continuance of the six-month surveillance and require the person performing the work to sign the report.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>(No response to this finding was made in the original report.)</i>	

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

<b>Finding #14:</b> In addition to not having fixed assets records, the district does not have procedures to control the movement of the equipment among its cost centers.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Establish fixed assets records and develop and implement procedures to control its fixed assets, including computer equipment.	<b>Partially Implemented:</b> We completed the inventory in 1997-98. We need to update it for 1999-2000.
<i>Management's Response from Original Report:</i>	
<p><i>Our purchasing records provide accurate documentation of what the District has purchased, detail of what was purchased, and the cost center for which it was purchased. There is no question that during the construction period and in the process of moving and setting up the new high school, middle school, and Cecil Sly Elementary, tracking of fixed assets suffered. Simply put, there was barely enough time and staff to move all the computers, and not enough time or staff to create the proper paper trail. Although our auditor had already recommended an improved asset inventory and tracking system, it was the winding down of the construction process that brought that possibility to the top of the priority list. This spring we solicited bids for that project; Valuations Northwest will be in the district this summer (1998) to conduct the inventory and install the software to keep the inventory current.</i></p>	

<b>Finding #15:</b> The district held a public sale of board-designated surplus property in April 1996. Items remaining after the sale were given away, taken to the landfill, or returned to the facilities from which they came.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Follow board policy by asking the board to designate the disposition of remaining surplus items after public sale. To save time, this decision could be made at the same time the decision to hold a sale is made.	<b>Fully Implemented:</b> We have implemented this recommendation.
<i>Management's Response from Original Report:</i>	
<p><i>Since at least 1991, the board has assumed that a declaration of surplus property included authorization for the final disposal of those items remaining after a public sale. In the future the district will, as the report suggests, specifically ask for final disposition instructions at the time the items are declared surplus.</i></p>	

**Crook County School District – Special Review (cont.)**

Report #98-34, September 9, 1998

<b>Finding #16:</b> For the 1996-1997 fiscal year, the district inappropriately recorded revenue from athletic participation fees and bus rental income by reducing expenditures in the associated accounts.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Record revenue from athletic participation fees and bus rental income in revenue accounts instead of reducing expenditures in the associated accounts.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<p><i>The report noted two instances in which resources were used to reduce expenditures, instead of being recorded as miscellaneous revenue. The first instance noted was a fee for students participating in sports programs, and the second were fees for renting school buses for transporting third-party users. One group was fire fighters; the other group was participants in a non-school program. The report stated that accounting standards provided directions for treatment of revenues. While that is correct, the standards define revenues as an increase to current financial resources, and also define expenditures as decreases in financial resources; these definitions were applied in both of these transactions. The expenditures were made at the request of third-party users, and the monies received were simply reimbursement of the district's cost. In both cases, the third parties had not asked the district to provide these services; the district would not have incurred any cost. The sports participants and the fire fighters requested the district to expend assets, which were to be reimbursed; in neither case would the district have expended resources if it was not going to be reimbursed. The monies received, therefore, did not "increase current financial resources, nor did the expenditures decrease financial resources." If the reimbursement had been recorded as revenue and the disbursement recorded as an expenditure, both revenues and expenditures would have been overstated, and the district's revenues and expenditures therefore would have been distorted. The financial statements would not have given a true picture of the district's cost for transportation or for extra co-curricular activities. The district's auditor feels that the transactions were handled correctly.</i></p>	

<b>Finding #17:</b> The superintendent recorded a transaction in the incorrect budget category instead of authorizing a budget transfer.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
In the future, ensure transactions are properly classified.	<b>Not Implemented:</b> <i>We disagree with this finding.</i>
<u>Management's Response from Original Report:</u>	
<i>(No response to this finding was made in the original report.)</i>	

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments**

Report #98-35, September 17, 1998

<p><b>Finding #1:</b> AFS did not actively pursue the collection of overpayments from inactive providers.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>AFS is in the process of formulating a corrective action plan. This plan includes a process whereby its overpayment collection unit will assume responsibility for the collection of overpayments written for inactive providers. AFS should complete and implement its action plan for collecting overpayments from inactive providers.</p>	<p><b>Fully Implemented:</b> <i>We have implemented procedures to collect overpayments from inactive providers as of October 1998. We have collected a total of \$19,551 of the \$524,249 in overpayments.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We have developed a PC-based collection system, and the initial collection letters will be sent to providers before November 1, 1998. We will diligently pursue these overpayments. Since April 1997, a special overpayment "writer" has been placed at the Direct Pay Unit to work specifically on confirming possible overpayments and entering them into the system for further action.</i></p>	

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<p><b>Finding #2:</b> Some day care providers were inappropriately paid for school age children who were in part-time care.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Enhance the payment system by adding a descriptor that indicates each child's appropriate fulltime or part-time childcare needs as determined by the case worker.</p>	<p><b>Partially Implemented:</b> We convened a workgroup in September 1998. As a result, parent income report forms and program application forms were revised to include shift work hours and income reporting, and calculations for program benefits were simplified. The part-time rate proposal was delayed due to the outcome of the recent legislative session regarding our budget proposals. They are now scheduled to be established Fall of 1999.</p>
<p>Until system enhancements are implemented, utilize an internal auditor to regularly audit payments for school age children with younger siblings, including an evaluation of each child's eligible hours.</p>	<p><b>Partially Implemented:</b> This audit is in progress. We have implemented a random monthly selection of 200 providers to review attendance logs against their billing forms.</p>
<p>Until a system solution is put in place to provide an accurate reflection of the child's required hours of care, remove the LIMIT field from the billing form so that the maximum amount a provider can charge does not appear.</p>	<p><b>Partially Implemented:</b> This system request has been made. Because of Y2K priorities, this request is scheduled to be implemented in August 1999. The LIMIT field will be replaced by the maximum number of authorized hours of care.</p>
<p>AFS has developed and started issuing to providers a prototype childcare attendance log that contains space for recording a child's arrival and departure times each day. Continue this plan and provide training to both providers and caseworkers for their proper use.</p>	<p><b>Fully Implemented:</b> The official sample attendance log is available online through the Internet. Copies are given to providers at training sessions and upon request. Training is provided for our staff and providers through Staff Development Unit classes, Resource and Referral Agency classes, and Child Care Team classes on a frequent basis.</p>
<p><u>Management's Response from Original Report:</u></p> <p>We agree with these recommendations and will convene a work group to consider these issues. In addition, we will work with the provider community to explore alternative tracking systems such as submitting attendance logs with all billing forms. We will research the feasibility of developing limits for each child. Training has been given to providers in this area. A sample attendance log will be distributed to providers with the next Provider Guide.</p>	

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<b>Finding #3:</b> A large percentage of providers were inappropriately paid.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Be attentive to and act on provider/client information provided by caseworkers and field contacts. Resolution of the information should be documented and questionable cases appropriately referred to the investigative unit.	<b>Fully Implemented:</b> We have sponsored training sessions on a regular basis to reinforce staff responding to information provided to them. A written complaint response procedure is widely distributed to staff.
Collect the overpayments identified.	<b>Partially Implemented:</b> Four cases were investigated. One of these cases has been referred to the local District Attorney for prosecution. All overpayments found have been written and are in the collection process.
<u>Management's Response from Original Report:</u>	
We will reinforce our efforts to educate all staff in the process of responding to information received. We place a high value on responding to provider/client information we receive. Agency sponsored and branch initiated training occur on a regular basis to reinforce the commitment of acting and responding to information and then narrating our actions in the client and provider files. All staff is instructed to refer questionable cases to our investigations unit. One investigation has been completed and referred to the District Attorney. The remaining three are still being investigated.	

<b>Finding #4:</b> Some providers who billed fulltime for childcare were also employed full-time at other jobs, indicating that they may not have rendered those services.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Utilize an internal auditor to develop a program to regularly audit fulltime providers with significant other income from wages. These factors should also be included in AFS's profile for high-risk childcare providers.	<b>Partially Implemented:</b> We have explored the possibility of including provider permission to access wage information from the Employment Division as a condition of being listed with AFS. This possibility is not feasible. We have implemented a process to request permission from specific providers when billing forms appear to be questionable.
<u>Management's Response from Original Report:</u>	
We agree with the intent of this recommendation. We currently do not have authority to access provider wage information through the Employment Department records or other sources without permission from the provider. In cooperation with the provider community, we will explore requiring provider permission to access this information as a condition to be listed as an AFS provider.	



**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<b>Finding #5:</b> Some providers were paid twice for the same service.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Change the current policy, which allows a duplicate payment to occur in the month of a provider change, to prevent paying for the same service twice.	<b>Under Consideration:</b> Duplicate payments are reviewed on a case-by-case basis to determine appropriate action. We are currently conducting a survey of providers to determine common market billing practices and requirements. Administrative rules will be reviewed for adjustment when the results of the survey are established. Our proposals of a single billing system will help alleviate the occurrence of double billing.
Revise the policy of reviewing the monthly Provider Payment Benefit Exceeded exception report on an “as time permits basis” to reviewing it on regular basis.	<b>Fully Implemented:</b> Our policy has been rewritten to support our practice of reviewing the Benefit Exceeded report on current and regular basis. Payments are reviewed, logs are requested when necessary, and appropriate overpayment actions are taken.
Train case workers to counsel all clients that, prior to signing the billing form, they should check the child care hours the provider has billed for the month.	<b>Fully Implemented:</b> We have increased training for branch staff, providers, and CCR&R agencies to counsel parents to check child care hours billed before signing the billing form. The Parent Guide was revised in February 1999 with emphasis on the need to check the number of hours billed. Administrative rules have been clarified.
Direct a study by the system support staff to determine if system enhancements can eliminate some of the overpayments.	<b>Not Implemented:</b> A work group was established September 1999 to review the recommendation. Determination was made that this is not cost beneficial due to the fact that the system is labor-intensive and hours difficult to keep correct when family childcare needs fluctuate frequently.
Collect the remaining duplicate payments of approximately \$28,500.	<b>Partially Implemented:</b> All duplicate payment situations identified in the audit have been reviewed on a case-by-case basis. Appropriate overpayment action has been taken. \$1,819 has been collected to date.
<u>Management’s Response from Original Report:</u>	
We agree with the intent of this recommendation. There are exceptional circumstances, such as when a client must change providers in mid-month, where flexibility may be needed. We will review the current policy and clarify administrative rules to address these limited circumstances. In the interim, duplicate payments will be reviewed on a case-by-case basis and appropriate action will be taken. We are currently examining another important change to the payment system – moving to a single billing form. We feel this would address many	

Status of 1998 Audit Recommendations as Reported by State Agencies

---

*concerns regarding duplicate payments.*

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<p><b>Finding #6:</b> Some group home and family childcare providers were paid at certified center rates.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Formalize the recently developed policies and procedures for confirming the certification and registration status of all new provider applicants with CCD during the initial listing process.</p>	<p><b>Fully Implemented:</b> <i>This policy was implemented in October 1997.</i></p>
<p>Collect the \$9,360 identified in overpayments made to family and group providers who were paid at center rates, and the \$5,125 paid for private schooling for two school age children.</p>	<p><b>Partially Implemented:</b> <i>All overpayment situations identified in the audit have been reviewed on a case-by-case basis. Appropriate overpayment action has been taken. Administrative rule is being changed effective October 1999 to write and collect administratively caused overpayments.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We have implemented the recommendation to confirm certification or registration status with CCD. All identified overpayments will be pursued for collection. Our provider listing form was revised in September 1997 to include a place for the CCD certification or registration number. The provider payment system was updated in October 1997 with a new field to capture this CCD number. We routinely verify the current status of the certification or registration with CCD during initial listing and periodic reevaluation of listing. When a entry is exempt from certification, DPU staff enter "exempt" in the number field. System enhancement has been made to transfer provider type and payment rate information to the payment screens. Data entry errors on this information that were occurring previously are now eliminated in the payment process. We are reviewing each of the total \$9,360 in overpayments made to family and group providers who were paid at center rates and, if it is cost effective, they will be put into the collection process.</i></p>	

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<b>Finding #7:</b> Some family providers exceeded the limit of number of children in care.	
Recommendation	Status Reported by Agency as of 6/30/99
Develop a process for regularly examining payment data to identify AFS providers who do not appear to be in compliance with OARs for the number of children in care. Establish a written procedure whereby CCD is notified when a non-complying provider is identified.	<b>Fully Implemented:</b> This recommendation was implemented in October 1997. Written procedures were completed in January 1999.
Continue to follow up on exceptions and refer to CCD those providers with regulatory issues.	<b>Fully Implemented:</b> The clients in question have been changed to capture parent shift hours. Provider and staff training sessions include information regarding the requirement of providers to comply with CCD regulations for number of children in care.
Determine the extent of overpayments made to the provider suspected of having over-billed AFS and collect the overpayments.	<b>Fully Implemented:</b> Each of the six providers identified in the audit was reviewed on a case-by-case basis. Noncompliance with a number of children in care regulations was not substantiated. No overpayments were identified.
<u>Management's Response from Original Report:</u>	
<p>We agree with these recommendations. We are actively seeking to identify providers who are out of compliance and make appropriate referrals. DPU staff regularly checks the payment screens to review the number of AFS children being cared for by providers. CCD is advised of any provider who potentially is caring for too many children and may need assistance in either upgrading that provider's certification or reducing the number of children in the provider's care. Information about what shift hours the provider works will be added to the program application and to the quarterly review forms. We will inform providers that they must comply with legal requirements regarding the number of children in care, or we will no longer pay for care with that provider.</p>	

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<p><b>Finding #8:</b> Some providers providing childcare services to AFS clients had significant outstanding warrants and criminal histories.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Continue its recently established policy of regularly rechecking backgrounds of active providers to assist in ensuring that state-subsidized childcare is health and safe.</p>	<p><b>Fully Implemented:</b> <i>This recommendation was implemented in October 1997.</i></p>
<p>Develop additional controls to monitor providers that have been approved on a limited basis, by regularly performing LEDS and CPS criminal background checks, and making quarterly in-home visits.</p>	<p><b>Partially Implemented:</b> <i>Procedures are in the final stages of development for quarterly history checks. Provider visits for "limited" providers will be implemented July 1999.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We agree to continue our policy and procedures of regularly rechecking the criminal history and child protective services history of active providers and those who want reactivation. We have 180 active providers who are listed as "limited" providers. This is from a total of 12,000 active providers in the state (1.5 percent). We currently review criminal history and child protective services history of all active providers every two years. Those providers listed as being "limited" to a particular client are included in this two-year review process. We are developing a change in policy regarding the frequency of criminal history and child protective services checks to conduct a quarterly review of providers with "limited" approvals. In addition, quarterly home visits to these providers will be conducted.</i></p>	

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<b>Finding #9:</b> Some childcare payments were made for children 13 years and older who did not have special needs.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Ensure that the payment system will deny automated payments for children 13 years of age or older who are not coded as special needs or disabled.	<b>Partially Implemented:</b> Y2K system priorities delayed work on this system request for edits. Edits are scheduled to be completed in July 1999. An interim manual process is in place.
Formalize in writing the procedure for the payment unit to review exceptions.	<b>Fully Implemented:</b> Written procedures are in place.
Provide caseworkers with written guidelines and additional training on eligibility determination.	<b>Fully Implemented:</b> Child eligibility for older childcare was included in the new policy manual released October 1998. Child Care in-service sessions, branch-initiated training, Staff Development Unit classes, and Child Care Unit presentations provide instruction on older child eligibility for childcare. These classes are held frequently in various areas of the state.
Develop a program whereby operations managers periodically review client files for compliance with OARs and federal regulations.	<b>Fully Implemented:</b> File reviews are routinely conducted by branch staff as a result of inquiry from the client, provider, branch staff, and central office staff. We continue to emphasize compliance as part of good case management.
Identify and correct the system problems that led to the overpayment errors and collect from clients \$2,764 in overpayments.	<b>Fully Implemented:</b> We have researched system problems and possible controls to prevent future overpayments. Overpayments identified in the audit have been reviewed on a case-by-case basis. Appropriate overpayment action has been taken on all cases involved.
Utilize the internal auditor to develop a program to regularly audit childcare payments for children 13 and older.	<b>Fully Implemented:</b> Internal audit completed this review and a quarterly review process has been implemented.
Collect the overpayments totaling \$835 from the clients whose children were improperly coded as having a special need.	<b>Fully Implemented:</b> Both overpayment situations were reviewed and appropriate action was taken. A quarterly review process is now in progress.
<u>Management's Response from Original Report:</u>	
Our current information systems resources are extremely limited due to Y2K. We will develop comprehensive system revision plans. In the interim, our internal auditor will monitor	

payments to providers for children 13 years and older. We will review the overpayments and take the appropriate action.

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<b>Finding #10:</b> Some payments were made to providers whose social security numbers matched clients'.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Formalize procedures for staff in the payment unit to follow when an error message occurs indicating that the SSN for a client and a provider are the same.	<b>Partially Implemented:</b> Procedures have been written for DPU staff to monitor correction of SSN on manual vouchers. Training has been provided to branch staff on completion of manual vouchers in the childcare unit training sessions. Manual voucher to be eliminated autumn of 1999.
Enhance the system to disallow payments when the SSN for a provider and a client match. Exceptions should be investigated and properly resolved prior to payment of claims.	<b>Under Consideration:</b> We will be eliminating manual vouchers in the Fall of 1999.
Until system enhancements are implemented, AFS should utilize its internal auditor's capability of using computer-assisted audit techniques to identify childcare payments issued when the SSN of a provider and client are the same.	<b>Partially Implemented:</b> This audit is in progress.
Ensure that the remaining three payments sent to a client in error ultimately went to the provider. Collect remaining overpayments identified.	<b>Fully Implemented:</b> This was completed September 1997.
Correct federal income reporting form 1099s for providers and clients who have been inappropriately credited or not credited with childcare income.	<b>Not Implemented:</b> No action was required due to low amount of payments per IRS regulations.

Management's Response from Original Report:

There is an edit on the computerized payment system that does not allow payment when SSNs are the same. When manual vouchers (860Bs) are processed, they are not exposed to the same computer edit system. Policies and procedures will be developed for our staff in the processing of manual vouchers to eliminate these payments from being processed until the SSN is corrected. The internal auditor will review this process to assure appropriate internal controls are in place. We did ensure that the remaining checks sent to the client in error ultimately went to the provider. It is policy and procedure to send a corrected federal income

form 1099 when changes are made. If the amount paid to a provider is less than \$600, no 1099 form is required.

**Adult and Family Services Division – Review of State-Subsidized Child Care Payments (cont.)**

Report #98-35, September 17, 1998

<b>Finding #11:</b> Income documentation for self-employed clients could be improved.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Comply with federal regulations by requiring caseworkers to review and retain income documentation for all working clients who receive benefits.	<b>Fully Implemented:</b> We completed a review of self-employed cases August 1998. We revised our policy January 1999 to simplify the computation of self-employed income.
Provide training to caseworkers on verification and documentation of income for the high-risk self-employed population.	<b>Fully Implemented:</b> We did this August 1998.
<u>Management's Response from Original Report:</u>	
<p>The difficulties found by the audit dealt with the income of self-employed clients, which make up less than 1 percent of all daycare families that have earnings. We agree that action needs to be taken in this area, and we are in the process of executing an action plan. The self-employment income policy will be revised effective January 1, 1999, to simplify it and align it with our other programs. When the policy is revised, caseworkers will receive instructions that will include the necessity of reviewing and retaining income documentation. We will continue our current practice of retaining documentation for all of our wage-earning clients.</p>	

**Department of Administrative Services – Computer Center General Controls Review**

Report #98-39, October 27, 1998

<b>Finding #1:</b> Access controls designed to safeguard information against unauthorized use, disclosure, modification, damage or loss by restricting their access to authorized users could be improved.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Routinely evaluate the assigned security access rights of employees and review security incident logs. In addition, develop written procedures for timely resolution of suspected security problems or incidents. Furthermore, resolve identified RACF security issues and evaluate the adequacy of current statewide RACF configuration.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>We agree with the audit findings and will take the appropriate steps necessary to implement the recommendation. We have named a security team to review this issue so that security problems do not recur. This group is responsible for developing security policies and procedures. The procedures will be completed not later than April 30, 1999. The procedures will include how often records are reviewed, by whom, and processes to be followed if there are errors.</i>	

<b>Finding #2:</b> Physical security controls intended to protect the equipment and people against manmade and natural hazards at the data center could be improved.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Design and implement policies requiring visitor escort and visitor logs. In addition, determine appropriate measures for improving physical security of the state's data center, considering costs and benefits of alternative solutions.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>We agree with the audit findings. Access to the data center remains a concern of ours. Discussions are underway with Facilities Division to help find additional office space for our staff. Finding additional space will help minimize the number of visitors to the area where the data center is located. Finding alternate office space requires time to implement. The Facilities Division has dedicated resources to a space needs assessment to be started immediately and concluded in 90 days. Once the assessment is completed, we will have a better idea of options for alleviating our space needs. We will implement policies regarding escorting visitors to the data center and keeping a visitors log. Initiating a visitors log will begin immediately. We will</i>	

*develop a visitor access policy not later than April 1999.*

**Department of Administrative Services – Computer Center General Controls Review (cont.)**

Report #98-39, October 27, 1998

**Finding #3:** The data center operated without an assigned internal auditor specializing in information technology (IT) systems and issues.

Recommendation	Status Reported by Agency as of 6/30/99
Provide increased internal audit coverage to monitor the information technology processes and resources of the data center.	<b>Partially Implemented:</b> During our 1999 audit planning, Internal Audit planned several information technology audits, including audits of R*STARS system security, the new Budget System and other systems development projects. The plan includes following up on previous audit findings at the Data Center to determine if weaknesses were adequately corrected. Due to resource constraints, no other audit activity at the Data Center is planned for 1999.

Management's Response from Original Report:

*We agree with the recommendation and will focus on providing more audit coverage in the information technology (IT) area. Our Internal Audit Unit (IA) and the Secretary of State's Audits Division have been working together to coordinate their audit activities to avoid a duplication of effort and conserve state resources. The DAS Internal Audit Committee met with the division in early 1998 to discuss ways we could compliment each other's audit coverage. An outcome of that meeting was the decision to rely on the Audit Division's work at the Data Center and to concentrate our audit efforts elsewhere. As we develop our 1999 audit plan, we will focus on providing more audit coverage in the IT area.*

**Finding #4:** A written disaster recovery and contingency plan for restoring critical network information services in the event of a failure did not exist.

Recommendation	Status Reported by Agency as of 6/30/99
Develop and maintain a disaster recovery and contingency plan in accordance with DAS policy number 03-16. This plan should take into consideration relevant items contained in the IRMD's "Disaster Recovery Planning Guideline." In addition, perform ongoing and regular disaster recovery training including regular rehearsals.	<b>Partially Implemented:</b> The IRMD Disaster Recovery Plan for Network Communications Services, Data Services Unit is partially complete. The plan should be fully complete by the end of July 1999. A full test is scheduled for November 1999 and will result in updated documentation and training. The Data Services Manager is responsible for these actions.

Management's Response from Original Report:

*We agree with the audit findings. The Network Operations Center in IRMD is developing a Wide Area Network disaster recovery plan. The Network Data Manager is responsible for the plan's completion. It will be completed and implemented not later than December 1998.*



**Department of Administrative Services – Computer Center General Controls Review (cont.)**

Report #98-39, October 27, 1998

**Finding #5:** A written comprehensive plan to ensure that all critical data center components will meet year 2000 requirements had not been developed. In addition, the agency's year 2000 coordinator did not maintain sufficient documentation of the center's remediation efforts to ensure that all necessary aspects will be addressed.

Recommendation	Status Reported by Agency as of 6/30/99
Provide procedures and oversight to ensure development of a comprehensive, written plan to test and monitor year 2000 remediation of the data center. This written plan should encompass all aspects of the year 2000 remediation process including inventory, assessment, prioritization, remediation, testing, reliance on third party certification, and contingency planning.	<p><b>Fully Implemented:</b> <i>We have implemented this recommendation.</i></p>

Management's Response from Original Report:

*We agree with the audit findings. A year 2000 testing plan has been developed for the Data Center's mainframe system and third party software. The plan will be fully documented no later than December 1998. The plan includes retaining vendor certification letters and testing of all system and third party software in a mirrored operating environment. A detailed inventory of all mainframe software currently exists, as does a contingency plan. Prioritization and assessment sections of the plan are completed. The Data Center manager is responsible for documenting, updating and implementing the plan.*

Report #98-40, November 19, 1998

<p><b>Finding #1:</b> A Child's Place was not in compliance with applicable program requirements and regulations.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Require ACP to reimburse the questioned costs totaling \$91,252.</p>	<p><b>Fully Implemented:</b> A \$91,252 obligation has been amortized over a 20-year period. The monthly deduction or payment of \$380.22 began in January 1999.</p>
<p>Work with ACP to ensure that it provides an acceptable plan of corrective action for deficiencies described in this report.</p>	<p><b>Fully Implemented:</b> A Child's Place submitted, and we approved, their corrective action plans. The program will continue to receive and request technical assistance that enables them to run efficiently.</p>
<p>Closely monitor ACP to ensure that it is in compliance with program regulations and requirements.</p>	<p><b>Partially Implemented:</b> We have provided training and follow-up review. A complete administrative review will take place during FY 1999-2000. Technical Assistance is provided as requested.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We concur with the reported findings. We also concur with the recommendations and plan the following action: We have a Consent Order signed by A Child's Place in which they agree to repay, at a monthly rate, the amount determined owing as a result of the audit for the two-year period ended June 30, 1996. The amount owing will be deducted from Child and Adult Care Food Program reimbursements claimed by ACP, or to be paid monthly by ACP should ACP not participate in the CACFP program and amortize in 20 years. We will start the deductions the first month after this audit is deemed final. We will require written corrective action for the deficiencies described in this report to be submitted by November 30, 1998. We have already provided extensive training to the new director at ACP. We will follow up with drop-in visits three times this year to ensure that ACP is progressing toward corrective action. We also will conduct an administrative review after the first year of operations under the new director.</i></p>	

**Department of Corrections – Prison Construction Program – Long-Range Planning and Budgeting**

Report #98-43, December 3, 1998

<p><b>Finding #1:</b> More prison beds than the forecasted need for the next ten years were planned to be built.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>In concert with the governor, the Legislative Assembly, and other stakeholders, determine whether all of the planned and/or existing facilities are necessary to meet the forecasted need. Any facilities found to be unjustified should not be constructed.</p> <p>Develop internal procedures to ensure that revisions to the long-range prison construction plan more closely match the prison population forecast.</p>	<p><b>Partially Implemented:</b> We developed a long-range planning process in the spring of 1996 that calls for an update to the Long-Range Construction Plan to reflect the prison population forecast issued every six months by the Office of Economic Analysis, acknowledging gender and custody level needs. Facilities have been advanced and others delayed to reflect the forecast changes over time. These changes are shared with the Governor’s Office, Department of Administrative Services, the Legislature or Emergency Board, and local jurisdictions. Approvals are obtained for each update and reflected in the department’s budget. The latest update done after release of the April 1999 prison population forecast was just recently approved by the 1999 Legislature. The department has had a process in place since the spring of 1996 that ensures appropriate revisions to the Long-Range Plan.</p>
<p><u>Management’s Response from Original Report:</u></p> <p><i>This recommendation and earlier statements in the body of the audit suggest that we intend to move ahead on our own motion and construct unnecessary facilities without the benefit of conversation with anyone. As the reader is now fully aware, we have a planning process which calls for an update to our Long-Range Construction Plan to reflect the prison population forecast issued every six months by the Department of Administrative Services, Office of Economic Analysis, acknowledging gender and custody level needs. Facilities have been advanced and others delayed to reflect the forecast changes over time. These changes have been discussed not only with the Governor’s Office, the Department of Administrative Services, and the Legislature or Emergency Board, but the impacted local jurisdictions. Approvals are obtained for each update as required by law, reflected in the department’s budget requests. Given that the Governor must first advance budget items for the department, which must then receive approval from the Legislature or Emergency Board for spending, it is not possible for us to proceed on our own.</i></p> <p><i>As explained, we do have an internal process that calls for an update to the Long-Range Construction Plan every six months, based upon the new prison population forecast. That update reflects the appropriate gender and custody splits, maintains limited capacity in the system for proper management, and ensures that capacity is available, as necessary, to house Oregon inmates within the state of Oregon.</i></p>	

**Department of Corrections – Prison Construction Program – Long-Range Planning and Budgeting (cont.)**

Report #98-43, December 3, 1998

<b>Finding #2:</b> Plans called for the construction of beds at security levels higher than the forecasted need.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Plans should be reviewed to determine whether there is an appropriate mix of minimum, medium, and maximum security beds.	<b>Partially Implemented:</b> (See response to Finding #1 above.)
<u>Management's Response from Original Report:</u>	
<p><i>The audit chastises us for building more medium and maximum security beds than identified in current forecasts, which identify a greater need for minimum beds; suggests we did that intentionally to provide operational flexibility – lower security inmates can be placed in higher security facilities, while higher security inmates cannot be placed in lower security facilities; and we wasted \$34 million in the process. Further, it suggests that we utilize “surplus” medium capacity prior to construction of any additional medium security beds. As noted, earlier forecasts have changed over the last two years, and adjustments have been made to reflect system reaction to the impact of Ballot Measure 11. This means slower growth in overall numbers of beds and more minimum beds than originally indicated. At the time the first medium male complex was approved (TRCI), the forecast showed it would be out of both minimum and medium beds, even with the construction of 1,536 medium beds. As to the wasted \$34 million – given that these medium beds will be necessary within a few years, inflation on this more expensive type of construction would outweigh any perceived advantage of stopping construction of a facility and restart at a later date (phased construction). Finally, the next facility to be constructed is the Women’s Prison/Intake Center. This facility was designed as site one not only because of the critical need for women’s beds, but in recognition that the current intake center by statute must be turned over to Clackamas County.</i></p>	

**Department of Corrections – Prison Construction Program – Long-Range Planning and Budgeting (cont.)**

Report #98-43, December 3, 1998

<b>Finding #3:</b> Plans called for building more space for females than the existing need.	
Recommendation	Status Reported by Agency as of 6/30/99
Strive to maximize the space available in the current system before opening any additional new facilities. One option to explore is the flexibility in the current system for operating co-gender facilities.	<b>Partially Implemented:</b> (See response to Finding #1 above.)
<u>Management's Response from Original Report:</u>	
<p><i>We can and do maximize existing space including operation of co-gender facilities, but this is not preferred. For example, the Long-Range Plan calls for conversion of the Columbia River Correctional Institution to an all-male facility. In addition, currently a separate building at the Eastern Oregon Correctional Institution is being converted to house women, only because of the critical need for housing and unsatisfactory experiences in housing this population out of state. This is a temporary solution only until the new Woman's Prison/Intake Center can be built. In addition, the intake process must be moved. It is unfair to Clackamas County to assume that we will continue to occupy the facility, when the original turnover date was expected to be November 1998. Also, the capacity of that facility is too small to meet our need to house the intake population for assessment purposes for up to 45 days.</i></p>	

**Department of Corrections – Prison Construction Program – Long-Range Planning and Budgeting (cont.)**

Report #98-43, December 3, 1998

<p><b>Finding #4:</b> Oregon’s construction costs were higher than the average construction costs of other states. Detailed analysis of construction costs did not occur.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Prepare additional analysis showing how future construction plans are in compliance with ORS 279.023. Such an analysis should review lifecycle costs for planned facilities and show how the department’s plans achieve the statutory “least cost” mandate. Provide this information for legislative review at the time of any future construction budget requests. Conduct a similar analysis for current construction projects and provide this information to policy makers on a timely basis for review.</p>	<p><b>Partially Implemented:</b> <i>We have and continue to discuss the construction cost of each new institution and expansion project with the Legislature. Many factors contribute to the ultimate cost of a facility, not just a least cost mandate. As just shared with the 1999 Legislature, we are in the process of reexamining design, requesting building code changes, and taking advantage of lessons learned from other prison construction to shape future construction. As a result of that conversation, we received the following budget note: “The Subcommittee directed the Department to biennially review policy issues regarding the prison construction program to allow the Legislature to deliberately confirm or modify prior policy direction. This will allow policymakers to respond in a timely manner to lessons learned; changes in population management strategies; outcomes research and audit findings; construction and technological advances; and forecast changes as they relate to safety, security, and cost effectiveness.</i></p>
<p><u>Management’s Response from Original Report:</u></p> <p><i>Programmatic and operational needs of the state do impact the cost of construction. Therefore, even though an institution can be built for less cost in other jurisdictions, it may not be satisfactory in Oregon. We are happy to review the programs, mandates, building code, and all other issues which led to the policy choices previously approved by the Governor and Legislature with respect to the department’s building program. Review of these elements is appropriate each time the department requests authority and funding for construction of a new facility. The mandate for “least cost” is then addressed through the competitive bid process. For each construction element, bids are requested and we are obligated to select the low bid, as long as the bidder is responsible and responsive. In addition, we implement value engineering through all phases of the project to ensure receipt of the best product for the dollar spent.</i></p>	

**Department of Corrections – Prison Construction Program – Long-Range Planning and Budgeting (cont.)**

Report #98-43, December 3, 1998

<b>Finding #5:</b> Cost savings generated from construction projects were used by the department for additions to the project.	
Recommendation	Status Reported by Agency as of 6/30/99
Justify expenditure of cost savings and contingency funds for activities outside the planned scope of work.	<b>Not Implemented:</b> The "Project Management Procedures Manual" dated February 1998 defines a very strict process for approving expenditure of cost savings and contingency funds for activities outside the planned scope of work.
<u>Management's Response from Original Report:</u>	
<p><i>The fast-track construction process we used for both the SRCI and TRCI construction, due to forecasted bed need, led to a budget containing both a Guaranteed Maximum Price (GMP) and allowances and contingencies outside the GMP for unknown but necessary details. The GMP was established and construction begun before design and development was complete. As construction proceeds, the design becomes more detailed and reality can be addressed. For example, what was originally designed may not be operationally possible or cost effective. The use of the owner's contingency fund or the use of the unspent money in the GMP to support the details and to provide an allowance for unknowns allows us to address these issues. This is a necessary part of the process and not an outcome to be avoided. We do agree that the Governor and Legislature should be advised of any significant change in scope of the project, particularly if a change in policy is the driving factor.</i></p>	

**Department of Administrative Services – Printer Contract**

Report #98-44, December 18, 1998

<p><b>Finding #1:</b> R &amp; D Industries, Inc. charged higher prices for certain items than the rate established by contract. Total overcharges during the three-year period ranged from \$599,000 to \$635,000.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Seek recovery from R&amp;D Industries, Inc. the overcharges related to Price Agreement 4315.</p>	<p><b>Partially Implemented:</b> Recovery action is underway. At our request, the Department of Justice started recovery actions with R &amp; D Industries. DOJ filed a lawsuit seeking damages from R &amp; D on January 28, 1999. The suit is pending in Marion County courts.</p>
<p><u>Management's Response from Original Report:</u></p> <p>We concur with your findings. As to your recommendations, we have had an initial conversation with the Department of Justice. This matter will be turned to the Department of Justice for appropriate recovery actions.</p>	

**Department of Human Resources – Computer Center General Controls Review**

Report #98-49, December 23, 1998

<b>Finding #1:</b> Controls to manage facilities protecting equipment and people against manmade and natural hazards could be improved.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Assign an emergency coordinator for all shifts; update emergency resources such as the phone tree and employee roster; and provide training to staff on evacuation procedures.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Monitor alarms and extinguishing systems; ensure outside contract provides maintenance for emergency systems as required by the contract agreement; remove unsafe fluids from within the data center; and ensure that emergency exits are accessible at all times.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Develop and implement written procedures to evaluate and modify physical access privileges of CRM employees, and periodically perform and document reconciliations of keys and key cards.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
Comply with the Oregon State Treasury Cash Management Manual's minimum physical controls over check stock.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u><i>Management's Response from Original Report:</i></u>	
<p><i>Both swing and graveyard shifts now have one emergency coordinator assigned plus an alternate. Policies and procedures dated April 6, 1998 have been given to the shift supervisors to review with employees and ensure they understand the contents. The phone tree and the employee roster are in the process of being updated. Evacuations are planned and scheduled through the Support Services Manager for the Employment Department at 875 Union. Alarms and extinguishing systems are currently monitored during all shifts. Procedures are in place with the appropriate names and number of people to be called when an alarm sounds. We currently have an agreement/contract with Siemens-Cerberus Division to perform routine maintenance and testing on the extinguishing systems inside the center. A procedure has been created to notify the vendor every six months to schedule routine maintenance and testing. Flammable fluids have been removed from the computer center operations area except for necessary alcohol and tape-cleaning solvent. Fire exits are clear and will remain clear. At this time, a procedure is in place to manually reconcile keys and key-card system quarterly. We have requested a copy of the Oregon State Treasury Cash Management manual to enable us to comply with the minimum-security controls over check</i></p>	

stock.

**Department of Human Resources – Computer Center General Controls Review (cont.)**

Report #98-49, December 23, 1998

<b>Finding #2:</b> Access controls which safeguard information against unauthorized use, disclosure or modification, and damage or loss could be improved.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
Set password intervals to automatically require all employees to change passwords every 90 days.	<b>Fully Implemented:</b> We have fully implemented this recommendation.
Revoke all user IDs not utilized within the past 90 days.	<b>Fully Implemented:</b> We have fully implemented this recommendation.
Assign unique IDs to production services staff.	<b>Not Implemented:</b> At this point we see no acceptable way to assign unique IDs to production services staff and continue to get production completed.
Review and evaluate the access rights assigned to CRM employees to ensure that employees have appropriate access to data and programs.	
Eliminate conflicting RACF attributes.	<b>Fully Implemented:</b> We have eliminated conflicting RACF attributes as appropriate.
Document reviews of security violation reports and any resulting action taken to resolve incidents.	<b>Fully Implemented:</b> We have completed this process, but it is not documented.
<u>Management's Response from Original Report:</u>	
<p>We will develop written policies, procedures, and managerial oversight of our RACF implementation. Automatically requiring passwords to be changed at regular intervals and revocation of IDs that have not been used within the past 90 days will be a part of the above policies. Assigning unique IDs to production services staff will be researched and done as long as it can be accomplished without impacting the flow of production through the system. We will review and evaluate the access rights assigned to employees and make changes as appropriate on an ongoing basis as part of the above procedures. Conflicting RACF attributes will be researched and dealt with as appropriate. A procedure to review violation reports and record what action was taken to resolve the incidents will be developed.</p>	

**Department of Human Resources – Computer Center General Controls Review (cont.)**

Report #98-49, December 23, 1998

<b>Finding #3:</b> Disaster recovery and contingency planning could be improved.	
Recommendation	Status Reported by Agency as of 6/30/99
Update and complete written disaster recovery and contingency plans.	<b>Partially Implemented:</b> This will be completed during the year 2000. Business continuation planning is causing increased disaster recovery planning.
Conduct periodic tests or rehearsals of disaster recovery and contingency plans and provide ongoing training to employees regarding individual roles and responsibilities.	<b>Under Consideration:</b> This will be addressed after Y2K is behind us.
Ensure that all critical supplies needed to restore and continue operations are stored at their offsite storage facility.	<b>Partially Implemented:</b> All current system software is backed up and stored at the local offsite storage site and at the disaster recovery site. Manuals required by operations will be stored on diskettes in the software suitcases.
Update the emergency briefcases containing minimum software and hardware needed to restore the system.	<b>Fully Implemented:</b> We have implemented this recommendation.
Develop and implement detailed procedures to ensure that significant programs and data are identified, backed up, and transferred to offsite storage facility.	<b>Under Consideration:</b> This will be addressed totally after Y2K. Some of this will be done in the business continuation planning process.
Conduct a risk assessment of key information systems according to DAS policy.	<b>Under Consideration:</b> DHR's internal auditor is currently planning for a risk assessment.
Reevaluate the adequacy and appropriateness of offsite storage facilities to ensure that they meet the DAS guidelines.	<b>Under Consideration:</b> This will be reviewed with DAS guidelines in mind and as part of our disaster planning/recovery effort.
<u>Management's Response from Original Report:</u>	
<p>A 1999-2001 budget request has been made for an additional internal auditor position specifically for information systems audits. A risk assessment of key information systems will be the responsibility of this position. The entire disaster recovery/contingency planning process will be revisited, update, properly documented and tested. The first step (already in process) will be to get up-to-date system software stored at the disaster recovery site and at the offsite facility.</p>	

**Department of Human Resources – Computer Center General Controls Review (cont.)**

Report #98-49, December 23, 1998

<b>Finding #4:</b> CRM did not have a comprehensive written year 2000 remediation plan.	
Recommendation	Status Reported by Agency as of 6/30/99
Develop and implement a comprehensive written year 2000 remediation plan in accordance with DAS policy.	<b>Fully Implemented:</b> <i>We have implemented this recommendation.</i>
<u>Management's Response from Original Report:</u>	
<i>We are in the process of upgrading all system software to be Y2K ready. (In this context, 'ready' means that CRM is installing a vendor-assured Y2K version of software and developing plans for testing, risk management and contingency as it determines necessary.) A comprehensive written plan is being developed.</i>	

<b>Finding #5:</b> CRM could improve its segregation of duties and staff rotation.	
Recommendation	Status Reported by Agency as of 6/30/99
Develop and implement policies requiring staff rotation for all sensitive positions. Also, provide sufficient staffing to ensure appropriate segregation of sensitive duties according to the DAS guidelines on personnel security.	<b>Partially Implemented:</b> <i>Shift supervisors are rotated. With current supervision and other automated checks and balances we see no need to rotate staff.</i>
<u>Management's Response from Original Report:</u>	
<i>Staff numbers in all sections of CRM have been, and continue to be, at a level necessary to provide the required service to DHR users. The five-hour weekend and evening shift issue in which two staff members performed both operations and production services functions has been addressed and resolved as a result of reassignment and the reclassification of two positions to shift supervisors. These positions supervise the swing and graveyard shifts in both Operations and Production services. These positions also rotate every four months. The functions performed during the time an employee is at lunch or on break are minimal. The checks and balances between the scheduling system, the preprocessor and the applications themselves will bring to light any job that is run out of the normal production cycle. With the addition of shift supervisors on the evening shift, there is more protection from illegal acts and from errors. Cross checking job schedules against actual jobs run provides another layer of protection. Also, with the checking done by applications and scheduling dependencies, errors are detected automatically. In addition to the above, CRM will begin to encourage staff members, as part of their performance appraisals, to take a one- to two-week vacation at least once a year. This should provide sufficient time to have other employees detect any unusual activities or anomalies.</i>	

**Department of Human Resources – Computer Center General Controls Review (cont.)**

Report #98-49, December 23, 1998

<b>Finding #6:</b> DHR had not provided internal audit coverage of the Computing Resource Management section.	
Recommendation	Status Reported by Agency as of 6/30/99
Provide internal audit coverage to monitor the information technology process and resources of the Computing Resource Management section.	<b><i>Partially Implemented:</i></b> An IT auditor position has been approved and we are currently recruiting to fill that position. IT areas are included in the DHR audit plan.
<u>Management's Response from Original Report:</u>	
The DHR internal audit function will provide internal audit coverage for CRM.	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls**

Report #98-51, December 31, 1998

<p><b>Finding #1:</b> Cash collected in the parks has been exposed to higher-than-necessary risk of loss.</p>	
Recommendation	Status Reported by Agency as of 6/30/99
<p>Develop guidelines for park managers to use to limit the number of employees with access to safes, change funds, cash equivalents (e.g. gift certificates, Camper Bucks) and other negotiable items.</p>	<p><b>Under Consideration.</b> The RRAP manual and Policy and Procedures manual list guidelines for access to controlled items. The internal auditor/trainer, when visiting a park, has a list that includes checking performance in following these guidelines. The security database format is being established in ACCESS. The internal authorization form is being updated for review and disbursement. When completed, it will allow a report with all security listed by employee.</p>
<p>Develop and implement a procedure for the parks to control and track deposits made when the banks are providing deposit-tallying services.</p>	<p><b>Under Consideration.</b> The procedure currently used for the parks to control and track deposits made when the banks are providing deposit-tallying services is the two-part tally-sheet form. One side is filled out by the park employee and placed in a sealed envelope to be sent with the deposit. The bank employee who initials and returns it to the park fills out the other side. In August or September 1999, a new form will be created for bank agreements to establish uniform policies and meet Treasury requirements.</p>
<p>Reevaluate the recent policy change regarding frequency of deposits.</p>	<p><b>Not Implemented.</b> The current policy change regarding frequency of deposits continues to be used; however, it has been reevaluated at least twice since the audit. One was a request to extend minimum weekly deposit requirements, which was denied. The other related to a bank agreement for a remote area. We worked with Treasury to satisfy their requirements on deposits for approval of the bank agreement.</p>
<p>Continue to provide training to all staff involved with cash handling and monitoring responsibilities.</p>	<p><b>Fully Implemented.</b> We are continuing to provide training on cash handling. As issues are identified during reconciliation, park managers are notified. New staff must come into headquarters for training on TEAMS. Training requests by field staff for additional help in areas of recording daily revenue, using online TEAMS inquiry screens and the TEAMS CD file are handled as soon as possible. Ideas to cover for annual training are being formulated. The internal auditor/trainer continues to conduct field reviews and make recommendations on training needs and need for additional written policies.</p>

**Parks and Recreations Department Limited Review of Cash Handling,  
Accounting for Credit Card Sales, and Selected Reservations Northwest  
Information Controls (cont.)**

Report #98-51, December 31, 1998

**Finding #1 (cont.):** Cash collected in the parks has been exposed to higher-than-necessary risk of loss.

*Management's Response from Original Report:*

*We are reviewing policy and criteria for determining different types of security access and the number of employees granted access authority. In addition, the new Accountant 3 is establishing a database listing each employee's security. The database will produce reports that will organize and disclose security access for each employee.*

*Each person who balances his or her till at the park puts a deposit slip (tally sheet form) in a sealed envelope with the money for deposit. It lists the change, currency and checks from the till. This two-part form goes to the bank, bank staff opens the envelope, and each item (change, currency, and check) is marked off on the tally sheet by the bank employee. Any error found is noted on the tally sheet and the bank employee initials the tally sheet. All the envelopes, tally sheet, and other items except the money are returned to the park in the deposit bag.*

*We feel that the current policy regarding delayed depositing provides good cash controls and also takes into account extenuating circumstances like staffing and location. However, we will reexamine this issue in the parks and allow exceptions for parks in remote locations.*

*Each November or December Financial Services provides training to all park employees responsible for cash handling in the parks. This training not only addresses cash handling but highlights changes to the RRAP for the upcoming season.*

*The internal auditor/trainer conducts field reviews and makes recommendations to the Area Managers, Park Managers, and the Financial Managers on identified training needs for improving compliance with the RRAP manual. Revisions are ongoing to the RRAP manual, including items that come up during the training sessions. The revisions are distributed to the field as they are made. A new RRAP manual will be issued in early 1999.*

*Now that financial services has additional accountants, this will be an ongoing process that will include visits to parks to provide additional training in areas such as payroll and contracts.*

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<p><b>Finding #2:</b> The process used to record daily receipts into TEAMS could be simplified and made less prone to errors.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Formulate a plan for addressing the existing out-of-balance conditions noted by our analysis of fiscal years 1997 and 1998 and make the necessary corrections to the accounting records.</p>	<p><b>Partially Implemented.</b> <i>The new revenue reporting form has been fully implemented in the field, with additional training ongoing as needed. Since January, the revenue report has been revised twice to make it easier for field staff to use. Processes have been established for reconciliation of credit card accounts on the TEAMS CD file. As of April, we are reconciling and making correcting entries for the current credit card files monthly. We are reconciling and preparing correcting entries and credit card account entries to verify balancing to zero. We are currently working on an additional reconciliation process using TEAMS Geneva reports to compare credit card reversals on deposit entries and credit card account entries to verify balancing to zero. Errors identified by reconciliation are brought to field staff being trained on entering correct information and reviewing for errors. New staff is being trained on entry processes by headquarters staff. Field Staff is continuing to be trained in checking the CD file.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>As recommended by the Secretary of State, we have worked to create a new revenue form to address reconciliation concerns. A change in the new revenue form allows for the reconciliation of cash sales and credit card sales to the total revenue. The form was sent to the audit staff for its input. The pilot test has been completed and will be fully implemented in the field beginning in January 1999. Training on using the new form was provided in the recent training session. Using the new revenue report and its back-up documentation will reduce daily input errors. Our review of the existing out-of-balance conditions show that they relate mostly to credit card issues. The credit card reconciliation process that we will design will allow us to identify and correct past errors and identify errors as they occur monthly. Training has been given on how to read the files and take care of reconciling items by looking on the CD file. We have been working with ODOT technical IS staff in identifying problems on the CD file for credit cards.</i></p>	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<b>Finding #3:</b> TEAMS was not designed to handle credit card receipts.	
Recommendation	Status Reported by Agency as of 6/30/99
Review credit card transactions to determine more reliable balances for each location. Make adjustments as necessary to correct erroneous balances.	<b>Partially Implemented:</b> Reconciliation between bank statements, Treasury statements and the TEAMS CD files for credit cards is in process. Since neither the Treasury CD file on TEAMS nor the Treasury statement can be downloaded to ASSESS until a future date, we are using bank statements, Excel and TEAMS Geneva reports for reconciling. ACCESS will be used for the other reconciliations. In April, the new Treasury system changed the credit card document numbering system, which allowed us to begin reconciling current credit card accounts monthly. Reconciliations on the old accounts have begun, and a number of corrections for duplicate entries and errors between accounts have been made. While the reconciliations are progressing, reconciling approximately fifty old credit card accounts involves a large number of staff hours, and we are making progress on correcting the out-of-balance conditions.
Begin reconciling credit cards deposits on a periodic basis.	<b>Partially Implemented:</b> We are is currently working on a Geneva (TEAMS) report for an additional reconciliation process to compare credit card reversals on revenue entries and their entry into the credit card file to verify balancing to zero.
Determine how to account for credit card transactions to eliminate the compilation of errors. This may require evaluating whether TEAMS can actually meet the department's accounting needs.	<b>Partially Implemented:</b> OLCC's credit card system was recommended to us. An overview of their credit card system was received by phone. We plan to contact OLCC further to arrange a visit to view the system. Reconciliations to date have identified problem areas common to all parks and specific nonrecurring errors. We notify parks of errors and, if clarification of process or training is needed, it is provided immediately. A list of identified errors is used for current training and will be used as part of our annual training workshop. New staff is being trained on entry processes by headquarters staff. Field staff is continuing to be trained in checking the CD file and how to use the new revenue reports on an as-needed basis. ODOT programmers are in the early stages of enhancing the credit card account system to make it easier to reconcile. Instead of one continuous file, by adding additional alphanumeric digits, the account number on the CD file would only contain one month's revenue to reconcile.

**Parks and Recreations Department Limited Review of Cash Handling,  
Accounting for Credit Card Sales, and Selected Reservations Northwest  
Information Controls (cont.)**

Report #98-51, December 31, 1998

**Finding #3 (cont.):** TEAMS was not designed to handle credit card receipts.

Management's Response from Original Report:

*The new Accountant 3 is in the process of gathering information for items that need review to obtain more accurate balances for credit card transactions. The approach will include researching duplicate entries, mismatched items, and comparing monthly credit card bank statements to the CD file. We have trained the field personnel to go online and verify that revenue is reconciled.*

*This reconciliation is a top priority for the new Accountant 3. A new reporting system for TEAMS was implemented (GENEVA) and the CD file had some adjustments that had to be made before the reconciling could begin. The new Accountant 3 will be receiving training in early December on Microsoft Access so that it can be used as a reconciliation tool. The new Accountant 3 has obtained a list of agencies using credit cards from the SFMS Analyst to contact as a help resource to determine the best approach for reconciling credit card deposits.*

*We will be pursuing discussions with ODOT on an ongoing basis concerning the need for TEAMS changes. ODOT technical staff is addressing issues as time and available resources permit, but Y2K, GENEVA report writer, and SFMS are top priorities for their programmers to take TEAMS into the year 2000.*

*Parks, along with the State Controllers Division, is in the beginning stages of discussing and working on an RFP for the purchase of a simplified accounting system to interface with SFMS and payroll sometime during 1999. The purpose of the new system is to find a more efficient and easier way to handle financial transactions by non-accountants in the field.*

*The new Accountant 3 reconciliations will be a resource to determine recurring errors that can be reduced or eliminated through additional training or reevaluating our processes and implementing procedures to find and correct errors. Our goal will be to get the reconciliations on a monthly cycle.*

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<p><b>Finding #4:</b> The system had insufficient screen edits to prevent invalid deposit document numbers from being entered.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Discuss with ODOT the feasibility of adding screen edits to the document number field to facilitate entering only agreed-upon characters and length.</p>	<p><b><i>Under Consideration:</i></b> <i>The credit card document number system needs to become more stable before screen edits can be implemented. While we agree that TEAMS edits are inadequate to prevent document number errors, ODOT technical staff are still focusing on Y2K issues as their top priority, with other issues as time permits. Setting a screen edit in the document number field to facilitate entering only agreed-upon characters and length could create additional workload for programmers at this time because the document numbering system is not stable. Since the audit, Treasury implemented a new system that changes the CD file numbers for credit cards from a five-digit number to two alpha and five numeric digits. ODOT is now working on a credit card enhancement to the CD file that would add four alphanumeric digits representing the month and year to the credit card document number to create on file per month. Each time the document number changes, it would affect the screen edits and changes would need to be made by the programmers to the CD file. Corrections to an old file could be a problem if new edits were made.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We agree that TEAMS edits are inadequate to prevent document number errors. We will discuss the feasibility of adding document edits to revenue entry screens with ODOT programmers. ODOT technical staff is addressing issues as time permits, but is focusing on Y2K, a new report writer, and SFMS priorities to take TEAMS into the year 2000.</i></p>	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<p><b>Finding #5:</b> Parks' reservation center in Portland needed to improve controls over its cash receipting and recording processes.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Review the accounting entries used to record each day's business. This may result in the need to post additional accounting entries to appropriately record all transactions in accordance with generally accepted accounting principles.</p>	<p><b>Fully Implemented:</b> <i>Daily revenue procedure is fully implemented. The manager reviews and signs when entries are made and before transfer to Washington. Check logs have been redesigned and require entry in all fields. A small reconciliation has been added. A written policy is now in draft form for management review of the accounting entries used to record each day's business. Types of reporting errors have been tracked and used for a basis of the draft policy as well as for determining training. A written policy will be a useful tool for staff to have hands-on knowledge of how to deal with error corrections and to make corrections following correct accounting procedures. Immediate error correction saves time and prevents items being overlooked.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Upon completion of daily posting to reservations, a copy of each check log is attached to a daily operator reconciliation report indicating the date it was posted and deposited. Check logs have been redesigned and require all fields to be filled in. A detailed list of instructions, along with a reconciliation area, has been incorporated. When check or money orders are posted to the reservation system, the control numbers for items are being recorded in the payment screen of the reservation system. The differences between the daily deposits and the daily revenue reports have been due to the system's recording transactions incorrectly. A number of these transactions were identified and reported to the software vendor (Info 2000). With the addition of more accounting staff, a more thorough reconciliation process is being completed to identify any remaining discrepancies. All daily revenue reports are reviewed and verified, and a signature is affixed by the fiscal manager upon completion of data entry into the accounting system (TEAMS). The implementation of these procedural changes has provided a greater assurance that cash is being received and recorded properly. In addition, the addition of accounting staff will be beneficial in identifying discrepancies and insuring proper recording of those differences according to generally accepted accounting principles.</i></p>	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<b>Finding #6:</b> A formal, written information systems security policy was not developed.	
Recommendation	Status Reported by Agency as of 6/30/99
Develop a comprehensive information systems security policy, and provide training on the policy to all employees.	<b>Partially Implemented:</b> <i>We are currently working to establish written security policies. These policies will follow the DAS guidelines for system security. The implementation of recommended security procedures has provided a controlled environment throughout the agency. The reservation system vendor is allowed access to the system only in an individual case-by-case situation. Limited access safeguards our database and visitors' credit cards. The level access is critical for the protection of the integrity of our database.</i>
<u>Management's Response from Original Report:</u>	
<p><i>During the audit process, documentation of security procedures was started. Many of the recommendations made by the auditors were enacted immediately. New security policies require the use of an individual logon for all persons accessing the system, including vendors. Administrative logon passwords are changed monthly, and after a vendor has completed any work that required the vendor to have an administrative password. Password changes for all users are system driven, and must be done every 30 days.</i></p> <p><i>We agree that a written security policy will make training users and communicating policies more effective. It will provide a written record of security policies that are already in place. In January 1999, a new Information Resources manager position will be filled. That position will draft agency wide policies, and can help Reservations Northwest formalize a written security policy that will be consistent with other security in the agency.</i></p>	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<p><b>Finding #7:</b> The reservation center needed a plan to recover operations in the event of a disaster.</p>	
<p>Recommendation</p>	<p>Status Reported by Agency as of 6/30/99</p>
<p>Continue to develop a plan, document it, and test it as soon as is feasible to ensure recovery in a timely manner from business interruptions.</p>	<p><b>Partially Implemented:</b> <i>The Y2K project team has completed development of business continuation plans and emergency plans for all of our critical functions. The reservation system located at the Department of Fish and Wildlife building in Portland is configured for such redundancy, with duplicate servers and databases. A complete offsite backup computer system for the reservation system functions does not exist. This will be considered during the development of the 2001-03 budget.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Several efforts are currently underway that will result in the production of a disaster recovery plan. The plan was started during the audit process, but the manager who was working on the plan has left to accept a position in another agency. When the new Information Resources manager comes on board in January, work on the plan will be completed. There is also planning being done by the year 2000 project team as they prepare a business continuation plan. Components of that plan will become part of the disaster recovery plan. These efforts should culminate by the summer of 1999. Testing will most likely be done after the busy season is over to minimize any potential disruption of service.</i></p>	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

**Finding #8:** The reservation center did not have a separate computer or test region on its production computer to test programming changes and upgrades before installing them in a live production setting.

Recommendation	Status Reported by Agency as of 6/30/99
<p>Management and technical staff should develop and implement formal written testing policies and procedures related to program change.</p>	<p><b>Fully Implemented:</b> A test system is installed and all park offices software changes are thoroughly tested prior to production implementation. The support staff has written test scenarios that are evaluated with each new version of software. While major upgrades occur on an infrequent basis, minor changes continue to be provided by the vendor to resolve software problems. After testing changes are applied as needed to improve the performance of the system. Testing the park office software before use reduces time spent correcting problems throughout the park offices.</p>

Management's Response from Original Report:

*While written procedures have not been completed, the separate computer that has been set up to receive any software upgrades or fixes provides an extra level of control over program change. In addition to the extra testing this computer allows, the stability of the program itself has increased and changes are not made as frequently as they were during the period of the audit. No changes have been made since August, and no major upgrades are planned in the near future.*

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<p><b>Finding #9:</b> Management needed to improve documentation of processes used to manage problems that occur with the system software and with access to the system and its resolution.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency as of 6/30/99</b></p>
<p>Develop a standardized problem management system so that all staff understand and conform to procedures and documentation requirements throughout the problem identification and resolution process.</p>	<p><b>Fully Implemented:</b> All problems with vendor supplied software are funneled through the System Administrator of the Database Administrator, depending on the nature of the problem. One consolidated case log is maintained for the agency. A weekly review of outstanding problems is conducted with the vendor. E-mail is used to submit problem cases to the vendor, with phone follow up. Management reviews outstanding cases with staff to establish priorities. Implementation of vendor supplied upgrades is coordinated with management.</p>
<p>Develop a procedure for documenting, following up on, and resolving system security violations. Such a policy should consider access violations from inside the organization as well as outside, and include a periodic review by upper management and approval of actions taken.</p>	<p><b>Fully Implemented:</b> Using one case log allows documentation of the problem, reduces duplication of effort, makes the problem available for review, and can be referred to for status in obtaining a solution.</p>
<p><u>Management's Response from Original Report:</u></p> <p>A new procedure was agreed upon between the vendor and users at an annual vendors' conference. Tracking problems and cases will be done on an Intranet site developed by the vendor, and accessible to all states using the software. This will improve documentation because problems, fixes and the case status will be available on that site.</p> <p>Currently, DBA has weekly conference calls with the vendor to track cases. The use of e-mail has helped in recording when cases were turned in and what actions have been taken to resolve them. Staff has been assigned specific areas of responsibility for problem tracking, with overall coordination being done by the DBA.</p> <p>System security procedures changed as the audit recommendations became known to management. System logs are no longer deleted. Logs are now kept of all authorized outside access, including the reason access has been granted. Routine checks are done at random intervals by the DBA and Systems Administrator that would uncover any unauthorized access. Upper management discusses security procedures and policies with staff and periodically reviews log sheets and access that has been granted for work to be performed.</p>	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<b>Finding #10:</b> Access to computerized systems was loosely regulated.	
<b>Recommendation</b>	<b>Status Reported by Agency as of 6/30/99</b>
<p>Continue to develop, document and implement procedures to improve secured access to the computer and its applications, including restricting access to appropriate personnel and providing for adequate segregation of duties. Identify critical functions performed by the system (e.g. payment posting) and analyze controls in place, either built into the system or performed manually, to determine the adequacy of the controls to reduce risk to an acceptable level.</p> <p>Implement procedures were controls are inadequate, and provide training to staff. Consider approaching other states about sharing the costs of obtaining needed security enhancements for the system from the software vendor.</p>	<p><b>Partially Implemented:</b> <i>The DBA and System Administrator continue to monitor access to the system. Access by other staff is granted on an as-needed basis. These controls reduce risks. Security enhancements to the software have not been completed by the vendor, but are to be contained in a future release. The controls protect the integrity of the software.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Immediate changes were made as the audit findings were made known to our management. Only two people now have the system password: the DBA and System Administrator. Passwords may be given to vendors as needed to allow them to complete work on the system, but the passwords are changed as soon as the work is completed. All people who use administrative passwords are required to log in with a personal account, and use the SU function when they use the administrative password. This is a requirement that includes the DBA and System Administrator positions. Copies of the SU logs are reviewed by management to ensure the policy is being followed.</i></p> <p><i>The DBA checks daily for any unauthorized data changes. Any unauthorized changed are analyzed to determine if a system control can be used to prevent further occurrences or if a manual control, such as monitoring, needs to be enacted. Training also is provided for staff members so that they understand what the scope of their authority is, and what functions they can and cannot perform.</i></p> <p><i>Currently, Texas and Oregon are getting quotes from the software vendor for enhancement of the system's ability to track and restrict access. The intent is to share the cost of this work with other states that use the software.</i></p>	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<b>Finding #11:</b> Management purchased \$42,000 of software and training that was never used.	
Recommendation	Status Reported by Agency as of 6/30/99
Establish standards and develop procedures to ensure that the acquisition of information systems and components meet business and management objectives and strategy. Such procedures also should assure compliance with the state's purchasing regulations in effect at the time.	<b>Fully Implemented:</b> All information systems purchases are approved through key management for review, authorization for better controls and to better meet business needs. New procedures will ensure that we follow state guidelines in applying state purchasing rules and using the competitive bid process.
<u>Management's Response from Original Report:</u>	
<i>Major acquisition is planned for during the biennial budget process. The agency's Information Resource Management Plan is provided to DAS for input and then in turn submitted for legislative review. One staff person is now responsible for preparing all purchase orders and ensuring that state purchasing guidelines have been adhered to by staff when purchasing products. A policy is in place that requires all purchases over \$10,000 be reviewed and approved by the RNW director. While key staff no longer makes major purchases, training has been provided to familiarize them with state purchasing guidelines.</i>	

**Parks and Recreations Department Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Controls (cont.)**

Report #98-51, December 31, 1998

<b>Finding #12:</b> Parks had not yet been certified as Y2K compliant.	
Recommendation	Status Reported by Agency as of 6/30/99
<p>Make every effort to complete Y2K plan and testing by June 30, 1999, as recommend by DAS policy.</p>	<p><b>Fully Implemented:</b> <i>The Reservation System hardware and software, including operating systems, is running on versions that have been certified Y2K compliant by the vendors. Certificates of compliance are on file at RNW and with the OPRD Y2K Coordinator. The Reservation System hardware and software, including operating systems, is running on versions that have been certified and will allow us uninterrupted customer service.</i></p> <p><i>Vendor access must be cleared with Reservation Northwest technical staff prior to logging on to the system. This access is granted only in the event of trouble shooting or program problem resolution where local staff cannot resolve the issue. This will protect the integrity of the system.</i></p> <p><i>We are working with the DAS Y2K Project TEAM to achieve Y2K compliance. While this goal has not yet been fully accomplished, our staff is reporting progress to DAS on a monthly basis, and recently received the status of green on our Business Continuous Plan, which will prevent interruption of service and loss of data stored in the system.</i></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We have an active Y2K Project Team comprised of 14 members who represent each area of the field and the central office section, two fulltime Project Coordinators, and a Project Manager.</i></p> <p><i>During 1998, the Y2K Project Team has completed inventories of non-PC equipment, reviewed and refined inventories for computer hardware and water and waste treatment systems, and developed a comprehensive list of electronic interfaces important to ongoing operations. Led by the Project Coordinator, this team is currently developing the agency's Business Continuation Plan. Research on vendor compliance is being conducted by the other Project Coordinator.</i></p> <p><i>Based on advice from the Department of Administrative Services, we delayed making any statements regarding Year 2000 compliance efforts. We received revised guidelines from the Attorney General's Office and the DAS Y2K Project Team regarding communication with vendors, and we will be following those guidelines as we request information and respond to requests for information.</i></p>	





## **AUDITING 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.

### **Directory of Key Officials**

Director	John N. Lattimer
<i>Deputy Director</i>	Catherine E. Pollino, CGFM
<i>Deputy Director</i>	Sharron E. Walker, CPA, CFE

**This report, which is a public record, is intended to promote the best possible management of public resources.**

If you received a copy of an audit report and no longer need it, you may return it to the Audits Division. We maintain an inventory of past audit reports. Your cooperation helps us save on printing costs.

Oregon Audits Division  
Public Service Building  
255 Capitol Street NE • Suite 500  
Salem, Oregon 97310

**We invite comments on our reports through our Hotline or Internet address.**

Ph. 503-986-2255  
Hotline: 800-336-8218  
Internet: [Audits.Hotline@state.or.us](mailto:Audits.Hotline@state.or.us)

<http://www.sos.state.or.us/audits/audithp.htm>

