



Auditing for a Better Oregon

May 11, 2004

Board of Trustees
Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

Laurie Warner, Interim Executive Director
Public Employees Retirement System
11410 SW 68th Parkway
Tigard, Oregon 97223

Dear Ms. Warner:

We have completed a change of director review of the Public Employees Retirement System's (department) former director, James Voytko, who resigned effective October 30, 2003. 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 his access to state and automated systems was terminated. We examined the former director's recent payroll disbursements and leave accruals, which appear to be appropriate and accurate. We reviewed personal service contracts signed by him in the last three months of employment and determined that these appeared to be appropriate.

We also obtained a copy of a post-employment contract between Mr. Voytko and the Department of Administrative Services (DAS) in which Mr. Voytko agreed to work on a project of identifying various pension-related risks. We found that two of four monthly invoices had been properly approved by DAS officials. The other two invoice payments were still pending at the time of our review. We did not perform any additional review or analysis on this contract.

Finally, we reviewed travel and other reimbursements submitted by Mr. Voytko during his final four months of employment to determine whether these claims complied with applicable laws and regulations. We identified the following recommendations for improvement.

Management Letter No. 459-2004-05-01

Lack of Use of State Motor Pool Vehicles for Travel

The Oregon Accounting Manual (OAM) 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 department maintains motor pool vehicles at its Tigard headquarters for business travel. We found that the department would have recognized savings had the former director used one of the department’s maintained vehicles rather than being reimbursed for using his personal vehicle. For example, in October 2002 the former director was reimbursed \$123 for travel to a conference. Using a state motorpool vehicle would have saved the department approximately \$57.

We recommend that the department comply with state travel policy and use a state vehicle when appropriate.

Most Economical Travel Means Not Used

Oregon Revised Statute 292.230 states, “Out-of-state travel shall be conducted in the most efficient and cost-effective manner resulting in the best value to the state.” We found that the former director was reimbursed \$270 for personal vehicle mileage incurred while attending an out-of-state conference. Other department employees attending the same conference purchased airline tickets costing \$176. Had the former director traveled to the conference using the same travel means as the other employees, the department would have saved approximately \$94.

We recommend that the department conduct out-of-state travel in the most efficient and cost-effective manner.

Meal Expenses not Reimbursed at a Per Diem Rate

We found that the former director was reimbursed for actual meal expenses rather than per diem rates outlined in the OAM. Although some meals were reimbursed at a rate lower than the per diem permitted in the OAM, other meals were reimbursed at a higher rate. We were unable to determine the net effect of the department not using the appropriate per diem rates because the travel reimbursement requests were missing travel departure and arrival times. This information is necessary to determine which meals are reimbursable.

We recommend that the department comply with state policy and reimburse meal expenses, incurred by employees on official travel status, using the appropriate per diem rates.

We also recommend that the department require employees to submit complete expense reimbursement forms.

Expense Reimbursement Requests Not Submitted in a Timely Manner

During the former director’s time of employment, the department did not have a policy that required reimbursement requests to be submitted in a timely manner. We found that some of the former director’s reimbursements were submitted years after the actual expenses were incurred. For example, in July 2003 the former director submitted reimbursements related to

expenses that were incurred during February 2000. In February 2004, the department created a policy requiring travel expense reimbursements to be submitted within 30 days.

We recommend that the department enforce the current policy of requiring employees to submit expense reimbursement forms within 30 days of incurring the expenses.

Based on our limited review, except for the instances identified above, we found that the department took appropriate action 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 Ryan Dempster or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Jason M. Stanley, CPA
Audit Administrator

JMS: brk

cc: Craig Stroud, Internal Audit Administrator
Theresa McHugh, Acting Director, Department of Administrative Services