



Auditing for a Better Oregon

November 1, 2001

Patricia Brown, Chair, Audit Sub-Committee
Oregon Public Employees Retirement System
Standard Insurance
1100 SW 6th Avenue, P11D
Portland, Oregon 97204

James Voytko, Director
Oregon Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97281-3700

Dear Ms. Brown and Mr. Voytko:

We have completed our change of director review and our follow up to the information technology findings for Oregon Public Employees Retirement System (PERS). During our review, we identified conditions needing corrective action that were not significant enough to warrant inclusion in our audit report. This letter identifies those issues along with complete descriptions and recommendations. These findings also were verbally explained to PERS management at the exit conference on September 11, 2001.

Business Meals

We reviewed 56 payments totaling \$4,393.30 that PERS made for food purchases. Of these payments, 10 totaling \$1,003.86 were made for staff events, 40 totaling \$2,733.24 were made for staff meeting box lunches and food items, and six totaling \$606.20 were for unidentified events.

PERS does not have a formal policy governing business meals, but provided the audit an informal policy. Nine of the payments reviewed totaling \$718.90 did not comply with the informal policy.

We recommend that PERS:

- Develop a formal policy that specifies when state funds can be used for business meals and food purchases for employee meetings and events.

Lack of Use of State Motor Pool Vehicles for Travel

The former director did not use a state motor pool vehicle during four trips made in the month of September 1999. These four trips were all more than 80 miles round-trip. The use of a state

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motor pool vehicle appears more cost effective for each trip. In addition, PERS maintains six motor pool vehicles at its Tigard headquarters for business travel. Our analysis concludes that PERS paid an additional \$109.20 for the four trips over the cost of using a motor pool vehicle for the trips.

PERS does not have its own in-state travel policy, but relies on the Department of Administrative Services' policy (the *Oregon Accounting Manual*). The *Oregon Accounting Manual* (06 01 00.112 PO) states, "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 PERS:

- Reiterate the policy of using state-owned vehicles for travel unless travel in a private vehicle is more practical because of cost, efficiency, or work requirements.
- Establishing a trip mileage threshold for when staff should obtain a state-owned vehicle based upon an analysis of cost to the state would help staff comply with the intent of this cost saving rule.

Double Payment of Expense

PERS' former director claimed a meal expense for reimbursement when the meal was charged to his state-issued Diner's Club card. PERS subsequently paid the reimbursement request and the Diner's Club card billing. Although PERS reviewed the reimbursement request and the Diner's Club card billing, this error was not identified.

We recommend that PERS recover the \$15.90 overpayment from the former director.

We appreciate the courtesies and cooperation extended by PERS officials and staff during this review.

Sincerely,
OREGON AUDITS DIVISION

Craig M. Stroud, CPA
Audit Administrator

CMS:bk

cc: Dale Orr, Administrator, Fiscal Services Division
Lois Summers, Internal Auditor
Michael Greenfield, Director, Department of Administrative Services