

Review

Secretary of State Audit

Higher Education Coordinating Commission Procurement Practices (Report 2017-28)

Secretary of State Audit Plan Item

Title of Audit:

Higher Education Coordinating Commission (HECC) Needs to Address Weaknesses in Procurement Practices

Recommendation:

Acknowledge receipt of the report and consider findings and agency responses during the 2019 session, including ensuring that agency practices comply with laws, rules, and policies.

Overview:

Scope and Purpose of Audit – The Secretary of State’s Audits Division identified the primary purpose of the audit was to review procurement practices at HECC and identify opportunities to improve current practices.

Audit Recommendations – The audit identified recommendations to help HECC improve agency procurement practices. The audit did find that many of the agency’s procurement practices were not compliant with state laws and rules, and the audit recommendations included steps for the agency to take to ensure compliance in the future. Recommendations were:

- Address the existing backlog in procurement contracts and agreements.
- Institute a governance structure to define roles and responsibilities and ensure compliance with laws and rules.
- Align with state practices and develop appropriate policies and procedures and disseminate this information.
- Develop and provide training on procurement to staff and assess and adjust procurement resources as needed on an ongoing basis.

For a full listing and discussion of the audit findings and recommendations, go to sos.oregon.gov/audits/Documents/2017-28.pdf

Agency Response – The agency agreed with the audit recommendations, and indicates that work to address the recommendations has either been completed or will be within the next few months. The agency response notes that the agency was aware of some of the weaknesses and has found procurement to be a challenge. Additional staff for procurement and internal audit have been requested but not approved to date. Resources within the agency’s existing budget has been redirected to the procurement unit to address some of the issues outlined in the audit. The agency also notes that the backlog of 53 contracts and agreements that existed at the time the audit was conducted has been reduced to five. The agency response letter to the Secretary of State is included in the audit and provides further detail on the agency’s position regarding some of the audit findings and detail.

Analysis:

The audit notes that HECC, with its current responsibilities, is a young agency and is the result of a merger of several functions and agencies. Such mergers are often administratively complex and result in many changes to such functions, including financial reporting and auditing requirements. That was the case with HECC. Merged agencies must continue to meet program and service delivery expectations while ensuring administrative duties and requirements are appropriately completed. It is rare that additional funds and/or staff are provided to agencies during a merger, although it is understood that there is a significant, albeit temporary, increase in workload to establish systems and processes for the “new” agency. The audit did identify areas of non-compliance with state procurement requirements; the agency does not dispute the finding of non-compliance and has already taken steps to ensure compliance going forward.

The agency notes that budget requests have been made to add staff for procurement and internal audits; however, those requests were unsuccessful. Instead, the agency has identified staff resources within the 2017-19 legislatively adopted budget to address the audit findings. These resources include the reallocation of two permanent staff positions to be dedicated to procurement. The agency notes that at least one of the positions, an information technology position that was not yet filled, may be needed in the future. When fully implemented, the agency expects a level of professionalism and efficiency in procurement that did not exist in its predecessor agencies.

As noted above, some of the audit issues and the work to be done to address the issues were discussed and acknowledged during 2017 legislative budget hearings, and, in fact, the agency had already begun taking action to address procurement issues. The agency notes that some of the recommendations and agency actions may require additional funding beyond what was included in the 2017 legislatively adopted budget to be fully implemented, including restoration of the reallocated positions. All such changes should be part of future legislative budget discussions.

Recommendation:

The Legislative Fiscal Office (LFO) recommends acknowledging receipt of the audit report. LFO expects the agency to complete the changes outlined in their agency response to the audit and to provide notification to JLAC and the Department of Administrative Services when the work is completed.

LFO also recommends that DAS consider establishing a process or tools to assist agencies during major organizational changes, such as the merger of agencies into HECC. In addition, DAS, as the statewide central administrative body, should follow up with agencies during such major changes to ensure that the agency practices are compliant with statewide laws and practices. Information from this audit and from discussions with HECC on lessons learned during the agency merger process could be helpful to DAS in developing a process or tools.

LFO notes that discussions regarding the need for additional funding or other changes or enhancements to the agency’s procurement program should continue to be part of the regular budget discussions and hearings for the agency. If the agency cannot complete the work outlined in their response to the audit within the current budget authority, specific audit recommendations and agency responses may be taken into consideration during the 2019 session when they can be evaluated in the context of all agency programs and services. Ultimately, decisions on program and service levels for state programs, as well as funding, continue to need to be made within the context of total available statewide resources and priorities.