

Oregon State Landscape Architect Board: Administrator Investigation



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Secretary of State Audit Report

Summary

PURPOSE

The purpose of our investigation was to follow up on an allegation regarding a vacation payout taken by Leslie Clement, the former administrator at the Oregon State Landscape Architect Board (board), upon her departure.

RESULTS IN BRIEF

Our investigation substantiated the allegation regarding a questioned vacation payout. We determined that the former administrator was paid \$9,149 more in vacation payout than she was entitled.

Because the follow up on the allegation suggested potential criminal activity, we contacted the Oregon State Police. We conducted a joint investigation of the former administrator's activities at the board.

The investigation revealed that, from January 1999 through December 2004, the former administrator misappropriated board funds of approximately \$139,000.

In August 2005, Leslie Clement was indicted on multiple counts including official misconduct, theft, and forgery. On April 3, 2006, Leslie Clement was arrested following a guilty plea and is serving 19 months in prison followed by 24 months of post-prison supervision. In addition, Leslie Clement was ordered to pay restitution of \$135,365.27 to the Oregon State Landscape Architect Board.

RECOMMENDATIONS

We recommend the Oregon State Landscape Architect Board initiate appropriate measures to recover the loss of funds.

We recommend the board review their current system of internal control over administrative and fiscal activities and, at a minimum, implement the following:

- Ensure bank statements are sent directly to a member of the board for review.
- Reconcile the bank statements to the check register on a regular basis.
- Review supporting documentation for each transaction before signing checks.
- Review and approve the administrator's monthly timesheet, and vacation and sick leave, prior to payroll being submitted to the payroll company for processing.
- Periodically review the administrative and fiscal activities of the board to ensure they are sufficient to prevent, detect, and deter unauthorized transactions from occurring.

AGENCY'S RESPONSE

The Oregon State Landscape Architect Board generally agrees with the recommendations.

Background

The Oregon State Landscape Architect Board (board) is a semi-independent agency of the State of Oregon. The board operates under *Oregon Revised Statutes* Chapter 671.310 to 671.459. The board consists of seven members appointed by the governor for four-year terms. Four members are registered landscape architects, and three members are public members, and shall be residents of the state. The board examines applicants for licensure and imposes disciplinary actions against those who violate statutes. The board also makes rules and enforces professional standards for the practice of landscape architecture in Oregon. The board employs an administrator who is responsible for the day-to-day operations of the board including making purchases and payments on billings, preparing for board meetings, and proctoring the landscape architect examinations.

The board was part of a review conducted by the Joint Legislative Audit Committee of semi-independent boards. Their report, issued in December 2004, stated the board is the exception among the semi-independent boards and the board's record of performance since 2001 reflects a repeated failure to meet the statutory requirements of key administrative procedures to file administrative rules. The report also stated the board did not have a website, and no structural information about the board was available except for request by telephone, fax, and conventional or electronic mail.

According to the Joint Legislative Audit Committee's report, the board appointed Ms. Clement to the position of administrator in February 1999. Prior to this appointment, Ms. Clement was the office specialist for the board. Ms. Clement became the only administrative staff at the board as

a new support staff position was not filled when Ms. Clement was promoted. Ms. Clement submitted her resignation effective in November 2004.

Allegation and Investigation Background

The Audits Division received a call on the Government Waste Hotline regarding a vacation payout made to the former administrator at the time of her resignation.

In response, we started an investigation of the former administrator's payroll records. Because the initial review suggested potential criminal activity, we contacted the Oregon State Police.

As a result, we conducted a joint investigation of the former administrator's activities including payroll and board expenditures.

Investigation Results

In our investigation of the board's financial records and transactions, we found that the board did not have adequate internal control over administrative activities to prevent, detect, and deter unauthorized or inappropriate transactions. Our investigation identified approximately \$139,000 in inappropriate costs as a result of unauthorized and inappropriate payroll payments, personal use of the board's credit card, personal use of board funds, inappropriate cellular phone usage, and misappropriation of board property.

Excessive Vacation Payout

The former administrator received \$9,149 in vacation payout for which she was not entitled. The board utilized two payroll processing companies to manage its payroll. On a monthly basis, the former administrator submitted payroll information directly to that company. Once submitted, the

former administrator was paid through electronic deposit. The board did not have any internal controls in place to review the former administrator's timesheets and leave accrual balances before or after payment.

In November 2004, the former administrator initiated a final payroll check totaling \$12,807, which included a payout of 342 hours of vacation in addition to her monthly salary amount. The board has adopted the Department of Administrative Services human resource policies and procedures and this payout was in violation of DAS Human Resource Division policy 60.000.05, which limits vacation payouts to 250 hours when leaving state service.

In addition to following up on the vacation payout allegation, we reviewed the payroll records of the former administrator from February 1999 to November 2004 to determine if amounts paid were appropriate. We found the vacation leave on her leave accrual spreadsheet and claimed in the vacation payout did not agree with her monthly timesheets. As a result, her vacation leave balance was overstated. This overstatement occurred because the former administrator did not deduct vacation leave taken from her leave balance, substituted sick leave when it appears the administrator may have been on vacation, and claimed holiday leave in months when there were no recognized state holidays.

Rather than the 342 hours of vacation leave accrued, we calculated that the former administrator had a negative vacation leave balance of 116 hours. Due to the negative vacation leave balance, the former administrator was not eligible to receive any amount for a vacation leave payout upon her resignation from the board.

Unauthorized Payroll Increases

The former administrator received \$21,979 more in payroll than she was entitled.

The board approved the former administrator for a merit increase in August of 1999. Subsequent to that date there is no evidence of the board granting her additional merit increases or approving changes in her job classification. State employee payroll is based on a 'range' with a set number of annual increases. Generally, an employee is approved to receive a merit increase annually, until reaching the top step of the range.

We reviewed the former administrator's payroll records from February 1999 to November 2004. We compared what she was entitled to receive to what she actually received. We determined that the former administrator inappropriately received \$2,334 more than she was entitled due to inappropriate changes to her job classification and unapproved merit increases. The former administrator increased her pay by changing her job classification, without board approval, and then periodically giving herself merit increases.

Furthermore, we also identified payroll overpayments totaling \$19,645, which included the 116 hours of vacation, to which she was not entitled. The former administrator incurred leave without pay that was not deducted from her payroll. Further, she claimed vacation time that was not available and claimed compensatory time for which she was not eligible.

Personal Use of Board Credit Card

The former administrator purchased personal items totaling \$18,044 with the board's credit card.

We obtained and reviewed the board's credit card statements and supporting documentation from May 1999 to July 2001, when the card was canceled, to determine if purchases made by the former administrator were for legitimate board purposes. The board used a credit card to pay for expenses such as making reservations and other travel arrangements. Charges reported on the credit card statements during this time period by the former administrator totaled \$25,468. Based on a statement from the board, the board did not have a system in place to regularly and adequately review purchases made by the former administrator.

During the two years, the former administrator charged \$16,949 for personal items, including women's clothing, home furnishings, and concert tickets. We also question additional charges totaling \$1,095 that did not have supporting documentation. These include travel related charges and late fees.

Personal Use of Board Checking Account

The former administrator used the board's bank account to make \$87,830 in inappropriate purchases.

Two members of the board are authorized to sign checks written against board funds. The former administrator was responsible for preparing the checks for signature by the board members.

We reviewed negotiated checks for the period of January 1999 to December 2004 to determine if the checks were signed by an authorized board member and that each check had original supporting documentation.

Of the 930 negotiated checks, we identified 138 checks where the payee listed in the board's accounting system did not agree to the payee shown on the canceled check. These checks totaled \$76,186 and represent 15 percent of

all checks issued by the board during this time period.

Of the 138 checks, 136 were recorded in the accounting system to legitimate vendors. However, the physical checks identify the former administrator as the payee. For the remaining two checks, the payees recorded in the accounting system did not agree to the payees on the physical checks. We also identified \$2,183 in purchases paid directly to clothing and collectible stores that do not appear to be for legitimate board business.

Finally, we reviewed reimbursements made directly to the former administrator against supporting documentation. We identified payments that appeared inappropriate relating to payroll advances and reimbursement requests totaling \$3,860. We also question reimbursements totaling \$5,602 to the former administrator for which no supporting documentation was available.

Of the 930 negotiated checks from January 1999 to December 2004, the board chair questioned the validity of his signature on 497 of those checks. In an interview with the former administrator, she confirmed that she had signed the board chair's signature on checks.

Inappropriate Cell Phone Use

We reviewed phone charge statements dated December 2003 through April 2005. While the board approved the use of one cell phone, the former administrator confirmed that she had obtained a second cell phone for her daughter's use. We question charges totaling \$557 that were paid by the board for the second cell phone. We were unable to perform a complete review of all cell phone charges, as the phone company was unable to provide copies of all prior invoices. Had that documentation been available,

the questioned costs relating to cell phone usage could be higher.

Items Recovered From the Former Administrator

During the investigation, we accompanied Oregon State Police detectives in executing a search warrant on the former administrator's home. Board property totaling \$2,194 was recovered from her home. The items recovered included a computer and monitor, entertainment center, shelving units, cell phones, and other miscellaneous office supplies. Seized items are to be returned to the board at the conclusion of the investigation and legal proceedings.

Summary

In total, we identified approximately \$139,000 in inappropriate payroll expenses, credit card purchases, checking account purchases, and cellular phone usage. This amount also includes costs related to items recovered from the former administrator's home that were paid for with board funds.

We recommend the board initiate appropriate measures to recover the loss of funds.

Agency's Response:

The board supports the recommendation that appropriate measures be initiated to recover the loss of funds. We would like to pursue any such recommendations as soon as possible. Please lay out appropriate measures that the board should initiate to recover our lost funds. The Oregon State Landscape Architect Board (OSLAB) understands the Audits Division is currently initiating measures to recover funds and OSLAB needs direction as to our appropriate course of action.

Internal Control Findings and Recommendations

An adequate system of internal control includes various mechanisms intended to prevent, detect, and deter unauthorized or inappropriate transactions from occurring. During our investigation, we identified a number of internal control weaknesses needing the board's attention. Specifically, the board did not have adequate internal controls in place to:

- Detect inappropriate activity. For example, bank statements were not always reviewed and were sent directly to the board's office where the former administrator had access to the statements. Additionally, when a review was conducted, it was not adequate to detect the inappropriate checks issued by the former administrator.
- Review and approve the former administrator's timesheets and payroll information, such as leave accruals, before payment.
- Review expenses and supporting documentation prior to payment to ensure they were for appropriate business purposes.
- Regularly review the activities of its administrator to ensure the administrator was performing her assigned duties.

As a result of these internal control weaknesses, the board incurred a loss of funds of approximately \$139,000. In addition, the board's bank balance was negative during November 2004. Without an effective system of internal controls to prevent, deter, and detect potential inappropriate activity, the board was unable to timely identify misappropriation and/or abuse of board assets.

We recommend the board review their current system of internal

control over administrative and fiscal activities and, at a minimum, implement the following recommendations.

We recommend the board ensure bank statements are sent directly to a member of the board for review.

Agency's Response:

Although the bank statements are still coming to the board office, the board chair is reviewing each statement and all canceled checks accompanying the statement and signing off on the bank statement each month.

We recommend the board reconcile the bank statements to the check register on a regular basis.

Agency's Response:

The board has changed banking institutions. The bank statements for the new bank account are being reconciled on a monthly basis. The board treasurer will make, and document, unannounced visits to the board office to check the reconciled statements and the accompanying documentation. Documentation of these visits will be shared at regular board meetings and included in meeting minutes.

We recommend the board review supporting documentation for each transaction before signing checks.

Agency's Response:

The check signer has always checked the supporting documentation for each check before signing and will continue to review the supporting documentation for each transaction before signing the check.

We recommend the board review and approve the administrator's monthly timesheet, and vacation and sick leave, prior to payroll being submitted to the payroll company for processing.

Agency's Response:

OSLAB currently contracts with the Oregon State Board of Geologist Examiners (OSBGE) for administration of their work. The chair of OSBGE signs off on the monthly timesheet for the administrator. The administrator will now provide a copy of the timesheet to the chair of OSLAB.

We recommend the board periodically review the administrative and fiscal activities of the board to ensure they are sufficient to prevent, detect, and deter unauthorized transactions from occurring.

Agency's Response:

The board believes that unannounced visits by the treasurer will serve to detect and deter unauthorized transactions from occurring. If you felt that this is not a sufficient amount of oversight to prevent, detect, and deter unauthorized transactions from occurring, please provide specific recommendations.

We obtained and reviewed credit card statements and detailed invoices of credit card purchases. We reviewed available documentation of expenditures made by the board from the board's office. These included reports from the board's accounting system, vendor invoices, and board meeting minutes.

We conducted our fieldwork from December 2004 to June 2005.

Objectives, Scope and Methodology

The purpose of our investigation was to investigate an allegation regarding a vacation payout taken by the former administrator at the time of her resignation and fiscal irregularities identified in our initial visit.

We conducted various joint interviews, with an Oregon State Police detective, of the former administrator and board members.

We obtained and reviewed payroll documentation from the board's office as well as payroll documentation from two payroll-processing companies used by the board.

We obtained and reviewed bank statements and canceled checks from the board's bank.



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

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