

AUDIT REPORT

Oregon Commission for Women: 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

- The Commission could improve controls over purchasing and fixed assets.
- The Commission could improve accounting procedures over the proceeds from the Women of Achievement dinner.
- Our limited review of access to systems, travel claims, payroll and contracts did not identify any compliance or control issues.

RECOMMENDATIONS

- We recommend that the Commission develop and document policy outlining criteria for what constitutes appropriate business purposes.

- We recommend that the Commission establish procedures to review and approve all purchases to ensure compliance with established policy.
- We recommend that the Commission identify all assets with a State of Oregon property identification tag.
- We recommend that the Commission create and maintain a listing of fixed assets, and periodically have an independent inventory performed.
- We recommend that the Director maintain supporting documentation for the number of tickets issued, sold and unsold, donations received and auction proceeds.
- We recommend that the Commission Chair or Board verify all deposits to the corresponding supporting documentation.

AGENCY RESPONSE

The Commission for Women generally agrees with the recommendations. The Commission's response letter is attached at the end of this report.

Background

The Oregon Commission for Women (Commission) was established by the Oregon Legislature in 1983 to work toward economic, social, legal and political equality for women in Oregon. The Commission does this by identifying, analyzing, monitoring, and evaluating legal and other issues confronting women and by holding seminars on women's issues. The Commission also publishes a handbook called *Oregon Women and the Law*, as well as holds an annual fundraiser to honor Oregon's outstanding women.

The Commission is comprised of 11 members (Commission Board) including two members of the Legislative Assembly and nine members appointed by the Governor. Although not specifically

authorized in statute, the Commission appoints an executive Director who is responsible for the duties imposed on the Commission. Because the Commission is limited in staff, the Department of Administrative Services performs accounting and payroll functions.

Tracy Davies began her tenure as Director of the Commission on March 23, 1998 and resigned effective February 4, 2000. She continued in a temporary position until Roslyn Farrington was hired as Director on April 12, 2000.

Audit Results

Financial Assets

To make Commission purchases, the former Director used a state credit card (SPOTS card) or requested the business directly bill

the Commission. Both the SPOTS card invoices and direct bills are approved by the Director or Commission Chair and sent to the Department of Administrative Services for payment. The former Director used her SPOTS card from November of 1998 through February of 2000.

The Department of Administrative Services' SPOTS card policy states that the cards can only be used for purchases that further the business of the state and that expenditures for employee airline and other travel costs are unauthorized uses. The corresponding procedure requires that supporting documentation be attached to the monthly statement and that the cardholder approve, sign and date the statement.

Audit Methodology

Our audit objective was to review purchases made during the former Director's tenure for any unusual purchases and compliance with the Department of Administrative Services' policy.

Analysis and Conclusions

Some SPOTS card purchases did not comply with the Department of Administrative Services' policy. Of the 81 purchases from November 1998 through February 2000, we noted the following:

- Even though authorized by the Commission Chair, some purchases did not have a clear business purpose. For example, the former Director sent a half-dozen roses to a staff member in the Governor's Office at a cost of \$30. Further, the former Director spent \$73.83 for an extra night of lodging at the coast following a Commission function.
- Some purchases did not have supporting documentation attached to the monthly statement. Sixteen purchases, totaling \$2,308.60, did not have an itemized receipt detailing what was purchased.
- Some purchases did not comply with the Department of Administrative Services' SPOTS card policy. Eleven purchases, totaling \$1,405.37, were for travel, including airfare, lodging and meals.
- Two of 16 monthly statements were not approved, signed and dated by the Director.

In addition, some purchases were not reviewed and approved by the Commission Board or Chair.

The Commission has not developed procedures to review and approve all purchases and ensure compliance with state policy. Additionally, the Commission has not established criteria for what constitutes a business purpose.

This increases the risk that errors, irregularities, fraud, and misappropriation of assets could occur and go undetected.

We recommend that the Commission:

- Develop and document policy outlining criteria for what constitutes appropriate business purposes.
- Establish procedures to review and approve all purchases to ensure compliance with established policy.

Fixed Assets

The *Oregon Accounting Manual* states that agency management is responsible to ensure that internal controls are sufficient to provide reasonable assurance that state assets are not lost or stolen. In addition, it recommends that agencies identify, record, and control inventory items that have a high risk of loss, such as computers and electronic equipment.

The Commission owns a computer, television, and camcorder for use in Commission business. In addition, the Director is issued a key to the Commission office.

Audit Methodology

We verified the existence of known fixed assets and searched purchases for unrecorded assets. The objective of our review was to determine if fixed assets assigned to or purchased by the former Director were returned to the Commission upon her departure.

Analysis and Conclusions

The current Director verified that the former Director returned the key to the Commission office. We verified that all other assets were returned to the Commission, and found no additional unreported assets in our review of purchases.

As there are so few assets, it has not been a priority of the Commission to formally identify

assets with a property identification tag, maintain an inventory listing of assets, and periodically perform an inventory.

This situation increases the risk that assets will be lost or stolen without the Commission's knowledge.

We recommend that the Commission:

- Identify all assets with a State of Oregon property identification tag.
- Create and maintain a listing of fixed assets and periodically have an independent inventory performed.

Travel Claims

When the Director personally pays for travel expenses related to Commission business, she submits a travel claim for reimbursement. This claim is reviewed and signed by the Chair of the Commission and is forwarded to the Department of Administrative Services for payment.

Audit Methodology

We reviewed state travel rules and the travel claims paid to the former Director during her final six months of regular service and two months of temporary service. The objective was to determine whether reimbursements paid complied with state travel rules, and were paid for the correct amount, authorized, adequately supported and reasonable.

Analysis and Conclusions

We found all travel claims reviewed to be reasonable, adequately supported, authorized, for the correct amount and in compliance with state travel rules.

Payroll

The Director completes a monthly timesheet indicating hours worked or taken for vacation, sick, personal

business leave, or other leave. The timesheet is reviewed and signed by the Commission Chair and is forwarded to the Department of Administrative Services for processing.

Audit Methodology

We reviewed salary payable to the former Director during the last six months of her regular service and two months of temporary service. In addition, we reviewed vacation time accrued for and paid to the former Director. 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

We found that salary and vacation time accrued and paid to the former Director were for the correct amount, authorized and appropriate.

Access to Computer Systems

According to the Department of Administrative Services' Information Resources Management Division Systems Security Policy Guideline, no one can access agency information systems without an authorized User Identification (User ID) and User IDs will be revoked if the employee terminates or transfers.

The Commission has one computer, which it uses to perform Commission business.

Audit Methodology

We interviewed the current Director and statewide information systems personnel to determine if the former Director had access to statewide and agency computer systems after termination.

Analysis and Conclusions

We found that the former Director does not currently have access to statewide computer systems and agency access was revoked.

Personal Service Contracts

Personal service contracts are used when the required specialized skills, knowledge and resources are not available within the agency.

Audit Methodology

We reviewed those contracts entered into by the former Director for the last six months of her regular service and two months of temporary service. The objective of our review was to determine if personal service contracts entered into were appropriately authorized and reasonable, and in compliance with contract law.

Analysis and Conclusions

We found that personal service contracts entered into by the former Director were generally authorized, reasonable and in compliance with applicable law.

Prior Audit Findings

The *Oregon Accounting Manual* states that controls over cash and related cash transactions are of prime importance to agency management. Controls and safeguards must be adequate to provide management with a reasonable degree of assurance that cash and cash related transactions will be properly accounted for and controlled.

The annual Women of Achievement dinner is a major fundraiser for the Commission. The Commission sells tickets to the dinner and collects donations as well as proceeds from an auction held during the dinner. The proceeds from each dinner are deposited with the Department of Administrative Services.

The Oregon Audits Division issued a report dated February 27, 1998, titled *Commission for Women Special Review? Change of Director*, number 98-18. In that report, the Audits Division found

that the Commission lacked controls over cash receipts and recommended that the Commission establish procedures to account for the number of tickets issued. The Commission responded that it would keep a record of every ticket sold, how many people attended and donations received.

Audit Methodology

We tested controls over cash receipts to determine whether the solutions posed by the Commission were in place and whether those solutions adequately mitigated the lack of controls over cash receipts. We examined records of deposits with the Department of Administrative Services and examined records of ticket sales and auction and donation proceeds for the 1999 and 2000 dinners.

Analysis and Conclusions

We found that the Commission has improved controls over cash receipts. The Commission is now numbering the tickets and maintaining a listing of individuals who have paid.

However, the Commission is not adequately accounting for the number of tickets issued, sold and unsold. Additionally, the Commission's documentation is not adequate to verify the funds deposited against the records of individuals who paid to attend the dinner.

For the 1999 dinner, the Commission deposited a total of \$14,983.87; however, it could not provide supporting documentation to account for amounts attributable to ticket sales versus donations and auction proceeds.

During the 2000 dinner, the Commission again improved its practices by indicating in a letter accompanying the deposit the portion of funds due to ticket sales, donations and auction proceeds. Documentation, however, was

inadequate to verify the actual number of tickets sold, donations received and auction proceeds.

This situation increases the risk that errors, misappropriation or fraud could occur and go undetected.

We recommend that the:

- Director maintain supporting documentation for the number of tickets issued, sold and unsold, donations received and auction proceeds.
- Commission Chair or Board verify all deposits to the corresponding supporting documentation.

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 appropriate actions were taken to cancel the previous Director's access to state and agency systems, to assure that she returned any assets assigned to her, and to assure that recent transactions she authorized were reasonable and complied with applicable laws and regulations. We

also followed up on prior audit findings.

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

The audit was conducted in March 2001 in accordance with generally accepted government auditing standards.

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

AUDIT ADMINISTRATOR: *Nancy Young, CPA, CISA* • AUDIT STAFF: *Kristina Wayland, CPA*

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

The courtesies and cooperation extended by the officials and staff of the Commission for Women and the Department of Administrative Services were commendable and much appreciated.

Auditing to Protect the Public Interest and Improve Oregon Government



Oregon

John A. Kitzhaber, M.D., Governor

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May 29, 2001

Secretary of State
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To the Audits Division,

This letter is in response to your Audit Report, Oregon Commission for Women: Change of Director Audit. Following are your recommendations and our responses.

Recommendation

We recommend that the Commission develop and document policy outlining criteria for what constitutes appropriate business purposes.

Agency Response

We agree with this recommendation and we will immediately consult with the Department of Administrative Services for draft language of what constitutes appropriate business purposes. The Commission will consider a written policy specific to the Agency at its next Commission meeting on June 16, 2001.

Recommendation

We recommend that the Commission establish procedures to review and approve all purchases to ensure compliance with established policy.

Agency Response

We agree with this recommendation and the Commission will immediately write a policy & procedure for the Commission Chair or Vice Chair to review and approve all purchases to comply with established policy. The Commission will consider the written policy & procedure at its next Commission meeting on June 16, 2001.

Recommendation

We recommend that the Commission identify all assets with a State of Oregon property identification tag.

Agency Response

We agree with this recommendation and by May 31, 2001 the Executive Director will request State of Oregon property identification tags and upon receipt will place the tags on all items on the agency's fixed assets listings.

Recommendation

We recommend that the Commission create and maintain a listing of fixed assets, and periodically have an independent inventory performed.

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Agency Response

We agree with this recommendation and by May 31, 2001, the Executive Director will create an inventory list of fixed assets. At its June 16, 2001 meeting the Commission will consider a written policy concerning an annual inventory performed by one of the Commissioners.

Recommendation

We recommend that the Director maintain supporting documentation for the number of tickets issued, sold and unsold, donations received and auction proceeds.

Agency Response

We agree with this recommendation and the Commission will continue to improve its documentation of the ticketing process, tickets sold and unsold, complimentary tickets for staff, commission members, award winners, speakers & scholarship tickets, and donations received and auction proceeds to make the verification process adequate.

We will do this by the Commission approving the total number of tickets to be issued. We will improve our Ticket Tracking Form by adding a coding for each ticket that will identify the proceeds received if any. We will also create a Proceeds Received Tracking Form which will track all proceeds received from ticket sales, donations and auction proceeds. These forms will be maintained by the Executive Director and verified by the Women of Achievement Dinner Committee Chair.

We will also develop written policy and procedure for the tracking of proceeds from the Women of Achievement Dinner to assure consistency over the years as Commissioners and Executive Directors change.

Recommendation

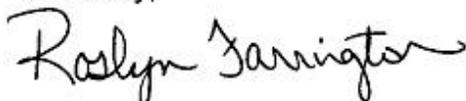
We recommend that the Commission Chair or Board verify all deposits to the corresponding supporting documentation.

Agency Response

We agree with this recommendation and each year the Commission will appoint a Commissioner as Chair of the Women of Achievement Dinner Committee and said Committee Chair will verify all deposits to the corresponding supporting documentation.

Please feel free to contact us if you have any further questions or recommendations. Thank you for your time and assistance.

Sincerely,



Roslyn Farrington
Executive Director

c: Gloria Roy, Chair, Oregon Commission for Women