

# AUDIT REPORT

## Oregon State Treasury: 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.

#### RESULTS IN BRIEF

- Treasury can improve controls over travel claims and timesheets.
- Our limited review of access to assets, access to systems and contracts did not identify any compliance or control issues.

#### RECOMMENDATIONS

- We recommend that Treasury recover travel claim reimbursement overpayments made to individuals.

- We recommend that Treasury further develop its travel policy relating to incidental expenses not related to travel.
- We recommend that Treasury ensure that its review of travel claims is effective to ensure compliance with policy and that reimbursement is made for the correct amount.
- We recommend that Treasury ensure that its timesheet review policy is enforced.

#### AGENCY RESPONSE

The Oregon State Treasury generally agrees with the recommendations.

### Background

Oregon State Treasury (Treasury) is the custodian of most of the state's cash and investments. It performs banking functions for state agencies such as receiving and disbursing state funds, and investing cash not immediately required for expenditure. In addition, Treasury manages the state's investments under the supervision of the Oregon Investment Council. It also coordinates the issuance and redemption of the state's bonded debt.

Randall Edwards was sworn in as Treasurer on January 2, 2001, replacing Jim Hill, who was elected Treasurer in 1992. Randall Edwards appointed Linda Haglund as Deputy Treasurer to replace Gary Bruebaker, who resigned effective December 29, 2000. The Deputy Treasurer manages day to day operations of the

agency; therefore, we included transactions of the Deputy Treasurer in our scope.

### Audit Results

#### Travel Claims

When an employee personally pays for travel expenses related to agency business, he or she submits a travel claim for reimbursement. The employee's supervisor reviews and approves the claim. Agency accounting then reviews the claim for compliance with policy and to ensure that the claim is mathematically correct prior to reimbursing the employee.

#### Audit Methodology

We reviewed the agency's policy and the travel claims payable to or directly authorized by the Treasurer and Deputy Treasurer during their final six months of service. The objective of the review was to determine whether reimbursements paid

complied with agency travel policy, and were paid for the correct amount, authorized, adequately supported and reasonable.

#### Analysis and Conclusions

The agency's review process does not always identify errors or ensure compliance with policy. Of the 37 travel claims reviewed, two claims contained minor errors, three claims were paid at a rate higher than authorized in the agency's policy, and three claims were for incidental expenses not related to travel.

As a result, Treasury overpaid three claims by a total of \$134. For example, one employee was reimbursed \$82 for meals that were already paid for as part of the conference he was attending.

Although the agency has expanded its travel policy to allow for reimbursement of incidental expenses not related to travel, the agency has not fully

defined the criteria for use such as purchasing limits and authorization.

**We recommend** that Treasury:

- Recover overpayments made to individuals.
- Further develop its travel policy by defining purchasing limits and authorization for incidental expenses not related to travel.
- Ensure that its review process over travel claims is effective to ensure compliance with policy and that reimbursement is made for the correct amount.

**Agency Response:** *We agree that three claims had overpayments. The overpayment of \$82 was collected when brought to our attention. The other two overpayments totaling \$52 were made to employees who no longer work for Treasury, however, collection should occur shortly.*

*While the incidental expense reimbursements were not contrary to or an expansion of Treasury policy, we will examine our written policy regarding reimbursement of such expenses and make any changes deemed appropriate.*

*We will review our travel claim payment process to determine if additional controls can be implemented on a cost-effective basis.*

## Payroll

As an elected official, the State Treasurer's salary is statutorily set; thus, he is not required to submit a monthly timesheet, nor does he accrue sick, vacation or personal leave. All other Treasury employees complete timesheets each month indicating the number of hours worked or taken for vacation, sick, personal business leave, or other leave. Employees and their supervisors

sign the timesheets, signifying that the timesheets are true and accurate. The Finance Division staff then reviews the timesheets for compliance with policy and processes them for payment.

## Audit Methodology

We reviewed salary paid to or directly authorized by the Treasurer and Deputy Treasurer during their last six months of service. In addition, we reviewed vacation time paid to the Deputy Treasurer. The objective of our review was to determine if salary was paid for the correct amount and timesheets were authorized, and to identify any unusual payments.

## Analysis and Conclusions

Salary paid to or directly authorized by the Treasurer or Deputy Treasurer was paid for the correct amount. Our review identified no unusual payments; however, some timesheets were not properly authorized.

Of the 65 timesheets reviewed, five did not have a supervisor's signature and one employee did not sign his timesheet. This occurs because the Finance Division staff does not always enforce compliance with agency policy regarding timesheet signatures.

By not enforcing its policy, Treasury is increasing the chances of errors, irregularities and fraud.

Treasury identified the lack of supervisory signature during an internal review prior to our audit and has since modified its policy.

**We recommend** that Treasury ensure that its timesheet policy is enforced to ensure all timesheets are properly reviewed and signed.

**Agency Response:** *We agree with the analysis and*

*recommendation and have already implemented procedures to ensure this does not occur in the future.*

## Access to Assets

Employees are assigned assets, such as computers, key cards and credit cards, with supervisor approval. Treasury tracks these assets and, upon an employee's termination, ensures that the assets are returned. In addition, some employees are granted signature authority for various Treasury transactions. This authority is monitored and then removed upon termination.

## Audit Methodology

We reviewed the agency's fixed asset listings to determine if the fixed assets assigned to the former Treasurer and Deputy Treasurer were returned to the agency. We reviewed credit card purchases made during their last six months of service to determine if they were appropriate. We reviewed the signature authority granted to the former Treasurer and Deputy Treasurer, and the revocation of that authority.

## Analysis and Conclusions

We found that all assets assigned to the former Treasurer and Deputy Treasurer were returned before their final departure. We also found that credit card purchases were appropriate and that Treasury revoked all signature authority granted to the former Treasurer and Deputy Treasurer.

## Access to Computer Systems

Employees are granted access to computer systems based on supervisor requests. Upon termination, each employee's access is revoked.

## Audit Methodology

We interviewed agency and statewide information systems personnel and viewed applicable computer screens to determine if the Treasurer's and Deputy Treasurer's access to state and agency computer systems was revoked.

## Analysis and Conclusions

We found that access to statewide and agency computer systems was properly revoked for the former Treasurer and Deputy Treasurer.

## Personal Service Contracts

Personal service contracts are used when the required specialized skills, knowledge and resources are not available within the agency. Treasury's policy requires various controls over requests for proposals and approval of contracts, depending upon the amount of the contract.

## Audit Methodology

We reviewed those contracts entered into by the Treasurer, Deputy Treasurer and their immediate staff for the last six months of service. The objective of our review was to determine if contracts entered into were appropriately authorized, reasonable and in compliance with contract law and agency policy.

## Analysis and Conclusions

We found that personal service contracts were appropriately authorized, reasonable and in compliance with applicable law and agency policy.

## Objectives, Scope and Methodology

The audit was conducted in compliance with ORS 297.210, which requires the Audits Division to perform an audit or review when the executive head

of an agency leaves, regardless of the reason. Our audit objectives were to assure that appropriate actions were taken to cancel the previous Treasurer's and Deputy Treasurer's access to state and agency systems, that they returned any assets assigned to them, and that recent transactions authorized by them were reasonable and complied with applicable laws and regulations.

Specifically, this work included a review of travel claims, payroll, access to assets, access to statewide and agency systems and personal service contracts. Our audit work included inquires of Treasury personnel and examination of various policies and documents relating to our audit objectives.

The audit was conducted from January 2001 through February 2001 in accordance with generally accepted government auditing standards.

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

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

