

Secretary of State AUDIT REPORT

Report No. 2001-40 • October 01, 2001

Oregon Disabilities Commission: Change of Director Audit



Bill Bradbury, Secretary of State
Cathy Pollino, Acting Director, Audits Division

Summary

PURPOSE

This review was conducted to comply 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 his or her position.

RESULTS IN BRIEF

We found that the Oregon Disabilities Commission (commission) did not have adequate controls over time sheets, travel expense sheets and fixed assets, and could have obtained cost savings by utilizing a motor pool car. We also found that the commission did not approve and document out-of-state travel. In addition, we noted that the commission did not have formal policies regarding employee termination and made payments for questionable or unallowable items.

RECOMMENDATIONS

We **recommend** that the commission:

- Require that all time sheets and travel expense sheets go through a supervisory review process to ensure completeness and accuracy.
- Develop formal policies and procedures regarding employee termination.

- Maintain documentation to support all personal service contracts and adhere to the terms specified in the contracts.
- Control inventory items that have a high risk of loss.
- Obtain a state motor pool car when it is most cost effective to do so.
- Ensure that all out-of-state travel is approved and documented.
- Ensure that only appropriate and allowable expenses are approved for reimbursement, and recover payments made for meals that were not allowable.

AGENCY RESPONSE

The Oregon Disabilities Commission generally agrees with the recommendations. The Commission found this information timely and helpful and will use the recommendations to review and revise existing policies and procedures as necessary to comply with state requirements. The commission is checking with its AG regarding the issue of payment recovery. The Commission thanks the auditors for their time and thoroughness.

Background

The Oregon Disabilities Commission (commission) was created in 1985 and operates under the provisions of *Oregon Revised Statute (ORS) 185.110* through 185.230.

The purpose of the commission is to work for the implementation and establishment of economic, social, legal, and political equity of individuals with disabilities. The commission also serves as a link among and between the numerous public and private agencies and organizations serving individuals with disabilities so that limited resources can be used more effectively to meet their needs.

Eugene Organ was appointed as the Executive Director of the commission on March 1, 1988 and resigned from that position effective September 6, 2000.

Audit Results

Time Sheet and Travel Expense Sheet Approval

We reviewed the former director's time sheets, as well as those he approved, and found that the former director's time sheets were not reviewed and approved as appropriate by a commission member. In addition, we noted that two time sheets for a commission employee were not approved.

We also reviewed travel expense detail sheets submitted by the former and current commission directors, and found that the detail sheets were not reviewed and approved by an appropriate individual. In addition, we noted that a commission employee approved her own invoice for a hotel at which she stayed while on state business.

When time sheets and travel expense sheets are submitted without appropriate review and approval, there is a greater likelihood of errors and irregularities.

The *Oregon Accounting Manual*, section 10.90.00.103, requires agencies to develop internal procedures for the review and

approval of time reporting and travel expense reimbursements.

We recommend that the commission develop procedures in accordance with the *Oregon Accounting Manual* for the review and approval of time sheets and travel expense sheets.

Agency Response: We generally agree with your recommendation and have implemented it.

System Access Not Terminated

We requested documentation supporting the removal of the former director's access from the commission's computer system. When commission staff contacted the Department of Administrative Services to obtain the documentation, they found that the former director's computer account was still active.

System access should be terminated in a timely manner to ensure that assets and information are safeguarded.

The commission does not have termination procedures to follow when employees separate from service. Because the commission does not have termination procedures, a risk exists that other former employees still have computer access.

We recommend that the commission develop formal policies and procedures regarding employee termination that are communicated, implemented and followed. The commission also should review a current listing of computer access to ensure that there are no other former employees who have computer access.

Agency Response: We agree with your recommendation and will implement new policy and procedure for future terminations.

Contracting

We reviewed two personal service contracts to determine if the commission was following state contracting rules. We found that the commission had not maintained documentation to support the selection process for one of the contracts. In addition, we found that the other contract contained an expiration date of February 28, 2000, but the commission paid for services performed in March, April, May, June and July 2000.

Oregon Administrative Rule 125-020-0510, section 2, outlines the information that should be maintained in the agency contract files. Some of the necessary items include a list of prospective contractors notified of the solicitation, the method used to advertise or notify prospective contractors, and all information describing how the contractor was selected. The commission was unable to provide any of these items.

We recommend that the commission maintain documentation to support all personal service contracts. In addition, we recommend that it adhere to the terms specified in the contract.

Agency Response: We agree with your recommendation and will follow all contract terms and amendment procedures.

Fixed Assets Procedures

Our audit included tests to determine whether the former director had returned all assigned state property. We found that the commission did not maintain a list of fixed assets. However, all of the items that we were told were assigned to the former director were appropriately returned to the commission.

During our review, we also noted that the commission did not attach state of Oregon property tags to

fixed assets, and no one performs periodic inventory reviews.

The *Oregon Accounting Manual*, section 10.50.00.122, recommends that state agencies identify, record, and control inventory items having a high risk of loss such as computer and electronic equipment, photography equipment, hand tools, and other items that management determines to be at a high risk of loss.

We recommend that the commission control inventory items having a high risk of loss. This can be accomplished by maintaining a list of assets, affixing property identification tags to all high-risk assets, and performing periodic inventories.

Agency Response: We agree with your recommendation. We are currently updating inventory data and tracking procedures.

Private Vehicle Usage

While reviewing travel claims, we noted that the commission was using private vehicles for travel at times when it would have been more cost effective to use state-owned motor pool vehicles.

The *Oregon Accounting Manual* states that 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.

We recommend that the commission obtain a state motor pool vehicle when it is more cost effective and practical to do so. An analysis should be completed to determine the break-even point in mileage to determine cost effectiveness.

Agency Response: We agree with your recommendation and will utilize the state motor pool system when appropriate.

Out-of-State Travel

While reviewing travel claims, we noted that the former director, current director, and one commission staff member had submitted travel claims for travel to Washington DC, Washington and California, respectively. The commission does not have documentation to support the approval of these out-of-state trips.

Oregon Revised Statute 292.230 requires agency administrators or their designees, as designated in writing, to approve out-of-state travel.

We recommend that the commission ensure that all out-of-state travel is approved and properly documented.

Agency Response: We agree with your recommendation. We are currently utilizing DAS and internal systems for travel approval.

Unallowable and Questionable Expenses

We tested a sample of payments made by the commission for a nine-month period. We found several instances in which the commission was paying for unallowable or questionable items.

Specifically, we noted that commission employees were reimbursed for meals, totaling \$143.38, that were unallowable. Commission staff also submitted four claims, totaling \$141.66, for plants or flowers that were delivered to the commission or commission employees. In addition, claims totaling \$97.53 were submitted for food expenses for office activities, such as for an open house for a new manager.

The commission also received invoices totaling \$1,451.72 for a variety of questionable items, such as meals at commission meetings. Since the expenditures were made under the tenure of the former director and did not contain adequate documentation, we were unable to determine whether these expenses were allowable.

Finally, we noted that the former director was reimbursed \$11.50 for breakfast when he was not on travel status.

According to the *Oregon Accounting Manual*, section 40.10.00.118b, unless the criteria specified in section 122 are met, no allowance is provided for lunch. Section 122 explains that personnel assigned to attend a conference shall be reimbursed for the actual cost of a meal when such meal is an agenda item, where attendance is required, and the selection and cost of the meal is beyond the control of personnel.

Oregon Accounting Manual, section 10.40.00.104, states that each employee authorized to make an expenditure decision involving state funds is responsible for the good judgment and lawfulness of the expenditure. He or she must ensure that the transaction is for authorized purposes and is a responsible and appropriate use of these funds.

We recommend that the commission ensure that only appropriate and allowable expenses are approved. In addition, we recommend that the commission recover payments made for meals that were not allowable.

Agency Response: We agree with your recommendation. We are

checking with our AG regarding the issue of payment recovery.

Objectives, Scope and Methodology

This 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 his or her position. The audit was conducted in accordance with generally accepted government auditing standards. Our audit objectives were to assure that appropriate actions were taken to cancel the previous director's access to state computer systems and return any state assets in his possession, and to assure that recent transactions authorized by the director were reasonable and complied with appropriate laws and regulations. Specifically, we:

- Reviewed relevant statutes and laws;
- Determined if fixed assets assigned to the former director had been returned to the commission, and his access to state computer systems canceled;
- Tested travel and payroll transactions that were payable to or authorized by the former director during his last six months in office;
- Tested personal service contracts entered into by the former director within the last six months of service; and
- Were alert for signs of potential fraud, abuse, and illegal acts for the areas related to the review objectives.

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 Oregon Disabilities Commission were commendable and much appreciated.

Auditing to Protect the Public Interest and Improve Oregon Government
