

Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division



New Director Should Establish Better Accountability and Stewardship at the Oregon State Marine Board

Summary

We conducted a change of director review at the Oregon State Marine Board (Board). The Board's former director, Paul Donheffner, retired effective November 30, 2009, and left the Board on January 31, 2010. State law authorizes the Audits Division to perform an audit or review when the executive head of a state agency leaves that position for any reason. In addition, the Governor's Office asked the Audits Division to review the Board's financial practices.

The Board was established in 1959 to register and title recreational vessels, establish statewide boating regulations, promote uniformity of state and federal boating laws, as well as advise and fund county and state marine law enforcement. In addition, the Board provides grants to local governments and state agencies to develop and maintain accessible boating facilities and protect water quality. The services the Board provides are funded primarily by registration, title, and other fees; motorboat fuel tax revenues; and federal grants.

The purpose of our review was to ensure that appropriate actions were taken to protect state assets when the former director retired. We also assessed whether the Board's fiscal management procedures assured assets were controlled and that transactions were reasonable, executed in compliance with laws and regulations, and adequately documented.

Our audit of the Board identified a frequent disregard for state rules and policies, and a casual attitude towards expenditure of public funds. Controls were lacking, certain expenditures were questionable, equipment and services were not procured appropriately, state property was not disposed of properly, and assets were not always adequately safeguarded.

We recommend the Board establish sufficient controls and emphasize a culture of fiscal responsibility and integrity from top leadership down through every layer of the organization. Detailed recommendations can be found on page 12 of the report.

Agency Response

The agency response is attached at the end of the report.

Background

Oregon State Marine Board

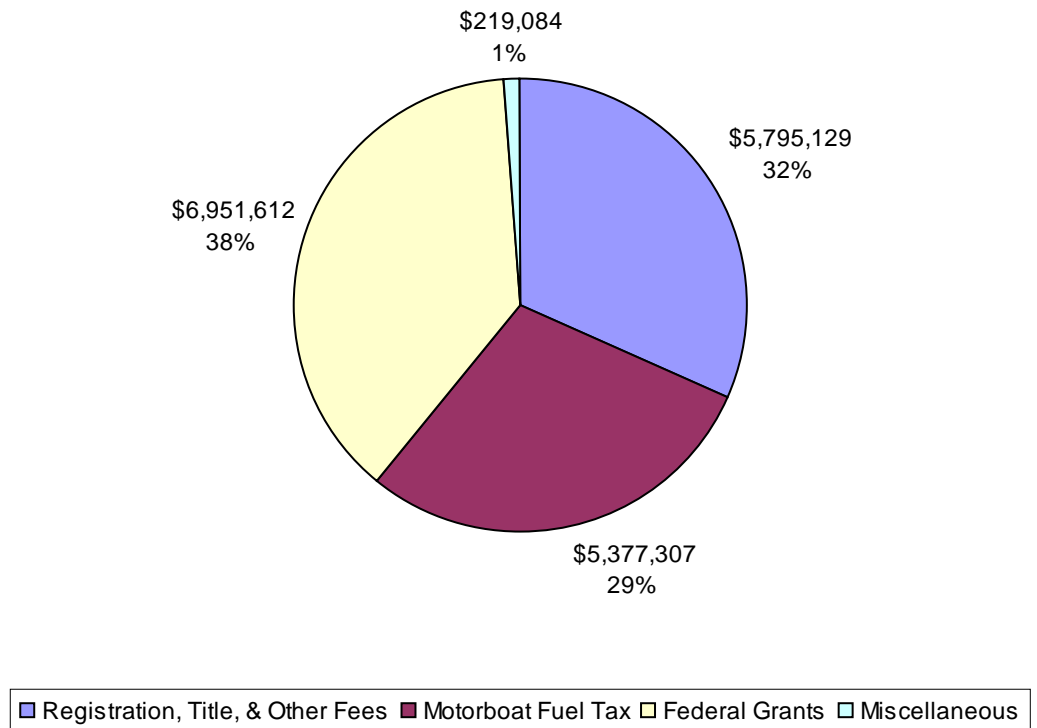
The Oregon State Marine Board (Board), established in 1959, has the following mission statement:

The Oregon State Marine Board is Oregon's recreational boating agency, dedicated to safety, education and access in an enhanced environment.

The Board consists of five members appointed by the Governor to four-year terms. The Board members appoint a director, who is responsible for managing the agency's daily operations.

State law authorizes the Board to register and title recreational vessels, establish statewide boating regulations, promote uniformity of state and federal boating laws, and advise and fund county and state marine law enforcement. The Board promotes safe boating through boater education courses and youth water safety programs. In addition, the Board provides grants for developing and maintaining accessible boating facilities and protecting water quality. As depicted in the graph below, the services the Board provides are funded by registration, title and other fees, motorboat fuel tax revenues, federal grants, and miscellaneous revenues from fines and forfeitures.

Fiscal Year 2009 Revenues by Source



The Board employs approximately 40 staff in the following five divisions:

Administration

This division consists of two sections: the Office of the Director, to which all other divisions of the agency report, and the Business Division that provides accounting, purchasing, and budgeting for the agency. The division uses the Statewide Financial Management and Accounting System (SFMA) to record financial transactions.

Registration

The registration division provides titling and registration services to owners of motorboats, certain types of sailboats, floating homes, and boathouses. The division also licenses outfitters, guides, and ocean charter vessels. Registrations, licenses, temporary permits, and cash receipts associated with these revenues are recorded in the Board's Marine Accounting and Registration (MARS) system.

Education

This division develops, publishes, and distributes materials to promote safe boating. The division also trains and certifies individuals to teach the boater education courses.

Law Enforcement

This division contracts for marine law enforcement services through county sheriff's departments and the Oregon State Police. These services include marine patrol, safety classes and lectures, and assisting boaters in need. The division provides training in marine law enforcement and funds the purchase of boats and other equipment necessary for carrying out marine law enforcement.

Facilities

The facilities division provides for the maintenance and improvement of boating facilities statewide through the use of grants. Grants are provided to local governments and state agencies for the acquisition, development, and improvement of public boating access sites. In addition to providing grants, the division also provides engineering, design, and project administration services. Maintenance assistance program grants are provided to assist with the maintenance and operation of boating facilities.

Leadership and Accountability

An agency head is responsible for establishing expectations and maintaining accountability for an organization's operating environment. Management should create a strong value system that provides a foundation for the agency's business practices, and clearly communicates expectations of employees. Management should also ensure that necessary steps are taken

to safeguard assets and ensure transactions are accurate, properly recorded and executed in accordance with laws, rules and procedures.

Management influences the attitudes and conscientiousness of staff with its policies and procedures, as well as the “tone” it establishes. These tone elements, which include the agency head’s management operating style, should set expectations for good stewardship of public resources and a commitment to competence. The tone is reinforced by management’s own willingness to follow prescribed policies and procedures.

Appropriateness of Expenditures

State policy places responsibility on employees who authorize expenditures of public resources for the good judgment and lawfulness of the expenditures. Expenses are to be for authorized purposes and should be a reasonable and prudent use of public resources.

Internal Control Environment

Internal control carried out by management and other personnel is designed to provide reasonable assurance regarding achieving objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations.

These objectives are met through control activities, policies and procedures, which are communicated to agency staff and monitored for adherence. The Department of Administrative Services created the Oregon Accounting Manual to serve as the basis for agencies to follow and incorporate internal controls. Agencies are encouraged to generate tailored policies and procedures to further accomplish management’s unique goals.

Audit Results

Our audit of the Board found an absence of management guidance that fostered a frequent disregard for state rules and policies and a casual attitude towards expenditure of public funds.

Management had not fully developed policies and procedures for Board employees to use as guidance when carrying out the operations of the agency. When we inquired about policies, staff indicated they followed Department of Administrative Services' policies and policies in the Oregon Accounting Manual. However, during our review of specific financial transactions, we identified instances in which state policies and rules were not followed.

As a result, management made decisions and took actions that, together with inattention to internal controls, set insufficient expectations for financial practices.

Questionable Expenditures

Managers and employees authorized to make expenditure decisions are responsible for the good judgment and lawfulness of the expenditure. They must ensure that the transaction is for authorized purposes and is an appropriate use of funds. We question whether the following expenses the Board incurred were appropriate, necessary and reasonable:

- In February 2010, the Board offered a workshop at the Oregon Garden Resort in Silverton, Oregon for 31 instructors who taught the agency's mandatory boater education course. These instructors were not employees of the agency, but had been approved to teach the agency's boating safety courses (or equivalent courses) to individuals applying for boater education cards. While the workshop was business related, we question whether some of the related expenses were a prudent and appropriate use of state funds. For example, following the workshop, the Board provided an evening meal to attendees at a cost of \$2,077, \$604 of which was for spouses and children and not allowed by state policy. Furthermore, the meal itself cost \$576 more than the state per diem. In addition, the Board provided lodging for some of the attendees at a total cost of \$1,408, \$148 of which was in excess of the per diem rate. The Board can make exceptions to the state travel policy on a case by case basis for business needs. However, policy departures must be sufficiently documented and signed by the agency head, which was not done in this case.
- The Board met in July 2008 at Alessandro's Restaurant in Salem, Oregon for dinner and a presentation from a non-profit boating foundation. Five Board members, nine Board employees and the presenter attended the dinner at a cost of \$450, or \$30 per person. According to Board personnel, two members of the public attended the presentation.

- The Board conducted a Board meeting in Bend, Oregon in October 2009. Although the meeting did not begin until 9 AM, the Board paid \$102 for hotel accommodations the night before for a Board member who lived less than one hour away.
- The Board sponsors an annual post-season marine law enforcement conference and shares the cost of the conference with participating counties. Some of the Board's expenditures for the conference, however, were not allowed uses of state funds. For example, the Board spent approximately \$800 for flowers as decorations for the conference awards banquet. State policy specifically prohibits using state funds to purchase flowers. In addition, the Board spent \$2,348 on plaques and giveaways purchased for the awards banquet, \$454 of which was in excess of the amount allowed by state policy.

Poor Administration of Internal Controls

Management is responsible for developing control activities to ensure that goals and objectives are accomplished effectively and efficiently; assets are protected; and transactions are accurate, properly recorded and executed in compliance with laws and regulations. We found the Board did not have robust and consistent controls over contracting, travel reimbursement processes, and state procurement card use. Furthermore, assets were not adequately protected. Specific examples of the Board's weak internal controls are described below.

Contracting Rules Not Always Followed

State agencies generally must purchase goods and services using a competitive pricing process if the value of the purchase is greater than \$5,000. As the value of purchases increases, additional requirements apply, ranging from an informal process of obtaining competitive quotes to a formal process involving publicly advertised requests for bids or proposals. The public procurement process is intended to foster competition and obtain optimal value for the agency. We found several instances when the Board did not follow the proper contracting rules and internal directives related to purchasing assets and services, and modifying existing contracts:

- The Board recorded 27 purchases for boats and boat trailers during state fiscal years 2007 and 2009. We reviewed all 27 purchases, 25 of which ranged from \$5,000 to \$100,000. For these 25 purchases exceeding \$5,000, we found that the Board followed proper procurement procedures for only seven. For the remaining 18 purchases, the Board did not seek competitive pricing as required by state procurement law.
- The Board spent approximately \$287,000 for boat repairs from July 2004 through April 2010 for boats used by law enforcement personnel for patrol services. For four specific repairs that exceeded \$5,000, the Board did not obtain competitive price quotes as required by state procurement law.
- We identified two instances when contracts with county sheriff's offices were modified without the director's knowledge, contrary to an internal directive that the director approve all contract amendments. One

amendment, signed by the law enforcement division manager, increased a county's compensation by approximately \$9,800. A second amendment, not formally executed, increased a county's compensation by \$5,500 for maintenance and repairs on a boat the county had purchased.

- The Board made payments to one county for law enforcement marine patrol services during state fiscal year 2010, but staff could not locate the contract.

Assets Not Sufficiently Protected

Inventory and Disposition - Management is responsible for protecting assets, including making sure no one employee has complete control of high value assets, physically securing assets, keeping an accurate inventory of key assets, and properly disposing of assets. We found several areas where the Board needed to improve its processes to better protect assets. For example, state policy provides guidelines for agencies to account for and protect assets. These guidelines require agencies to appoint an individual to be responsible for the assets, and maintain a system to account for and dispose of assets in accordance with established rules. Assets that are relatively low value (less than \$5,000) but at a high risk of loss, such as laptop computers and hand tools, should be inventoried and tracked.

Not all of the Board's assets were inventoried, tracked, and properly disposed of. For example, in 2009, Board staff disposed of nine boats and eight trailers without following state property disposition rules. Ownership of the boats was transferred to a private boat repair company in exchange for storage fees. In addition, staff allowed the same company to sell a used motor in exchange for credit on repair work. In both cases, the assets should have been offered for public sale.

We also noted that equipment returned to the Board from county sheriff's offices was not always added to the inventory list. For example, the nine boats mentioned above had been returned to the Board, but were not included on the Board's inventory list. In addition, staff showed us a video camera that had been returned, but had not been turned in for inventorying. We also identified seven items (two cameras, a television, an external desktop hard drive, two computer monitors, and an electronic meter) the Board had purchased that had not been added to the inventory list.

Furthermore, the Board did not adequately document and inventory property assigned to employees. For example, we identified two laptop computers provided to employees that had not been added to the employees' assigned property lists. This record should be kept current to assure that all property is returned to the Board upon employee termination.

Check Stock - The Board maintains blank check stock in order to issue refund checks related to boat titles and registrations. A key control is to make sure nobody has both access to check stock and the responsibility for reconciling the bank account. Normally, the Board had segregated the duties of issuing checks and performing the monthly bank reconciliation. However, for about three months beginning December 11, 2009, these

duties were handled by the same individual. In addition, while the Board was using the interim director's electronic signature, we found that he did not review the checks and supporting documentation, as required by state policy. Finally, a series of 17 checks were not reflected in the check register, as they should have been. It was only through our inquiry that we determined the checks had been voided.

Small Purchase Card Requirements Not Always Followed

The Board participates in the state's Small Purchase Order Transaction System (SPOTS). Purchase cards obtained under this program provide a payment method that alleviates the need for agencies to prepare purchase orders for small dollar purchases. State policy requires agencies to fully comply with state purchasing rules and to implement monitoring and control procedures at their agency specific to the SPOTS program. As the examples below illustrate, our review of the Board's SPOTS procedures and transactions show that the Board needed to improve controls.

- The SPOTS card coordinator and SPOTS card approver functions were handled by the same individual when state policy recommends these responsibilities be separated. Further, this same employee was issued a SPOTS card when the guidelines recommend against issuing a card to the coordinator.
- Employees provided with SPOTS cards had not received related training within the past two years, as required by state policy.
- Some authorized card holders allowed another employee to use their card, contrary to state policy.
- Purchase logs were not always signed by a manager indicating approval of the purchases.
- Proper supporting documentation was not available for approximately \$1,500 of purchases.
- While on travel status, two Board employees used their SPOTS cards to purchase food for Board-sponsored events. State policy allows purchases for state-sponsored events to be made with a SPOTS card prior to an event, but not while employees are on travel status.
- Employees did not always comply with state policy to purchase from price agreements or to obtain the price agreement discount. For instance, a Board employee used a SPOTS card to purchase computer security software directly from an Internet website when the state had price agreements with Staples and Office Max, both of which offered the same product.

Travel Policies Not Always Followed

The state's travel policy includes guidelines for employees' travel expenses, including meals, lodging and mileage. In addition, the state sponsors a travel card program that provides state employees a means for paying for authorized travel expenses. While the travel card is a personal liability card, not a state liability card, the state has policies for the proper use of the card. When we reviewed travel reimbursements, we found that the Board did not always follow the state's travel policies.

- The state specifically requires an agency to monitor the use of travel cards to ensure the cards are used only for authorized travel expenses. The Board's staff was not performing any of the required monitoring functions and instead was relying on the Department of Administrative Services to contact the Board if an employee's travel purchases were inappropriate. As a result, the Board did not discover that one employee used the travel card for personal purchases totaling \$209.50 at Rite Aid. We noted that the same employee used the travel card to purchase \$37.50 of gas while commuting between home and work, a purchase not allowed by the travel card policies.
- The state uses the federal meal per diem rates, which vary by location and may change at the beginning of the federal fiscal year. Employees are entitled all or part of the daily rate, depending on departure and arrival times. We found that employees were not always paid the correct per diem rate.
- Proper supporting documentation was not always available. For example, state policy requires a receipt when an agency reimburses an employee for the actual cost of a meal. We noted that the Board reimbursed an employee \$21.50 and \$35, on separate occasions, without the required meal receipts. We also found that, contrary to state policy, the Board paid an employee \$73.50 for meals that were not adequately documented or were not allowed because the employee was not on overnight travel status. The Board also paid \$25.24 for mileage that this same employee claimed for trips that did not have a documented business purpose.

Former Director Could Have Been More Prudent

The head of an agency is responsible for maintaining accountability for an organization's operating environment or tone. This includes setting expectations for good stewardship of public resources and following prescribed policies and procedures. The following examples demonstrate that the former director could have been more prudent with regard to following policies and procedures, and using the Board's resources.

- The Board's law enforcement division sponsors annual training for approximately 100 marine law enforcement officers. This training typically occurs at a military base in Oregon. Due to a scheduling conflict, the 2009 training had to be conducted at another location. In procuring an alternate venue, the Board's law enforcement division negotiated with an Oregon county to use local facilities at a cost of approximately \$35,000. According to Board staff, before negotiations with the county were finalized and seemingly without a valid reason, the former director overrode the division's decision and suspended the negotiations. The former director then procured another venue at a cost of \$61,000, \$26,000 more than the cost originally negotiated for the county site.
- The Board's law enforcement division negotiates annual contracts with county sheriff's offices for marine law enforcement services. The division manager typically reviewed and approved budgets submitted by the counties in support of their enforcement proposals. We found that of

the 31 fiscal year 2010 contracts we reviewed, six were missing the customary sign-off by the division manager and were signed by the former director. As a result, it was not clear whether the budgets for these contracts had been properly reviewed and approved by the division manager before the contracts were finalized.

- Contrary to state policy, the former director verbally directed staff to record taxable meal reimbursements as non-taxable in SFMA and not report the transactions as a taxable benefit to the employees. We identified taxable meal reimbursements between July 2009 and February 2010 totaling approximately \$245 that were improperly recorded as non-taxable.
- The Board permanently leases several state motor pool vehicles for convenience and cost savings. We noted the former director drove his personal car for agency business. Based on our review of mileage reimbursements from July 2009 through January 2010, the former director could have saved an estimated \$1,467 if he had used a state vehicle instead of his personal vehicle.

Improper Procedures for Change of Director

The Board had a responsibility to ensure that steps were taken to protect state assets when the former director retired from state service. We found that the Board generally took appropriate actions to protect state assets, but could improve in the following areas:

- State policy allows the Department of Administrative Services (DAS) to retain an outgoing director for 30 days to facilitate the transition to a new agency head. In such cases, a formal, written agreement between DAS and the outgoing agency should be executed prior to the effective date of the transition period and a copy of the agreement is to be maintained by the agency. The former director retired effective November 30, 2009. During the October 2009 board meeting, the Board voted to retain the former director in his full duties for a period not to exceed six months. The former director remained at the Board through the end of January 2010, well in excess of the allowed 30 days.
- The Board did not remove the former director's signature authority until March 29, 2010, even though the former director's last day with the Board was January 31, 2010.
- The former director's temporary employment was incorrectly entered into the payroll system causing his pay and benefits to be incorrect.

Recommendations

We recommend the Board take the following actions:

- Establish effective management controls and build a culture of integrity from leadership down through every level of the organization.
- Build a system of accountability that ensures all Board members and employees understand the expectations for good stewardship of public resources.
- Develop comprehensive internal policies and procedures for Board employees to use as guidance in properly carrying out the operations of the agency in accordance with state requirements. Areas of particular concern include developing and enforcing procedures to ensure:
 - compliance with state contracting rules and laws;
 - appropriate accounting for assets, including assets returned from counties;
 - consistent separation of access to check stock from the responsibilities for reconciliation, documentation of all checks written, and proper review of checks and supporting documentation;
 - adequate documentation and approval of SPOTS card purchases, adequate separation of SPOTS card oversight responsibilities, and verification that purchases are only made by authorized card holders;
 - monitoring of the travel card program; and
 - submittal and retention of adequate travel documentation, and correct calculation of travel reimbursements as prescribed in state policy.
- Review travel reimbursements noted in this report and seek recovery of overpayments as appropriate.

We recommend the Board work with DAS to resolve:

- the taxable meal reimbursements that were incorrectly recorded as non-taxable; and
- the former director's incorrect payroll coding.

We recommend the Board ensure compliance with state policy when retaining executive leadership during future director transitions.

Objectives, Scope and Methodology

The purpose of our audit was to ensure that appropriate steps were taken to safeguard assets when the former director retired from state service. Specific objectives included ensuring:

- payroll and leave transactions prior to separation were appropriate and accurate, and continued service with the agency was in compliance with state policy;
- travel and other expense reimbursements prior to separation complied with applicable rules and regulations;
- contracts approved and signed by the former director prior to separation of employment were for a valid business purpose; and
- assets assigned to the former director were returned, and his signature authority and access to state computer systems were revoked timely.

Our objectives related to the Board's financial activities included ensuring:

- travel reimbursements, overtime or compensatory time, and SPOTS purchases were in accordance with state policy;
- expenditures related to meetings, trainings, and conferences were reasonable, served a business purpose, and were appropriately documented;
- assets were adequately safeguarded and disposed of in accordance with state rules; and
- contracting was in accordance with state rules.

In order to meet our objectives, we reviewed numerous documents relating to the Board's operations, including applicable state statutes, administrative rules, state accounting and internal control policies, and Board meeting minutes. We spoke with interim executive personnel, Board managers and staff, and the new director.

We also reviewed transactions from July 1, 2009 through January 31, 2010 related to the former director's separation from state service. These transactions included travel reimbursements, purchases, contracts, payroll and leave. In addition, we reviewed documentation related to removing the former director's access to state systems, as well as the formal revocation of his signature authority.

We analyzed travel card purchases from June 2008 through May 2010, as well as SPOTS card purchases from July 2009 through February 2010. In addition, we reviewed SPOTS card purchases from July 2005 through March 2010 for the limited purpose of analyzing whether any purchases appeared to be personal in nature. We also reviewed check stock and reconciliations occurring during the state fiscal year 2010. We also analyzed inventory records for the 2009 and 2010 physical asset counts, as well as purchases made during fiscal year 2010.

We reviewed documentation related to boat repairs and purchases, and other transactions that occurred from July 2004 through April 2010. We also analyzed marine law enforcement contracts executed from June 2005 through June 2009 and payment requests occurring from June 2006 through March 2010. We reviewed documentation related to selected board meetings, marine law enforcement training and conferences that were held from July 2008 through March 2010.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Oregon

Theodore R. Kulongoski, Governor

State Marine Board

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November 4, 2010

V. Dale Bond, Audit Manager
Oregon Audits Division
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225 Capitol Street NE Suite 500
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Dear Ms. Bond:

The Marine Board has a responsibility to the boaters to ensure that programs and projects that support our mission provide the best return on investment through a balance of quality and cost. The change of director's audit conducted by the Secretary of State's Office identified specific instances where the Marine Board should have been more diligent in expending boater dollars, procuring assets, maintaining inventories and disposing of assets. The Marine Board is committed to taking the necessary steps to ensure compliance with these requirements to demonstrate appropriate accountability and stewardship for Oregon's boaters.

The Marine Board represents all boaters and their unique boating interests. By statute, the Marine Board is responsible for creating rules and regulations to:

- Promote safety
- Protect water quality, and
- Protect traditional boating uses and prevent user conflict.

The Marine Board is unique from other state agencies and even other states because we are an agency devoted entirely to recreational boating with dedicated funding supported by user fees. No general fund dollars are used to support the Marine Board. Boater registration and fuel tax dollars help pay for marine law enforcement services with the county sheriff's offices and the Oregon State Police, grants for boating facility improvements, boating safety education and educational outreach materials for various programs within the agency. Approximately eighty-six percent of every dollar is returned to the boaters in the form of agency programs.

The audit recommendations listed on page 12 of the report are italicized below, followed by actions that the Marine Board has taken or will take to address each recommendation:

1. *Establish effective management controls and build a culture of integrity from leadership down through every level of the organization.*
 - a. On July 27 and July 29, 2010 all Marine Board staff involved in procurement attended training provided by the Department of Administrative Services (DAS). This training established a baseline for Marine Board employees on contracting regulations and authority, direct purchases and negotiations, recordkeeping, disposing of property and procurement ethics. The training also covered appropriate and inappropriate uses of the Small Purchase Order Transaction System (SPOTS) card.



- b. New and updated language in Marine Board contracts and agreements are now sent through the Attorney General's office to ensure legal sufficiency.
 - c. All expenditure authority will be clearly granted by letter from the director.
2. *Build a system of accountability that ensures all Board members and employees understand the expectations for good stewardship of public resources.*
- a. See 1.a., 1.b. and 1.c. above.
 - b. The Marine Board will begin offering training for new board members to ensure they are aware of their authority under statute, state policies and guidelines that apply to them. Two board seats will become vacant in the summer of 2011. Training will occur after those positions are filled.
3. *Develop comprehensive internal policies and procedures for Board employees to use as guidance in properly carrying out the operations of the agency in accordance with state requirements. Areas of particular concern include developing and enforcing procedures to ensure:*

Compliance with state contracting rules and laws;

- a. See 1.a. above
- b. The Marine Board is in the process of reviewing all DAS policies. The review will be completed by March of 2011. In cases where DAS policy is not adequate, the Marine Board will draft language for internal agency policies.
- c. Each employee must review and sign that they understand and will adhere to the policies. This has been implemented and is ongoing.

Appropriate accounting for assets, including assets returned from counties;

- a. The Marine Board is in the process of procuring 6-8 patrol boats for county sheriff's offices to replace boats that have reached the end of their useful service. The Marine Board is working closely with DAS procurement, State Surplus and the Attorney General's office to ensure the process for obtaining the new boats and disposing of the old boats follows all state requirements.
- b. To improve accountability and oversight of the patrol boat fleet, the Marine Board has restructured to provide a position with primary responsibility for the coordination of patrol boat purchasing, maintenance, inventory, audit, and disposal. This will ensure greater statewide oversight and better management of the fleet.

Consistent separation of access to check stock from the responsibilities for reconciliation, documentation of all checks written, and proper review of checks and supporting documentation;

Changes have been made within the Business Services Section to ensure separation of check stock from the responsibility for reconciliation.

Adequate documentation and approval of SPOTS card purchases, adequate separation of SPOTS card oversight responsibilities, and verification that purchases are only made by authorized card holders;

See 1.a. above

Monitoring of the travel card program; and

Expectations will be relayed to all staff who are issued travel cards. This will be completed by November 9, 2010.

Submittal and retention of adequate travel documentation and correct calculation of travel reimbursements as prescribed in state policy.

Business Services Section staff will not pay claims unless properly documented. Staff will also ensure proper calculations of per diem are made. This is effective immediately.

4. *Review travel reimbursements noted in this report and seek recovery of overpayments as appropriate.*

The Marine Board is currently working with DAS to seek overpayments where doing so would be reasonable and not result in greater cost than could be recovered by the overpayment.

5. *Resolve the taxable meal reimbursements that were incorrectly recorded as non-taxable.*

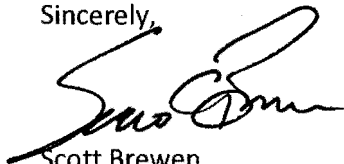
The Marine Board is currently working with DAS and following their direction to resolve this issue. Taxable meal reimbursements are now coded correctly in the system.

6. *Resolve the former director's incorrect payroll coding.*

The Marine Board will work with DAS to resolve the former director's incorrect payroll coding. This will be completed by November 30, 2010.

The Marine Board is committed to making the necessary changes to ensure that we meet the letter and spirit of the rules and policies governing state agencies. We invite the Secretary of State to conduct a follow-up audit at a future time that they deem appropriate to monitor the Marine Board's corrective actions and compliance with applicable policies.

Sincerely,



Scott Brewen
Director

cc: Melaney Scott

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

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The courtesies and cooperation extended by officials and employees of the Oregon State Marine Board during the course of this audit were commendable and sincerely appreciated.