Secretary of State Audit Report

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Oregon Commission for the Blind: Audit Recommendations Follow-up

Summary

The objective of our follow-up was to determine if the Oregon Commission for the Blind (agency) implemented recommendations we made in a 2009 audit report (number 2009-12).

In a series of audits over 16 years, the agency has been faulted for a continued pattern of fiscal irresponsibility. Audits in 1995, 2000, 2001, and 2009 all found weak fiscal oversight and recommended tighter scrutiny over spending, and compliance with state laws, policies and procedures. This follow-up review found some improvement, but less than was recently reported by management to the Legislature or the Audits Division. Agency managers reported they had resolved most of the 2009 recommendations in 2010, but many efforts were incomplete or inadequate.

Our review found the agency did not monitor implementation of new procedures; therefore, intended improvements did not always occur. On some occasions, services were still being provided to ineligible individuals. Vending revenue was not effectively tracked, although the agency had developed a tracking mechanism. While the agency made significant progress in improving competitive pricing and contracting in most areas of the agency, improvements in contracting have not been made to its Business Enterprise Program.

While this review was intended to focus on the status of the 2009 recommendations, our examination of agency records revealed other problems. The agency has not managed its vehicles in compliance with state policies, allowing employees to take home vehicles without adequate review, assigning a vehicle to a driver that may not be covered by the state's liability insurance, and maintaining very low usage vehicles. Since 2008 the agency has not resolved a discrepancy between the compensation for five managers and their job classifications. In addition, the agency has not been prudent with expenditures for office space in Lincoln City. Finally, the agency has incurred sizeable legal fees to address numerous complaints and grievances from its Business Enterprise Program clients. These

recommendations for prudent spending decisions and practices are even more important as the agency's bequest and donation account is being depleted. In the past three biennia, the account has declined from $1.4 million to $605,800.

The agency is governed by the Oregon Commission for the Blind (commission), which is comprised of seven members appointed by the Governor and confirmed by the Senate. The effectiveness of those charged with governance is related to their independence from management, extent of their involvement and scrutiny of activities, and the appropriateness of their actions. They must be prepared to question and scrutinize management's activities, present alternative views and have the courage to act in the face of obvious wrongdoing. While recommendations from prior audits were directed to the agency, these recommendations are directed to the commission, encompassing these issues and the unimplemented recommendations of the past audits. We recommend the commission hold agency management accountable by:

- reviewing previous audits and their recommendations;
- reviewing agency policies and spot-checking expenditures for reasonableness and appropriateness;
- monitoring regular reports from agency staff on fiscal and operational matters such as asset inventories, contributions, employee caseloads, and litigation issues;
- ensuring that expenditures from contributions are necessary and reasonable.

Commission Response

We recognize that the commission will need time to deliberate on our report, and agree upon a plan for responding to the recommendations. We will post their response when we receive it.

Background

Commission and Staff

The Oregon Commission for the Blind (commission) is comprised of seven members appointed by the Governor and confirmed by the Senate. Except for three board members who are continuing, the Governor recently appointed four new members to the board. The commission is responsible for governance of the agency, selecting a director, setting policies and priorities, and holding the 51 staff of the agency accountable.

Past Audits of the Agency

In 1995 an audit report issued by the Audits Division concluded the agency wasted $1.75 million and failed to properly manage public money and assets entrusted to it.

In 2000 an audit report issued by the Joint Legislative Audit Committee found that agency expenditures were questionable and that the commission exercised virtually no fiscal oversight.

In 2001, an audit report issued by the Audits Division noted a lack of controls over personal service contracts and invoice payments.

In 2009, the Audits Division issued an audit report that disclosed problems similar to those reported in previous audits of the agency. Areas of concern included the use of public funds for non-clients, management oversight to ensure funds are spent according to applicable regulations, ensuring competitive pricing is obtained, planning business ventures to ensure client success, ensuring expenditures are necessary and reasonable, and protecting assets. As a result, the audit questioned whether $1.46 million of public funds were spent prudently or lawfully.

Progress Reported by the Agency

In January 2010, the agency reported to the Interim Joint Committee on Ways and Means on the progress it made improving business practices and performance since the release of the audit report in 2009. The agency reported hiring a Quality Assurance Coordinator responsible for monitoring and coordinating compliance with federal and state laws and regulations, drafting a Quality Assurance Policy Manual and implementing a case review process to monitor the vocational rehabilitation program. Additionally, the agency reported that it updated procurement policies to follow the newest state procurement rules effective January 2010 and provided training to agency staff.

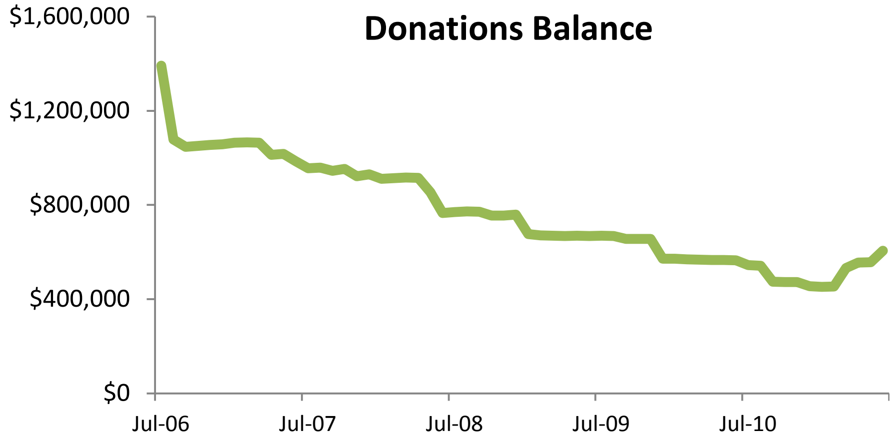
In addition, the agency responded to the Audits Division's annual fall survey of all agencies regarding the status of previous recommendations. In November 2010 the agency reported that 10 of the 12 recommendations in the 2009 audit were fully implemented, and two recommendations were partially implemented.

Agency Resources

The agency is primarily funded with federal funds, receiving formula and special grants from the U.S. Department of Education, Rehabilitation Services Administration. These grants must be matched with General Fund dollars and Other Funds, such as donations. The number of people the agency can serve depends on available funding. The demand for services is expected to increase as the senior population continues to grow, and, with it, age-related blindness.

The 2009-11 biennial agency budget was $15.6 million. About 9% of the budget was State General Funds, about 75% was Federal, and 16% was other funds, including a balance of approximately $605,800 of public contributions. During the 2009-2011 biennium, the agency relied on one time funding through the American Recovery and Reinvestment Act of 2009 (ARRA) to help fill budget gaps. The agency was awarded $883,014 for its Vocational Rehabilitation program and $494,156 for its Independent Living (IL) programs. When ARRA funds are no longer available, the agency will need to rely more heavily on its donation account to backfill reductions in General Fund dollars so that the loss of federal revenues will be minimized or avoided.

Since 2003, the agency’s donations account has been used to avoid agency program reductions. The graph below shows the account’s declining balance in the past three biennia from $1.4 million to $605,800.The steepest drop occurred in 2006. Upon approval by the Oregon Emergency Board in April 2006, the agency used approximately $400,000 as a state match for approximately $1.5 million of Federal Funds for the repair and partial renovation of the agency’s main office and to upgrade computer technologies. The office remodel included, among other areas, expanding the orientation and career center kitchen from a one stove and refrigerator set up to four stoves and refrigerators.



In 2005, the Oregon Commission for the Blind Foundation Inc., a charitable organization, was established to assist the commission to meet its goals in serving blinded Oregonians by providing visual aids and education for Oregon's blinded citizens. Expenditures incurred by the foundation are outside state policies and restrictions. The foundation's 2010 filing with the Department of Justice shows approximately $150,000 of revenue and total assets of approximately $200,000.

Audit Results

Since the release of our audit report in 2009, the agency has made little progress in implementing the audit recommendations. In several instances, we found the agency intended to take corrective actions, however, little monitoring occurred to ensure that the intended changes happened. As a result, our follow-up identified a significant discrepancy between what was reported by the agency as implemented and what actually occurred.

For example, the agency reported developing a policy for client events to help employees with the following: identifying clients eligible for an event, documenting how the event or activity meets a client's individualized plan goals, budgeting overall costs, identifying staff involved and obtaining management approval. Upon review, however, we found the policy was not always followed and a newly developed form was not always used by employees. We found that two individuals attended an agency-sponsored event when they were not eligible for the services provided at the event. In another example, the agency reported developing a tracking system to ensure vending revenue is collected; however, we found the system was not up to date, complete or accurate, making it impossible for the agency to provide assurance that it received all the vending revenue it should receive.

We did see significant progress on one of our prior findings where agency management indicated they had focused their attention. In the area of competitive pricing and contracting, the agency had developed contract terms and conditions to deliver to vendors with each authorization for goods and services, and also developed a process to pre-approve vendors for client services with an anticipated implementation date of October 1, 2011. However, we found the agency did not ensure that these practices occurred in all areas of the agency.

During the follow-up review, we also found instances of inadequate contracting in the agency's Business Enterprise Program. For example, we were told contracts were in place with private vendors who manage Business Enterprise vending locations. When we requested the contracts, we were provided with copies that were dated the same date as our request and were not fully executed (signed only by the vendor).

The attached table provides greater detail on the status of each recommendation as reported by the agency, as well as the implementation status after our review. A partial status was given for little to some implementation effort. Because this is a follow-up report on previously issued recommendations, we are not required to follow generally accepted government auditing standards; nonetheless we applied due professional care in the preparation of this report.

Additional Poor Financial Practices

While this review was intended to focus on the status of the 2009 audit recommendations, our examination of agency records revealed other problems. These problems do not result from a comprehensive review or representative sample of cases, but are matters that came to our attention and warrant the commission's attention.

Lack of controls over state owned fleet vehicles

The agency lacks internal controls over the use of state owned vehicles to ensure compliance with state policies regarding vehicle use and employee taxable benefits. Situations exist when there is an advantage for a state agency to have an employee garage a state vehicle at home. State rules require agencies to perform a cost benefit analysis before approving such vehicle assignments. Further, the vehicle use must provide a benefit to the state and meet certain conditions. Once conditions have been met and a cost benefit analysis has been performed, then the employee's use of the vehicle to commute from home to the worksite is a taxable benefit. The value of the benefit can be calculated one of two ways: commuting valuation rule or cents per mile rule. Both methods require the employee to maintain a monthly log of either the number of trips to work and back home, or the commuting mileage.

We found three agency employees who used state vehicles to commute; one employee lived only nine miles from the worksite. Only two of these employees were taxed for commuting, and only one submitted monthly logs. In addition, the agency has not performed a cost benefit analysis nor has it documented the rationale for the valuation method chosen, as required. As a result, we question whether the vehicle use is appropriate and benefits the state. For fiscal year 2011, the agency paid approximately $4,287 per vehicle for 13 vehicles it leased from the state.

Further, our review found a state vehicle permanently assigned to an employee of the Oregon Industries for the Blind, which is a work activity and vocational program the agency operates in conjunction with Multnomah County to provide sheltered employment services for individuals who are blind or have developmental disabilities. Employees of the Oregon Industries for the Blind are not state employees; therefore, it is not clear whether they would be covered under the state's liability insurance while driving a state vehicle. At the time of our follow-up, agency management had not obtained clarification about this from the state motor pool. Finally, three of the state vehicles leased by the agency averaged fewer than 200 miles per month, raising the question whether these vehicles are needed.

Leased space spending

Since 2007, the agency has spent $53,500 for one employee to occupy 900 square feet of office space in Lincoln City. The agency entered into a lease agreement in December 2007 for this space when the employee was the only one assigned to the central coast area. According to the agency, they had intended to add more positions for the area and to use the office for group activities; however, the request for additional staff failed in the 2009-2011 legislative session. Nevertheless, in July 2009, the agency renewed the Lincoln City lease agreement for two more years. According to agency management, it eliminated the Lincoln City position in its 2011-2013 biennial budget and let the lease lapse when it expired in June 2011.

Discrepancy between classifications and compensation

It came to our attention that, with the exception of the agency Director, all five managers of the agency have received work-out-of-class pay since 2008. The Department of Administrative Services (DAS) reviewed the managers' positions in 2008 and concluded they should be reclassified up one level. In these circumstances, it is customary for employees to receive work-out-of-class pay until the reclassification is approved by the legislature within the agency's budget. However, according to DAS policy, the work-out-of–class pay should not exceed one budget cycle (24 months). According to DAS personnel, the agency requested the reclassification in its 2009-11 proposed budget as well as its 2011-13 budget. Both requests were removed from the agency's final budget and, therefore, not approved.

Financial impact of Business Enterprise problems

As noted in the following table, many recommendations to improve the Business Enterprise Program have not been implemented. We found weaknesses in several areas of the Business Enterprise Program, including poor contracting procedures, inadequate surveying of potential vending locations, inventory counts that were not documented, inadequate documentation over vending machine locations and percentages to be paid, and inadequate procedures over the collection of vending revenue.

In the past, the agency has hired consultants to review the Business Enterprise Program. The most recent assessment occurred during fiscal year 2011 and it identified several problems that had been reported by a prior consultant in 1998. An ongoing concern pertains to the Business Enterprise Program's set-aside fund. The agency is required to assess and Business Enterprise Program clients (licensed blind managers) are required to remit 11% of their net profits to the agency to be "set aside" for the maintenance and growth of the Business Enterprise Program. During our review, we found that the agency does not have adequate procedures in place in ensure appropriate set-aside amounts are received and properly accounted for (See item 7 in the table).

Additionally, the Business Enterprise Program has had a history of complaints and grievances filed by licensed blind managers. Since 2007 the agency's legal fees related to the Business Enterprise Program total approximately $417,000. A significant portion of the fees relate to vending locations not awarded to blind managers. An analysis of the agency's procedures to pursue vending opportunities may help to reduce the number of complaints filed.

Recommendations

In order to ensure the most prudent and appropriate fiscal management practices of its resources, we recommend the Oregon Commission for the Blind hold agency management accountable by:

- reviewing previous audits and their recommendations;
- reviewing agency policies and spot-checking expenditures for reasonableness and appropriateness;
- monitoring regular reports from agency staff on fiscal and operational matters such as asset inventories, contributions, employee caseloads, and litigation issues;
- ensuring that expenditures from contributions are necessary and reasonable.

Recommendations to Agency Management

Audit Recommendations	Status Reported by Agency Management	Status per Audits Division	Additional Comments
1. Ensure funds are used for client purposes and are clearly tied to business needs.	Fully implemented	Partially implemented	According to the agency, internal controls over the planning of client related events and activities were developed to include identifying clients who will attend an event, documenting how the event or activity fits into a client's individual plan for independent living or employment, budgeting overall costs, identifying staff involved and obtaining management approval. <u>Events</u> We found that the agency made progress in this area; however, further improvements are necessary to resolve the recommendation. Agency management created a policy and event proposal form for staff to use when planning events for multiple clients. The policy applies to overnight and day events involving volunteers, non-facility vendors (e.g., trainers), and/or agents when the agency is sponsoring all or part of the event. We found the policy was not always followed and the event proposal form was not always used or was incomplete. For example, we reviewed several events such as dragon boat races totaling $3,500, a living with blindness seminar totaling $3,100, a college mentor weekend totaling $1,913, and summer work experience recreation activities totaling $2,546. Only the college mentor weekend was in full compliance with the agency's event policy and included an event proposal form with budgeted costs, expected client attendance, and evidence of prior management approval. Documentation for the living with blindness seminar did not include budgeted costs or a client listing prepared prior to the event. Once the agency provided the client listing for our review, we found two individuals who were not eligible for services because they had not yet filled out an application for services. Agency management indicated the event policy did not apply to the dragon boat races because it

Recommendations to Agency Management

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			was not an agency sponsored event. However, the agency sponsored three teams for the races, so it is not clear whether the policy applies or not. Furthermore, for the dragon boat races, which were paid for with donation funds, we found that agency management did not follow a separate agency policy requiring commission approval for donation expenditures over $1,500. For the summer work experience events, agency management indicated that event guidelines for documenting participants and preapproval of budged costs were not followed. Agency management also indicated the event policy was not intended for the summer work experience program. We conclude that further clarification of the policy is needed to help staff know what documentation and approvals are required for any agency event. <u>Telecommuting</u> According to the agency, management has ensured that all employees that telecommute or telework have agreements on file that document the purpose for their work. Our review of three telecommuting agreements showed that information was missing, such as the business purpose for the telecommuting, days and times employees would be working from home, and expectations for work products. In addition, we found management does not have a consistent mechanism to track employee leave. As a result, we concluded that management was ineffectively monitoring expectations for work products, productivity and time accountability as required by state policy. Additionally, we found the agency reimbursed two employees for 50% of their home internet costs contrary to state policy, which puts the responsibility on employees that telecommute

Recommendations to Agency Management

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			to have sufficient internet access at their homes. The total internet reimbursement for the two employees during fiscal year 2011 was $334. <u>Non-travel Meals and Refreshments</u> According to the agency, managers have been trained on state policy regarding non-travel meals and refreshments. Additionally, management has developed guidelines relating to meals and refreshments. We found that the agency has developed guidelines relating to meals and refreshments for client and staff activities. In addition, our review of meetings and travel during fiscal year 2011 showed the agency improved in this area. However, the agency could improve further by ensuring all events are planned and costs are budgeted and monitored. For example, the agency had food and beverages catered for an open house at its Salem office in September 2010. Prior to the event, the agency did not require the caterer to create a menu or provide a cost estimate for the services. As a result, the agency paid $800 for food and beverages that seemed in excess of what was needed for the event.
2. Comply with federal regulations, restrict services to allowed purposes only and work with the federal agency that provided funding to resolve and return disallowed costs.	Partially implemented	Partially implemented	In response to our audit that found federal vocational rehabilitation funds were spent on non-clients, the agency stated they have provided the U.S. Department of Education, Rehabilitation Services Administration (RSA) with the audit information and are awaiting a response from the federal agency. During our follow up with the agency, we learned management made an inquiry to the RSA to request resolution of some questioned costs, but not all of them. The agency received a

Recommendations to Agency Management

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			response from RSA regarding individuals who were not legally blind; however, the agency made no inquiry to determine if vocational rehabilitation funds spent on non-clients should be returned.
3. Implement procedures to ensure the agency obtains competitive pricing and protects the state's interests through the use of written contracts when appropriate.	Partially implemented	Partially implemented	According to the agency, staff have received procurement training and one staff member has obtained the State of Oregon Small Procurement Certification. The agency also noted that it has made changes in the way it solicits for client services such as developing terms and conditions to deliver to vendors with each authorization for goods and services and a Request for Application (RFA) to begin accepting applications for client services effective October 1, 2011. We concluded that while the agency has made progress addressing issues related to contracting for client services, it has not made similar improvements in its contracting procedures for the Business Enterprise Program. For example, we were initially told contracts were in place to support vending revenue; however, when we requested the contracts, we were provided with copies that were dated the same date as our request and were not fully executed (they were signed only by the vendor). Furthermore, the agency hired a consultant to assess the agency's Business Enterprise Program. Two contracts were used to procure this service: one for $4,999 and a second for $4,500. An agency manager explained that the original scope of work was not sufficient to meet the agency's needs so the agency negotiated the second contract. The agency was not able to locate the original contract and is currently investigating and reviewing the circumstances surrounding the absence of this contract.

Recommendations to Agency Management

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4. Comply with state laws and administrative rules to help ensure business ventures are adequately planned before providing funding.	Fully implemented	Partially implemented	According to the agency, self-employment training was provided to all vocational rehabilitation counselors who assist clients with preparing for employment. The agency also indicated policies and administrative rules pertaining to vocational rehabilitation and business ventures are reviewed annually with counseling staff. We verified the agency did provide self-employment training to staff. In addition, we reviewed one business plan the agency obtained on behalf of a client who entered into a business venture in achieving his employment goal. However, it was not clear whether any other clients entered into business ventures since May 2009. Regardless, agency management shared that staff did not conduct self-employment feasibility studies in any systematic way. Agency management indicated this was an area in which they will continue to develop procedures for ensuring clients' successes. In addition, we found the agency is not following state statute that requires a survey of potential Business Enterprise Program locations to determine their suitability. For example, we asked the agency's Business Enterprise Program manager for documentation to support the agency's decision in August 2010 not to develop a cafeteria in a state building. The Business Enterprise Program manager stated the survey consisted of a verbal conversation with the previous cafeteria owner. Subsequent to the cafeteria owner vacating the location, a local private restaurant began operating at the location. As a result of an inadequate survey, the agency missed out on an opportunity for a Business Enterprise Program licensed blind manager to operate at that location. Furthermore, when we inquired if the agency has any

Recommendations to Agency Management

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			documented surveys of potential vending locations, the Business Enterprise Program manager stated he was unable to find evidence of any feasibility studies.
5. Develop and implement policies and procedures to guide staff who make client purchases, restrict purchases to those necessary and reasonable for client purposes and ensure all purchases are appropriately reviewed and approved.	Fully implemented	Partially implemented	According to the agency, management has increased its case review activities to monitor the expenditures in the vocational rehabilitation program. In addition, the agency reported that it has trained staff on restricting purchases to those that are reasonable and necessary, and has made efforts to increase staff awareness of the importance of documenting the rationale for client related expenditures. We found the agency could further develop policies and procedures to guide staff who make client purchases. The agency's vocational rehabilitation manual does not include policies and procedures for counselors in every day case practices such as providing services to groups, monetary support to clients, guidelines for appropriate quantity and quality of clothing for clients and guidance for counselors when encountering unique employment goals. Furthermore, because the agency lacked some documentation of expenditures, we were unable to determine the reasonableness of many purchases. For example, one employee purchased $7,500 of groceries from July 2010 to March 2011 for the agency's cooking classes presented at its orientation and career center. However, we could not determine if the amount of groceries was reasonable because agency staff did not prepare or retain documentation describing which classes the groceries were for, which meals were prepared and who attended the classes. In addition, agency staff purchased wood

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			shop supplies totaling $2,043 for the center from July 2010 to March 2011, but did not prepare or retain documentation to show the supplies were needed for a specific project or class, or which clients were served. Moreover, the agency did not document information such as dates clients entered the orientation and career center, classes they attended, or costs associated with operating the programs held at the center. Federal guidelines for the vocational rehabilitation program require policies and procedures covering the nature and scope of services provided and the criteria under which each is provided. In addition, federal guidelines regarding services for groups require retention of information such as the cost of services and number of clients who participated to ensure the proper administration of the services. During our review, we found purchases for the orientation and career center totaling $6,014 that were not associated with a specific client or group of clients, including a $2,200 washer and dryer set.
6. Obtain and review adequate documentation in accordance with the agency's administrative rules prior to authorizing payment for goods and services.	Fully implemented	Fully implemented	According to the agency, management has increased its case review activities to include monitoring expenditures in the vocational rehabilitation program. Based on our review of reader service expenditures, we found the agency obtained proper documentation such as dates services were provided and transcripts showing the client course loads. Although we found the hourly rate of payment for readers exceeded the prevailing state minimum wage, the circumstances surrounding these cases were reviewed and deemed appropriate.

Recommendations to Agency Management

Audit Recommendations	Status Reported by Agency Management	Status per Audits Division	Additional Comments
7. Document vending machine information, including the percentage to be paid to the agency, to ensure all vending revenue is collected.	Fully implemented	Not implemented	According to the agency, a Business Enterprise Program tracking system was developed to ensure vending revenue is collected. We reviewed the agency's tracking system and concluded it was inadequate and does not provide assurance that the agency receives all the vending revenue it should receive from private vendors and Business Enterprise Program clients. The agency's tracking system for private vendors consists of a spreadsheet that is not current, complete or accurate. The agency relies on the private vendors to submit documentation and vending revenue to the agency who tracks this information on the spreadsheet with no apparent review or analysis. For example, some private vendors included on the spreadsheet were no longer assigned to the locations noted, and percentages to be paid to the agency were either not listed or were noted as "varies," making it impossible for the agency to determine the accuracy of expected revenue. Further, most locations on the spreadsheet did not include or only occasionally included vending income; the agency did not follow up to determine the cause or implement other procedures to determine and ensure all expected vending revenue was received. In addition, the agency does not have an adequate system in place to ensure it receives all income it should from licensed blind managers. The agency's tracking system for set-aside monies also consists of a spreadsheet that is not current or complete. According to the Business Enterprise Program rules, the agency is to assess and licensed blind managers are required to remit 11% of their net profits to the agency to be "set aside" for the maintenance and growth of the Business Enterprise Program. We found that the agency does not ensure

Recommendations to Agency Management

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			that all licensed blind managers remit their required set-aside amounts. We also found that the agency does not perform procedures to determine expected set-aside amounts and, thus, does not reconcile received amounts to expected amounts to ensure all set-aside monies are received. Inadequate procedures result in less set-aside monies collected for the Business Enterprise Program and in inequitable treatment between licensed blind managers.
8. Conduct inventory counts according to the agency's rules for the Business Enterprise Program and invoice clients timely.	Fully implemented	Fully implemented	According to the agency, inventory counts are up to date and clients are invoiced in a timely manner. During our review, we found the agency had created a procedure for conducting and documenting inventory counts. We reviewed one instance when an inventory count had occurred and concluded the count had been performed according to the agency's rules.
9. Recover the $766 of unsubstantiated expenses from the employee if the employee cannot provide adequate support.	Fully implemented	Fully implemented	According to the agency, documentation was provided to substantiate the expenses. Agency management and staff have been trained on adequate documentation for reimbursements and payments. We found that the agency received documentation to substantiate the $766 in expenses. Agency management and staff have been trained on adequate documentation for reimbursements and payments.
10. Ensure assets susceptible to theft are adequately controlled as required by state policy.	Fully implemented	Partially implemented	According to the agency, assets susceptible to theft are adequately controlled as required by state policy. All purchases made with state procurement cards comply with state policy and have supporting documentation, and staff holding cards undergo a required annual training. Additionally, purchase cards are closed upon termination of employment.

Recommendations to Agency Management

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			<u>Purchase Cards</u> Upon review we found all open purchase cards were assigned to current employees, and it appears the agency has implemented a process to ensure cards are closed upon separation. However, we also found the agency could strengthen controls over its purchase cards program. For example, the Oregon Accounting Manual provides requirements for agencies that participate in the purchase card program. We found the agency has not developed a purchase card policy in compliance with those requirements. Additionally, the agency has not conducted annual compliance reviews or refresher training for cardholders who made simple errors such as not providing an itemized receipt with their documentation. During our review of purchase card expenditures, we found purchases totaling $676 that did not have an itemized receipt <u>Cell Phones and Computers</u> The agency has developed an asset tracking form for managers to use when employees separate from the agency to ensure state owned items such as cell phones and computers are returned. However, according to agency management, the form has not always been completed when employees separate. In addition, when we reviewed asset listings for cell phones and computers, we found the agency's listings were not up to date or accurate. For example, we found current employees with computers that were not included on the assigned computer listing, as well as some individuals shown as having a computer who were no longer employed by the agency. In addition, the agency cell phone listing was not up to date and did not include several phone lines the agency was paying for.

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			Furthermore, we also found that the agency is not reviewing or analyzing its monthly cell phone bills. As a result, the agency is incurring more cell phone costs than necessary. We reviewed cell phone costs incurred from July 2010 through April 2011 and question the appropriateness of 46% of the costs, $12,460 of the $27,337 total costs. We found phone plans not being timely canceled, employees with more than one cell phone plan, phones that had very little or no utilization, phone plans with unnecessary services and features, and instances where usage exceeded or was far below the monthly allowable minutes. For example, we found: • as of June 2011 the agency was still paying for a phone no longer in use for an employee who retired about two years ago; • six phone plans had additional charges for navigation applications when the phone plans already included data services with navigation capabilities; and • several employees were not assigned to the most cost effective plan. For example, some employees exceeded their monthly plan minutes and no reevaluation was performed to determine the cause or if a different phone plan was more cost effective. In one month, the excess usage for one employee resulted in additional phone charges of $397. In another example, an employee's monthly usage was consistently less than 5% of the plan minutes; for the 10 months reviewed, we estimate the agency incurred about $800 in unnecessary phone costs for this employee.

Recommendations to Agency Management

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11. Ensure travel advances are reconciled timely and substantiated with original and complete receipts.	Fully implemented	Not implemented	According to the agency, travel advances are reconciled in a timely manner and substantiated with original and complete receipts. Although the agency did not advance travel funds to any employees during the period we reviewed, the agency did advance funds to clients and volunteers. We found the agency has not improved its controls over travel advances. For travel advances where receipts were provided, we found a lack of documentation, untimely reconciliations, and the purchase of questionable items. In one instance, the agency had provided multiple advances to the same individual before the previous advance had been reconciled and substantiated with receipts. For advances where receipts were provided, we found questionable items totaling $589, including a receipt that showed an $80 cash back transaction with no explanation of what the cash was used for; a receipt for clothing totaling approximately $41 without an explanation for the purchase; pedicures for students totaling $56; gifts totaling $32; and $379 in gasoline receipts without support for mileage, destination or purpose. Additionally, we found that $2,869 in travel advances had not been reconciled or substantiated with receipts. The advances dated back to June and July of 2010.
12. Ensure all funds received are deposited in the agency's cash accounts and are properly recorded	Fully implemented	Fully implemented	According to the agency, all revenue, including amounts received from client activities, are deposited in the agency's cash account and properly recorded. Staff who conduct regular outings have been informed of the procedure and are depositing revenue accordingly. We found that the agency's event policy provides procedures for employees to follow when money is collected from non-employee participants, including ensuring checks are written

Recommendations to Agency Management

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			payable to the agency and not to individuals. We reviewed a sample of agency events and did not find any instances where non-employees contributed money to the agency or to individuals. Therefore, we have no basis for a status different from the agency's reported status.

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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