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October 29, 2012

Dr. Michael Hay, President
Mt. Hood Community College
26000 SE Stark Street
Gresham, Oregon 97030

Dear President Hay:

The Oregon Audits Division received allegations through the Government Waste Hotline regarding potential misuse of public funds in the Wilderness Leadership Experiential Education (WLEE) program as well as allegations that Mt. Hood Community College (MHCC) personnel complaints were not investigated timely. In response to our initial inquiries with MHCC personnel, we found MHCC had begun a review of the WLEE program. Subsequently, MHCC also requested our assistance with its review.

We reviewed WLEE program payment documentation for the period beginning July 1, 2010 through March 15, 2012 and inventory related to the purchases made. We also reviewed college and program policies and procedures, personnel complaint related documentation, and WLEE program documentation. We interviewed personnel at MHCC whom we considered key to our review. Our work was limited in scope to the allegations we received. Because this was an investigation rather than an audit, we were not required to follow generally accepted governmental auditing standards. Nonetheless, we applied due professional care in performing our work.

Background

The WLEE program is an academic wilderness leadership program focusing on land- and water-based outdoor pursuits (e.g., backpacking, mountaineering, rock climbing, rafting and kayaking, and skiing and snowboarding) where students spend more than 75 days in the field a year, including a 35-day immersion expedition.

According to the program staff manual, students may rent or borrow MHCC-owned equipment such as backpacks, sleeping bags and pads, tents, rain gear and stoves. The manual also implies MHCC provides program climbing equipment (e.g., ropes, webbing, anchors, harnesses, helmets), snow travel and mountaineering equipment (e.g., ice axes, helmets, crampons, avalanche receivers, snow shovels) and river equipment (e.g., personal flotation devices, rafts, paddles, helmets). The program instructor is supposed to maintain a form documenting all MHCC-owned program equipment removed from MHCC's premises. Equipment not in use is supposed to be stored in specific campus locations, and all gear is to be accounted for before and after any course.

Results

Improve WLEE Inventory Monitoring

Proper inventory accountability requires detailed records be maintained of acquired inventory; however, the WLEE program did not have current inventory records or usage logs. Using MHCC purchase documentation, we developed a listing of program items purchased between July 1, 2010 and March 15, 2012. We inspected the WLEE program inventory at two main campus locations on August 28, 2012 to determine if the inventory purchased could be accounted for. Of the \$25,500 in purchases, approximately \$18,000 in purchased items were not at the campus locations. However, on the following day an instructor returned to MHCC approximately \$4,800 of the items we identified as missing, as well as some additional items, leaving about \$13,000 in missing inventory. We also inspected a third campus location on September 4, 2012 but did not locate any of the remaining missing inventory. Without a regular, updated inventory of program equipment it is unclear what happened to the missing items. While theft is one possibility, items may have been damaged, retired, lost, or may have been checked out and not returned by students.

In addition, some missing purchases seemed to be for personal use, either by instructors or students. Approximately \$1,500 of the MHCC purchases appeared to match documents we found showing student requests for personal gear. In some cases we found emails where instructors requested reimbursement from the students and emails from students stating they would give the instructors money for the items that had been paid for with college or federal grant funds. If the students paid, we expected to see a payment for the reimbursement recorded in MHCC's accounting records. However, in following up with MHCC Business Office personnel, we learned they could not find any deposits from students or the instructors in any of the student or program accounts. Also, an instructor provided students with a listing of fees for damaged gear but we found no record of whether any such fees had been charged to students.

Strong inventory procedures are needed to protect against undetected theft and loss, unexpected shortages of critical items, and unnecessary purchases of items. Strong procedures would include maintenance of an inventory listing that accounts for all equipment purchases as well as disposals, such as with damaged equipment.

We recommend WLEE management:

- Create a beginning inventory list to capture existing and functional program equipment, ensuring all equipment is labeled as college property as appropriate.
- Develop and document inventory policies and procedures for all aspects of a physical inventory process, such as tracking of purchases, dispositions and inventory access.
- Perform periodic inventories and reconcile the inventories to the accounting records.
- Develop and document policies and procedures for purchasing and obtaining reimbursement for equipment purchased for instructor or student personal use.
- Update the staff manual for consistency with inventory policies and procedures.
- Provide a listing of what MHCC provides for each WLEE course and what students and instructors are personally responsible for providing.

We further recommend MHCC management ensure all programs with significant inventory have and follow documented inventory policies and procedures consistent with their program, and maintain updated and detailed inventory records.

Update Travel Policies

College travel reimbursement policies and procedures, which were last revised in 2003, need updating. Current policies and procedures are focused on classes with infrequent field trips. The WLEE program differs from other college programs in that instructors and students spend the majority of class time on field trips. During our review of WLEE program expenditures, we found, in addition to equipment purchases, various supplies and food purchases for students and instructors. We also noted there were no documented policies and procedures regarding the parameters for food or supply purchases. During our timeframe, which included five terms with one immersion trip, about \$8,500 was spent on food for class excursions, with additional instructor restaurant reimbursements.

Some of the restaurant reimbursements lacked the detail necessary to determine if reimbursement was appropriate. For example, there were four restaurant receipts that ranged from \$92 to \$141, without a description of who attended and the number of meals purchased. MHCC travel policy allows instructors a meal per diem of \$25 per day while on travel status. In order to ensure these reimbursements did not exceed the \$25 limit per instructor, the additional detail was needed. Based on information program management provided for two of the reimbursements, the meal per diem was exceeded by \$83.

Further, there were two other meal reimbursements totaling \$177 that did not occur during overnight travel, which is required for meal reimbursement. One meal, totaling \$121, appeared to be for instructors and students at a restaurant in Gresham.

We recommend MHCC management:

- Review WLEE program travel expenditures and collect reimbursement from instructors for any food or meal purchases that violated college travel policies.
- Modify travel policies to include specific policies for classes where travel is a significant portion of a class. Also, clarify policies to require submission of sufficient detail with receipts to ensure appropriate reimbursement.

We further recommend WLEE program management draft policies and procedures related to supply purchases for class excursions.

Improve Purchasing Card Policies and Management

Purchase cards provide authorized personnel an efficient means to buy inexpensive goods or services necessary to accomplish college business. MHCC has purchase card policies in place in order to help ensure college funds are spent appropriately.

During our review of WLEE purchase card transactions, we found what appear to be personal or non-reimbursable expenses, such as clothing, that were approved and paid for with college funds. These included items such as balaclavas, a baseball hat, pants, jackets and sunglasses. In addition, we identified items such as greeting cards, games, toiletries and candy paid for with college funds.

We also found some WLEE purchases were applied to instructors' REI membership rewards, earning a 10% member cash or merchandise refund, with a maximum refund of \$182 during our timeframe. For the purchases we reviewed, there was no evidence that rewards were used for purchases of program supplies and equipment. If the instructors used these rewards for personal purchases or kept a cash reward, they may have violated state ethics laws, which prohibit public officials from personally benefitting from their official position. We also noted one purchase where there was a refund voucher used, but it did not have the detail necessary to adjust inventory records for items returned. In addition, we found MHCC purchase card policies do not require returned purchases to be credited back to the purchase card.

Further, we found some WLEE purchases lacked sufficient detail to identify the items purchased. For example, two receipts at a sporting goods store had 7 items that were each over \$225 with the description solely as "climbing" and 5 items described as "shoes" that ranged from \$85 to \$140 apiece.

MHCC's Business Office has drafted updates to purchase card policies and procedures that are anticipated to be completed by November 2012. With the new policies, all cardholders and their managers will be required to sign new applications and attend training.

We recommend MHCC management:

- Collect reimbursement from instructors for any purchases that violated college purchase policies.
- Ensure the college's purchase card policy addresses issues such as purchasing personal items and other non-reimbursable expenses, as well as expectations around personal rewards cards and purchase returns.
- Require sufficient detail for purchases to ensure they conform to college policies, and items purchased or returned can be recorded on inventory lists as appropriate.
- Consider providing annual refresher training to clearly explain cardholder and manager roles and responsibilities as well as allowable and non-allowable purchases.

Enhance Perkins Grant Reimbursement Process

During our review of WLEE payments and reimbursements, we noted one area of risk where existing processes were not effective for detecting overpayments. When an individual uses personal funds to make a purchase that qualifies for a Perkins grant reimbursement, the individual can submit a personal reimbursement request to the designated grant coordinator for approval if the purchase is under \$5,000. Once approved, a check is issued to the requestor. Also, there can be multiple purchase cards issued in each college department that staff can use to make purchases with college funds. Thus, a person could use a college purchase card to make a purchase using college funds and also send a copy of the receipt to the grant coordinator for personal reimbursement. We found one such instance had occurred when a program instructor received a \$160 check as reimbursement for a purchase made using a college purchase card.

We recommend MHCC management:

- Collect reimbursement from the instructor for the overpayment identified.
- Be alert to situations that allow for purchase overpayments and strengthen processes to prevent and detect overpayments.

Maintain Central Investigation Documentation

We received allegations that complaints about faculty or administrative staff conduct were not handled timely. According to MHCC personnel, the college experienced significant administrative and management turnover within the past few years, including turnover in the position responsible for performing some of the investigations. This in turn led to delays in addressing complaints. The college recently developed a new protocol that requires triaging, monitoring, and coordinating all complaints and concerns by the college's Human Resources Department and Affirmative Action Officer. This new protocol was effective starting September 2012. The Human Resources Department has drafted a training schedule and agendas for the next year to address some of the issues raised in past complaints. Though there has been recent actions taken on complaints, we found the college did not have a comprehensive list of complaints received and actions taken.

We recommend MHCC management maintain a central listing of complaints with actions taken, as well as ensure timeliness when addressing and conducting complaint investigations.

We appreciate your staff's assistance and cooperation during this review. Should you have any questions, please contact Karen Peterson or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Sandra Hilton, CPA
Audit Manager

SKH:KMP:nmj

cc: Dave Shields, Chair, Mt. Hood Community College District Board



DR. MICHAEL D. HAY
President
503-491-7211
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October 26, 2012

Office of Secretary of State
Audits Division
Attn: Sandra Hilton, CPA
255 Capitol St NE, Suite 500
Salem, OR 97310

Dear Ms. Hilton:

The College would like to thank you for your staff's assistance in our ongoing investigation of the Wilderness Leadership Experiential Education (WLEE) program. The College has had serious concerns about irregularities in this program for some time, with our investigation beginning in June 2011. The involvement of your office in this ongoing investigation was welcomed. This assistance has provided additional staff hours to review transactional data and internal control systems to help us identify the full scope of concerns related to this program.

Based on the findings and recommendations identified through your departments' review, Mt. Hood Community College is taking the followings actions:

Recommendation: Improve WLEE Inventory Monitoring

The WLEE management staff will use the inventory list created through this investigation as a baseline and will move forward with a clear and detailed approach to maintaining program inventory. A similar inventory process is already in place for much of the Health and Physical Education (HPE) division and we are implementing similar inventory processes across campus. These new processes will include a physical inventory at least monthly, as well as a clear process for before and after field trips to assure that items taken are returned. The staff manual for the HPE division will be updated so that the inventory process and expectations about equipment management are clear for all staff. The WLEE program is currently undergoing a review of future offerings; future student handbooks and syllabi will clearly state what equipment will be provided by the program and what items instructors and students are personally responsible for.

The College-wide fixed asset inventory process includes only items with a purchase value of \$5,000 or more and a useful life of more than a year. Other sensitive items, such as cell phones and computers are inventoried by departments. Fiscal staff will review best practices to determine a threshold of small equipment that constitutes a significant value and implement inventory procedures to manage. Mt. Hood Community College is committed to ongoing fiscal responsibility and inventory control.

Recommendation: Update Travel Policies

The College's current travel policy includes a section for employee travel as well as travel for field trips. However, the field trip policies and procedures are designed for athletic travel or an occasional class field trip and not for a program where a majority of the class-time takes place on travel status. Staff is in the process of updating travel policies and procedures to create separate guidelines for employee travel and travel with students or field trips. The new policies will specifically address how per diem is calculated for both employees and students and what documentation is expected and/or allowed. Employee reimbursements for any travel or meal purchases that violate policies will be billed to employee, per current practice.

Recommendation: Improve Purchasing Card Policies and Management

As the College's purchasing card program use has grown, several concerns about existing policies and practices have arisen. The purchasing card policies are undergoing a thorough re-write, which will address the concerns in your letter, as well as other concerns identified by the College. The new policies and procedures will be implemented in November, 2012, beginning with management training. All existing cardholders and managers will be required to sign a new cardholder agreement and attend required training prior to January in order to maintain their cardholder privileges. Employee reimbursement for disallowed or unsubstantiated purchases will be billed to the employee, per current practice.

Recommendation: Enhance Perkins Grant Reimbursement Process

The College now has a new Perkins Grant Program Coordinator who is responsible for the Perkins program and is also the regional Alliance Director. Because of this narrower scope of responsibility, more time should be spent on review and approval of purchases. In addition to two separate purchasing methods utilized, one other contributing factor was that two different budget managers were approving the same expense. In the future, requests for reimbursement from accounts outside of the employee's division will be requested by the employee's division and approved by the employee's manager prior to being routed to the other account manager for approval. Employee reimbursements that resulted in duplicate payments will be billed to the employee, per current practice.

Recommendation: Maintain Central Investigation Documentation

The College has a streamlined process and central spreadsheet for investigations maintained in HR. HR meets weekly on status of investigations and includes an Affirmative Action officer to review status of each Culture of Respect complaint or concern. New complaints are discussed and assigned. At our meetings we work through recommendation, delays, or action needed from others on the team to bring to resolution. HR approves recommendations for employee action or discipline. As Culture of Respect concerns surface, we triage the call and follow standard protocols for investigations. The spreadsheet is in a secure folder that HR generalists, HR administrative assistant, and Affirmative Action officer can access. HR administrative assistant updates issues and we can each update as needed. Changes in staffing, streamlining processes in a spreadsheet and HR involvement in all investigations related to employees provide a thorough process with appropriate follow up for resolution.

Again, we would like to thank your office, especially Karen Peterson, for the assistance provided in this investigation. The time spent researching as well as supplying recommendations and sample policy language to help us improve our internal controls and good stewardship of public funds has been not only beneficial but appreciated. In general, we consider purchasing card transactions at high risk for unauthorized spending and annually request that the College's external audit firm review a sample to test compliance with policies. No significant issues have been identified previously. We believe that the instances of non-compliance identified here are an anomaly and not reflective of a larger pattern of behavior.

Sincerely,

A handwritten signature in black ink, appearing to read "M D Hay", written in a cursive style.

Michael D. Hay
President