



Summer/ Fall 2009

News from

Secretary of State Audits Division



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SOS Audits Director

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Hello! I am the new Audits Director and I'd like to introduce myself. I spent the first few years of my career working on projects at the state level, but I settled into positions in county and city government. I learned about performance auditing when an auditor showed up at my desk in a county agency. I was intrigued by the questions I was asked and the work that helps agencies improve. A few years later when I was hired to be a City of Portland staff auditor I realized I had found my career.

I never had any intention of running for office, but the elected auditor was a position where I could continue to apply my knowledge and experience in the public's interest. I served eight years as the elected Multnomah County Auditor and then ten years as Portland Auditor. I completed the tasks I had set for myself in Portland and announced I was leaving office in January. Kate Brown approached me sometime later and I accepted the position of Audits Director.

Arriving in Oregon government in the middle of a huge financial shortfall is difficult but, for an auditor, the timing is not necessarily bad. I have learned that auditors who focus on the largest challenges facing an agency can often produce the most meaningful results.

My ideas have been welcomed and we are exploring ways to extend and expand our performance audit objectives to better help state agencies achieve their missions. The Recovery Act auditing requirements have expanded our statewide financial audit workload as well, and I am so impressed with the dedication and talent of these auditors who are performing this new responsibility.

I am lucky that everyone in the Audits Division is keen for these challenges. And I am also most appreciative of the support and encouragement of "the front office" of Secretary of State Kate Brown and Deputy Secretary of State Barry Pack, as we explore this new territory for Oregon.

Cell Phone Usage

Some state agencies provide selected employees cell phones for use on the job. The Audits Division completed an audit reviewing statewide data from two major cell phone vendors to identify use patterns and determine whether the state was using cell phones efficiently. We noted three areas where cell phone use and associated charges seemed inefficient and improved practices could result in cost savings.

→ **Unused phones** – We found, for a one-year period, the state could have avoided at least \$182,000 in service charges by shifting to lower-cost plans for phones that were not used at all during one or more months. If all of these zero use phones had been discontinued, approximately \$318,000 could have been saved for this year period.

→ **Extra charges for high use** – Over the same period, we found the state had incurred about \$270,000 in charges that significantly exceeded the base monthly service cost for the phones. Some of this excess cost could have been avoided by shifting to plans that better matched actual use.

→ **Charges for missing phones** – When we reviewed cell phones for both zero and high use, we found that agencies had incurred charges for missing phones. These charges could have been avoided by improving cell phone tracking processes.

We found that a mismatch of plans, use, and charges related to missing phones was largely the result of insufficient agency oversight. By taking the following steps, agencies can improve cell phone oversight:

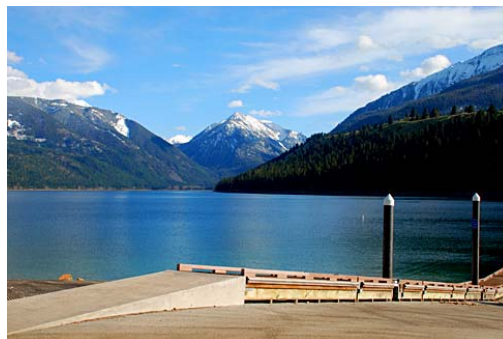
- Obtain from vendors cell phone billing and usage reports that identify cost saving opportunities.
- Regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted.
- Update cell phone inventories and turn off all phones unaccounted for.
- Update inventories periodically, including accounting for phone returns and line terminations for separating employees.

For more information about state agency cell phone usage, please see the audit on page 3 entitled [State Cell Phone Plans: Closer Attention to Usage Could Create Savings, Report No. 2009-18.](#)

Financial Audit Highlights

The financial team has been auditing various agencies for the annual statewide financial audit. Our work for fiscal year 2009, with the cooperation of agency personnel, will allow us to (1) Issue an opinion on the state's financial statements included in the Comprehensive Annual Financial Report prepared by the Department of Administrative Services' Statewide Accounting and Reporting Services, and (2) Issue reports on internal control and federal compliance according to the Single Audit Act Amendments of 1996 and OMB Circular A-133. Since April we issued the following opinions:

- [SAIF Corporation: Financial Statements—Statutory Basis as of and for the Years Ended December 31, 2008 and 2007, Supplemental Schedules as of December 31, 2008, and Independent Auditors' Report](#), Report No. 2009-23, Date: September 2009.
- [SAIF Corporation: Financial Statements as of and for the Years Ended December 31, 2008 and 2007, and Independent Auditors' Report](#), Report No. 2009-22, Date: September 2009.
- [Department of Energy: Small Scale Energy Loan Program for the fiscal Years Ended June 30, 2008 and June 30, 2007](#), Report No. 2009-13, Date: May 18, 2009
- [Department of Environmental Quality: Clean Water State Revolving Fund Loan Program For the Fiscal Year Ended June 30, 2008](#), Report No. 2009-16, Date: July 14, 2009
- [Oregon Short-Term Fund: An Investment Pool of the State of Oregon For the Fiscal Year End June 30, 2009](#), Report No. 2009-19, Date: September 2009



Wallowa Lake in Wallowa County. Photo courtesy Gary Halvorson, Oregon State Archives

New Hyperlinks Added!

You may have noticed a few changes to the Agency Outreach Newsletter. We are moving toward an electronic format and have added live hyperlinks to help you quickly access our reports and other information. If you have any questions, feedback or ideas you would like to see covered in future issues, or would like to be on our mailing list, please contact us at audits-outreach@sos.state.or.us.

Performance and Fraud Audit Highlights

Since the April 2009 Newsletter, we have issued the following performance and fraud audit reports.

- [Oregon Health Plan: Timely Eligibility Determinations Conducted on Clients](#), Report No. 2009-21, Date: September 17, 2009 – State auditors found the department started the eligibility determination process within the required six months for former Family Health Insurance Assistance Program clients wanting continued coverage under OHP.
- [Oregon Health Licensing Agency: An Opportunity Exists to Better Manage Wireless Communication Resources](#), Report No. 2009-20, Date: September 4, 2009 – State auditors found agency management could re-evaluate its wireless communication needs to ensure agency resources are expended on services necessary for productive business operations.
- [State Cell Phone Plans: Closer Attention to Usage Could Create Savings](#), Report No. 2009-18, Date: August 26, 2009 – During a new audit of cell phone plans for some state employees, auditors found improved management would mean significant cost savings for the state.
- [Oregon Department of Aviation: Controls over Contract Monitoring Should be Improved to Better Protect State Assets](#), Report No. 2009-17, Date: July 15, 2009 – State auditors found the department should improve controls over contract monitoring and adequately reconciled and properly coded expenditures for a federal grant award.
- [Oregon State Hospital Replacement: Good Construction Management Practices Help Protect State Investment](#), Report No. 2009-14, Date: May 29, 2009 – State auditors found the department has implemented good contract management practices that should help protect the state's investment.
- [Oregon Commission for the Blind: Actions Needed to Ensure Funds Are Used for Client Purposes, Expenditures Are Controlled, and Assets Are Protected](#), Report No. 2009-12, Date: May 8, 2009 – State auditors found expenditure of state funds in ways that weren't consistent with the specific needs of clients.
- [Oregon Youth Authority: Improvements Needed in Availability and Reliability of Critical Juvenile Justice Information](#), Report No. 2009-11, Date: May 7, 2009 -- State auditors found that although the system captures useful information, publicly available reports were limited and did not answer many important questions about the juvenile justice system.
- [Oregon Secretary of State: Government Waste Hotline January–December 2008](#), Report No. 2009-15, Date: June 11, 2009 – The report showed the hotline received 362 reports during 2008. The resulting investigations and audits identified more than \$200,000 of

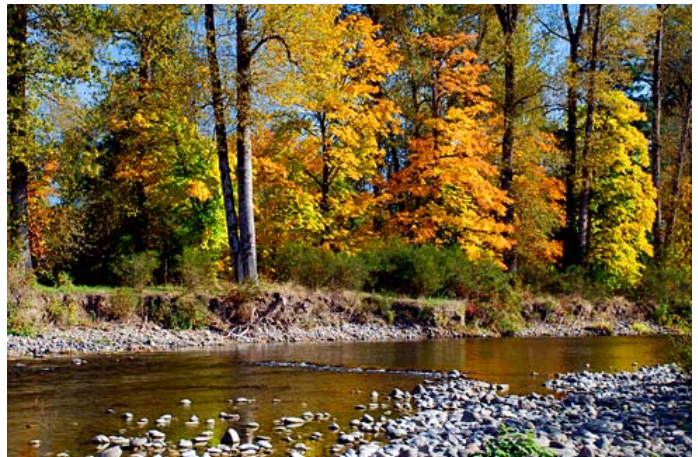
questioned costs. Public access to the hotline will play a critical role in monitoring of how the state spends federal and state stimulus money, said Gary Blackmer, director of the Oregon Audits Division.

- [Oregon Department of Education: Multnomah Education Service District \(MESD\), Management Letter No. 581-2009-06-01](#) – In November 2008, we completed an audit of contracting practices at Multnomah Education Service District (MESD). Our report (No. 2008-33) identified opportunities for MESD to improve contracting practices. The follow-up management letter reveals the MESD made significant improvement in its contracting practices.

IT Audit Highlights

Since March 2009, we have issued the following Information Technology Audit reports:

- [Statewide Financial Management Application: Accounting System Continues to be Reliable, but Security and Disaster Recovery Risks Remain](#), Report No. 2009-09, Date: April 27, 2009 – State auditors found state agencies can rely on the system to accurately process financial transactions and maintain accounting records, and that changes to system code were adequately controlled. However, auditors found weaknesses in security and disaster recovery planning at the department's State Data Center that place the system and its data at risk.
- [Oregon State Payroll Application: Data and Program Integrity Ensured, But Security and Disaster Recovery Controls Inadequate](#), Report No. 2009-10, Date: April 28, 2009 – State auditors found state agencies can rely on the system to accurately process employee payroll checks, electronic deposits and other associated transactions, and that changes to system code were adequately controlled. However, auditors found weaknesses in security and disaster recovery planning at the department's State Data Center that place the system and its data at risk.



Wagon Wheel County Park along the Molalla River in Clackamas County. Photo courtesy Gary Halvorson, Oregon State Archives

Government Waste Hotline

Do you know of fraud, waste or abuse of state funds or resources? Let us know! Citizens and government employees with concerns about Oregon government waste and inefficiency, including misuse of federal stimulus funds, can anonymously make your thoughts known by calling our Government Waste Hotline at 1-800-336-8218 or by reporting online at <http://fraud.oregon.gov>. For more information and answers to frequently asked questions, please visit the Government Waste Hotline website at <http://www.sos.state.or.us/audits/fraud/index.html>.



State agencies that have experienced a loss of more than \$100 of public funds or property are required by statute (ORS 297.120) to report the loss in writing to the Division of Audits. Please, let us know and we can help walk you through what you need to do and who you need to contact. Call the Audits Division at 503-986-2351.

Want More Information?

Because of space limitations, this newsletter contains only brief descriptions of our audit topics. If you would like more information about a particular audit, about the newsletter, or about any idea mentioned here, please contact us at:

audits-outreach@sos.state.or.us



John Day River at the Highway 206 bridge in Sherman County. Photo courtesy Gary Halvorson, Oregon State Archives

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Photograph on front cover of the Capitol Mall in Autumn courtesy Beverly Romig-Kohl.

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