

HOUSE COMMITTEE ON AUDITS

January 25, 2005 Hearing Room D

8:30 A.M. Tapes 8 - 9

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Tom Butler, Vice-Chair

Rep. Diane Rosenbaum, Vice-Chair

Rep. Alan Brown

Rep. Jackie Dingfelder

STAFF PRESENT: Jim Keller, Committee Administrator

Kellie Whiting, Committee Assistant

MEASURES/ISSUES HEARD:

HB 2236- Public Hearing

Department of Administrative Services (DAS) – Informational

Meeting

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/# Speaker Comments

TAPE 8, A

006 Chair Krummel Calls the meeting to order at 8:42 a.m. and opens a public hearing on HB 2236.

HB 2236 - PUBLIC HEARING

008 Jim Keller Committee Administrator. Reads HB 2236.

021 Chair Krummel Provides the history of HB 2236.

033 Bill Foster Acting Administrator of the Facilities Division, Department of Administrative Services (DAS). Submits and reads from prepared testimony providing a neutral position and information in regards to HB 2236 (**EXHIBIT A**). Explains ORS 276.390 as it pertains to DAS, addresses the functions of HB 2236 and explains how HB 2236 changes current law. Discusses the types of rental programs DAS has.

076 Rep. Butler Inquires about the formula in regards to DAS's rental and leasing rates.

087 Foster Responds the information will be provided later. Explains the formula is different from private markets and they do not align.

113 Rep. Butler Asks how many rental properties DAS is administering through the physical facilities department.

127 Foster Responds the central point facility is owned by DAS and they lease it directly to the state police on a self-support basis.

134 Rep. Butler Asserts the state police building costs are a good reference to examine the facilities side by side to comparable leasing, to measure the concerns of DAS in regards to the costs, locations and disclosure.

159 Foster Comments DAS owns more than 20% of the non-university system bases. States they are one of several agencies that have significant holdings of property. States the department owns approximately 3.2

million square feet. States the department leases 4.0 million square feet for the benefit of other agencies.

- 176 Rep. Butler Comments contractors and private parties have inquired about the reasoning behind the state entering into these types of agreements.
- 194 Foster Comments the Department of Human Services owns majority of leases.
- 204 Rep. Butler Comments on competitive rates in the private sectors. Explains the disproportionate funding and utilization of space. Comments that a template showing the square footage would help assist the different departments find the best rate.
- 270 Chair Krummel Asks if the Department of Transportation (ODOT) in Ontario, Or sited in the commercial district and now because ODOT owns it, it is exempt from property tax, resulting in no local revenue or rent being paid.
- 279 Rep. Butler Concurr.
- 313 Chair Krummel Inquires about the internal policy ODOT has in regards to having to own their property.
- 318 Foster Responds ODOT does lease some space.
- 322 Chair Krummel Inquires if DAS uses a triple net concept for leases.
- 330 Foster Responds that some are full service and some are triple net. States it depends on the needs and issues in regards to the agencies.
- 334 Chair Krummel Asks if it means DAS is acting as a leasing agent and are negotiating with a private parties to then occupy the space, in regards to the department leasing for the benefit of other agencies
- 341 Foster Concurr.
- 344 Chair Krummel Asks if there is a uniform rate within the agencies' own budget for maintenance when an agency owns their own building.

- 359 Foster States that it varies. Comments that DAS had been working on a concept with the ODOT to set up reserve funds.
- 394 Chair Krummel Asks if other uniform rent buildings owned by DAS would be affected if DAS purchased the mall building from ODOT with uniform rent.
- 411 Foster States there should be little or no effect. Explains the difference between self-support and uniform rent.

TAPE 9, A

- 004 Chair Krummel Expresses that little effect is not acceptable. Expresses his concerns that DAS should not be bailing ODOT out for not keeping up the property. States the uniform rent should not be affected at all.
- 039 Chair Krummel Asks Mr. Foster to provide more information on DAS's formula in regards to leasing.
- 105 Krummel Closes the public hearing on HB 2236 and opens the informational meeting on the Department of Administrative Services.

Department of Administrative Services (DAS) - informational meeting

- 113 George Dunford Internal Audit Manager, DAS. Submits and explains the Audit Report Summary for surplus property (**EXHIBIT B**).
- 056 Rep. Butler Asks if the department missed a detail in regards to the cash documents for the surplus program.
- 062 Dunford Responds the changes were being implemented while the audit was ongoing and caused it to become a management letter as opposed to an audit report.
- 064 Rep. Butler Asks if there was a past practice to not review cash and bank deposits.
- 076 Dunford Comments the new procedures correct the past deficiencies
- 081 Rep. Butler Asks if there were amounts not accounted for in the surplus property program that did not arrive at the bank.

088	Dunford	Responds he is not aware of that and continues to present the audit findings, management responses and corrective actions.
150	Chair Krummel	Inquires if there a recommendation or policy that requires them to change their password every 30 days and not use the password a second time.
226	Dunford	Responds there is a policy in regards to passwords.
240	Dunford	Continues to present (EXHIBIT B).
255	Chair Krummel	Inquires if there has ever been a digital system implemented instead of the traditional key systems.
267	Dunford	Responds DAS uses a key card system.
296	Dunford	Explains the two-way radio communication systems and discusses the recommendations for this type of technology in regards to the different departments (EXHIBIT B, Page 2). Notes ORS 283.140 covers the use of two-way radios.
342	Rep. Dingfelder	Asks if the statute applies to cell phones and who reviews the agency cell phone bills.
356	Foster	Responds DAS does not review cell phone bills.
361	Rep. Dingfelder	Asks when the statute was adopted.
365	Foster	Responds it was updated in 1995 but implemented in the late 1970's.
371	Rep. Dingfelder	Comments there should be someone looking at the costs.
381	Foster	Responds that the agencies do review the bills but not all are reviewed by DAS.
387	Chair Krummel	Inquires if DAS has had discussion on the interoperability.
421	Foster	Comments he could follow up on the issue and inform Jim Keller.

TAPE 8, B

- 012 Foster Presents the State of Oregon Comprehensive Annual Financial Report **(EXHIBIT B, Page 3)**.
- 047 Rep. Butler Inquires about the Department of Human Resources and the negotiation in regards to overtime contracts.
- 049 Foster Responds it is a bargainable issue. Explains the challenges of the inappropriate use of overtime.
- 061 Rep. Butler Asks if the Department of Human Resources Division does not have policies in regards to the lack of management of overtime.
- 071 Foster Clarifies the Human Resource Services Division has within it the labor relations unit and they conduct the collective bargaining process.
- 078 Rep. Butler Inquires if it costs more with the use of overtime, opposed to using regular time.
- 089 Foster Responds there have been audits that have shown situations where overtime was used inappropriately.
- 099 Rep. Butler Clarifies the contract provides who will get the overtime but was not managed well enough.
- 108 Foster Concurs. Presents the Federal Compliance Report, **(Exhibit B, Pages 3, 4 and 5)**.
- 139 Rep. Butler Asks what portion of the audit dealt with archives.
- 141 Foster Responds the Department of Information and Resource Management Division is working on the issue.
- 186 Chair Krummel Recesses the informational meeting at 9:50 a.m.
- 295 Chair Krummel Reconvenes the informational meeting at 10:07 a.m.

- 297 Foster Continues to present the State of Oregon Federal Compliance Report.
- 373 Foster Presents information in regards to the Data Integrity Audit **(EXHIBIT B, Page 5)**.
- 406 Foster Presents the different debt collections audits and the pertaining provisions on pages five, six and seven.

TAPE 9, B

- 011 Chair Krummel Asks him to clarify in regards to vendors who provide services to the state as well as owes the state money for reasons of unpaid taxes or fees, etc. and asks if the state can withhold payment for the services conducted as repayment of past due amounts owed to the state.
- 021 Foster Concurs. Explains child support is an example of that type of situation. States these are liquidated claims.
- 046 Chair Krummel Asks if it would be unreasonable for the state to go to a centralized check writing system to pay the vendor.
- 060 Foster Responds the committee should engage in a conversation with John Radford, the State Controller. Poses the question of financial feasibility.
- 070 Rep. Butler Comments because of the lack of centralization in the payment process, he assumes that a vendor could draw payments from various branches at the same time for work periods that might overlap, and asks if Mr. Foster has ever seen this as a problem before.
- 078 Foster Answers he has not. Comments the problem is how to implement a vendor offset program to capture the amount that is owed to the specific agency.
- 090 Rep. Butler Comments that in the process we are required to gather information on each of the vendors, and asks if the information is matched with W2 and Social Security Number information to cross match to whom the vendors are employed.
- 135 Foster Responds they do conduct cross matches in respect to the state payroll systems. Presents the Sick Leave Report and the pertinent recommendations on pages seven and eight.

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Chair Krummel

States the Paid Leave Bank Programs is a beneficial program for employees that have a major illness and for employees that are almost ready to retire and become ill. Closes the informational meeting on the Department of Administrative Services and adjourns the meeting at 10:25 a.m.

EXHIBIT SUMMARY

A. HB 2236, prepared testimony, Bill Foster, 1 p

B. Department of Administrative Services, Audit Report Summary, George Dunford, 16 pp