

**HOUSE COMMITTEE ON AUDITS**

**February 08, 2005 Hearing Room D**

**8:30 A.M. Tapes 17 - 19**

**MEMBERS PRESENT: Rep. Jerry Krummel, Chair**

**Rep. Tom Butler, Vice-Chair**

**Rep. Diane Rosenbaum, Vice-Chair**

**Rep. Alan Brown**

**MEMBER EXCUSED: Rep. Jackie Dingfelder**

**STAFF PRESENT: Jim Keller, Committee Administrator**

**Kellie Whiting, Committee Assistant**

**MEASURES/ISSUES HEARD:**

**Oregon Forestry Department – Informational Meeting**

**Department of Administrative Services - 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 17, A**

002              Chair Krummel              Calls the meeting to order at 8:37 a.m. and opens the informational meeting on the Oregon Department of Forestry.

**OREGON DEPARTMENT OF FORESTRY – INFORMATIONAL MEETING**

032              Clark Seely                      Associate State Forester, Oregon Department of Forestry. Speaks about the department and locations across the state. States there are 700 employees. Explains the different departments within the Department of Forestry. Describes staffs' responsibilities.

084              Seely                              Submits and refers to the Oregon Department of Forestry's statewide audit informational packet which includes fiscal year 2002, 03, 04 management letters, directive policies, accounting manual policies, and accounting manual procedures (**EXHIBIT A**). Refers to page two and describes the 0065 un-reconciled account, audited by the Department of Administrative Services in 2002.

131              Rep. Butler                      Inquires when the accounts closed, if there were differences that needed to be adjusted and if they were adjusted in October 2002.

144              Seely                              Responds that they were adjusted. Explains the process.

145              Rep. Butler                      Inquires who is authorized to make the adjustment and what the procedure is, in regards to the accounts not in question.

155              Seely                              Responds the accounts are adjusted. Explains the process and responds that he will research the information sought.

166              Rep. Butler                      Comments there must be policy and procedure followed, and requests that the policy in place be followed carefully.

170              Chair Krummel              Inquires why the accounts would not show as a billed account receivable after the claim has been made.

182              Seely                              Responds that at the time the fiscal 04 amounts were issued, the money had not been recovered.

203	Seely	Refers to page 11 and 12 and explains the corrective actions for costs of fire suppression.
281	Chair Krummel	Inquires at what point do they collect and include interest.
297	Seely	Responds they have not conversed with the Department of Justice in regards to that issue.
306	Chair Krummel	Comments ORS 477.068 states that after 90 days interest can be made at 10%.
332	Seely	Concurs.
340	Seely	Refers to condition #6 and explains they have met with DAS to look at the policy and concluded employee relocation complies with state law. Notes they acknowledge there is a procedure problem and are working to modify the policy to align with state policy.
379	Seely	States improvement in internal control and business management are the key issues they are currently working toward. Notes they will be monitored by an internal auditor.

**TAPE 18, A**

006	Chair Krummel	Requests a copy of the checklist for the committee.
009	Rep. Butler	Comments on the policy and procedures, collective bargaining agreements and rules in regards to relocation employees. Inquires what the department follows.
023	Seely	Responds state law supersedes any other, secondly would be collective bargaining agreements and then administrative rules and agency rules.
037	Rep. Butler	Inquires if the department is left to develop their own policy and procedures and asks who implements them.
043	Seely	Responds the Oregon Accounting Manual policies are the guidelines and the prescriptions are done within their own directive process.

- 055 Rep. Butler Inquires how policies and procedures are changed in regards to the collective bargaining process. .
- 059 Seely Responds they have to be inline with the collective bargaining language, there is a letter of agreement and sunset with the current agreements and management has the opportunity to reconsider collective bargaining agreements.
- 074 Rep. Butler Expresses concern in regards to changing policy and procedure by agencies around collective bargaining agreements.
- 090 Rep. Rosenbaum Inquires if they can assure the committee there will not be continuing problems.
- 097 Seely Responds the process of continual improvement is a consistent mode they are involved with. States there are 48 internal policies needing revised, updated, reviewed, and will have a report available by June 2005. Reiterates the department is committed to making improvements.
- 126 Rep. Rosenbaum Reiterates her concern.
- 137 Seely Responds all identified problems will be changed and followed up on.
- 149 Chair Krummel Refers to page three and asks if policies are used in regards to cash handling. States there should be consequences if cash is mishandled added to the recommended.
- 225 Chair Krummel Refers to item number six and comments on the relocation of employees. Suggests sending a letter to Ways and Means Committee in regards to budget notes and recommending a quarterly basis meeting allowing the Department of Forestry to present improvements and compliance issues. Closes the informational meeting on the Oregon Forestry Department and opens the informational meeting on the Department of Administrative Services.

**DEPARTMENT OF ADMINISTRATIVE SERVICES – INFORMATIONAL MEETING**

- 298 Laurie Warner Acting Director, Department of Administrative Services (DAS). Submits an informational packet concerning different state agencies DAS works with, including responses to questions posed by the Audits Committee on January 24th, 2005 (**EXHIBIT B**).

- 310 John Radford State Controller Division, Department of Administrative Services. Submits informational packet including the background of the Oregon Accounting Manual and an example of the statewide reporting and accounting services (**EXHIBIT C**).
- 311 Rep. Butler Inquires about the issues concerning the Department of Forestry and the Oregon Accounting manual and asks how the department goes about instructing the agencies.
- 333 Radford Responds the management and accounting standards are created by teams, policy drafts are created and reviewed by state agencies, and recommendations are considered keeping a balance of implementation.
- 382 Rep. Butler Inquires about the process of following individual items.
- 396 Radford Responds some items can be concurrent. States if there is a conflict or a policy of ambiguous nature, they will restructure the language to clarify the policy. Comments there are six changes a year, and maybe one to two new policies a year.

**TAPE 17, B**

- 002 Rep. Butler Inquires about how they follow up about individual agency compliance.
- 003 Radford Responds if it is a complex change, they will conduct training.
- 014 Rep. Butler Inquires where the issues of special travel expenses fall.
- 019 Radford Responds special expenses for travel falls under the State Controllers Division policy.
- 030 Sue Wilson Administrator, Department of Administrative Services. Responds about the policy issues and changes. Explains the collective bargaining contracts in regards to policy.
- 057 Rep. Butler Inquires about the compliance process and the authority in regards to the contracts.
- 064 Wilson

		Responds the travel policy has adopted the Oregon Accounting Manual for the most part for larger accounts. States there maybe letters of agreement in some circumstances.
079	Rep. Butler	Inquires how they ensure the different departments are in compliance and following.
086	Wilson	Responds there is an internal auditor in place within the Human Resource Division and they follow the application of the language.
099	Rep. Butler	Comments when the collective bargaining process is silent the state agency complies with other policy and procedures.
109	Radford	Responds the travel claims are pre-audited and the information is unique to the agency.
117	Rep. Butler	Inquires if there is a statewide uniform policy from DAS, dealing with relocation and retirement issues.
122	Radford	Responds employee relocation is uniformly applied through out the state.
126	Wilson	Responds the relocation policy sets model rules and requires the agencies to have its own policy.
140	Rep. Butler	States there are no statewide uniform policies in place in regards to employee relocation.
153	Warner	Comments on the flexibility and restrictions for agencies.
171	Chair Krummel	Requests a template in regards to policies, including the different departments that follow, implement, develop and enforce.
212	Rep. Butler	Expresses concern about the changes and timeframe for having to examine and report the policies and procedures. Comments it is hindering the efficiency and licensing within the departments. Notes there are challenges in regards to uniformity.
264	Rep. Brown	Concurs with Rep. Butler

274 Chair Krummel Concurs.

276 Rep. Butler Comments the recommendations to Joint Legislative Committee and Ways and Means should include the agencies' progress to pin point the steps taken in the past and attempts currently being made. Comments about the importance of uniform policies.

350 Chair Krummel Comments about uniformity.

#### **TAPE 18, B**

002 Rep. Butler Comments on his district and how the constituents affected by the lack of uniformity.

030 Warner Responds DAS centralized systems are standardized. Comments on the policies and applications vary.

049 Warner Refers to **(EXHIBIT C, page 1)** and describes the Department of Administrative Services. Provides a description of the different locations and departments. Refers to attachment 1 and explains the organizational charts for each position and divisions.

094 Warner Explains attachment 2.

128 Warner Responds about the non-restrictive funds. Comments on uniform rent.

163 Chair Krummel Requests a list of goods and services.

167 Warner Responds she will provide it to the committee.

172 Warner Responds about the internet posting for agencies. Describes the development of budget databases.

192 Rep. Butler Inquires about the number of states with a transparent system that is viewable by the public.

204 Warner Responds all states are all trying to move to be transparent. States the instrumental tool is being implemented.

213	Radford	Responds there is an accessible and uniform data warehouse. Notes the information is transferred and made accessible weekly. States it is a week old due to expense, but is available.
248	Rep. Butler	Inquires how many legislative members have accessed that information.
252	Radford	States there have only been a few.
264	Rep. Butler	Clarifies that agencies have the ability to use the database, and asks how many different agencies are utilizing this tool.
278	Radford	Responds he thinks the vast majority of agencies are utilizing the tool.
288	Rep. Butler	Inquires if they can access only their information or others.
291	Radford	States that it is available to them but does not know exactly how many are using it. States that only some have cross agency access and
318	Warner	Responds the differences between the different tools.
325	Warner	Refers to attachment and explains the list of vacant and contracting agencies. Explains the internal auditors in attachment four.
344	Warner	Refers to attachment six and explains the capitol improvement projects.

#### **TAPE 19, A**

005	Warner	Explains the customer services DAS provides.
021	Rep. Butler	Inquires about purchasing and buying products on a bid and asks if the nine-confederated tribes are included in the process.
038	Warner	Responds she will research it.
045	Chair Krummel	Closes the informational meeting on the Department of Administrative Services and adjourns the meeting at 10:36 a.m.



## **EXHIBIT SUMMARY**

- A. Oregon Department of Forestry, informational packet, Clark Seely, 35 pp**
- B. Department of Administrative Services, informational packet, Laurie Warner, 251 pp**
- C. Department of Administrative Services, informational packet, John Radford, 9 pp**