

Secretary of State AUDIT REPORT

Report No. 2001-02 • January 23, 2001

Oregon Parks and Recreation Department Change of Director Audit



Bill Bradbury, Secretary of State
John Lattimer, Director, Audits Division

Summary

PURPOSE

This audit was conducted in compliance with *Oregon Revised Statute* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. The former director of the Oregon Parks and Recreation Department (OPRD), appointed on November 1, 1992, resigned from that position January 13, 2000.

RESULTS IN BRIEF

- We question the Oregon State Parks and Recreation Commission's (commission) authority to retain the former director in a staff-level position within OPRD. We also question the commission's allowing him to receive a full director's salary and benefits when he was not performing the work of a director. State law authorizes the commission to appoint only the OPRD director. The former director worked under this arrangement for more than five months after resigning, and may have been overpaid by approximately \$26,000.
- The former director's travel reimbursement claims and monthly timesheets appeared reasonable, but were not subject to review and approval by a higher level of authority. We found this to be a statewide issue; state policies do not clearly designate roles and responsibilities for approving payments to agency directors. During our audit, the State Controller's Office

was developing a statewide policy to clarify the roles and responsibilities.

- OPRD can improve its procedures for safeguarding state assets from loss. The agency maintained documentation of what assigned property the former director had returned, but not complete documentation of what property was originally assigned.

RECOMMENDATIONS

- We recommend that OPRD management work with the Department of Administrative Services (DAS) and the Department of Justice to determine the proper recourse for the questioned payments made to the former director.
- We recommend that the commission request legal guidance from the Department of Justice before making decisions concerning OPRD director transitions.
- We recommend that OPRD implement the State Controller's forthcoming procedures for reviewing and approving payments to agency directors.
- We recommend that OPRD develop procedures to maintain records of state assets assigned to employees and periodically perform physical verification of assets with a high risk of loss.

AGENCY RESPONSE

OPRD generally agrees with the recommendations.

INTRODUCTION

The Oregon Parks and Recreation Department (OPRD) is responsible for more than 92,000 acres of state park land and assets valued at more than \$500 million. The seven-member Oregon State Parks and Recreation Commission (commission) establishes policies and rules necessary to execute the duties of OPRD.

AUDIT RESULTS

Questioned Payments of Salary and Benefits

The former OPRD director resigned from his position on

January 13, 2000, to be effective on the appointment of a new director. On January 19, 2000, the commission announced the resignation of the former director. The announcement stated that he would continue to work on selected projects until July 1, 2000. Also on January 13, 2000, the commission appointed the deputy director as acting director, who assumed the former director's authority and duties.

The commission retained the former director as Special Project Manager, allowing him to remain as a state employee in the director's position classification. At the commission's direction, he

continued to receive his salary as director (\$7,736 per month) including state benefits. The work involved acquiring property for new state parks.

The former director worked under this arrangement for over five months. During this period, according to OPRD records and our interviews with OPRD employees, the former director was in attendance and performing work for OPRD.

On June 12, 2000, the commission appointed a new director. On July 10, 2000, OPRD reassigned the former director to a Program Tech 2 temporary position at \$4,310 per month. There was no change in

work responsibilities from the Special Project Manager position to the Program Tech 2 position. The former director separated from state service on August 4, 2000, having worked a total of 17 hours in the Program Tech 2 position.

We question the commission's actions from two standpoints.

The statutes clearly authorize the commission to appoint the OPRD director. The statutes do not clearly authorize the commission to appoint any other state employee. The commissioners did not seek legal counsel from the Department of Justice before acting.

Second, we question paying the former director a full director's salary and benefits for more than five months when he was not required to perform the duties of a director. If the \$4,310 monthly salary OPRD paid the former director after July 10, 2000, represented an appropriate state salary for the work performed, the commission apparently overpaid the former director by \$3,426 per month during the period preceding the change in classification. Including employee benefits and payroll costs, this may have resulted in overpayments totaling approximately \$26,000 for the period from January 20, 2000, to July 10, 2000.

We recommend that OPRD management work with the Department of Administrative Services (DAS) and the Department of Justice to determine the proper recourse for the questioned payments made to the former director.

We recommend that the commission request legal guidance from the Department of Justice before making decisions concerning OPRD director transitions.

Review of Time and Travel Records

We reviewed the former director's payroll records and travel reimbursement requests and found them to be reasonable and the work performed was related to OPRD operations.

While he was director, however, the former director's time and travel records were not reviewed and approved by a higher authority. The travel reimbursement requests were reviewed and processed by a staff accountant. The time sheets were not approved by anyone.

The Oregon Accounting Manual requires travel expense reimbursements to be approved by the authorizing supervisor or manager. However, the policies do not provide clear roles and procedures for authorizing payment on directors' travel claims and time sheets.

Review and approval by a designated authority, following prescribed procedures, is needed to reduce the risk of inappropriate payments.

During our audit, the State Controller's Office was developing policies to clarify roles and responsibilities for reviewing and approving payments to agency directors.

We recommend that OPRD implement the State Controller's forthcoming procedures for reviewing and approving payments to agency directors.

Separation Procedures

Our review showed that OPRD took appropriate actions to cancel the former director's access to state systems and to discontinue payroll. However, we found that OPRD could improve procedures for tracking state property assigned to employees.

OPRD staff provided a list of state assets that the former director returned upon separating from the agency. We were told that all assigned items had been returned; however, the staff did not maintain a complete listing of the property originally assigned.

The *Oregon Accounting Manual* recommends that state agencies identify, record, and control inventory items that have a high risk of loss such as computers and electronic equipment.

OPRD maintains records of high-risk property by serial number. Using these records, we confirmed a laptop computer assigned to the former director had been returned.

Because OPRD did not maintain records of all assigned property, we could not be certain that all assigned property was returned.

We recommend that OPRD develop procedures to maintain records of state assets assigned to employees and periodically perform physical verification of assets with a high risk of loss.

Procurement Card Use

The former director was not issued a procurement card. The former director's assistant was issued a card and could have made purchases on behalf of the former director. We reviewed the assistant's purchases and found them to be reasonable.

Employee Payroll

We reviewed payroll disbursements to employees under the former director's supervision and found no unusual payments. Our review of payroll covered the former director's final 13 months of service.

Contracts

We reviewed records of 11 of 15 personal services contracts that OPRD entered into between June 10, 1999, and August 21, 2000. The former director was directly

involved in authorizing one of the 11 contracts. The stated purposes and amounts of all 11 contracts appeared reasonable, proper, and adequately supported. Having performed detailed tests of OPRD's contracting procedures in a recent audit (report number 1999-28), we did not conduct additional contract review.

OBJECTIVES, SCOPE AND METHODOLOGY

This audit was conducted in compliance with *Oregon Revised Statute 297.210*, which requires the Audits Division to perform an audit or review when the executive head of a state agency leaves that position for any reason. Our audit objectives were to assure that OPRD took appropriate actions to protect state assets upon the former director's departure. Specifically, we:

- Determined whether state assets in the custody and control of the

former director were returned to OPRD upon his departure.

- Determined whether the former director's access to state and agency automated systems was terminated upon his departure.
- Reviewed reimbursement claims, including travel reimbursement claims filed by the former director during his final 13 months of service, to determine whether reimbursements complied with state rules, were authorized, proper, adequately supported, and reasonable.
- Determined whether a state procurement card was issued to the former director and, if so, whether purchases during his final 13 months of service were proper, adequately supported, and reasonable.
- Reviewed payroll disbursements to the former director to determine if there were any unusual payments during his

final 13 months of service. We also determined whether the former director was properly removed from the state payroll.

- Reviewed payroll disbursements for those employees whose timesheets were approved by the former director to determine if there were any unusual payments during his final 13 months of service.
- Reviewed records of personal service contracts that OPRD entered into during the former director's final 13 months of service to determine whether the contracts were reasonable, proper, and adequately supported.

We conducted this audit in accordance with generally accepted government auditing standards.



Oregon

John A. Kitzhaber, M.D., Governor

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1/8/2001

Mr. James D. Pitts
Audit Administrator
Office of the Secretary of State
225 Capitol Street NE – Suite 500
Salem, Oregon 97310

Dear Mr. Pitts:

Please accept this letter as the Oregon Parks and Recreation Department's response to the findings and recommendations concerning the Department's change of director in Year 2000.

Audit Recommendation:

"We recommend that OPRD management work with the Department of Administrative Services (DAS) and the Department of Justice to determine the proper recourse for the questioned payments made to the former director."

Agency Response:

In the course of implementing the transition plan with the former director, the Parks and Recreation Commission consulted with other offices about its plans and assumed it was within its authority. Oregon Parks and Recreation Department (OPRD) acknowledges the audit recommendation and will consult with the Department of Administrative Services and the Department of Justice on this matter.

Audit Recommendation:

"We recommend that the commission request legal guidance from the Department of Justice before making decisions concerning OPRD director transitions."

Agency Response:

In the future, OPRD staff will encourage the commission to consult with the Department of Justice, the Department of Administrative Services and others with authority in personnel matters prior to initiating future director transitions.

Audit Recommendation:

"We recommend that OPRD implement the State Controller's forthcoming procedures."

Agency Response:

OPRD will fully implement the State Controller's procedures upon issuance of said procedures. In the interim, the department has adopted the practice of having the new director's time and travel expenses reviewed and signed by the deputy director.

Audit Recommendation:

"We recommend that OPRD develop procedures to maintain records of state assets assigned to employees and periodically perform physical verification of high-risk assets."

Agency Response:

OPRD will identify "high risk" assets, not presently covered by the department's inventory control system and implement a program of recordkeeping and periodic verification.

Thank you for allowing us to review and respond to the forthcoming audit report. Should you have any questions or need clarification, please do not hesitate to contact me.

Sincerely,



Michael Carrier, Director

Cc: Mike Greenfield, Director, Department of Administrative Services
Paddy McGuire, Deputy Secretary of State

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The courtesies and cooperation extended by the officials and staff of the Oregon Parks and Recreation Department were commendable and much appreciated.

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