

AUDIT REPORT

Teacher Standards and Practices Commission Special Review



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

Summary

PURPOSE

This report summarizes our review of certain cash handling, payroll, and other issues at the Teacher Standards and Practices Commission (commission). This audit resulted from allegations received through the Government Waste and Abuse Hotline. Our objectives were to determine whether or not payments received had been properly deposited, cash controls were functioning properly, certain labor laws related to the employment of minors were being followed, employees working flexible schedules were supervised, and employee time reports were accurate.

RESULTS IN BRIEF

We found no evidence to support an allegation that payments received had not been deposited. However, we found that the commission's cash controls needed improvement. In addition, the commission had not complied with certain laws and regulations for the employment of minors and children of employees. We also found that the commission should improve its supervision of employees on flexible work schedules.

We recommend that the commission:

- Obtain a BOLI certificate of employment if it employs minors,
- Comply with laws and rules that restrict minors' working hours during any day when school is in session, and
- Post regulations on the employment of minors in a conspicuous place at its headquarters.

We recommend that the commission maintain personnel records as required by state policy and avoid the appearance of preferential treatment in the employment of minor children of commission employees.

We recommend that the commission:

- Separate the duties of receiving incoming mail from the duties of the recording and depositing cash receipts,
- Establish a written policy requiring cash received to be deposited the same day,
- Improve security for cash receipts maintained overnight on the premises,
- Perform a monthly reconciliation between SFMS, Treasury and commission records, and
- Develop manual backup procedures for recording and depositing cash in the event that the automated licensing system is inoperative for more than one business day.

We recommend that the commission establish and enforce a written policy concerning the supervision of employees on flexible work schedules.

AGENCY RESPONSE

The commission generally agrees with the findings and recommendations.

Introduction, Objectives, and Methodology

This report summarizes our review of certain cash handling, payroll, and other issues at the state's Teacher Standards and Practices Commission (commission). The issues were brought to our attention through our Government Waste and Abuse hotline.

Our primary objectives were to determine whether or not:

1. Payments received had been properly deposited;
2. Cash controls were in place and functioning properly;
3. Certain labor laws concerning the employment of minors were being followed; and
4. Employees' flexible time schedules were supervised and time reports were accurate.

We examined commission and related state records for the period January 2000 through August 2000. We reviewed

relevant Bureau of Labor and Industry (BOLI) statutes and Government Standards and Practices Commission rules and laws regarding employment practices for minors; we reviewed *Oregon Accounting Manual* (OAM) procedures relating to internal control and commission cash receipting practices. In addition, we interviewed commission staff and observed operations. We conducted our work from December 2000 through April 2001 at commission headquarters in Salem.

We conducted this audit according to generally accepted government auditing standards. We limited our review to the areas specified above.

Audit Results

Employment of Minors

Employment Certificates and Limits on Hours Worked

The commission did not obtain an employment certificate or limit work hours of children 14 or 15 years of age as required by BOLI rules and regulations.

We identified two cases in which the commission was not in compliance:

1. For the period January 1, 2000 through August 31, 2000, the commission did not obtain an annual certificate of employment for each minor it employed, as required by ORS 653.307 (2) and ORS 653.310.
2. For the period January 1, 2000 through May 31, 2000 the commission did not comply with 29 CFR 570.35(a)(5), which requires employers to limit work hours of children age 14 or 15 to three hours a day when school is in session. Our review of payroll records showed several occasions when a minor employee (under 16 years of age) was allowed to work more than three hours per day. The child worked as many as eight hours per day while school was in session.

We recommend that the commission:

- Obtain a BOLI certificate of employment if it employs minors,
- Comply with laws and rules that restrict minors' working hours on school days, and
- Post regulations on the employment of minors in a

conspicuous place at its headquarters.

Appointments of Employees' Children

In three cases, the commission appointed a minor child of a current commission employee to a temporary state position. The commission did not maintain all required documentation of the appointment process. By appointing employees' children without proper documentation, the commission gave the appearance that it exercised favoritism in hiring.

One employee's 14-year-old child worked as a temporary employee for the period October 28, 1999 through June 30, 2000. Documents filled out by the child show that she used two different last names, both her mother's last name and a different one. One document showed the mother as immediate supervisor. The child resigned when her mother left the commission.

A second employee's 14-year-old child worked three days for the commission. He was paid \$102 from commission accounts.

A third employee's 17-year-old child worked as a temporary employee for the period of February 2, 1999 through August 28, 2000. The child initiated the hiring process as a participant in a community practicum program through a local high school.

State policy requires establishment of a personnel file. For each of these three questioned appointments, the commission's files did not include any employment applications, employment interview notes, or evidence of qualifications. The files indicated that the commission director approved the appointments.

The state does not prohibit agencies from appointing employee's children. However, to be prepared to refute potential allegations of giving preferential treatment to employees' children when filling state positions, the commission should, at a minimum, maintain adequate personnel records.

We recommend that the commission maintain personnel records as required by State Policy 10.011.01. We also recommend that the commission take appropriate steps to avoid any appearance of preferential treatment in the employment of minor children of commission employees.

Cash Receipt Controls

We found no evidence to support an allegation that payments received had not been deposited. However, we found that the commission's cash controls needed improvement. The *Oregon Accounting Manual* (03 01 00.PR) states that controls and safeguards over cash and related transactions must be adequate to provide a reasonable degree of assurance that those transactions will be properly accounted for and controlled.

Effective cash controls can help prevent waste, loss, or misuse.

1. The duties of receipting, recording, and depositing cash were not properly separated. One staff member performed all of the following duties: opening the mail and counting the enclosed checks and currency, recording cash receipts, and preparing and making bank deposits. Supervisory review of this cash receipting process was limited and not adequate to compensate for the lack of separated duties.
2. Cash receipts were not always deposited at the bank in a timely manner. The commission often

held checks and currency for several workdays before making a deposit. On 28 occasions, receipts were held more than two days before deposit. We noted eight instances in which receipts were held from 11 to 13 days before deposit. Oregon Revised Statute 293.265 requires that each day's cash receipts be deposited intact daily or an exception request must be filed with the Secretary of State Division of Audits.

3. Physical safeguards for undeposited cash receipts were not adequate. Several commission employees, in addition to Department of Administrative Service (DAS) facilities maintenance personnel had after-hours access to the area of the office where cash was held.
4. A monthly reconciliation was not performed between the commission's cash receipt records, the SFMS, and Treasury records, as required by OAM 03 01 00.PR.
5. During its conversion to a new automated licensing system, the commission did not implement adequate manual backup procedures to ensure that cash was properly receipted, posted, and deposited. Because there was no backup system in place, there were numerous errors in the records entered into the new system from May 8 through July 3, 2000. These errors include duplicate entries, payments recorded in the cash receipts journal prior to conversion, and cash receipts journal deposits for which no system cash entry was made.

We recommend that the commission:

- Separate the duties of receiving incoming mail from the duties of the recording and depositing cash receipts. Two staff members should be present to open incoming mail and record amounts of all monies received. The mail log should then be compared to the cash receipts journal and deposit.
- Establish written policy requiring cash received to be deposited the same day.
- Improve security for cash receipts maintained overnight on the premises with a secure storage unit and limited access, or evaluate other methods of security such as a bank lockbox arrangement.
- Perform a monthly reconciliation between SFMS, Treasury, and commission records. Ensure that items in transit are identified. Management should review the results of this reconciliation.
- Develop manual backup procedures to ensure that cash is properly recorded and deposited in the event that the automated licensing system is inoperative for more than one business day.

Other Matter

Supervision of Employees

The commission faces an increased risk that it could pay employees for hours not worked.

State policy (20.002.20) under the Fair Labor Standards Act (FSLA) states that the appointing authority must keep accurate

records of FSLA status, workweek hours and overtime.

We reviewed time reported by selected commission employees for the period of January 2000 through August 2000.

Regular supervisory oversight was not provided for employees on nontraditional work schedules (other than 8:00 to 5:00, Monday through Friday). Also, the commission did not have written policies governing flexible work schedules or non-traditional work hours.

We found no evidence that employees had not worked the hours claimed. Because of the limited supervision and absence of written policies, however, inaccurate time reporting could go undetected. As a result, the commission faces an increased risk that employees could be paid for hours not worked.

We recommend that the commission establish and enforce a written policy concerning the supervision of employees on flexible work schedules. The policy should require each employee's flexible schedule to be approved in writing in advance with specified working hours. The policy should require supervisory oversight of employees' work, and state when it is permissible for employees to claim overtime hours.

Agency Response: The Teacher Standards and Practices Commission generally agrees with the recommendations.



Oregon

John A. Kitzhaber, M.D., Governor

Teacher Standards and Practices Commission

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MEMORANDUM

Date: July 26, 2001

To: John Lattimer, Director
Audits Division, Secretary of State

From: Dr. David V. Myton, Executive Director 
Teacher Standards and Practices Commission

Subject: Response to Amended Draft Audit Report

Thank you for the opportunity to comment on your amended draft audit report on the Teacher Standards and Practices Commission.

1 Labor Laws Relating to Employment of Minors

Recommendations:

- Obtain a certificate of employment for minors.
- Restrict the working hours of minors 15 years or younger to no more than three hours during any day when school is in session.
- Post regulations regarding the employment of minors in a conspicuous place at commission headquarters.

Response:

We Agree

- A BOLI certificate for employing minors was issued to TSPC on December 19, 2000 and will be renewed annually.
- Supervisors have been alerted to the three-hour work limit.
- Regulations on employment of minors have been posted with other required notices for employees.

Recommendation:

- Maintain personnel records as required by state policy and avoid the appearance of preferential treatment in the employment of minor children of commission employees.



Response:

We agree

- Personnel files and hiring procedures for temporary employees, including minor children of employees, have been revised to comply with Policy 10.011.01.

2. Cash Receipt Control

Recommendation:

- Separate the duties of receiving incoming mail from the duties of the recording and depositing cash receipts.
- Establish a written policy requiring cash received to be deposited the same day.
- Improve security for cash receipts maintained overnight on the premises.
- Perform monthly reconciliation between SFMS, Treasury and commission records.
- Develop manual backup procedures for recording and depositing cash in the event that the automated licensing system is inoperative for more than one business day.

Response:

We agree

- Separating duties would reduce risk of loss, but legislatively approved staffing is not sufficient to assign two persons to mail. TSPC is working with the DAS Budget Analyst to address this recommendation.
- A policy has been developed and implemented requiring that cash and checks received are deposited within one business day.
- TSPC will secure checks and cash receipts, that are to be maintained overnight, in locked cabinet that only select personnel will have access to. The cabinet is in a locked room that will be re-keyed restricting access to authorized TSPC staff.
- TSPC currently contracts with DAS Budget & Accounting for reconciliation with SFMS and State Treasury. A procedure for reconciliation of SFMS with TSPC cash journal will be implemented for July 2001.
- Backup procedures for manually recording and depositing cash and checks, in the event of computer failure, will be developed by August 31, 2001.

3. Supervision of Employees On Flexible Schedules and Non-Traditional work hours

Recommendation:

- Establish and enforce a written policy concerning the supervision of employees on flexible work schedules.

Response:

We agree

- TSPC will adopt policies by August 31, 2001, consistent with DAS HRSD policies for Flexible Schedules and Telecommuting.

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

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The courtesies and cooperation extended by the officials and staff of the Teacher Standard and Practices Commission were commendable and much appreciated.

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