

# AUDIT REPORT

## Oregon Board of Architect Examiners: Change of Administrator Review



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.

Jeanette Bartel, who was appointed as administrator of the Oregon Board of Architect Examiners on January 15, 1999, resigned from that position effective February 28, 2001.

The purpose of this audit was to assure that appropriate actions were taken to cancel the former administrator's access to accounting systems, return any state assets in the former administrator's possession, and assure that recent transactions authorized by the former administrator were reasonable and complied with appropriate laws and regulations.

#### RESULTS IN BRIEF

We found that the Oregon Board of Architect Examiners overpaid the former administrator by approximately \$2,915. We also found that payroll, travel reimbursement, and property policies could be improved, as well as compliance with procedures related to those policies.

#### RECOMMENDATIONS

We recommend that the board:

- Recover the overpayment to the former administrator.
- Ensure that staff members clearly understand leave accrual policies.
- Implement a separation checklist, with instructions, to ensure accurate and complete processing of employee separations.

- Implement the new state policy regarding time sheet review and approval for administrators.
- Require all payroll documents to be signed or initialed by an appropriate supervisory reviewer and by the person approving payment.
- Resolve conflicts in its travel policies.
- Perform an analysis to determine the relative costs and benefits of using private versus state vehicles. The board should use state motor pool vehicles when it is determined to be cost effective.
- Require Travel Expense Detail Sheets to be completed according to the written instructions before approving travel reimbursements.
- Establish control over items that have a high risk of loss (keys, credit cards, electronic devices).
- Prepare written procedures to improve control over board property.
- Take a physical inventory as soon as possible and repeat the process annually.
- Make arrangements to receive *Oregon Accounting Manual* revisions and updates, or use the internet to access the manual on-line.

#### AGENCY RESPONSE

The Oregon Board of Architect Examiners generally agrees with the findings and recommendations.

### Background

The Oregon Board of Architect Examiners (board) was established in 1919 with the enactment of Chapter 671 of the *Oregon Revised Statutes*. The 1997 legislature temporarily authorized semi-independent status to the board as a pilot program ending June 30, 2001. The 1999 legislature made the semi-independent status permanent.

The board is composed of seven members, five of whom represent the profession and two of whom represent the general public. The board's mission is to protect the public through licensing and regulating the practice of architecture in Oregon. The board is to ensure that only competent persons are permitted to practice architecture and that all practicing architects behave according to the

prescribed professional standards of conduct.

The board establishes qualifications and examines architects who want to practice in Oregon, registers architectural firms, investigates complaints and alleged violations of the Architectural Practice Act, and is authorized to deny or revoke registrations and to assess civil penalties.

The board is self-supporting and receives most of its revenue from application, registration and renewal fees.

## Audit Results

### Recover Overpayment to Former Administrator

Our recalculation of the final payment to the former administrator identified an overpayment of approximately \$2,915. Our recalculation was based on state personnel rules adopted by the board.

The overpayment occurred because the board: (1) allowed the former administrator's balance of unused vacation leave to exceed the state limit of 350 hours; (2) provided payment for 351 hours of unused vacation leave, which exceeded the state limit of 250 hours; (3) paid for the unused leave at too high an hourly rate; and (4) did not deduct insurance premiums from gross pay.

**We recommend** that the board:

- Recover the overpayment to the former administrator.
- Ensure that staff members clearly understand leave accrual policies.
- Implement a separation checklist, with instructions, to ensure accurate and complete processing of employee separations.

**Agency Response:** *The Board already hired a bookkeeper, who is familiar with our records, to come into the office and assist staff in making calculations. The Board prepared a letter and requested that the overpayment amount be returned to the office. However, we went back in time to July of 2000, which is the time when the Board began preparing its own payroll instead of using the State payroll system or a payroll service. As a result, the overpayment amount requested is not correct, since the Division of*

*Audits came back ... and looked at records back to the beginning of the previous administrator's appointment as administrator (January of 1999). We have recalculated the amount based on the new time frame, will discuss this issue at the September 21<sup>st</sup> board meeting, and will take final action after that meeting date.... In addition, the Board has engaged the same bookkeeper (above) to perform one-on-one training with the staff payroll officer for several months to ensure an understanding of the software/payroll procedures. Current management understands the accrual policies in place, and the payroll officer now is also well aware of, and fully understands, her responsibility level and the accrual policies in place. The bookkeeper will be assisting the payroll officer in developing a separation checklist regarding employee departures. It is anticipated that this will be done at the (end of) September payroll training session.*

### Implement New, and Improve Existing, Payroll Review and Approval Controls

We found that time sheets for the former administrator were not reviewed and approved by a board member. We also found instances in which staff time sheets and payroll draw requests lacked supervisory review or approval signatures. In addition, we noted time sheet changes that were not initialed by the person making the alterations.

The board did not have a policy for reviewing the administrator's time sheets. The State Controller's Division recently developed a state policy to require such a review. A board may delegate review and approval authority to the board chair or to the agency second-in-command.

State policies adopted by the board require supervisory reviews and

approvals of staff payroll documents. Reviewer and approver signatures are necessary to ensure that payroll controls are in place and effective.

There is a greater likelihood of errors and irregularities when payroll documents are not reviewed and approved, or when reviews and approvals are not documented.

**We recommend** that the board:

- Implement the new state policy regarding time sheet review and approval for administrators.
- Require all payroll documents to be signed or initialed by an appropriate supervisory reviewer and by the person approving payment.

**Agency Response:** *The Board Chair agreed to review and approve the current administrator's time sheets, and began doing so with the administrator's June time sheet. The new state policy developed by the Controller's Division was not in effect until July 16, 2001. However, the Board considered this policy (and others) at the July meeting. There were options to choose from, and the Board requested that draft policies be presented for review at the next meeting. This has been done, and is on the agenda for discussion at the September 21<sup>st</sup> meeting. Internally, a new employee policy has been set to obtain approval for time-off requests in advance, as much as possible. Any changes to time sheets will be initialed by the individual and reviewer/supervisor. Also, a review process for all payroll documents (prior to payroll being paid) will be implemented. The Board uses Quickbooks software to initiative payroll checks (deposits). There is no ability at this time to have pre-approval prior to sending (short of leaving the software open, getting approval and sending or re-entering the information at a later date). A computer consultant has been consulted to discuss the feasibility of*

preparing a report that can be generated and reviewed prior to sending payroll for payment. Solutions will be considered in the near future.

### Resolve Conflicting Travel Policies

We noted that two of the board's travel policies contradicted state policies also adopted by the board.

One of the board's policies allowed classified staff to be reimbursed for *necessary* meals, lodging, and other travel expenses. Reimbursements of expenses using the "necessary" criteria may exceed reimbursements under state policies based on per diem rates.

A second, unwritten, board policy was for staff to use private vehicles for all road travel. State policies require agencies to use state motor pool vehicles for road travel when cost effective. Cost-effectiveness depends on the distance of travel, length of travel status, and other factors.

**We recommend** that the board:

- Resolve conflicts in its travel policies.
- Perform an analysis to determine the relative costs and benefits of using private versus state vehicles. The board should use state motor pool vehicles when it is determined to be cost-effective.

**Agency Response:** *We have recognized the problems in the wording of our existing travel policies, including the lack of written policy on the use of private/state vehicles. At the July meeting, the Board directed that draft policies be written/revised for Board review at the next meeting. Those policies have been prepared, and they are on the agenda for discussion at the September 21<sup>st</sup> meeting.*

### Document Support for Travel Expense Reimbursement

We found during our audit of travel expense reimbursements that Travel Expense Detail Sheets were not complete.

Travel Expense Detail Sheets did not always include the times and dates of departure and return, official station and destination(s), and other information required to complete the form. This information is the basis for travel expense reimbursements, such as for private vehicle mileage and meals. The audit trail is incomplete without this information and the board may be unable to demonstrate its compliance with board and state travel rules.

**We recommend** that the board:

- Require Travel Expense Detail Sheets to be completed according to the written instructions before approving travel reimbursements.

**Agency Response:** *The Board adopted its own travel expense reimbursement forms at the May 18, 2001, meeting, and began using them after that date. Board members and staff were instructed on the proper completion, use, and documentation of those forms for reimbursement. Staff is now fully aware of what documentation is required in order to reimburse for travel expenses.*

### Improve Control of Assigned Assets

The board did not keep a record of assets assigned to employees. Therefore, we were unable to determine what board assets, such as building keys, state-issued credit cards, and small electronic devices, should have been returned by the former administrator.

We verified that the former administrator surrendered custody or

control of the most common types of assets. However, we found that a corporate credit card was not returned. The current administrator verified with the bank that any transactions made with the card would be rejected. We found no evidence that the former administrator continued to use the card.

The board had not adopted policies or procedures for assigning assets such as keys and credit cards, and did not maintain a list of assets in the custody of each of its employees.

**We recommend** that the board:

- Establish control over items that have a high risk of loss. This can be accomplished by maintaining a list of assets assigned to, or in the custody of, each employee. The lists should be verified periodically, and used to ensure the return of all board property when staff members leave the board's employment.

**Agency Response:** *We have included a listing of assets assigned to each staff person in the property inventory. Those items are not tagged with inventory tags, but were recorded on a spreadsheet listing (effective August 29, 2001), to be reviewed annually with the office inventory. We have also developed a checkout sheet for inventory to be used away from the office (with written approval). That form will be used whenever the need arises.*

### Implement Physical Inventory Counts

During our review of fixed asset controls, we found that a physical inventory was not taken in year 2000.

State policies, adopted by the board, specify that agency management is responsible to ensure that internal controls are sufficient to provide reasonable assurance that state assets are not lost or stolen. The board did not have written desk

procedures for taking a physical inventory.

**We recommend** that the board:

- Prepare written procedures to improve control over board property.
- Take a physical inventory as soon as possible and repeat the process annually.

**Agency Response:** *We have purchased inventory tags, and tagged non-expendable property with tags. The property inventory was completed August 22, 2001, with a spreadsheet of the inventory in a notebook kept by the inventory clerk within this agency. That staff person is close to completing a desk manual, and the inventory process will be included in that manual. We will conduct an annual inventory of non-expendable property in June/July yearly.*

### Maintain Current Operating Guidelines

We found that the board was relying on at least one section of the *Oregon Accounting Manual* that had since been revised by the Department of Administrative Services. The board was subject to, or had adopted, many policies and procedures in the manual to guide its operational activities.

As a semi-independent agency, the board apparently was not on the distribution list for manual revisions and updates.

**We recommend** that the board make arrangements to receive *Oregon Accounting Manual* revisions and updates, or use the internet to access the manual online.

**Agency Response:** *The Board does not have access to hard copies of the Oregon Accounting Manual. However, the current agency administrator has been using the current version of the OAM by obtaining the information needed*

*over the internet. However, the staff person who had the old version was informed how to obtain the current version online, and now has a current printed version as reference. That staff person has been instructed on the importance of using the most current version of the manual, and to review the material online to be sure that the OAM version is the most current, since the versions change without notice to this agency.*

### Status of Prior Audit Findings

As part of our audit, we reviewed our audit report number 2000-44, titled *State of Oregon, State Board of Architect Examiners, For the Two Years Ended June 30, 2000*, issued in December 2000. While that report contains no instances of noncompliance, it disclosed that the board's deposits for a short period immediately preceding and at year-end were not adequately covered, either by federal depository insurance, or a combination of federal depository insurance and certification of participation in the State of Oregon collateral pool. Subsequent to June 30, 2000, adequate collateral was obtained. No additional follow up was considered necessary.

We followed up on our audit report number 1999-06, titled *State of Oregon, State Board of Architect Examiners, For the Year Ended June 30, 1998*, issued in March 1999.

The following section summarizes our review of the board's work to implement the recommendations in that report.

### Prior Audit Findings and Current Status

**Finding 1: An annual financial statement of board revenues and expenditures was not made available for public review nor was a copy provided to the Department of Administrative**

**Services within 90 days of the state fiscal year end as required by Senate Bill 546.**

**Current Status:** Resolved.

For state fiscal years ending June 30, 1999 and 2000, the board submitted its annual financial statement report to Department of Administrative Services within the allotted time. The report is available to anyone requesting a copy.

**Finding 2: Bank reconciliations are not reviewed by management.**

**Current Status:** Resolved.

Bank reconciliations are now reviewed by the board administrator.

### 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 agency leaves that position for any reason. Our audit objectives were to assure that the board took appropriate actions regarding the former administrator's control and access to state assets, and to ensure that travel reimbursements, payroll disbursements, and personal service contracts authorized by the former administrator were reasonable and complied with appropriate laws and regulations, and to follow up on prior audit findings. Specifically, we:

- Determined whether the former administrator's access to state and board accounting systems, if any, was terminated upon separation.
- Determined whether state assets in custody and control of the former administrator were returned to the board upon separation.
- Reviewed the travel reimbursement claims filed by the former administrator during her final six months of service to

determine whether reimbursements complied with state and board travel rules, and were authorized, proper, adequately supported, and reasonable.

- Reviewed payroll disbursements to the former administrator to determine if there were any unusual payments during the final two years of service. We also determined whether the former administrator was properly removed from the board's payroll.

- Reviewed payroll disbursements for employees whose time sheets were approved by the former administrator to determine if there were any unusual payments during the six months prior to the former administrator's separation.
- Reviewed the 1999-2001 list of all board contracts to identify personal service contracts entered into during the six months prior to the former administrator's separation. No personal services contracts were

entered into by the board during that period.

- Reviewed and followed up on the status of audit findings contained in prior audit reports.

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](mailto:Audits.Hotline@state.or.us) and <http://www.sos.state.or.us/audits/audithp.htm>.*

---

AUDIT ADMINISTRATOR: *James D.Pitts* • AUDIT STAFF: *Arthur W. Brenner, CPA* • *Silvar Rys, CPA*

ACTING DIRECTOR: *Cathy Pollino, CGFM, MBA*

*The courtesies and cooperation extended by the officials and staff of the Oregon Board of Architect Examiners were commendable and much appreciated.*

***Auditing to Protect the Public Interest and Improve Oregon Government***

---