



# Oregon Secretary of State's Government Waste Hotline January – December 2005

## Summary

### PURPOSE

The purpose of this report is to summarize activity reported through the Oregon Secretary of State's Government Waste Hotline (hotline). Sections 177.170 and 177.180 of the *Oregon Revised Statutes* established this toll-free hotline for reporting waste, inefficiency or abuse by state agencies, state employees or persons under contract with state agencies. These allegations may be reported at 1-800-336-8218 or <http://fraud.oregon.gov>.

### BACKGROUND

The Oregon Secretary of State, through its Audits Division (division), conducts an initial investigation of each report of waste, inefficiency or abuse made by public employees and members of the public through the hotline. As required by statute, this report describes the number, nature and resolution of hotline reports received during the period January 1, 2005, through December 31, 2005.

### RESULTS IN BRIEF

The division received 435 reports in 2005. The nature of the reports received varied from information requests to information provided that was sufficient to warrant an investigation. The resolution of reports included providing information, referrals, and performing audits or investigations. The number of reports resulting in an audit or investigation totaled eight for 2005.

This report also summarizes the results of three investigations conducted into improper activities by state employees and agencies. As a result of the investigations, we identified questioned costs of approximately \$147,000 in 2005. Five investigations started in 2005 are still in process. Questioned costs of over \$5.1 million have been identified since the inception of the hotline in 1995. These costs represent questionable expenditures, monies not spent in accordance with applicable laws or potential savings that could result from improved efficiencies or the elimination of waste or abuse.

Charles A. Hibner, Director, Audits

Bill Bradbury, Secretary of State

# Secretary of State Informational Report



**GOVERNMENT  
WASTE HOTLINE**

1-800-336-8218

or

<http://fraud.oregon.gov>

## Summary of Investigations

The following represents summaries of reports or management letters issued following audits or investigations initiated in response to reports of waste, inefficiencies, or abuse.

### Landscape Architect Board

The division received a call on the Government Waste Hotline regarding a vacation payout taken by Leslie Clement, the former administrator of the Landscape Architect Board.

A joint investigation with Oregon State Police substantiated the allegation finding that the former administrator was paid \$9,149 more in vacation payout than she was entitled.

The investigation also 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.

Further details of this investigation can be found in Report No. 2006-13.

### Lincoln County Communications Agency

The division received notification from the Oregon State Police regarding allegations of inappropriate business practices of the former director of the Lincoln County Communications Agency.

Our investigation substantiated the allegations of inappropriate business practices. We found that the former director took more in payroll draws than she was entitled and did not make timely repayments for the payroll draws. We also questioned approximately \$4,000 in expenses incurred by the former director for which no supporting documentation was available to demonstrate a related business purpose.

Further details of this investigation can be found in Report No. 2006-03.

### Department of Human Services: Review of Contracting Practices

The Oregon State Police communicated concerns to the division that a Department of Human Services (department) contractor (1) misclassified children to receive additional funding; and (2) inadequately documented additional services billed to the department.

Our investigation determined the contractor did not misclassify children to receive additional funding. We determined, however, the contractor did not have documentation to support all invoiced services nor did the department have adequate controls to ensure they only pay for services received. Without adequate documentation, there is less assurance the contractor provided the services that are paid by the department.

We also noted the department made a duplicate payment of \$4,060 to the contractor.

Further details of this investigation can be found in Management Letter No. 100-2005-07-01.

## Hotline Activity January to December 2005

### Hotline Background

The 1995 legislature enacted legislation that became Oregon Revised Statute (ORS) Sections 177.170 and 177.180, mandating the Secretary of State (Secretary) to establish a toll-free telephone line for reporting waste, inefficiency or abuse by state agencies, state employees or persons under contract with state agencies. The law requires all state offices to publicly display notice of the toll-free line, known as the Government Waste Hotline (hotline). The law also provides confidentiality for the identity of hotline callers, with the reported information remaining confidential unless the Secretary finds that waste, inefficiency or abuse has occurred. If the hotline report is confirmed, the reported information remains confidential until the investigation is complete. The identity of the caller is not disclosed without his or her permission.

For reports that may involve violations of the Oregon ethics law (ORS Chapter 244), the Secretary is to notify the Oregon Government Standards and Practices Commission. For reports that may involve criminal activity, the Secretary is to notify the appropriate law enforcement agency.

Upon completion of an investigation, the Secretary is to prepare a written determination. If the Secretary determines that officers or employees of another state agency or public body are involved in activities constituting waste, inefficiency or abuse, the Secretary shall notify and deliver the written determination to the state agency or public body and, if requested, to the person who made the report of waste, inefficiency or abuse.

In addition, the Secretary is required to prepare an annual report and submit it to the Legislative Assembly and appropriate interim committees. The report shall describe the number, nature and resolution of reports made through the hotline and shall identify savings resulting from improved efficiencies or the elimination of waste or abuse resulting from reports received and investigations conducted under this law. To meet the reporting requirement, we present summary level data on a calendar year basis.

As of January 2005, the hotline's toll-free number of 1-800-336-8218 connects callers to an operator to receive complaints 24 hours a day,

365 days a year. Interested parties can also provide information via the Internet at <http://fraud.oregon.gov>.

**Review Process**

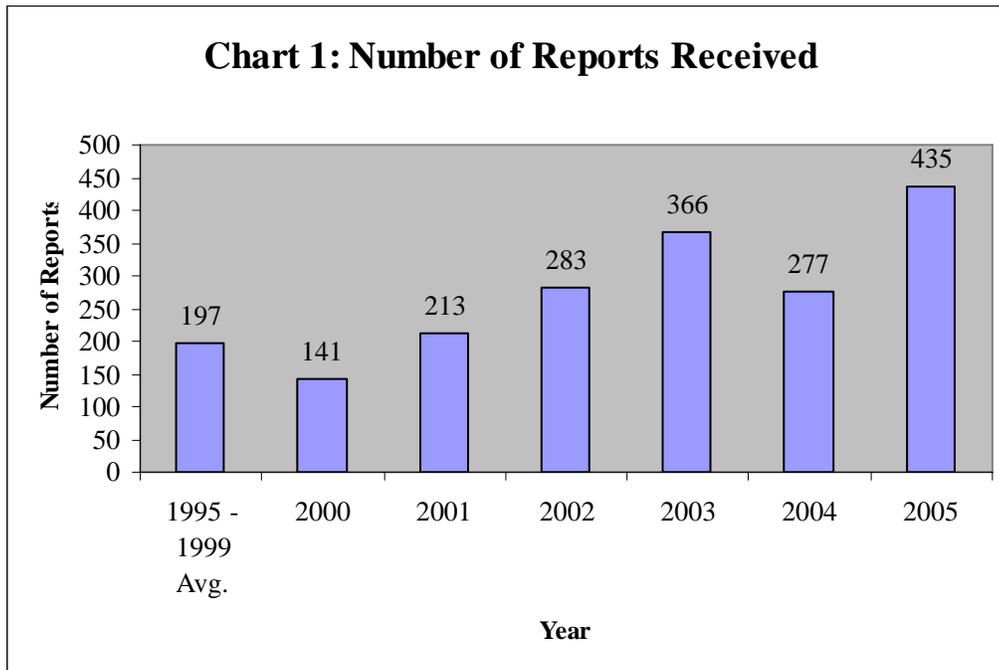
All hotline reports are logged into a database and transmitted to the Oregon Secretary of State's Audits Division (division). As auditors are available, the reports are reviewed to determine whether sufficient information was provided, a callback is possible or necessary, and whether the described concern can and should be investigated. For example, while some reports initiate audits or investigations, other reports are referred to appropriate agency staff to address.

**Origin of Reports Received**

Of the reports received, 86 percent were received through the hotline while the remainder of the reports were received via online reporting, electronic mail, fax, walk-in reporting, and postal mail. Concerned citizens and state employees made the reports.

**Number of Reports Received**

As shown in Chart 1, the division received 435 reports in calendar year 2005. The calls received represent a steady climb since the hotline's inception in 1995.



## Nature of Reports Received

Chart 2 shows hotline reports related to a variety of topics.

*Procedural and Informational Matters* relate to policy clarification, procedural frustration, and informational requests.

*Work Environment Issues* relate to sexual harassment, unethical or improper behavior, unfair treatment, wrongful termination, discrimination, disagreement with disciplinary action, and other harassment issues.

*Fraud, Theft or Kickback* issues relate to fraud, false claims, embezzlement, theft, false expense reports, bribery, and engaging in any corrupt practice with anyone associated with the employer.

*Management and Workplace Practices* relate to procedural problems, non-adherence to policies and procedures, favoritism, conflicts of interest, failure to perform on the job, payroll problems, positions not properly

posted, and disagreement with policies and procedures.

*Financial Management/Business Practice/Billing* relates to accounting practices, tax issues, cost reporting issues, contracts/agreements, vendor issues, over billing, and documentation.

*Callbacks* reflect callers providing additional information to a previous report to the hotline.

*Other* reflects callers providing information relating to workplace safety, quality of service, privacy, security, and misuse of property issues.

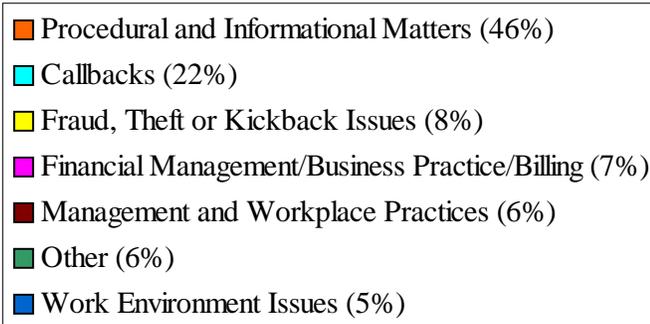
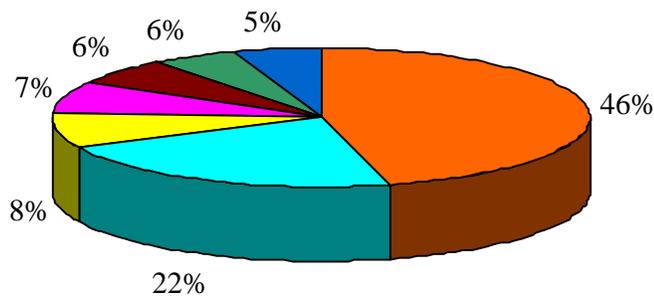
## Report Resolution

After reviewing a hotline report, an auditor may contact the complainant, when possible and if needed, to obtain additional information. For anonymous reports, the division's ability to take action depends on the specificity and nature of information provided.

The following details how the division resolved the 435 reports received during 2005.

- Eight reports triggered an audit or investigation that has or will result in a formal audit report or management letter communicating the results to the agency.
- Fifty-five reports were referred to appropriate agency staff better equipped to respond to callers' requests for information.
- Three hundred seventy were closed that related to matters not warranting an investigation, some of which we referred to a larger audit topic that may be addressed in the future. Some of these reports lacked sufficient information for which the caller did not leave a return number or the number given was disconnected.
- The remaining two reports were pending additional information.

**Chart 2: Nature of Calls Received**



## Questioned Costs

Table 1 summarizes investigations or audits completed during calendar year 2005, as well as associated questioned costs. Included are prior questioned costs since inception of the hotline in January 1995. We identified questioned costs of

approximately \$147,000 in 2005. Questioned costs of over \$5.1 million have been identified since the inception of the hotline. These costs represent questionable expenditures, monies not spent in accordance with applicable laws, or potential savings that could result

from improved efficiencies or the elimination of waste or abuse.

At the time of this report, five investigations that will result in a management letter or report are underway in response to allegations of waste, inefficiencies or abuse.

**Table 1: Questioned Costs Related to Hotline Reports**

<b>Report No.</b>	<b>Report Name</b>	<b>Comments/Recommendations</b>	<b>Questioned Costs</b>
Audit Report No. 2006-13	Oregon State Landscape Architect Board: Administrator Investigation	Recommend the board initiate appropriate measures to recover the loss of funds and review their current system of internal controls.	\$139,000
Audit Report No. 2006-03	Lincoln County Communications Agency: Former Director Investigation	Recommend the department resolve questioned payments due to/from agency staffs and improve numerous internal controls.	\$4,000
Management Letter No. 100-2005-07-01	Department of Human Services: Review of Contracting Practices	Recommend the department perform a periodic review of supporting documentation and produce timely utilization reports.	\$4,000
<b>2005 Questioned Costs</b>			<b>\$147,000</b>
<b>1995 through 2004 Questioned Costs</b>			<b>\$4,970,264</b>
<b>Total Questioned Costs</b>			<b>\$5,117,264</b>



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**Auditing to Protect the  
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*The courtesies and cooperation extended by the officials and staff of  
the departments referred to were commendable and much appreciated.*

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