



Auditing for a Better Oregon

June 6, 2003

Michael Graine, Director
Office of Energy
625 Marion St. NE, Suite 1
Salem, OR 97301-3742

Dear Mr. Graine:

We have completed a change of director review of the Office of Energy's former director, John Savage, who resigned from the director position effective January 11, 2002. The review 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 objective was to ensure that appropriate actions were taken to protect state assets when the former director resigned from his position. We reviewed representations from management and determined that assets assigned to the former director were returned and that his access to state and automated systems was terminated. We found, however, that procedures for tracking the agency cellular phone could be improved by including requirements for logging to whom the phone is checked out, when it is checked out, and when it is returned, to provide for better control and accountability.

We reviewed travel and other reimbursements submitted by the former director during his last year of service with the department to determine whether these claims complied with applicable laws and regulations. We found that one of the five claims included reimbursement for lodging expenses exceeding the established per-diem limits, and no documentation was included to support an exception to per-diem guidelines. In addition, although the department's documentation included a request for out-of-state travel, documentation to support the subsequent approval from the Department of Administrative Services was not included for one claim.

Finally, we examined the former director's payroll disbursements and leave accruals for the period October 2001 through January 2002, which appeared to be appropriate. We found that two of the timesheets did not contain evidence of supervisory approval. In addition, we found that delegation of review and approval authority for agency head transactions, including review of timesheets, had not been formally documented.

Management Letter No. 330-2003-06-01

Michael Grainey, Director
Office of Energy
Page 2

We recommend that agency management improve existing procedures for tracking use of the agency cellular phone and enforce existing procedures to ensure that supporting documentation for travel claims is maintained. In addition, we recommend that agency management formally delegate the review and approval authority for agency head financial transactions and ensure that all agency head transactions contain the proper approval.

Based on our limited review, except for the issues noted above, we found that the Office of Energy took appropriate actions to protect state assets upon the former director's separation from the agency.

Should you have any questions concerning these issues, feel free to contact Shandi Frederickson or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Administrator

KLO:brk
cc: Gary Weeks, Director, Department of Administrative Services