

Secretary of State AUDIT REPORT

Report No. 2001-35 • August 22, 2001

Department of Human Services: Change of Director Audit



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

Summary

PURPOSE

This review 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.

The purpose of this audit was to assure that appropriate actions were taken to cancel the former director's access to state systems, return any state assets in the former director's possession, and assure that recent transactions authorized by the former director were reasonable and complied with appropriate laws and regulations. For further details of procedures performed, see the "Objectives, Scope and Methodology" section of this report.

Gary Weeks, who was appointed as the director of the Department of Human Services on July 1, 1995, resigned from that position effective January 31, 2001.

RESULTS IN BRIEF

- Travel reimbursement claims appeared reasonable. When comparing timesheets to the travel reimbursement claims for a division of the department, however, it appeared that one employee was receiving duplicate compensation for personal assistant services.
- The Director's Office did not maintain documentation of assets assigned to the former director; therefore, we could not conclude whether or not the former director returned all state property upon departure. Alternate testing methods were used to confirm that many of the most common assets were returned.
- Travel reimbursements and payroll reimbursements authorized by the former director appeared to be reasonable and appropriate. In addition, the department took appropriate actions to cancel the former director's access to state systems.
- Based in part on our limited review of personal services contracts and risk assessments conducted at the divisions, we determined that additional audit work should be conducted in this area.

OTHER MATTERS

The department could use state motor pool resources more cost effectively. Department administrative staff members frequently utilized their personal vehicles for business purposes. As a result, they received mileage reimbursement at a higher cost to the department than if they had used available state motor pool vehicles.

Additional information regarding issues, which we felt warranted the attention of the department but did not rise to the level where reporting in the audit report was required, were conveyed to the division in Management Letter No. 410-2001-06-01, dated June 26, 2001.

RECOMMENDATIONS

We recommend that the department:

- Develop a process of travel claim review that includes specific procedures to compare travel expense claims to timesheets.
- Assess travel policy exceptions on a case-by-case basis prior to the travel and document its determination.
- Develop procedures to maintain records of state assets as assigned to employees and periodically perform physical verification of assets with a high risk of loss.
- Develop a formal written travel policy that reflects the state's interest in using a mode of transportation that is economical as well as practical.

We recommend that the Department of Administrative Services:

- Develop a state policy that provides guidelines to state agencies for employing personal assistants for disabled state personnel.

AGENCIES' RESPONSES

The Department of Human Services generally agrees with the recommendations.

The Department of Administrative Services generally agrees with the recommendation.

Audit Results

Duplicate Payments for Travel-Related Services

Our review of travel expense claims showed that the department paid an employee for services both as a state employee and as an independent contractor.

The department hired a personal assistant to a division administrator who requires 24-hour care due to a disability. Part of the employee's regular job duties was to assist the administrator during normal business hours.

Because the administrator requires 24-hour care, the administrator also contracted with the personal assistant for assistance outside of the office, and for times when business-related travel extended overnight.

On occasions when business-related travel occurred during normal business hours, the personal assistant recorded his time on the Oregon State Payroll System (OSPS) timesheet, since this service was part of his regular work duties.

On occasions when business-related travel extended overnight, the administrator paid the personal assistant directly for services under their pre-established contract. The administrator would then request reimbursement from the state for the expense by attaching a voucher for the expense paid to the personal assistant to the administrator's travel expense reimbursement form.

In comparing the administrator's travel expense claims to OSPS timesheets for the personal assistant, we noted cases in which the personal assistant claimed time on the OSPS timesheet for overnight business-related travel and received from the administrator payment for services, which was subsequently reimbursed by the state. In essence, the personal assistant was paid twice for providing the services (once as a

state employee and once as a contractor).

We reviewed one year of travel expense claims and timesheets submitted between March 2000 to March 2001. We determined that 21.5 hours were recorded on both the administrator's travel claim and the personal assistant's OSPS timesheet.

The department does not have a process in place for a comparative review between travel expense claims and timesheets when these types of reimbursements are claimed.

There are no written state or departmental policies regarding personal assistants for disabled workers. There is mention of obtaining reasonable accommodations for people with disabilities in the Policy Exceptions section of the state's travel policy. According to the department's travel policy on policy exceptions, "all requests for exceptions to this policy must be made in writing and in advance of travel." The department could not provide such documentation. Department staff members were under the impression that reasons for the exception and accommodations were understood.

In addition, in researching this issue, it was found that no formal state statutes, state administrative rules, or state policies exist that address employing personal assistants for disabled state personnel.

We recommend that the Department of Human Services:

- Develop a process of travel claim review that includes procedures to compare travel expense claims to timesheets for these types of reimbursements.
- Assess travel policy exceptions on a case-by-case basis prior to travel and document its determination.

Department response:

We agree with the recommendations and will incorporate them into existing policy. Our travel policy adopts DAS policy, but we will strengthen it to be more specific on what managers should do when approving travel.

We agree that we had an overpayment of about 20 hours, and this amount has been offset from vacation balances. To prevent future problems, we have changed the reporting relationship and established a policy on personal assistants.

We also recommend that the Department of Administrative Services (DAS) develop a state policy that provides guidelines to state agencies on employing personal assistants for disabled state personnel.

DAS response:

We will begin our review/policy development process shortly and take the appropriate action.

Controls Over High-Risk Inventory Need Improvement

We found that the Director's Office could improve procedures for its control over high-risk state property. Because the department did not maintain records of property issued to the former director, we were not able to conclude whether all issued property was returned upon the former director's separation from the department.

One employee coordinated the issuance of all assets to the department director. Her duties included issuance of requested items, tracking the possession and management of assets, and collection of assets during the conclusion of state service. When necessary, the employee delegated to other personnel the task of disconnecting or reissuing assets. We were informed that all assigned items had been returned, but the

employee did not maintain a listing of the items issued to the former director.

Using alternative methods, we were able to confirm that he returned a cell phone, pager, and key card, and his state calling card and Diners Club card were cancelled. However, without knowing for certain all the property the former director had, we were not able to conclude as to whether he returned all state property upon his separation from state service.

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.

Also, the Department of Administrative Services' Risk Management Division recommends that high-risk assets be checked into someone's personal custody and control.

By not tracking state property assigned to an employee in the case of loss, damage or improper use, it is difficult, if not impossible, for the department to identify who should be held responsible. Adequate safeguards to protect state property should include inventory records reflecting state property issued to employees.

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

Department response:

We agree with the recommendation and we have started developing policies and procedures to accommodate control over high-risk assets. We have been meeting with our Office of Information Systems regarding inventory for high-risk items, and they are in the process of acquiring a system that will help them inventory all IT items. In the

meantime, we are finalizing policies and procedures for offices to use.

Other Areas Reviewed

During the course of a prior audit, we found that the former director had a 40-hour (\$2,127) vacation payout in July of 1999 that was not in compliance with state and DHS policy.¹ For the six months prior to separation, however, payroll disbursements to the former director were in accordance with state and DHS policy.

We also determined that the former director generally used a state-issued credit card and calling card, approved travel reimbursements, and authorized payroll disbursements in accordance with department and state policies during the six months prior to separation. In addition, the department took appropriate actions to cancel the former director's access to state systems.

Additional Review of Contracting Practices

Based in part on our limited review of personal services contracts and risk assessments conducted at the divisions, we determined that additional audit work should be conducted in this area.

Other Matters

Use of Personal Vehicles for Business Purposes

During our review of travel reimbursement claims, we became aware of department administrative staff not always obtaining vehicle transportation in the most cost-effective manner.

State travel policy, established by DAS, provides that travel shall be conducted in the most efficient and

cost-effective manner, resulting in the best value to the state. OAM 06 01 00.PO .112, General Business Travel Expense Rules for Executive Management and Non-Represented Employees, states, "When vehicle travel is justified, a state owned vehicle will be used unless travel in a private vehicle is more practical because of cost, efficiency or work requirements."

The department is responsible for determining the method of travel that meets the needs of the employee at the best value to the state. Therefore, an important factor that should be considered when deciding whether to use a state vehicle or private vehicle is the method that is the most cost effective. Other factors that should be considered include personnel time, travel objective, and state travel policies (for example, an employee cannot use a state vehicle when combining personal activities with state business).

The department appeared to allow personal vehicle usage for any state-related business. Staff members opted to utilize their personal vehicles for business purposes rather than using or considering the use of state motor pool vehicles. As a result, there were instances in which the most economical travel decisions were not made.

To provide for transportation needs of state agencies, the state has invested millions of dollars to buy, operate, and maintain a vehicle fleet. Centralized motor pools for the common use of state agencies and employees provide access to state day fleet vehicles. The state, as a whole, incurs additional costs when motor pool fleet vehicles are maintained and available but not utilized due to the use of private vehicles.

Our look at expenses reimbursed for administrative staff using personal vehicles for business use indicated that the department was spending more for employee transportation than necessary.

¹ Report No. 2000-37, *Department of Human Services Change of Administrator Audits*, October 23, 2000.

Travel claims were reviewed for trips taken by the 13 administrative staff members when they used their personal vehicles. Our analysis identified approximately \$1600 that the department could have saved if staff members had used either a state motor pool vehicle assigned to Department of Human Services or a state motor pool daily-use vehicle for selected business trips.

We recommend that the department develop a formal written travel policy that reflects the state's interest in using the mode of transportation that is economical as well as practical. This policy should include a requirement that specific written justification and written authorization be completed prior to using a private vehicle for business purposes.

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 department leaves that position for any reason. Our audit objectives were to assure that the division took appropriate actions

regarding the former director's control and access to state assets, and to ensure that travel reimbursements, payroll disbursements, and personal service contracts authorized by the former director were reasonable and complied with appropriate laws and regulations.

Specifically we:

- Determined whether the former director's access to state and department automated systems was terminated upon resignation.
- Determined whether state assets in custody and control of the former director were returned to the department upon resignation.
- Reviewed the travel reimbursement claims filed or authorized by the former director during the former director's final six months of service to determine whether reimbursements complied with state travel rules, and were authorized, proper, adequately supported, and reasonable.
- Reviewed payroll disbursements to the former director to determine if there were any unusual payments during the former director's final six months of service. We also

determined whether the former director was properly removed from the department payroll.

- Reviewed payroll disbursements for those employees whose timesheets were approved by the former director to determine if there were any unusual payments during the six months prior to the former director's departure.
- Reviewed a sample of personal service contracts, which the department entered into between January 1, 2000 and January 31, 2001, to determine whether the contracts complied with state and division policies and were reasonable, proper, and adequately supported.
- Determined whether the former director was subject to any internal or external investigation or disciplinary action pertaining to legal compliance during the former director's final year of service.

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

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>.

AUDIT ADMINISTRATOR: *Charles A. Hibner, CPA* • AUDIT STAFF: *Karen Leppin • Ben Wilson • Curtis Mason*

DEPUTY DIRECTOR: *Cathy Pollino, MBA, CGFM*

The courtesies and cooperation extended by the officials and staff of the Department of Human Services were commendable and much appreciated.

Auditing to Protect the Public Interest and Improve Oregon Government
