



Auditing for a Better Oregon

January 14, 2005

Bob Repine, Director
Oregon Housing and Community Services Department
725 Summer Street NE, Suite B
Salem, Oregon 97301

Dear Mr. Repine:

The Oregon Audits Division has completed an investigation of The Dalles Civic Auditorium (auditorium).

The Oregon Housing and Community Services Department (department) granted the auditorium a \$400,000 Community Incentive Fund grant in October 2002 to assist in the renovation of the historic auditorium. To date, the department has reimbursed \$264,677 toward the grant.

In June 2004, a prior auditorium employee communicated various concerns to the department including possible billings to the department for unallowable grant expenses. At that time, the department requested that the Audits Division determine whether expense reimbursements were allowable under grant provisions.

We interviewed auditorium and department employees and reviewed original documentation supporting grant reimbursements. Auditors identified approximately \$30,000 in questionable reimbursements in all invoices submitted by the auditorium. Specifically, these unallowable expenses related to the following:

- Employee wages related to time spent on general auditorium operations rather than renovating the auditorium;
- Reimbursement of 40 hours that was not permitted and should not have been reimbursed;
- Misrepresentation of one employee as a private contractor to obtain additional grant reimbursements; and
- Expense reimbursements that were not supported by documentation.

Auditors identified other concerns regarding the department's management of the grant. Specifically, grant payment terms were not based on specific deliverables. Contracting best practices suggest that contracts include specific deliverables and contract payments

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be made based on the completion of related deliverables. This practice ensures the department receives the best products and services for the best available price.

We recommend department management:

- Obtain reimbursement from the auditorium for identified questionable expenses.
- Ensure all contract deliverables are completed and expense reimbursements are adequately supported.

We also recommend future grants include payment provisions that base reimbursements on completed project deliverables.

Should you have any questions, feel free to contact me at (503) 986-2354.

Sincerely,
OREGON AUDITS DIVISION

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

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cc: Del Cesar, President, Civic Auditorium Historic Preservation Committee
Laurie Warner, Acting Director, Department of Administrative Services
Bill Carroll, Chief Criminal Investigator, Oregon Department of Justice