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March 5, 2007

Ken Murphy, Director
Oregon Emergency Management
Post Office Box 14370
Salem, Oregon 97309

Dear Mr. Murphy:

We have completed our review of the use of 9-1-1 excise tax funds by the Town of Lakeview (Town) for fiscal years 2002 through 2005, as requested by your office. The purpose of our audit was to determine whether the Town's expenditures using 9-1-1 excise tax funds during fiscal years 2002 through 2005 were consistent with allowed uses for those funds.

Results

Our audit identified about \$5,400 of questionable expenditures from state 9-1-1 funds, which is less than 1 percent of the nearly \$700,000 in excise tax spent during the four-year period. Examples of these questionable costs include purchases for services that were not consistent with allowable uses for state 9-1-1 funds, improperly allocated expenses, and overtime pay for duties not directly related to 9-1-1. One questionable expenditure in fiscal year 2002, an incorrect payroll allocation in fiscal year 2003, and one questionable expenditure in fiscal year 2004 made up 84 percent of the total questionable costs for the four-year period.

Although the questionable expenditures appeared to be isolated instances, opportunities exist for Oregon Emergency Management (OEM) to take actions that should reduce the likelihood of such transactions occurring in the future. We recommend that OEM consider providing updated guidance on the uses of 9-1-1 funds that may not currently be covered explicitly in relevant Oregon Revised Statutes and Oregon Administrative Rules. We also recommend that OEM provide periodic training, refreshers and updates to local government staff on the allowed uses of state 9-1-1 funds. In addition, we recommend the Town consider taking the following actions:

- Review expenses shared between the 9-1-1 center and other Town departments to ensure that state funds do not subsidize expenses for departments other than 9-1-1;

- Require 9-1-1 personnel to document overtime incurred for 9-1-1 duties and paid with state 9-1-1 funds. The Town should also periodically review this documentation to ensure state funds are not used for duties unrelated to the those 9-1-1 functions specified in relevant statutes and rules governing the program;
- Review the payroll allocation rates used for each fiscal period to ensure they are correctly processed in the accounting system; and
- Consult with the Town's external auditor to determine whether any adjusting entries are necessary.

We shared our recommendations and the details of the questionable transactions with officials of the OEM and the Town, who indicated they generally agreed with our results and planned to take corrective action.

Scope and Methodology

In order to complete our work, we interviewed several OEM and Town officials, reviewed statutes and rules pertinent to 9-1-1 and reviewed a sample of accounts payable transactions and employee timesheets from each fiscal year. We judgmentally selected our audit sample from downloads of accounts payable and payroll transactions provided by the Town. Before doing so, we conducted data reliability testing of these downloads and determined them to be sufficiently reliable for audit purposes.

We reviewed 96 of 629 accounts payable transactions paid in whole or part with state 9-1-1 funds during the fiscal year 2002 to fiscal year 2005 period. The dollar value of sample items represented almost \$39,000 of the accounts payable total of about \$114,000.

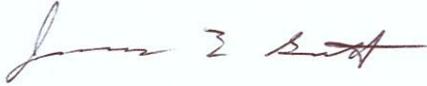
We analyzed payroll costs for each fiscal year in our audit period to identify whether the Town correctly allocated 9-1-1 payroll costs to state 9-1-1 funds. In addition, we reviewed the number of total hours worked to determine if they appeared reasonable for a small 9-1-1 center operation. We reviewed 24 employee timesheets in order to determine the appropriateness of overtime funded by state 9-1-1 money. We were not able to complete our overtime analysis, however, because sufficient documentation was not available throughout our audit period. Specifically, while we found some documentation for fiscal year 2005, we found none for fiscal year 2002 through fiscal year 2004.

We conducted our work in compliance with generally accepted government auditing standards.

Ken Murphy, Director
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We appreciate the time and cooperation of the OEM and Town officials during the course of this audit. If you have any questions concerning this letter or the work we performed, please contact me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read "James E. Scott".

James E. Scott, MM
Audit Manager

JES:brk

cc: Ken Keim, 9-1-1 Program Manager, Office of Emergency Management
Ray Simms, Manager, Town of Lakeview
Bob Bertagna, Chairman, Intergovernmental Council, Lake County
Ken Jones, Attorney, Intergovernmental Council, Lake County
Scott Utley, 9-1-1 Director, Town of Lakeview
Lindsay Ball, Director, Department of Administrative Services