

# AUDIT REPORT

## Oregon Commission for the Blind: Change of Director Audit



Bill Bradbury, Secretary of State  
Cathy Pollino, Acting 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 his or her position.

#### RESULTS IN BRIEF

- We determined that the former administrator of the Oregon Commission for the Blind (commission) properly returned all state assets assigned to him and that all access to state and agency computer systems were properly revoked upon his departure.
- Our review identified improvements that could be made by the commission for time sheet approval, personal service contracts, and invoice payment support.

#### RECOMMENDATIONS

We recommend that the commission:

- Develop written policies and procedures to implement the new state policy regarding time sheet review and approval.
- Develop a contracting checklist to ensure that all necessary details are completed.
- Establish procedures to ensure that payment approvals are dated and written directly on the original invoices.
- Create specific guidelines for documenting the business purposes of unrestricted Donations and Bequests Fund expenditures, particularly in the categories of travel expenses and facilities rentals.

#### AGENCY RESPONSE

The Oregon Commission for the Blind generally agrees with the recommendations.

### Background

#### Agency History and Mission

The Oregon Commission for the Blind (commission) was originally created as the State Advisory Board for the Adult Blind in 1931. This board was reorganized as the Commission for the Blind and the Prevention of Blindness in 1937, and the name was shortened to the Commission for the Blind in 1973. The commission's purpose is to provide vocational rehabilitation and independent living support to blind and visually impaired Oregonians.

The commission operates under ORS Chapter 346 and OAR Chapter 585, providing vocational rehabilitation and independent living services to blind and visually impaired Oregonians. In addition to life skills services, the commission operates a Vocational Rehabilitation Program to educate and train the

legally blind with the goal of securing employment. The commission also operates the Industries for the Blind program to provide training centers and create industries for blind workers.

Eighty percent of the commission budget is funded through the U.S. Department of Education. The commission currently serves the needs of about 1,100 blind Oregonians.

### Audit Results

#### Access to Assets and Computer Systems

We found that all assets assigned to the former administrator were returned before his final departure. We also found that the former administrator did not make any state credit card purchases during his last six months of service.

We found that the former administrator's access to both statewide and agency computer systems was revoked upon his departure.

#### Time Sheet Approval

During our review, we found that the last six monthly timesheets submitted by the former administrator were not reviewed or approved by a commissioner.

Commissioners have supervisory authority over the agency administrator, but do not have a policy for reviewing the administrator's timesheets.

The Department of Administrative Services recently developed a state policy to require such a review. *Oregon Accounting Manual Policy 10.90.00.PO* requires agencies to develop internal procedures for review and approval of transactions

by agency heads, including time reporting.

**We recommend** that the commission develop procedures to implement the new state policy regarding time sheet review and approval.

*Agency Response: We agree and are currently working with the commission Board to implement policy 10.90.00.PO that became effective July 16, 2001.*

### Personal Service Contracts

Personal service contracts are used when required specialized skills, knowledge, and resources are not available within the agency. The commission follows the policies and rules established by the Department of Administrative Services for personal service contracts.

The one personal service contract in effect during the last six months of the former administrator's service appeared reasonable; however, the administrator's representative did not date the contract signature.

The signature date is necessary to identify when the contract became effective and to document compliance with Oregon Administrative Rules covering personal service contracts.

Further, the former administrator's approval authorizing payment of the contractor's invoice was not dated, and the approval was written on a post-it note attached to the invoice cover letter, rather than written on the invoice itself.

Because post-it notes can become detached, lost, or even reattached to an invoice for other goods and services, this is not a reliable documentation mechanism.

**We recommend** that the commission develop a contracting checklist to ensure that necessary details are not overlooked.

**We also recommend** that the commission establish procedures to

ensure that payment approvals are dated and written directly on original invoices.

*Agency Response: We agree and have already developed a checklist for contracts and notified staff that payment approvals are to be written directly on original invoices.*

## Prior Audit Findings

### Oregon Audits Division Report No. 95-11

As part of this audit, we determined the current status of some issues identified in our audit report number 95-11 titled *A Review of Establishment Grants Awarded to Blind Enterprises of Oregon, Inc. By the Oregon Commission for the Blind*, issued in March 1995.

This audit questioned the use of more than \$1.7 million of federal and state funds by Blind Enterprises of Oregon (BEO), a private nonprofit corporation established to operate an industries for the blind program. The audit recommended that the commission meet with state and federal officials to determine the state's liability for the repayment of federal funds, and to determine the amount of funds subject to collection owed by BEO.

These issues have been addressed. The U.S. Rehabilitation Services Administration notified the commission by letter, dated July 27, 1999, that it would not seek recovery of the federal funds because of the statute of limitations. Also, the Oregon Department of Justice informed the commission (e-mail dated May 23, 2001) that Blind Enterprises of Oregon did not appear to have sufficient assets to allow recovery of the questioned expenditures. Any recovery effort would likely involve court actions costing more than the probable collections by the state.

The prior audit also questioned whether the commission met the

requirement of ORS 346.190, which requires the commission to maintain an Industries for the Blind Program. The audit recommended that the commission work with the governor, legislative assembly, and Department of Justice to determine if the statute requirements were being satisfied.

According to a Joint Legislative Audit Committee (JLAC) audit report, the Attorney General opined that the commission did have a viable Industries Program.

The 1995 audit found that the commission did not have adequate grant management controls. The commission lacked written procedures for administering grants, and did not adequately monitor BEO's actions and usage of grant funds. The report recommended that the commission develop and adhere to written grant management procedures to ensure that federal and state requirements were monitored and adhered to. According to the JLAC audit report, the commission did revise its procedures governing the administration of grants. We did no further review of this area.

The audit also recommended that the commission withdraw the corporate status of ABLEnterprises, a nonprofit corporation set up by the commission in 1993 to raise funds. The report noted that the commission did not have authority to assist in the establishment of corporations and that, due to funding shortfalls, the corporation never began operations.

The Secretary of State Corporation Division withdrew the corporate status of ABLEnterprises in 1996.

### Joint Legislative Audit Committee Audit Report No. 00-02

As part of our audit, we reviewed the current status of recommendations in Audit Report No. 00-02 of the Joint Legislative Audit Committee titled "Audit of the

Commission for the Blind," issued in December 2000. We reviewed commission efforts to improve fiscal oversight of agency activities, and focused on determining whether the commission had established control over questionable types of expenditures for meals, lodging, facility rentals, and transportation related costs.

The commission is taking steps to improve its fiscal oversight of agency activities. In general, the commission ceased making questionable expenditures of the type identified in the JLAC audit report. In one instance, however, the former administrator bought dinner (separate dining room provided) for a meeting of Region X directors of state agencies for the blind rather than rent a meeting room. Documentation lacked specific information as to the purpose of the meeting and did not provide support for the cost benefit of buying meals versus renting a meeting room.

**We recommend** that the commission properly document the business purposes of unrestricted Donations and Bequests Fund expenditures, particularly in the categories of travel expenses and facilities rentals.

**Agency Response:** *We agree that there should be appropriate documentation of the use of Donations funds and will provide this documentation. All Donations expenditures are now reported at each commission meeting. We feel, however, that the instance noted was an appropriate use of this fund. Although documentation regarding this issue was not attached to the fiscal records, it was readily available upon request from the Director of Rehabilitation Services, and was subsequently provided and is included below.*

*Wednesday, March 1, 2000*

*A Regional meeting was held at the Dallas Fort Worth Airport Marriott in conjunction with the*

*CSAVR/NCSAB meeting on the implementation of the new Federal Legislation Ticket to Work Incentives Improvement Act, passed in December of 1999. Regional Representative for CSAVR Chuck Young called the meeting to discuss regional strategies to implement the new federal legislation. The major component of the agenda was sharing in a small group setting with the Federal Rehabilitation Services Administration (RSA) Commissioner Dr. Frederick Schroeder to discuss Regional priorities and concerns in the public vocational rehabilitation program.*

*The Dallas Fort Worth Marriott was contacted to arrange a meeting place. Without including the cost of meals, renting a room in the hotel would range from \$200 to \$250. The other option in the hotel would be to use a private section of the hotel restaurant free of charge and pay for the meeting participants' meals. This option was selected because it was more economical to cover the meal expense for the participants than it would be for renting a room. The cost for this option was \$119.93, saving between \$80.17 to \$130.17 to hold the meeting at the chosen location.*

### Objectives, Scope and Methodology

Our audit objectives were to assure that appropriate actions were taken to cancel the former administrator's access to state and agency systems, that he returned any assets assigned to him, and that recent transactions authorized by him were reasonable and complied with applicable laws and regulations.

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, his or her position.

Specifically we:

- Reviewed fixed asset listings and credit card purchase records for the last six months of the former administrator's service to determine if fixed assets assigned to the him were returned to the agency, and if any credit card purchases he made were appropriate.
- Interviewed agency personnel, and reviewed relevant documentation to determine if the former administrator's access to state and agency computer systems was revoked.
- Reviewed state travel policy for agency heads and travel claims payable to the former administrator during his final six months of service to determine whether reimbursements paid complied with state travel policy, and the payment amount was correct, authorized, adequately supported and reasonable.
- Reviewed salaries paid to, or directly authorized by, the former administrator during his last six months of service to determine if the correct salary amount was paid, timesheets were authorized, and to identify any unusual payments.
- Reviewed the one personal service contract in effect during the last six months of the former administrator's service to determine if the contract entered into was appropriately authorized, reasonable and in compliance with contract law and policy established by the Department of Administrative Services. We also reviewed the contractor invoice for appropriate payment authorization.
- Reviewed memoranda between the Oregon Department of Justice and the Blind Commission Administrator, as well as other documentation, and

correspondence between the Blind Commission Administrator and the U.S. Department of Education, Rehabilitation Services Administration. We also reviewed the corporate status of ABLEnterprises with the Secretary of State Corporation Division, and interviewed both agency

personnel and the founder of ABLEnterprises.

- Reviewed expenditures paid from the Donations and Bequests Fund, the state's general fund, and federal funds made by the commission subsequent to the period covered by the JLAC audit. We interviewed agency personnel regarding changes in

agency expenditure practices in response to the audit findings.

The audit was conducted from March to May 2001 in accordance with 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](mailto: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 Commission for the Blind were commendable and much appreciated.*

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