



Secretary of State **Oregon Audits Division**



Oregon Mortuary and Cemetery Board

The Board Should Ensure Facility Inspections Be Performed and Strengthen Controls over Financial Processes

December 2020

Report 2020-46

Secretary of State **Bev Clarno**
Audits Division Director **Kip Memmott**



Secretary of State
Oregon Audits Division

Executive Summary

Why This Audit is Important

» The Oregon Mortuary and Cemetery Board is responsible for licensing 794 death care facilities in Oregon.

» The death care industry refers to businesses and practitioners that provide services related to death, such as funerals, cremation or burial, and memorials.

» The industry is complex and heavily regulated, as it is subject to state and federal laws, rules, and regulations to ensure public health and safety.

» The purpose of this audit was to examine the board's facility inspection processes and controls over financial reporting to ensure it was meeting its obligation to protect public health, safety, and welfare in the death care industry.

Oregon Mortuary and Cemetery Board The Board Should Ensure Facility Inspections Be Performed and Strengthen Controls over Financial Processes

What We Found

1. Due in part to a ten-month vacancy in the inspector position, inspections of licensed death care facilities did not occur for over a year, from September 2018 to January 2020. Inspectors were only able to inspect 73 facilities before COVID-19 forced another halt, meaning that, for more than two years, approximately 64% of facilities in Oregon went without an inspection. Inconsistent inspections could result in death care facilities not being held accountable for protecting the public health. ([pg. 6](#))
2. We identified deficiencies in the design of the board's controls that could potentially increase the risk of misappropriating licensing and death filing fee revenues, which is the board's primary source of funding, and the risk that Indigent Disposition Program funds are not spent in accordance with statute. ([pg. 7](#))
3. Travel reimbursement expenditures and SPOTS expenditures did not adhere to state policy, due in part to a lack of adequate training and staff turnover. ([pg. 9](#))

What We Recommend

Our report contains seven recommendations to the Oregon Mortuary and Cemetery Board intended to ensure facility inspections are completed in accordance with state law and to establish adequate controls over financial transactions.

The board agreed with all of our recommendations. Their response can be found at the end of the report.

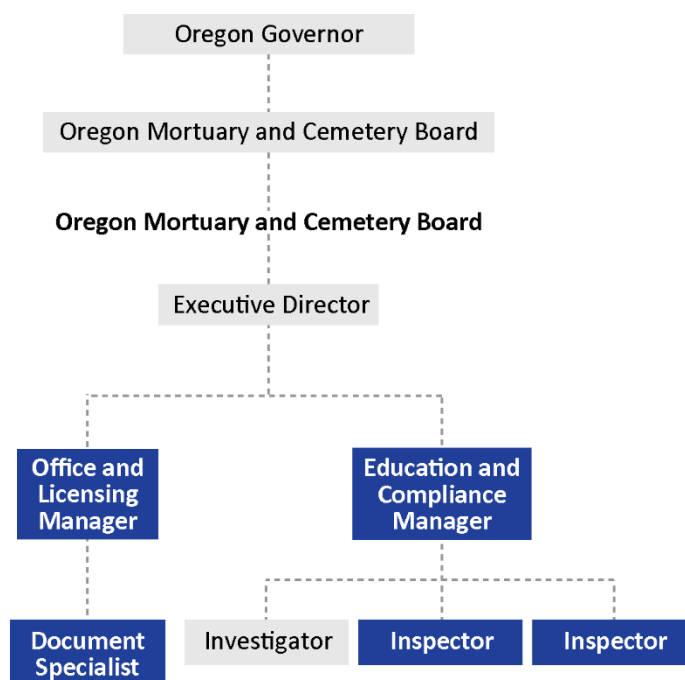
Introduction

The Mortuary and Cemetery Board protects public health through the regulation of individuals and facilities in the death care industry. The board's mission is to protect public health, safety, and welfare by fairly and efficiently performing its licensing, inspection, education, and enforcement duties.

The board is a state agency that was established in 1921 and is governed by an 11-member governing board. The governing board includes seven representatives from a cross section of death care industry sectors — including funeral service providers, immediate disposition companies, embalmers, cemeteries, and crematoriums — and four members from the general public, with one of those members from an association representing older adults. Board members are appointed by the Governor and approved by the Senate.

The board employs seven full-time staff to facilitate its mission with an approved budget of \$2.4 million for the 2019-21 biennium.

The purpose of this audit was to examine the board's facility inspection processes and controls over financial reporting to ensure it was meeting its obligation to protect public health, safety, and welfare in the death care industry.



The death care industry in Oregon includes approximately 800 facilities responsible for appropriate funeral, cremation, burial, and memorial services

The death care industry refers to businesses and practitioners that provide services related to death, such as funerals, cremation or burial, and memorials. The process of disposing of those who have died — including care, preparation, processing, transportation, and final disposition of human remains — is complex, owing to the number of factors pertaining to health and safety. Those involved in the industry must also ensure their work is performed in a way that is respectful; they are working in the service of customers who have suffered a loss and are grieving.

There are currently 794 licensed death care facilities in Oregon, which include funeral establishments, cemeteries, crematories, alternative disposition facilities, and immediate disposition companies. The majority of death care businesses, in Oregon and nationally, are small, local, and typically family-owned independent businesses. In 2016, this included 15,818 funeral homes and approximately 7,000 crematoriums and cemeteries nationwide; the death care industry had an annual revenue of approximately \$14.2 billion, and the average cost of a funeral in Oregon was \$5,500.

Facility inspections are a key board responsibility

The board is required by statute to perform physical inspections every biennium of licensed death care facilities in the state; as of March 2020, 94% of facilities in Oregon require an inspection.¹ These inspections ensure death care providers are held accountable for protecting public health, while records inspections ensure providers are held accountable for training apprentices, documenting care performed, and maintaining contracts for pre-purchased services.

Additionally, under state and federal rules, facility and records inspections must also ensure compliance with key standards, such as facility cleanliness, key records requirements, and accurate price lists.² The board has created inspection checklist templates for each type of licensed facility to ensure identified areas of compliance are addressed as part of inspections. These templates are available on its website for licensees and the public to review.

The board uses a checklist during inspections, which is separated into four sections:³

- Pre-inspection, which includes a review of a facility's filings with other state agencies, changes in facility ownership and management, and online advertising requirements;
- On-site facility inspection, which includes inspections of refrigeration units, preparation or holding rooms, and status of decedents currently on-site;
- Document inspection, which includes reviews of contracts, general price lists, and statements of funeral goods and services selected; and
- Permanent records review, which includes assessments of whether all required information regarding the decedents and their care was accurately documented and maintained.

Lincoln City case leads to state reforms

State statute was reformed during the 1985 legislative session to begin requiring physical and records inspections each biennium. These reforms were the result of a 1984 case in which law enforcement officials discovered 15 decomposing human remains in a funeral director's garage in Lincoln City. Twice as many decedents were found in mass graves in the director's nearby cemetery. Many of these decedents had been entrusted to the director for cremation; however, there was no paper trail for law enforcement officials to follow, resulting in some remains never being identified.

Two inspectors are assigned to perform facility and records inspections. Each inspector is responsible for a region of the state, broken down by county and factoring in the number of facilities in each region. Inspectors also share responsibilities for Washington, Clackamas, and

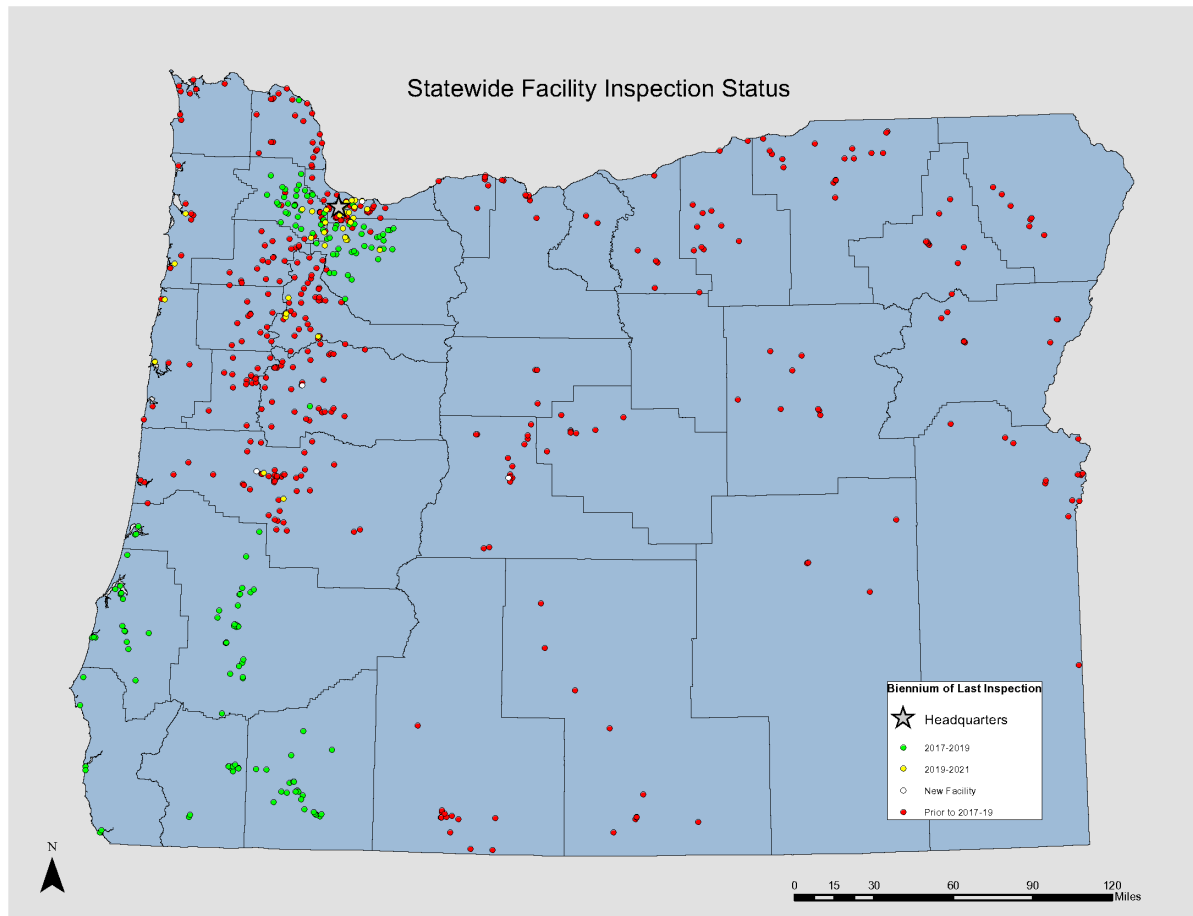
¹ There are 49 cemeteries that do not require inspection in accordance with ORS 692.320(2)(e) due to the limited number of interments performed annually.

² ORS 692 and 97, OAR 830, and 16 CFR Part 453. Price lists refer to the disclosure of prices for specific services in accordance with the Federal Trade Commission Funeral Rule (16 CFR Part 453).

³ The checklist for crematoriums and alternative disposition facilities does not include a document inspection section as these facilities are not permitted to meet with individuals directing decedent care per OAR 830-030-0004.

Multnomah counties due to proximity to the board's office in Portland and the concentration of licensed facilities located in these three counties.

Figure 1: Two inspectors are responsible for inspecting hundreds of facilities across the state



Licensing fees and death filing fees support the board's operations and the Indigent Disposition Program Fund

The board is funded through two primary revenue sources: licensing fees for individuals and facilities and death filing fees. Individual and facility licenses renew in alternate years of the biennium and death filing fees are billed monthly to death care facilities. Altogether, these fees accounted for approximately \$2 million, or 97%, of board revenues during the 2017-19 biennium. The remaining 3% represents interest earnings on monies held with the state Treasury.

The board does not receive monies from the state General Fund; therefore, it relies solely on these revenue sources to support board operations as well as the Indigent Disposition Program (IDP) Fund.

The IDP Fund was established to assist death care facilities with offsetting the costs of providing disposition services for individuals who cannot afford them. Per statute, 30% of death filing fees collected by the board are required to be used for the IDP Fund.⁴

⁴ ORS 692.415(1)

Figure 2: Licensing and death filing fees provide the bulk of funding for the Mortuary and Cemetery Board

	Initial Fee	Renewal Fee
Facility Licenses:		
Funeral establishment		\$350 per year, payable biennially
Immediate disposition company		
Crematory		
Alternative disposition facility	\$150 for first principal and \$50 for each additional principal	\$100 per year plus \$2 per disposition performed during the two calendar years preceding the year in which the current license expires, payable biennially
Cemetery with ten or more internments annually		\$4 per internment performed during the two calendar years preceding the year in which the current license expires up to a maximum of \$600 per year, paid biennially
Cemetery with less than 10 internments annually	\$100 and a fee not to exceed \$50 for registration of all principals	N/A per ORS 692.275
Change of Principal	\$50 per licensed facility	
Individual Licenses:		
Apprentice Funeral Service Practitioner or Embalmer	\$50	\$25 per year, payable annually
Reciprocal funeral service practitioner or embalmer	\$160	
Intern trainee	\$25	
Preneed Salesperson	\$150	\$25 per year, payable biennially
Funeral service practitioner		
Embalmer	\$80 per year	\$80 per year, payable biennially
Death care consultant		

Prior to January 2016, IDP Fund operations were under the purview of the Oregon Health Authority. When program operations transferred, the board received a transfer from the Oregon Health Authority for the remaining IDP Fund reserves and began collecting the full death filing fees amount.

One board staff person performs licensing duties, which includes reviewing licensing applications, processing licensing fee payments, and preparing all necessary reports for recording licensing fee payments in the accounting records. Another staff person is responsible for functions related to the IDP Fund, including processing death filing fee billings and payments, reviewing applications for reimbursement, and preparing requests for reimbursements.

Board operations require travel throughout the state and country

Various board staff travel on a regular basis to perform their job duties. For example, inspectors travel throughout the state to perform facility inspections and to other states for inspection-related trainings. Additionally, the director travels throughout the state and country to attend meetings and conferences hosted by various death care industry partners to remain engaged in industry factors that affect Oregon.

The board uses a combination of employee reimbursements and SPOTS cards to pay for expenses associated with this travel. SPOTS cards are state-sponsored credit cards that agencies may use to procure and pay for goods and services. This saves time and money as it reduces payment processing costs, the need for purchase orders in some circumstances, and the need to

rely on petty cash funds. While SPOTS cards are available to streamline purchasing, the board is responsible for ensuring state law and policy are followed for all purchases.

State purchasing rules establish a hierarchy of sources from which the board is required to purchase services and supplies.⁵ The Department of Administrative Services has created a Buy Decision Checklist tool that is available on its website to summarize the hierarchy and provide a mechanism for state agencies to document compliance with purchasing law.⁶ This hierarchy is as follows: surplus property, qualified rehabilitation facilities, inmate labor, statewide price agreements, interagency agreements, and lastly, the open market.

⁵ OAR 125-247-0200

⁶ <https://www.oregon.gov/das/OPM/Pages/method.aspx>

Audit Results

The regulatory actions of the Mortuary and Cemetery Board ensure the protection of public health and affect people who have suffered a loss, people who make final arrangements for loved ones, and organizations providing death care services and merchandise.

We found the board did not conduct required inspections of many licensed facilities, due in part to a yearlong vacancy in one of the 2 inspector positions. Additionally, while the board has established procedures to collect and account for license and death filing fees, the procedures are not adequately designed to safeguard these revenues. Further, we found the board did not adhere to state policies regarding travel reimbursements and SPOTS cards.

These deficiencies increase the risk that death care facilities may be operating or that license and death filing fees are being spent out of compliance with federal or state laws and regulations. Given the important role death care facilities play, it is critical the board take steps to strengthen these functions to better meet its mission.

Noncompliance with facility inspection laws, including addressing identified deficiencies, leads to increased risk for improper treatment of the deceased

The board is responsible for ensuring that inspections of all licensed facilities are completed during each biennium in accordance with state statute. Additionally, the board is responsible for ensuring that identified deficiencies are timely addressed to maintain the public health of citizens. However, we found that, due in part to a yearlong vacancy in an inspector position, these inspections were not occurring at the required frequency.

Inspector position vacancies and outdated procedures contributed to noncompliance

Until recently, the board had just one inspector position. After this position was vacated in September 2018, physical inspections of licensed facilities ceased. Beginning in the 2019-21 biennium, a second inspector position was added to increase capacity for inspections, as the board reported that only 10% of facilities were inspected in fiscal year 2018. The recruitment processes for filling both the vacancy and the newly added inspector position were not completed until July and December 2019, respectively.

After the first inspector was hired, the board began updating its various facility inspection checklists and procedures to ensure they encompassed all compliance requirements. Inspection checklist updates were finalized in January and February 2020 and inspections of facilities resumed; however, the board was only able to conduct 73 inspections before March 2020, when the COVID-19 pandemic affected the operation of facilities and inspectors' ability to travel. This means that, for more than two years, approximately 64% of facilities in Oregon went without an inspection.

We performed a review of the most recent inspections of each active facility to determine the number of facilities with identified deficiencies and to which section of the checklist these deficiencies related. Our review found that almost 70% of facilities had a deficiency of some kind identified in their most recent inspection. Given the lapse in inspections, it is likely these deficiencies have gone unaddressed, in several cases for more than two years.

While deficiencies were identified in each section of the checklist, we found most deficiencies pertained to document inspection, meaning they generally related to contracts, general price lists, and statements of funeral goods and services. The document section of the checklist

provides accountability for those areas where people making final arrangements could be impacted as a consumer.

Figure 3: Number of deficiencies identified by category for the most recent facility inspections

	Pre-inspection	On-site facility inspection	Document inspection	Permanent records review
Deficiencies	141	59	353	341

For example, death care providers do not always include language required by law to ensure consumers understand their rights with regards to pre-purchased death care. Deficiencies in document inspection increase the risk that providers charge consumers unequal amounts for the same products and services because their general price list does not include all required information or may not provide sufficiently detailed summaries of services being purchased and any prepaid amounts.

We also noted several deficiencies in the permanent records review section of the checklist, which addresses decedent care records. Deficiencies in permanent records inspections increase the risk that documentation and authorizations for embalming or cremation of decedents is not maintained, including internment of embalmed decedents or proper identification and transfer of cremated decedents.

The board has sufficient staff resources to complete inspections

Before there was a vacancy in the inspector role, the board had concerns whether a single inspector was sufficient to ensure inspections of facilities across the state were occurring as required — leading to the addition of a second inspector position. We performed an analysis to determine whether the board now has sufficient staffing resources to ensure compliance with the physical and records inspection requirements.

Our analysis focused on staffing resources and included four components: travel time, physical inspection time, records review time, and report preparation time. Our estimate accounted for differences between travel time for the Northern and Southern Regions.

We found the time needed to conduct inspections for either region is well within the hours available for a full-time equivalent position, providing flexibility for inspections that require additional follow-up, trainings, and personal leave time. Based on our analysis, we conclude the board has sufficient staffing resources to complete physical and records inspections in compliance with state statute.

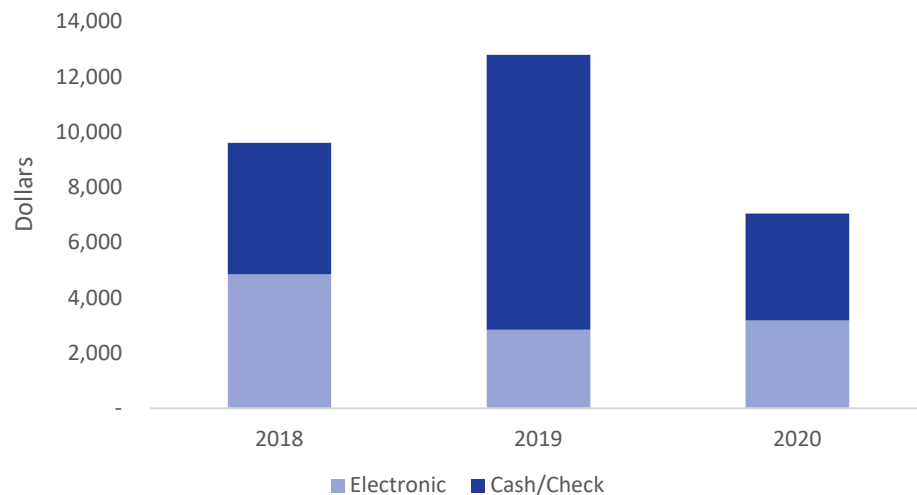
The board should strengthen financial controls to ensure revenues are safeguarded for their intended purpose

Board management is responsible for ensuring that revenues are safeguarded against theft and misuse, primarily through appropriately designed procedures related to revenue billing, receipting, and recording processes. The board has two primary revenue sources to fund their general operations and the Indigent Disposition Program Fund: individual and facility license fee, and death filing fees. Since the board does not receive any monies from the state General Fund, it is increasingly important that primary revenue streams are protected to ensure the board obtains sufficient funding to fulfill its mission.

Segregation of duties are not maintained throughout the revenue billing, receipting, and recording processes

Licensing and death filing fees can be paid by check or by credit card through an online payment portal. Fees paid by check have a higher risk of misappropriation when segregation of duties controls are not implemented because they are an easier form of payment to manipulate. Approximately \$1.5 million, or 66%, of fees were paid by check during the 2017-19 biennium. Given the prevalence of fees paid by check, it is important the board implement proper controls to minimize the risk of misappropriation.

Figure 4: Most licensing fees are paid by cash or check



Source: Statewide Financial Management System.

Each year, the board sends license renewal notices to licensees; individual licensees renew in the even-numbered year of a biennium and facilities renew in the odd-numbered year of a biennium. Additionally, the board also receives applications and fees for new individual and facility licenses throughout the biennium. The Office and Licensing Manager is responsible for opening licensing related mail, reviewing new and renewal license applications, recording payments on licensee accounts in the subsystem, and preparing the bank deposit.

Death filing fee billings are prepared by the board's subsystem contractor the first week of each month. These billings are based on a download of finalized death records from the Oregon Health Authority Public Health Division. Billings are sent to each facility through email and the board is copied. If a facility's email address is not current, the IDP Fund specialist is responsible for ensuring the billing is provided to the facility through alternate means. The IDP Fund specialist is responsible for opening death filing fee related mail, recording payments on facility accounts in the subsystem, and preparing the bank deposit.

Based on discussions with the Office and Licensing Manager and the IDP Fund specialist and a review of their documented procedures, we noted the following deficiencies in the design of their procedures:

- Mail containing fee payments is not opened in dual custody, meaning only one person is present when opened;
- The same individual that opens the mail enters the payment in the subsystem and prepares the bank deposit; and
- There are no monitoring activities to ensure that all checks received are deposited.

These deficiencies provide opportunities for an individual to misappropriate a check and alter the subsystem to make it appear as though the licensing or death filing fees are paid in full. We have reasonable assurance that licensing and death filing fee revenues have not been misappropriated for the period of July 1, 2017, through March 30, 2020, based on an analysis where we paired information from individual and facility licensing records and the Health Authority's Public Health Division.

Further, when there is a downturn in the economy, revenue fluctuations and expenditure reductions are possible, resulting in additional financial pressures. Not addressing these deficiencies increases the risk that misappropriation could occur and not be timely detected.

IDP Fund revenues are not tracked to ensure compliance with state law

The IDP Fund provides an opportunity for death care facilities to seek reimbursement from the board, for an amount not to exceed \$500 per deceased individual, for costs associated with providing services to families who are unable to afford it. Facilities are required to fill out an application for reimbursement, which summarizes the actions taken by the facility to ensure the deceased was an indigent person as defined in statute, document adherence to program rules, and provide an itemized invoice of the cost of services.

Per statute, 30% of death filing fees are to be used for the IDP Fund; this includes year-over-year reserves. However, the board has not established a mechanism to track program activity to ensure this statutory requirement is being met.

We analyzed program activity from January 1, 2016, through March 30, 2020 and found that the board has sufficient cash reserves to account for IDP Fund reserves. However, not tracking IDP Fund activity could result in revenues being used to supplement operations out of compliance with statute, increasing the risk of those funds being unavailable for their intended purpose.

The board could strengthen financial controls to ensure travel expenditures are in accordance with state policies

Board management is responsible for establishing controls to ensure all expenditures, including those incurred for travel, adhere to state law and policies related to purchasing goods and services. Established controls should ensure expenditures are for authorized purposes and are a responsible and appropriate use of state funds. Careful review of an expenditure includes asking appropriate questions, such as:

- Does this expenditure comply with statute and policy?
- Is this expenditure a responsible and appropriate use of funds?
- Will this expenditure pass the "public perception" test?

The goal of these policies is to ensure accountability and adequate documentation for purchases is maintained.

Travel reimbursement expenditures and SPOTS expenditures did not adhere to state policy

The Oregon Accounting Manual, administered by the Department of Administrative Services, has established a statewide travel policy to provide guidance that ensures travel expenditures result in the best value for the state. Reimbursable travel costs include transportation, lodging, meals, and miscellaneous costs.⁷

⁷ Miscellaneous costs include expenses such as baggage fees or hotel phone charges for business-related calls.

We reviewed 16 travel reimbursement claims totaling \$9,063 that included a cross section of governing board members and board staff. During our review, we found the following:

- Five reimbursements where personal vehicle mileage was paid at an inaccurate rate, resulting in \$1,619 over-reimbursed;
- One reimbursement where meal per diem was paid, despite meals being included as part of event agendas, resulting in \$171 over-reimbursed;
- One reimbursement where meal per diem was paid when the board member was not on travel status, resulting in \$17 over-reimbursed;
- One reimbursement where a board staff was reimbursed for expenses for a personal day of travel included in their trip, resulting in \$59 over-reimbursed; and
- Two reimbursements where we were unable to verify meal per diem was accurately calculated due to unavailability of documentation.

Board staff generally use SPOTS cards to pay for training registrations, car rentals for travel, office supplies, and recurring monthly billings for services. All agencies that participate in the SPOTS card program are required to abide by rules and policies to ensure their appropriate use. Examples of noncompliance include prohibited purchases,⁸ insufficient documentation, generally in the form of receipts, or failure to use existing state price agreements.

We reviewed 21 monthly SPOTS transactions totaling \$63,777 and identified several areas of noncompliance with the SPOTS rules and policy. Specifically:

- Monthly water service for employees was paid using a SPOTS card, resulting in \$146 of prohibited expenditures;
- Itemized receipts and invoices were not maintained to support all purchases and explanations for missing receipts were not always maintained in accordance with policy; and
- Documentation to support the justification for purchasing items on the open market, as opposed to state purchasing agreements, was not maintained.

According to current board staff, a lack of training on appropriate policies was the primary contributing factor to the improper reimbursements and SPOTS expenditures.

Another likely contributing factor is the turnover among supervisor positions responsible for reviewing and approving these expenditures. Specifically, both the Office and Licensing Manager and Executive Director positions have turned over in the past two years. These positions are responsible for reviewing and approving purchases for general services and supplies, as well as reviewing travel reimbursement requests for adherence to state policy. Both positions participated in SPOTS training between October 2019 and February 2020, however they were not aware of resources available on the Department of Administrative Services website to assist in ensuring the appropriateness of expenditures and documentation.

Implementing strong controls around travel reimbursements and SPOTS expenditures, including training for all board staff on their appropriate use, will help mitigate these risk areas. Documented controls and lines of succession can also ensure lapses do not occur when key positions turn over.

⁸ Prohibited purchases would include any expenditure for personal purposes or identified as an improper use of state funds according to state expenditure policies.

Recommendations

We recommend the Oregon Mortuary and Cemetery Board take the following actions to ensure facility inspections are completed in accordance with state law:

1. Complete updates to the documented inspection process to align with their updated inspection checklists.
2. Complete development of their inspection schedule to ensure facility inspections, including follow-up on identified deficiencies, is completed within prescribed timelines.

We recommend the board take the following actions to ensure adequate controls are established over financial transactions:

3. Review and update revenue cycle procedures to provide for adequate segregation of duties.
4. Review and update cash handling procedures to ensure compliance with statewide policies.
5. Develop and implement procedures to demonstrate the Indigent Disposition Program funds are being used in accordance with state law.
6. Provide training for board staff preparing and reviewing travel reimbursements to ensure adherence to statewide policies.
7. Provide training for board staff responsible for purchasing and authorizing purchases to ensure sufficient supporting documentation and adherence to statewide policies is maintained. Additionally, document internal policies and procedures for succession purposes to prevent lapses in compliance with statewide policies and procedures.

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Oregon Mortuary and Cemetery Board is fulfilling its mission to protect public health, safety, and welfare through performing required facility inspections and whether the board is ensuring reliable financial reporting.

Scope

The audit focused on active facilities and their most recent inspection dates and identified deficiencies related to the facility inspections objective. The audit focused on license and death filing fees and travel and SPOTS expenditures for the period of July 1, 2018, through March 30, 2020, as well as on IDP Fund revenues and expenditures for the period of January 1, 2016, to March 30, 2020, to address the reliable financial reporting objective.

Methodology

To address our objective, we interviewed each board staff member regarding their respective roles and responsibilities, as well as the governing board President and Vice President.

We reviewed Oregon Revised Statutes, Oregon Administrative Rules, and Federal Trade Commission laws that relate to the board. We also reviewed board procedures and checklists, position descriptions, legislative testimonies, and budget documents.

We reviewed summary-level financial information related to licensing fees, death filing fees, and IDP Fund expenditures. We reviewed detailed travel reimbursement and SPOTS card transactions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of the Oregon Mortuary and Cemetery Board during the course of this audit.



December 17, 2020

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97310

Dear Mr. Memmott:

This letter provides a written response to the Audits Division's final draft audit report titled: ***Oregon Mortuary and Cemetery Board: The Board Should Ensure Facility Inspections Be Performed and Strengthen Controls over Financial Processes.***

Since we are a fairly new staff, the recommendations intended to ensure facility inspections are completed in accordance with state law and to establish adequate controls over financial transactions are extremely valuable and will be implemented as soon as we are able.

Additionally, we appreciate the collaboration with the Secretary of State, Audits Division team that occurred throughout the auditing process.

Below is our detailed response to each recommendation in the audit.

RECOMMENDATION 1 Complete updates to the documented inspection process to align with their updated inspection checklists.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	March 17, 2021	Pete Burns (971) 673-1503

Narrative for Recommendation 1

When this audit began, OMCB staff was in the process of finalizing revisions and updates to all of the facility inspection checklists. Specifically, the checklist items were aligned to directly correspond with current applicable statutes and/or rules. Also, OMCB staff continued to revise the inspection processes to be more consistent with the updated facility inspection checklists. These updated processes have required further revision in order to adapt to office and travel restrictions as a result the COVID-19



pandemic. Therefore, OMCB staff has properly developed and implemented a number changes to address this recommendation. By updating all of the facility inspection checklists, we have eliminated requests for information and documentation that is irrelevant and not within our jurisdiction. While a majority of these changes have already been implemented, we are still working to finalize the documentation of written protocol and standard operating procedures. We anticipate having everything completed by the specified target date listed above.

RECOMMENDATION 2		
Complete development of their inspection schedule to ensure facility inspections, including follow-up on identified deficiencies, is completed within prescribed timelines.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	September 1, 2021	Pete Burns (971) 673-1503

Narrative for Recommendation 2

Our agency is statutorily-mandated to inspect the premises and records of all licensed facilities at least once every two years. Past inspections were essentially split into two parts: the physical inspection and the review of documents. This created a long, drawn-out inspection process that could sometimes last months. We re-designed each inspection to include both the physical and the documents review simultaneously, which includes having inspectors gather and review most of the documents onsite. This has reduced the number of documents needed to be requested at a later date, resulting in the process being more efficient. We have also streamlined communication between inspectors and licensees by relying more on consistent email communication instead of posted mail correspondence. With these adjustments, the average inspection is typically completed within a week or two. In response to work and travel restrictions due to the COVID-19 pandemic, we have established a robust virtual inspection process and are confident that we still can meet our statutory mandate despite ongoing statewide restrictions. Although virtual inspections are currently being implemented as a temporary measure, we are strongly considering the continuation of virtual inspections on a more permanent basis for certain types of licensing action inspections when appropriate. We are also in the process of improving the flow of information during the inspection process between inspectors, the compliance manager, and the licensing manager, with an overall focus on increasing efficiency. Simply stated, a majority of the inspection deficiencies identified during the audit review were in the process of being revised and have continued development during the audit. We are in agreement with this recommendation and are taking proactive steps to address the identified deficiencies. We anticipate having everything completed by the specified target date listed above.

RECOMMENDATION 3		
Review and update revenue cycle procedures to provide for adequate segregation of duties.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	August 1, 2020	Ryan Christopher (971) 673-1507

Narrative for Recommendation 3

All OMCB staff members who are involved with revenue billing, receipting, and recording were hired within six months of the onset of this audit. During that time, we were developing new procedures agency-wide in effort to satisfy the many responsibilities of our previous office/licensing manager who was an employee of this agency for over twenty years. Since a majority of the office/licensing manager's procedures were not documented, we had to realign a number of this position's duties, which included revenue procedures. The audit report identified a number of specific deficiencies in these findings – with a primary focus on mail opening procedures and check deposits. We have already implemented changes in the mail receiving process, which now includes ensuring that mail is opened in dual custody in order to mitigate any risk of misappropriation. OMCB has a limited number of staff and has implemented an adjusted work schedule to limit and minimize staff office contact during the COVID-19 pandemic, in accordance with the Governor's direction. While the limiting of staff mandate is in effect, we will need to develop temporary protocols for dual custody of the mail as well as the proper depositing of checks – we are currently working on establishing procedures to segregate duties with limited staff in the office. We have addressed the other identified deficiencies associated with this recommendation.

RECOMMENDATION 4		
Review and update cash handling procedures to ensure compliance with statewide policies.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	August 1, 2020	Ryan Christopher (971) 673-1507



Narrative for Recommendation 4

Similar to our response to Recommendation 3, we have taken steps to implement changes with the check receiving and depositing process to include dual custody and two-person integrity. Further, we are in the process of transferring all licensing management to a new online database. This system includes online payments, where licensees can directly pay invoices. This was in place during the audit for individual licensees, although the technological issues were still challenging. Thankfully, most of these issues have been resolved. Additionally, the same online payment option is now available for facility licensees during the current license renewal period. The online payment system will increase the volume, security and efficiency and eliminate a significant amount of checks received by our office. Through this online system, payments are automatically transferred to our account managed by DAS Shared Financial Services (SFS). As we continue to develop agency protocols focused on handling payments received by our office, we are ensuring that they are consistent with statewide policies. While the limiting of staff mandate is in effect, we will need to develop temporary protocols for dual custody of the mail as well as the proper depositing of checks – we are currently working on establishing procedures to segregate duties with limited staff in the office. We have addressed the other identified deficiencies associated with this recommendation.

RECOMMENDATION 5 Develop and implement procedures to demonstrate the Indigent Disposition Program funds are being used in accordance with state law.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	February 17, 2021	Kate Robertson (971) 673-1504

Narrative for Recommendation 5

Early in 2020, while preparing the Indigent Disposition Program Fund 2019 Year in Review report for a future board meeting, it was determined that there were questions regarding the sustainability of the IDP Fund. These concerns primarily focused on how the funds were being tracked and managed as well as a projection of a consistent annual increase in reimbursement claims. Following this determination, a number of steps were taken to ensure that the IDP Fund was being properly managed. OMCB – in coordination with DAS SFS – implemented a unique filing code and tracking system to accurately differentiate IDP funds from the agency’s general operating account. This will ensure that the IDP funds are properly allocated and used in accordance with state law. Furthermore, in an effort to ensure timely and accurate reimbursement payments from the IDP Fund, OMCB staff has worked with DAS SFS to create a process that works collaboratively with their payment system and also provides an



easily accessible claim tracking system. Uniform budgetary reports that detail allocation will be reviewed monthly by OMCB staff and quarterly by the Board's Secretary/Treasurer.

To address these budgetary issues as well as the increase in IDP Fund claims, OMCB staff coordinated with our agency's Policy Advisor and Legal Counsel. Additionally, at the direction of our Board President, an Advisory Committee was established to review these issues and make appropriate recommendations. The immediate result was an increase and reapportionment of filing fees to keep the IDP Fund sustainable in response to a projected increase of reimbursement claims. The Advisory Committee will continue to make recommendations to ensure the continued sustainability and proper management of the IDP Fund. These developments will continue to impact the management and distribution of the IDP Fund. We anticipate having everything completed by the specified target date listed above.

RECOMMENDATION 6 Provide training for board staff preparing and reviewing travel reimbursements to ensure adherence to statewide policies.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	September 1, 2020	Pete Burns (971) 6743-1503

Narrative for Recommendation 6

During this audit, the proper preparing and reviewing of travel reimbursements was new to most of the OMCB staff and significant staff turnover negatively impacted the appropriate transition of these duties and responsibilities. Further, travel had been a rarity due to a lack of inspectors, which is a majority of the agency's travel reimbursements. During the past year, both inspector positions have been filled, travel recommenced and reimbursements have been processed in coordination with and under advisement from DAS SFS. DAS SFS staff has provide in-person training to multiple OMCB staff and continue to provide outreach and support for processing travel reimbursements in accordance with statewide policies. With the exhaustive support from DAS SFS staff, we have properly addressed this deficiency. We will continue to work with DAS SFS and maintain proper travel reimbursement procedures in accordance with statewide policies.

RECOMMENDATION 7		
Provide training for board staff responsible for purchasing and authorizing purchases to ensure sufficient supporting documentation and adherence to statewide policies is maintained. Additionally, document internal policies and procedures for succession purposes to prevent lapses in compliance with statewide policies and procedures.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	July 1, 2020	Pete Burns (971) 673-1503

Narrative for Recommendation 7

One common thread in all of the identified deficiencies and recommendations is a lack of smooth transition after key staff turnover. The Office/Licensing Manager, who worked for our agency for over twenty years, handled a varied array of duties and responsibilities. Unfortunately, these duties and responsibilities were largely unknown to all new staff since there was very little that was documented. Once that individual retired, the remaining staff did not know how or where things were documented, stored or maintained. New staff has worked diligently to identify and assess the old documenting procedures that were found and have developed new uniform procedures – most importantly, staff has done this collaboratively, so multiple individuals know where these procedures are located and how to complete the specific duties. This will undoubtedly make things easier moving forward and succession in the future. During this period, OMCB staff has been and continues to be trained regarding purchasing and authorizing purchases to ensure that sufficient supporting documentation is available and adherence to statewide policies is maintained. This has largely been accomplished in coordination with DAS SFS, as they have provided direct training and ongoing support in these areas.

If you have any questions regarding anything that has been stated in this response, please contact Pete Burns, our Education & Compliance Program Manager, via phone: (971) 673-1503 or email: Pete.Burns@oregon.gov.

Cordially,



Chad Dresselhaus
Executive Director



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