



Secretary of State Oregon Audits Division **Recommendation Follow-up Report**



Higher Education Coordinating Commission **Higher Education Coordinating Commission Needs to Address Weaknesses in Procurement Practices**

September 2018
Report 2018-28

Secretary of State Dennis Richardson
Audits Division Director Kip Memmott

This page intentionally left blank



Secretary of State

Recommendation Follow-Up Highlights

September 2018

Higher Education Coordinating Commission

Higher Education Coordinating Commission Needs to Address Weaknesses in Procurement Practices

Recommendation Follow-Up Results

At the time of the audit, the Higher Education Coordinating Commission (HECC) agreed with all five audit recommendations. Our follow-up work shows HECC has implemented two of those recommendations since the initial report and is taking action to address the other three recommendations. More work is needed to implement these remaining three recommendations.

Highlights from the Original Audit

The Secretary of State's Audits Division found the HECC state agency's current procurement practices are exposing the agency to legal, security, and public perception risks. Overall, HECC lacks an effective procurement system to ensure services and goods are procured in compliance with state laws.

Background

HECC is responsible for funding and coordinating public higher education in Oregon. It was established in 2011 as a volunteer commission to focus on strategic planning for public post-secondary education in the state. HECC's structure has expanded and now consists of an established state agency with 116 budgeted Full Time Equivalent positions in eight offices.

Purpose

The purpose of the audit was to review procurement practices at HECC and identify opportunities to improve current practices. The purpose of this subsequent follow-up report is to provide a status on the auditee's efforts to implement recommendations.

Key Findings

Within the context that state procurement rules are complex and intended to benefit the state as a whole, we found that:

1. HECC leadership has not implemented a governance structure to ensure procurements are made in compliance with state laws and rules.
2. Of the 748 HECC contracts and agreements open from November 2016 to March 2017, 65% were executed after their effective date and 53, or 7%, were considered backlogged.
3. A lack of clearly defined procurement roles and responsibilities and insufficient training has created confusion and inconsistent procurement processes and practices across the agency.
4. HECC current practices are noncompliant with state procurement laws and rules, exposing the agency to legal, security, and public perception risks.

Introduction

The purpose of this report is to follow up on the recommendations we made to HECC in audit report 2017-28, “Higher Education Coordinating Commission Needs to Address Weaknesses in Procurement Practices.”

The Oregon Audits Division conducts follow-up procedures for each of our performance audits. This process helps assess the impact of our audit work, promotes accountability and transparency within state government, and ensures audit recommendations are implemented and related risks mitigated to the greatest extent possible.

We use a standard set of procedures for these engagements that includes gathering evidence and assessing the efforts of the auditee to implement our recommendations; concluding and reporting on those efforts; and employing a rigorous quality assurance process to ensure our conclusions are accurate. Implementation status determinations are based on an assessment of evidence rather than being based on self-reported information.

To ensure the timeliness of this effort, the division asks all auditees to provide a timeframe for implementing the recommendations in our audit reports. We use this timeframe to schedule and execute our follow-up procedures.

Our follow-up procedures evaluate the status of each recommendation and assign it one of the following categories:

- **Implemented/Resolved:** The auditee has fully implemented the recommendation or otherwise taken the appropriate action to resolve the issue identified by the audit.
- **Partially implemented:** The auditee has begun taking action on the recommendation, but has not fully implemented it. In some cases, this simply means the auditee needs more time to fully implement the recommendation. However, it may also mean the auditee believes it has taken sufficient action to address the issue and does not plan to pursue further action on that recommendation.
- **Not implemented:** The auditee has taken no action on the recommendation. This could mean the auditee still plans to implement the recommendation and simply has not yet taken action; it could also mean the auditee has declined to take the action identified by the recommendation and may pursue other action, or the auditee disagreed with the initial recommendation.

The status of each recommendation and full results of our follow-up work are detailed in the following pages.

Recommendation Implementation Status

Recommendation	Auditee Action	Status
Immediately address the backlog of procurement contracts and agreements.	HECC continues to address the backlog of procurement contracts and agreements. Our original audit identified 53 procurement items that had been backlogged. Based on our follow-up review of HECC's procurement log, we identified 48 items that are backlogged; of these, 19 items were incurred after the prior audit. In addition, the audit had identified 65% of agreements and contacts were executed after the effective date. This percentage was reduced significantly to 6% for contracts after the audit.	Partially Implemented
Leadership implement a governance structure that clearly defines procurement roles and responsibilities including the role of the Designated Procurement Officer, the procurement office, and all HECC offices acquiring goods and services. The governance structure should address noncompliance, including actions to take when noncompliance is identified.	Procurement policies and procures have been implemented outlining noncompliance and steps to be taken when a failure to comply has been identified. A separate policy was implemented outlining the key roles and responsibility for the Designated Procurement Officer, the procurement office, and all HECC offices acquiring goods and services.	Implemented/ Resolved
Align with state procurement practices and fully develop and implement procurement policies, processes, and procedures. HECC management should disseminate implemented policies and procedures in a systematic way to ensure unified messaging.	HECC developed, implemented, and disseminated procurement policies, processes, and procedures that align with state procurement practices.	Implemented/ Resolved

<p>Fully develop and provide periodic training to staff on (1) procurement roles and responsibilities; (2) procurement policies, processes, and procedures; and (3) contract administration.</p>	<p>Management identified staff who should complete specific modules of procurement training developed by the Department of Administrative Services and required to be completed by December 31, 2018, for all state agencies. HECC established an initial deadline for completion of March 30, 2018, but then extended its internal deadline to May 31, 2018, as staff had not completed the training. As of June 1, 2018, 38% of HECC staff have yet to complete some part of this procurement training.</p> <p>In addition, HECC planned to provide agency-specific procurement training to offices involved with procurement. At the time of our inquiry in May 2018, two of the eight offices had received this training.</p>	<p>Partially Implemented</p>
<p>Assess current and ongoing procurement needs and make adjustments to procurement resources as needed.</p>	<p>HECC hired two permanent procurement staff as stated in its original response. However, HECC recognizes procurement is still under resourced.</p> <p>Due to the ongoing procurement needs and backlog, HECC needs to continue to monitor procurement resources.</p>	<p>Partially Implemented</p>

Conclusion

HECC has made improvements to the agency's procurement practices. For example, in response to an audit recommendation, HECC has developed, implemented, and disseminated procurement policies, processes, and procedures that align with state procurement practices and defined procurement roles and responsibilities.

However, more work is needed to mitigate the risk of noncompliance with procurement laws and rules. HECC needs to continue to address the ongoing backlog of procurement items and evaluate procurement resources. Furthermore, HECC needs to ensure staff timely complete the procurement training mandated by the Department of Administrative Services and ensure all HECC offices receive the agency-specific procurement training.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of HECC during the course of this follow-up work.



Follow-up Report Team

Mary Wenger, CPA, Deputy Director

Kelly Olson, CPA, Audit Manager

Katie Hull, Senior Auditor

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

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

Oregon Audits Division

255 Capitol St NE, Suite 500 | Salem | OR | 97310

(503) 986-2255

sos.oregon.gov/audits