

**Office of the Secretary of State**

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**Audits Division**

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May 17, 2007

Victor Merced, Director  
Oregon Housing and Community Services Department  
725 Summer Street NE, Suite B  
Salem, OR 97301

Dear Mr. Merced:

We have completed a change of director review of the Oregon Housing and Community Services Department (department) former interim director, Rick Crager, who resigned from that position effective September 5, 2006. Subsequent to his resignation, he remained at the department and accepted the position of deputy director. 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 interim director resigned from his position. To meet this objective, we reviewed representations from management and determined that assets assigned to the former interim director were properly accounted for, and his access to state and department automated systems was appropriate. In addition, we reviewed travel and other reimbursement claims submitted by the former interim director during his last three months as director and determined that these claims complied with applicable rules and policies. We also examined the former interim director's most recent payroll disbursements and leave accruals as director, which appeared to be appropriate and accurate. Finally, we reviewed contracts signed by the former interim director in his last three months as director and determined that these were for valid business purposes. To conclude, we found the department took appropriate actions to protect state assets following the resignation of the former interim director; however, we noted two areas where the department could improve its procedures:

- We noted that on one occasion approval for the former interim director to use his personal vehicle for state business was not obtained prior to the related travel. According to the department's policy, approval is required in advance for employees to use private vehicles for state business. On the occasion we reviewed, the approval to use a private vehicle was not obtained until eight days after the travel occurred. The policy, as well as the approval form, clearly explains the employee's and the state's responsibility for auto insurance. Because prior approval was not obtained, department management did not have written evidence in a timely manner that the employee understood his personal responsibility for auto insurance.

**We recommend** department management ensure that employees comply with the policy relating to use of a private vehicle for state business and obtain approvals in advance of related travel.

- The former interim director's financial transactions, such as time reports and expense reimbursement claims, were reviewed and approved by an appropriately selected individual in compliance with state policy as defined in the *Oregon Accounting Manual*;<sup>1</sup> however the delegation of authority for this function was not in writing as required. Written delegation helps ensure that individuals responsible for review and approval functions of the agency head's financial transactions understand their responsibilities.

**We recommend** department management document its delegation of authority to review and approve the director's financial transactions in accordance with the *Oregon Accounting Manual*.

Should you have any questions concerning these issues, please contact me at (503) 986-2351.

Sincerely,  
OREGON AUDITS DIVISION

V. Dale Bond, CPA, CISA, CFE  
Audit Manager

cc: Roseanne Ward, Financial Services Manager  
Lindsay Ball, Director, Department of Administrative Services

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<sup>1</sup> Oregon Accounting Manual Policy 10.90.00.PO.102