

January 21-22, 2009 OWEB Board Meeting

Executive Director Update #D5: Measure 66 Audit Update

Background

The Oregon Constitution requires an independent audit be performed of all the agencies receiving and expending Measure 66 funds. Earlier, this year, the Secretary of State Audits Division began the process to conduct an audit for the 2005-2007 biennium, its fourth Measure 66 audit. The Audits Division conducted their field work this past spring for fiscal compliance of the use of Measure 66 funds during this time period for expenditures at OWEB and the Departments of Agriculture (ODA), Environmental Quality (DEQ), Fish and Wildlife (ODFW), and the State Police Fish and Wildlife Division.

Preliminary Audit Findings

This summer, we received the preliminary findings of the Audits Division for OWEB and the other state agencies. With respect to OWEB, the preliminary findings conclude that the agency expended Measure 66 funds in compliance with the Constitution, and classified and recorded expenditures appropriately. This is good news for the agency, and a testament to the excellent efforts of OWEB staff in properly managing Measure 66 funded expenditures.

In a July 2008 letter, the Audits Division notified OWEB that its preliminary findings noted exceptions with two agencies (ODA and ODFW) involving Measure 66 capital expenditures that lacked clear documentation to link costs to specific capital projects. The letter recommended that OWEB work with those agencies to make sure appropriate corrective measures are taken.

OWEB has a significant interest in the appropriate expenditure of Measure 66 funds. OWEB enters into interagency agreements with all state agencies that receive legislatively appropriated Measure 66 funds. These agreements include a statement of work and reporting requirements.

Subsequent to receiving the Audits Division letter, OWEB staff contacted ODA and ODFW at the agency head and staff level to initiate discussions to better understand the issues and explore options for resolving them. We have met twice with each agency and are confident each agency is taking the appropriate steps to resolve the Audits Division findings for future audits.

We have also met with the Audits Division to discuss an identified 0.5 percent imbalance of Measure 66 funds in the overall expenditure of capital (65 percent) and non-capital (35 percent) funds. The expenditure imbalance accounts for funds expended since 1999. By 2014, at least 65 percent of Measure 66 funds must be for capital projects in order to meet constitutional requirements. There is sufficient time over the coming biennium to address the imbalance. OWEB staff will work with the Audits Division, the Governor's Office, and Legislature to ensure this issue is resolved.

Final Audit Report

The final report of the Audits Division was published on December 29, 2008. A summary from the report is attached. Copies of the full report will be provided to Board members at the upcoming meeting.

Staff Contact

Contact Tom Byler at tom.byler@state.or.us or 503-986-0180, or Cindy Silbernagel at cindy.silbernagel@state.or.us or 503-986-0188, with questions about the audit.