



Auditing for a Better Oregon

May 27, 2005

Katy Coba, Director
Oregon Department of Agriculture
635 Capitol Street NE
Salem, Oregon 97301-2532

Dear Ms. Coba:

The Audits Division has completed the constitutionally mandated audit of agencies that had Measure 66 expenditures for the 2001-03 biennium. The purpose of our audit was to determine the following: (1) whether agencies receiving Measure 66 funds spent them as the constitution intended and reported expenditures accurately for the 2001-03 biennium; and (2) whether agencies have established performance measures and are gathering the necessary Measure 66 data relevant to those performance measures. As it relates to the second objective, please refer to audit report No. 2005-17 for the results of our audit.

We found that the Oregon Department of Agriculture (department) expended its Measure 66 funds for the 2001-03 biennium substantially in compliance with laws and regulations, but noted the following information that we wanted to share with management:

- We tested the department's services and supplies expenditures charged as Measure 66 capital and operating expenditures. We found the following charged to Measure 66 capital expenditures: the purchase of folders, labels, ink cartridge, telephone headset, a powerpoint projector, laserjet cartridge, computer discs, stapler, staples, tape dispenser, calendars, planners, and organizers, and travel to an Oregon Weed Board Meeting. Earlier Department of Justice (DOJ) advice stated that expenditures for the department's weed control program were capital expenditures if part of a specific project. Further, additional advice received stated that the cost of discrete office supplies used in connection with specific capital projects would qualify as capital expenditures. We questioned the above costs, totaling \$3,030, as the expenditures were not part of a specific project and appear to be administrative overhead costs. **We recommend** the department ensure that service and supply expenditures are part of a specific project when charged to Measure 66 capital expenditures.
- As part of our testing, we also reviewed payroll costs charged as Measure 66 expenditures, and sought advice from DOJ on charging vacation leave and sick leave as

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a Measure 66 capital expenditure. Based on DOJ advice, leave earned by department employees during periods of work on Measure 66 capital projects would qualify as a capital expenditure. Because accrued leave is essentially fungible, the department should develop a set of consistent policies for allocating and accounting for Measure 66 leave to ensure its correct treatment. Currently, the department does charge some leave to specific projects. However, the department does not have a mechanism in place for us to determine if the leave charged was allowable or not. **We recommend** the department ensure that leave charged as Measure 66 capital expenditures during the 2003-2005 and future bienniums does not exceed leave earned when the employee was working on a Measure 66 capital project.

Should you have any questions, please contact me at (503) 986-2349.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Manager

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enclosures

cc: Dan Hilburn, Administrator, Plant Division
Debbie Gorham, Administrator, Natural Resource Division
Laurie Warner, Acting Director, Department of Administrative Services