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*Auditing for a Better Oregon*

February 14, 2005

George Pernsteiner, Acting Chancellor  
Oregon University System  
PO Box 3175  
Corvallis, Oregon 97403-0175

Dear Mr. Pernsteiner:

We have completed a change of director review of the Oregon University System's (OUS) former chancellor, Richard Jarvis, who resigned effective June 30, 2004. 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 chancellor resigned from his position. We reviewed representations from management and reviewed supporting documentation and determined that the Oregon University System took appropriate action to protect state assets upon the former chancellor's separation from the agency. Specifically:

- Assets assigned to the former chancellor were returned and his access to state and automated systems was terminated. However, we noted that the university did not maintain documentation supporting access granted to computer systems.
- Travel reimbursements submitted by the former chancellor during his last three months of employment complied with applicable laws and regulations.
- Recent payroll disbursements and leave accruals appeared to be appropriate and accurate.
- Phone usage during the former chancellor's last three months of employment showed high out-of-state cellular call activity with increased charges for one of the three months reviewed. During the course of the review, management represented to the Audits Division that they had never asked the chancellor to review the last three months of phone bills because they were received after the end of his appointment. As a result, OUS Internal Audit requested that the former chancellor identify cellular phone calls as well as the business purpose. In response, the former chancellor opted to pay all questioned calls and remitted a check to OUS.

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Management Letter No. 580-2005-02-01

As part of our review, we requested personal service contracts executed by the former chancellor during the last three months of his employment, and were informed there were none.

We also reviewed the calculation of an additional payment made to the former chancellor as part of a Resolution of Employment Agreement and Release (Resolution). The Resolution states that the former chancellor shall be paid "his normal salary and benefits from April 1, 2004 through June 30, 2004" and, in addition, shall be paid "a lump sum the difference between \$250,000 and the amount of such salary and benefits paid" to him for that period. We noted that a vacation payout made to the former chancellor with his June 30 paycheck included 15 hours of accrued vacation for the month of June 2004. Chancellor's Office Leave Accrual and Use policy 45.10 states that vacation leave can be used the month after it is accrued. Based on this policy and the former chancellor's termination date of June 30, he was not able to use the June accrued vacation. As such, the 15 vacation hours accrued in June is a benefit paid between April 1 and June 30, 2004, and should have reduced the lump sum payment.

**We recommend** OUS management:

- Consult legal counsel regarding whether the 15 hours accrued vacation paid out for June, totaling \$1,370, should have been deducted from the lump sum payment made to the former chancellor and, if so, seek reimbursement from the former chancellor.
- Coordinate the issuance of, or access granted to, state assets and computers by other internal departments and maintain this documentation in one location and use such information at employment termination to ensure all state assets are returned and access to systems is terminated.

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

Sincerely,  
OREGON AUDITS DIVISION

Nancy L. Young, CPA, CISA, CFE  
Audit Manager

NLY:bk

cc: Patricia A. Snopkowski, Director of Internal Audit Division  
Michael Green, Controller  
Laurie Warner, Acting Director, Department of Administrative Services