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Auditing for a Better Oregon

July 24, 2001

Katie Cannon, Interim Director
Oregon State Fair and Exposition Center
2330 17th Street NE
Salem, Oregon 97303-3201

Dear Ms. Cannon:

We have completed our change of director review of the Oregon State Fair and Exposition Center (Fair). During our review, we identified conditions needing corrective action that were not of a significant nature to be included in our report. We have listed those findings here along with complete descriptions. These findings were also verbally explained at the exit conference on April 11, 2001.

Spots Card Misuse:

During our review of the former director's use of his state-issued SPOTS credit card, we found that he purchased two personal items totaling $90 (an eight-day Disneyland pass and a "Party in the Park" pass, also for Disneyland). These purchases were on a statement that was one of two not indicated as approved for payment, even though it was paid by the Fair.

The Fair's Purchasing Card Policy states that purchases that do not further state business are unauthorized. The Fair's internal procedure for credit card statement reconciliation states, "Forward the credit card statement, log and receipts to your supervisor who will date and sign off on the statement that the charges have been reviewed and can be paid."

The internal procedure for statements to be approved by a supervisor was not created until June of 2000. Thus, this policy was not in place during the scope of our audit. Without review of statements by someone other than the purchaser, there is no control over what is purchased.

We recommend that the Fair:

- Recover the inappropriate payments from the former director.
- Review the monthly statements for the former director's SPOTS card to ensure that the card is only used to "further the business of the state".
- Confirm that the current SPOTS card statements are reviewed by supervisors.
- Confirm that the current director's SPOTS card statements are reviewed by another executive staff member (the director does not have an available supervisor).

No Review of Director's Time Sheets:

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During our review of the former director's payroll, we found that his time sheets for the months of November 1999 through April 2000 were not reviewed. While we understand that the director does not have a supervisor readily available to review his time sheets, other controls could be implemented for review.

The Department of Administrative Services has implemented a policy for review and approval of transactions by agency heads (*Oregon Accounting Manual* 10.90.00.PO). This policy sets accountability and control standards for the determination or delegation of review, and approval authority for the agency head's monthly time and attendance report, requests for vacation payoff, use of exceptional performance leave and travel expense reimbursement claims. Agency heads appointed by the Governor must delegate responsibility for reviewing and approving these transactions in writing to either the Chief Financial Officer or second-in-command.

While we found no cases of incorrect time sheets, lack of time sheet review of the director increases the risk of errors or fraud.

We recommend that the Fair develop written policies and procedures to implement the state policy regarding agency head travel and timesheet review and approval.

Lack of Use of State-owned Vehicles for Travel:
The former director, as well as three of his subordinates, failed to use a state-owned vehicle for travel in 124 instances from November 1999 through April 2000. There were 13 instances during the same time frame in which it was noted that an employee traveled to the state motor pool to obtain a state-owned vehicle. One hundred of the private mileage reimbursements were for local trips of less than 20 miles, 13 trips were for trips in excess of 100 miles, leaving 11 trips of between 20 and 100 miles.

The Fair 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."

The Fair is not complying with the travel policy if private vehicles are not being used due to one of the following factors: cost, efficiency or work requirements. While making local trips (less than 20 miles) in a private vehicle is logically more practical than driving to a motor-pool to obtain a car, the trips of over 100 miles cannot fall back on that same logic.

We recommend that the Fair 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.

We appreciate the courtesies and cooperation extended by the officials and staff at the Fair.

Sincerely,
OREGON AUDITS DIVISION

Craig M. Stroud, CPA
Audit Administrator

CMS:bk
cc: Clifton Lewis, Director, Business Services
John Graham, Internal Auditor